

CAPITAL ONE FINANCIAL CORP
Form 11-K
June 28, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2005.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED).

For the transition period from _____ to _____

Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION
ASSOCIATE SAVINGS PLAN

CAPITAL ONE FINANCIAL CORPORATION

1680 Capital One Drive

McLean, Virginia 22102

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Financial Statements and Exhibits

(a) Financial Statements

The Capital One Financial Corporation Associate Savings Plan (the Plan) became effective as of January 1, 1995. Filed as a part of this report on Form 11-K are the audited financial statements of the Plan as of and for the years ended December 31, 2005 and 2004.

(b) Exhibits

Exhibit 23 Consent of Independent Registered Public Accounting Firm

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

ASSOCIATE SAVINGS PLAN

(Name of Plan)

By: /s/ GARY L. PERLIN

Name: Gary L. Perlin
on behalf of the Benefits Committee,

as Plan Administrator

Dated: June 28, 2006

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Years Ended December 31, 2005 and 2004

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Financial Statements

and Supplemental Schedule

Years Ended December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

Benefits Committee

Capital One Financial Corporation

We have audited the accompanying statements of net assets available for benefits of Capital One Financial Corporation Associate Savings Plan as of December 31, 2005 and 2004 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the accompanying statement of net assets available for benefits as of December 31, 2004 and the related statement of changes in net assets available for benefits for the year ended December 31, 2004 have been restated to properly reflect employer contributions receivables.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

McLean, VA

June 23, 2006

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Capital One Financial Corporation Associate Savings Plan

Statements of Net Assets Available for Benefits

	December 31	
	2005	2004 (Restated)
Assets		
Investments, at fair value:		
Units of Capital One Pooled Company Stock Fund	\$ 165,249,779	\$ 169,590,680
Units of American Express Trust Money Market Fund II		80,284,719
Shares of registered investment companies	604,354,894	441,767,394
Participant notes receivable	19,199,663	21,320,252
Total investments	788,804,336	712,963,045
Receivables:		
Employer s contributions	20,688,844	22,875,271
Participants contributions	1,384,006	1,466,151
Accrued income		116,482
Total receivables	22,072,850	24,457,904
Cash and cash equivalents		4,922
Total assets	810,877,186	737,425,871
Liabilities		
Administrative expense payable	67,485	49,200
Net assets available for benefits	\$ 810,809,701	\$ 737,376,671

See accompanying Notes to the Financial Statements.

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Capital One Financial Corporation Associate Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31	
	2005	2004 (Restated)
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of:		
Units of Capital One Pooled Company Stock Fund	\$ 5,676,483	\$ 51,875,394
Units of American Express Trust Money Market Fund II		1
Registered Investment companies	24,649,498	36,277,411
Interest	856,602	848,384
Dividends	13,034,392	5,433,474
	44,216,975	94,434,664
Contributions:		
Employer s	58,828,365	65,354,264
Participants	55,081,442	57,002,280
	113,909,807	122,356,544
Total additions	158,126,782	216,791,208
Deductions from net assets attributed to:		
Benefits paid to participants	84,546,365	56,901,916
Administrative expenses	147,387	122,510
Total deductions	84,693,752	57,024,426
Net increase	73,433,030	159,766,782
Net assets available for benefits:		
Beginning of year (Restated)	737,376,671	577,609,889
End of year	\$ 810,809,701	\$ 737,376,671

See accompanying Notes to the Financial Statements.

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Capital One Financial Corporation Associate Savings Plan

Notes to Financial Statements

Note 1 Description of Plan

Effective January 1, 1995, Capital One Financial Corporation (the Corporation) established and adopted the Capital One Financial Corporation Associate Savings Plan (the Plan) for the benefit of its eligible associates. Ameriprise Trust Company, formerly American Express Trust Company, (the Trustee) serves as the administrator and trustee for the Plan and its assets.

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all associates of the Corporation and provides for pension, disability, death and termination benefits. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each year, participants may contribute 1% to 15% of eligible pre-tax compensation and/or 1% to 9% of eligible after-tax compensation. Total pre-tax and after-tax contributions cannot exceed 15% of eligible compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified plans (rollover contributions). The Corporation contributes 50% of the first 6% of the participant's eligible compensation that a participant contributes to the Plan on a pre-tax basis. The Corporation also contributes a 3% safe harbor contribution on eligible compensation, regardless of participation in the Plan. At the option of the Corporation's Board of Directors, the Corporation contributes additional amounts equal to 3% of the participants' eligible base salary compensation for those participants actively employed with the Company as of December 31 and having made pre-tax contributions to the Plan at any time during the Plan year.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of the Corporation's contributions and Plan earnings. Allocations of employer contributions are based on participant contributions or compensation and allocations of Plan earnings are based upon the number of units of the Plan in each participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

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Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Corporation's matching contribution portion of their accounts plus actual earnings thereon is based on years of continuous service. A participant is 100% vested after two years of service. Non-matching contributions from the Corporation vest immediately.

Forfeited Accounts

As of December 31, 2005 and 2004 forfeited nonvested accounts totaled \$141,363 and \$944,168 respectively. Excess forfeitures, if any, after payment of administrative expenses are used to reduce the Corporation's future contributions. During 2005 and 2004, \$973,697 and \$1,340,244 of excess forfeitures were used to reduce the Corporation's contributions and administrative fees, respectively.

Investment Options

Upon enrollment in the Plan, participants direct the investments of their and the Corporation's contributions into any of the Ten investment options described below. Participants may change their investment options at any time. Investment options are described below.

Capital One Pooled Company Stock - Monies are invested by the Trustee in a unitized trust fund which invests in shares of the Corporation's common stock. The Trustee shall also be permitted to invest in short-term temporary investments, including pooled funds which bear interest at market rates.

STI Classic Small Cap - Monies are primarily invested in the common stock of small-sized U.S. companies.

AIM Constellation Fund - Monies are primarily invested in the common stock of large-sized companies that are likely to benefit from new or innovative products.

Hotchkis and Wiley Large Cap Value Fund - Monies are primarily invested in the common stock of large-sized U.S. companies.

RiverSource Trust Equity Index Fund I - Monies are primarily invested in the common stocks of the S&P 500 Index companies.

Harbor Small Cap Value Fund - Monies are primarily invested in the common and preferred stocks of the Russell 2000 Index.

Templeton Foreign Fund - Monies are primarily invested in the common stock of companies outside the U.S.

Dodge & Cox Balanced Fund - Monies are invested in a diversified portfolio of common stocks, preferred stocks and fixed income securities.

PIMCO Total Return Fund - Monies are invested in fixed income securities.

INVESCO Stable Value Fund - Monies are invested in investment contracts issued by insurance companies and banks.

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Cash and Cash Equivalents

Cash and cash equivalents represent contributions received from plan participants not yet invested in participant-designated investment funds by the Trustee. Cash balances are the result of timing differences between contribution date and trade date.

Participant Notes Receivable

Participants may elect to borrow from their fund accounts a minimum of \$1,000; up to a maximum of the lesser of \$50,000, or 50% of their vested account balance. Loan transactions are treated as a transfer from (to) the investment fund to (from) the loan fund. Loan terms range from 1 to 5 years or up to 10 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Benefits Committee. Principal and interest are paid ratably through monthly payroll deductions.

Payment of Benefits

On termination of service, a participant may elect to receive an amount equal to the vested value of his or her account through a lump-sum distribution. If the participant has invested in the Capital One Pooled Company Stock fund, he or she may elect to receive distributions of whole shares of common stock with fractional shares paid in cash.

Administrative Expenses

Accounting fees and administrative expenses of the Plan are paid by the Corporation.

Note 2 Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting. Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Valuation and Income Recognition

The Plan's investments are stated at fair value. Units in the Capital One Pooled Company Stock are valued based upon the stock price at the last reported sales price on the last business day of the plan year. The shares of registered investment companies are primarily valued at quoted market prices, which represent the net asset values of shares held by the Plan as of year-end. The Plan's investment in Invesco Stable Value Fund, a common/collective trust, has underlying investments in guaranteed investment contracts (GICs) and synthetic GICs, as well as cash equivalents, and is valued at fair value as determined by Invesco. Money market funds and participant notes receivable are valued at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from security transactions are reported on a first-in, first-out basis.

Table of Contents**Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Note 3 Restatement of 2004 Financial Statements

In connection with the issuance of the 2005 financial statements the statement of net assets available for benefits as of December 31, 2004 and the related statement of changes in net assets available for benefits for the year ended December 31, 2004 were restated to reflect the accrual of certain employer performance contributions that were paid in March 2005 and March 2004, but related to the 2004 and 2003 plan years, respectively. The table below depicts the impact of the restatement of the 2004 results on various financial statement categories:

	Original		2004
	2004	Change	(Restated)
Statement of Net Assets Available for Benefits			
Employer's contributions receivable	\$ 5,904,097	\$ 16,971,174	\$ 22,875,271
Total receivables	7,486,730	16,971,174	24,457,904
Total assets	720,454,697	16,971,174	737,425,871
Net assets available for benefits	720,405,497	16,971,174	737,376,671
Statement of Changes in Net Assets Available for Benefits			
Employer's contributions	\$ 64,650,362	\$ 703,902	\$ 65,354,264
Total additions	216,087,306	703,902	216,791,208
Net increase	159,062,880	703,902	159,766,782
Beginning of year net assets available for benefits	561,342,617	16,267,272	577,609,889

Table of Contents**Note 4 Investments**

The Plan's investments are held in a trust fund administered by the Trustee. The fair values of the following individual investments represented 5% or more of the Plan's net assets as of December 31, 2005 and 2004:

	December 31	
	2005	2004
Capital One Pooled Company Stock Fund	\$ 165,249,779	\$ 169,590,680
RiverSource Trust Equity Index Fund I	159,064,845	
Invesco Stable Value Fund	97,363,302	
Hotchkis and Wiley Large Cap Value Fund	89,154,745	
Templeton Foreign Fund	66,268,183	50,363,348
AIM Constellation Fund	57,916,840	55,052,202
Dodge & Cox Balanced Fund	57,166,188	40,284,705
Harbor Small Cap Value Fund	39,898,305	
American Express Trust Money Market Fund II		80,284,719
American Express Trust Equity Index Fund I		155,323,296
Davis New York Venture (A)		74,422,104

Note 5 Plan Termination

Although it has not expressed any intent to do so, the Corporation has the right to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Note 6 Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated January 12, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

Note 7 Transactions with Parties-in-Interest

The Plan had invested \$ 165,249,779 and \$169,590,680, at fair value, in the Capital One Pooled Company Stock Fund as of December 31, 2005 and 2004, respectively. In addition during 2004, certain Plan investments included shares of mutual funds managed by the Trustee. Such investments had a fair market value at December 31, 2004 of \$257,172,080. Transactions involving these investments are considered to be party-in-interest transactions for which a statutory exception exists, respectively.

Note 8 Subsequent Event

Effective January 1, 2006 all employees of Onyx Acceptance Corporation (a specialty auto loan originator which was acquired by the Corporation during the first quarter of 2005) who were eligible participants of the Onyx Acceptance Corporation 401(k) Plan (the "Onyx Plan") became eligible participants in the Plan. Additionally, effective January 15, 2006 the Plan accepted the transfer of all assets and liabilities attributable to participants of the Onyx Plan. Net Assets of \$17,018,828 were transferred from the Onyx Plan.

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Supplemental Schedule

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Capital One Financial Corporation Associate Savings Plan

Employer Identification Number 54-1719854; Plan Number 002

Schedule H - Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2005

Identity of issue, borrower, lessor, or similar party.	Description of investment, including maturity date, rate of interest, collateral, par or maturity value.	
	Shares/Rate	Current value
Capital One Pooled Company Stock Fund*	1,587,749	165,249,779
Registered Investment Companies:		
RiverSource Trust Equity Index Fund I	4,073,364	159,064,845
Invesco Stable Value Fund	9,525,810	97,363,302
Hotchkis and Wiley Large Cap Value Fund	3,808,404	89,154,745
Templeton Foreign Fund	5,226,197	66,268,183
AIM Constellation Fund	2,338,185	57,916,840
Dodge & Cox Balanced Fund	702,805	57,166,188
Harbor Small Cap Value Fund	2,012,017	39,898,305
STI Classic Small Cap Growth Stock Fund	1,020,652	21,403,079
PIMCO Total Return Fund	1,535,181	16,119,407
		604,354,894
Participant Notes Receivable*	4.00% - 10.291%	19,199,663
Total		788,804,336

* Parties-in-interest

Note: Historical Cost is not required to be presented as all investments are participant directed.

ooking fee revenues would decrease. AIRLINES THAT ARE DIVESTING THEIR OWNERSHIP OF GLOBAL DISTRIBUTION SYSTEMS MIGHT LIMIT THEIR PARTICIPATION IN THE COMPANY'S TRAVEL MARKETING AND DISTRIBUTION SERVICES. Rules in the United States, Canada and the European Union govern "computer reservation systems" such as the Company's global distribution system. Airlines that divest their ownership of computer reservation systems (such as American, British Airways, US Airways, and Continental Airlines) may not be subject to the rules in these jurisdictions, which would otherwise require them to participate in the Company's global distribution system in a non-discriminatory manner. The Company could be adversely affected by a decision by one or more large airlines to discontinue or to lower its level of participation in the Company's global distribution system. REGULATORY DEVELOPMENTS COULD LIMIT THE COMPANY'S ABILITY TO COMPETE. The U.S. Department of Transportation is currently engaged in a comprehensive review of its rules

governing computer reservation systems such as the Company's global distribution system. It is unclear at this time when the Department of Transportation will complete its review and what changes, if any, will be made to the U.S. rules. The Company could be unfairly and adversely affected if the U.S. rules are retained as to traditional global distribution systems used by travel agencies but are not applied to Business-to-Consumer travel distribution Web sites owned by more than one airline. The Company could also be adversely affected if changes to the U.S. rules increased its cost of doing business, weakened the non-discriminatory participation rules to allow one or more large airlines to discontinue or to lower its level of participation in the Company's global distribution system, or caused the Company to be subject to rules that do not apply to its travel marketing and distribution competitors. **THE COMPANY MAY LOSE CERTAIN CURRENT PRINCIPAL OUTSOURCING CUSTOMERS.** A principal information technology solutions customer -- US Airways -- might be acquired by another airline. If US Airways were to be acquired, it might reduce the amount of services currently provided by the Company. American is the Company's largest customer for information technology solutions services. In March 2000, American's parent company, AMR, distributed to its shareholders its controlling interest in the Company. Thus, American may now have a greater incentive to negotiate lower prices and better terms in its contracts with the Company, or to award business to competitors of the Company. **24 RAPID TECHNOLOGICAL CHANGES AND NEW DISTRIBUTION CHANNELS MAY RENDER THE COMPANY'S TECHNOLOGY OBSOLETE OR DECREASE THE ATTRACTIVENESS OF ITS SERVICES TO CUSTOMERS.** New distribution channels and technology in the travel marketing and distribution business and the outsourcing and software solutions business are rapidly emerging, such as the Internet, computer on-line services, private networks, cellular telephones and other wireless communications devices. The Company's ability to compete in the travel marketing and distribution business and outsourcing and software solutions business, and the Company's future results, depend in part on its ability to make timely and cost-effective enhancements and additions to its technology and to introduce new products and services that meet customer demands and rapid advancements in technology. Maintaining flexibility to respond to technological and market dynamics may require substantial expenditures and lead-time. There can be no assurance that the Company will successfully identify and develop new products or services in a timely manner, that products, technologies or services developed by others will not render the Company's offerings obsolete or noncompetitive, or that the technologies in which the Company focuses its research and development investments will achieve acceptance in the marketplace. **THE COMPANY'S SYSTEMS MAY SUFFER FAILURES, CAPACITY CONSTRAINTS AND BUSINESS INTERRUPTIONS, WHICH COULD INCREASE THE COMPANY'S OPERATING COSTS AND CAUSE THE COMPANY TO LOSE CUSTOMERS.** The Company's travel marketing and distribution and outsourcing and software solutions businesses are largely dependent on the Company's computer data centers and network systems. The Company relies on several communications service suppliers to provide network access between the Company's computer data center and end-users of the Company's travel marketing and distribution and outsourcing and software solutions services. The Company occasionally experiences system interruptions that make the Company's global distribution system or other data processing services unavailable. Much of the Company's computer and communications hardware is located in a single facility. Our systems might be damaged or interrupted by fire, flood, power loss, telecommunications failure, break-ins, earthquakes and similar events. Computer viruses, physical or electronic break-ins and similar disruptions might cause system interruptions, delays and loss of critical data and could significantly diminish the Company's reputation and brand name and prevent it from providing services. Although the Company believes it has taken adequate steps to address these risks, the Company could be harmed by outages in or unreliability of the data center or network systems. **THE COMPANY'S REVENUES ARE HIGHLY DEPENDENT ON THE TRAVEL AND TRANSPORTATION INDUSTRIES, AND PARTICULARLY ON THE AIRLINES.** Most of the Company's revenue is derived from airlines, hotel operators and car rental companies and other suppliers in the travel and transportation industries. The Company's revenue increases and decreases with the level of travel and transportation activity, and is therefore highly subject to declines in or disruptions to travel and transportation. Factors that may adversely affect travel and transportation activity include price escalation in travel-related industries, airline or other travel-related labor action, political instability and hostilities, bad weather, fuel price escalation, increased occurrence of travel-related accidents, acts of terrorism, and economic downturns and recessions. The travel industry is seasonal, and the Company's revenue varies significantly from quarter to quarter. **THE COMPANY FACES TRADE BARRIERS OUTSIDE OF NORTH AMERICA THAT LIMIT ITS ABILITY TO COMPETE.** Trade barriers erected by non-U.S. travel suppliers - historically often government-owned - have on occasion prevented the Company from

offering its products and services in their markets or have denied the Company content or features that they give to the Company's competitors. Those trade barriers make the Company's products and services less attractive to travel agencies in those countries than other global distribution systems that have such capability and have restricted the ability of the Company to gain market share outside of the U.S. Competition in those countries could require the Company to increase incentives, reduce prices, increase spending on marketing or product development, or otherwise to take actions adverse to the Company.

25 THE COMPANY'S INTERNATIONAL OPERATIONS ARE SUBJECT TO OTHER RISKS. The Company faces risks inherent in international operations, such as risks of currency exchange rate fluctuations, local economic and political conditions, restrictive governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs), changes in legal or regulatory requirements, import or export licensing requirements, limitations on the repatriation of funds, difficulty in obtaining distribution and support, nationalization, different accounting practices and potentially longer payment cycles, seasonal reductions in business activity, higher costs of doing business, consumer protection laws and restrictions on pricing or discounts, lack of or the failure to implement the appropriate infrastructure to support the Company's technology, disruptions of capital and trading markets, laws and policies of the U.S. affecting trade, foreign investment and loans, and tax and other laws. These risks may adversely affect the Company's ability to conduct and grow business internationally.

THE COMPANY MAY NOT SUCCESSFULLY MAKE AND INTEGRATE BUSINESS COMBINATIONS AND STRATEGIC ALLIANCES. The Company plans to continue to enter into business combinations, investments, joint ventures or other strategic alliances with other companies in order to maintain and grow revenue and market presence. Those transactions with other companies create risks such as difficulty in assimilating the operations, technology and personnel of the combined companies; disruption of the Company's ongoing business, including loss of management focus on existing businesses and other market developments; problems retaining key technical and managerial personnel; expenses associated with amortization of goodwill and other purchased intangible assets; additional operating losses and expenses of acquired businesses; impairment of relationships with existing employees, customers and business partners; and fluctuations in value and losses that may arise from equity investments. In addition, the Company may not be able to identify suitable candidates for business combinations and strategic investments or to make such business combinations and strategic investments on acceptable terms.

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

INTEREST RATE RISK At December 31, 2000, the Company's exposure to interest rates relates primarily to its investment portfolio and its borrowings under various credit facilities. At December 31, 1999, the Company's exposure to interest rates related primarily to its investment portfolio. The objectives of the Company's marketable securities are safety of principal, liquidity maintenance, yield maximization and full investment of all available funds. As such, the Company's investment portfolio consists primarily of high credit quality certificates of deposit, bankers' acceptances, commercial paper, mortgage-backed and receivables-backed securities, and corporate and government notes. If short-term interest rates average 10% lower in 2001 than they were during 2000, the Company's interest income from marketable securities would decrease by approximately \$0.5 million. In comparison, at December 31, 1999, the Company estimated that if short-term interest rates averaged 10% lower in 2000 than they were during 1999, the Company's interest income from marketable securities would have decreased by approximately \$0.7 million. These amounts were determined by applying the hypothetical interest rate change to the Company's marketable securities balances as of December 31, 2000 and 1999. In addition, the Company had floating rate borrowings with a principal balance of approximately \$859 million at December 31, 2000. If short-term interest rates average 10% higher in 2001 than they were in 2000, the Company's interest expense would increase by approximately \$3 million. This amount was determined by applying the hypothetical interest rate change to the Company's borrowings balance at December 31, 2000. In comparison, at December 31, 1999, the Company had no interest rate exposure due to the fact that there was no outstanding debt at that date. If the Company's mix of interest rate-sensitive assets and liabilities changes significantly, the Company may enter into derivative transactions to manage its net interest exposure.

FOREIGN CURRENCY RISK The Company has various foreign operations, primarily in North America, South America, Europe, and Asia. As a result of these business activities, the Company is exposed to foreign currency risk. However, these exposures have historically related to a small portion of the Company's overall operations as a substantial majority of the Company's business is transacted in the United States dollar. The Company was a party to certain foreign currency derivative contracts at December 31, 2000. These contracts were not significant to the Company's financial position or results of operations as of or for the year ending December 31, 2000.

No such transactions were outstanding at December 31, 1999. 27 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA Page ----- Report of Ernst & Young LLP, Independent Auditors 29 Consolidated Balance Sheets 30 Consolidated Statements of Income 31 Consolidated Statements of Cash Flows 32 Consolidated Statements of Stockholders' Equity 33 Notes to Consolidated Financial Statements 34 28 REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS The Board of Directors and Stockholders Sabre Holdings Corporation We have audited the accompanying consolidated balance sheets of Sabre Holdings Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed under Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sabre Holdings Corporation and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein. ERNST & YOUNG LLP Dallas, Texas January 15, 2001 29 SABRE HOLDINGS CORPORATION CONSOLIDATED BALANCE SHEETS (in thousands)

	December 31, -----		2000
1999 -----			
ASSETS CURRENT ASSETS	Cash	\$ 7,778	\$ 6,628
	Marketable securities	137,258	604,498
	Accounts receivable, net	448,463	295,254
	Receivable from related party, net	---	29,093
	Prepaid expenses	83,580	22,899
	Deferred income taxes	15,889	18,052
	Total current assets	692,968	976,424
PROPERTY AND EQUIPMENT	Buildings and leasehold improvements	340,473	337,409
	Furniture, fixtures and equipment	49,627	46,485
	Service contract equipment	517,886	546,200
	Computer equipment	527,085	482,334
		1,435,071	1,412,428
	Less accumulated depreciation and amortization	(879,030)	(839,874)
	Total property and equipment	556,041	572,554
	Investments in joint ventures	159,317	156,158
	Goodwill and intangible assets, net	891,497	---
	Other assets, net	350,531	246,075
TOTAL ASSETS	\$ 2,650,354	\$ 1,951,211	=====
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES	Accounts payable	\$ 173,954	\$ 121,091
	Accrued compensation and related benefits	91,196	89,424
	Notes payable	710,000	---
	Other accrued liabilities	291,238	314,598
	Total current liabilities	1,266,388	525,113
	Deferred income taxes	47,703	---
	Pensions and other postretirement benefits	109,889	119,687
	Notes payable	149,000	---
	Other liabilities	46,877	44,366
	Minority interests	239,480	---
	Commitments and contingencies	---	---
STOCKHOLDERS' EQUITY	Preferred stock: \$0.01 par value; 20,000 shares authorized; no shares issued	---	---
	Common stock: Class A: \$0.01 par value; 250,000 shares authorized; 131,632 and 23,995 shares issued, respectively	1,321	240
	Class B: \$0.01 par value; 107,374 shares authorized; 0 and 107,374 shares issued and outstanding, respectively	---	1,074
	Additional paid-in capital	661,098	607,285
	Retained earnings	196,164	727,050
	Less treasury stock at cost; 1,625 and 1,573 shares, respectively	(67,566)	(73,604)
	Total stockholders' equity	791,017	1,262,045
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,650,354	\$ 1,951,211	=====

===== The accompanying notes are an integral part of these financial statements. 30 SABRE HOLDINGS CORPORATION CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share amounts) ----- Year Ended December 31, -----

	2000 1999 1998 -----			REVENUES
Travel Marketing and Distribution	\$ 1,764,610	\$ 1,481,200	\$ 1,324,795	Outsourcing and Software Solutions 852,765
	953,419	981,592	-----	Total revenues 2,617,375 2,434,619 2,306,387
OPERATING EXPENSES	Cost of revenues	Travel Marketing and Distribution	1,135,445	1,001,925
		Outsourcing and	915,805	-----

727,050 (73,604) 1,262,045 Net earnings --- --- --- 144,052 --- 144,052 Exchange of Class B common Stock for Class A common stock 1,074 (1,074) --- --- --- Dividends paid --- --- --- (675,000) --- (675,000) Repurchase of Company stock --- --- --- (34,472) (34,472) Issuance of 720 shares of Class A common stock pursuant to stock option, restricted stock incentive and stock purchase plans 7 --- (24,583) --- 40,510 15,934 Tax benefit from exercise of employee stock options --- --- 3,125 --- --- 3,125 Options issued in connection with business combinations, net of unearned deferred compensation of \$46,855 --- --- 75,271 --- --- 75,271 Other --- --- --- 62 --- 62

----- Balance at December 31, 2000 \$1,321 \$ ---
 \$661,098 \$ 196,164 \$(67,566) \$ 791,017

===== The accompanying notes are an integral part of these financial statements. 33 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

----- 1. GENERAL INFORMATION Sabre Holdings Corporation is a holding company. Its sole direct subsidiary is Sabre Inc., which is the successor to the businesses of The Sabre Group which were previously operated as subsidiaries or divisions of American Airlines, Inc. ("American") or AMR Corporation ("AMR"). The Sabre Group was formed by AMR to capitalize on synergies of combining AMR's information technology businesses under common management. On March 15, 2000, AMR exchanged all of its 107,374,000 shares of the Company's Class B common stock for an equal number of shares of the Company's Class A common stock and distributed all those shares to AMR shareholders as a stock dividend ("the Spin-off"). AMR no longer has any ownership interest in the Company. Unless otherwise indicated, references herein to the "Company" include Sabre Holdings Corporation and its consolidated subsidiaries. The Company is the world leader in the electronic distribution of travel through its SABRE-REGISTERED TRADEMARK- computer reservations system ("the SABRE system"). The Company also engages in business-to-consumer and business-to-business travel services and distribution through its Travelocity.com and GetThere subsidiaries. In addition, the Company is a leading provider of outsourcing and software solutions to the travel and transportation industries. 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF PRESENTATION - The Company consolidates all of its majority-owned subsidiaries and companies over which the Company exercises control through operating or financing agreements. The Company accounts for interests in joint ventures which it does not control using the equity method. The consolidated financial statements include the accounts of the Company after elimination of all significant intercompany balances and transactions. The consolidated financial statements reflect the results of operations, financial condition and cash flows of the Company as a majority-owned subsidiary of AMR through March 15, 2000 and may not be indicative of actual results of operations and financial position of the Company under other ownership. Management believes the consolidated income statements include a reasonable allocation of administrative costs, which are described in Note 6, incurred by AMR on behalf of the Company. Certain reclassifications have been made to the 1999 and 1998 financial statements to conform to the 2000 presentation. STATEMENT OF CASH FLOWS - Marketable securities, without regard to remaining maturity at acquisition, are not considered cash equivalents for purposes of the statement of cash flows. DEPRECIATION AND AMORTIZATION - The Company's depreciation and amortization policies are as follows: Property and Equipment: Buildings 30 years Service contract equipment 3 to 5 years Computer equipment 3 to 5 years Furniture and fixtures 5 to 15 years Leasehold improvements Lesser of lease term or useful life Capitalized software 3 to 7 years Other Assets: Internally developed software 3 to 7 years Intangible assets 3 to 20 years 34 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) -----

Property and equipment are stated at cost less accumulated depreciation and amortization, which is calculated on the straight-line basis. Service contract equipment consists of hardware provided primarily to subscribers of the SABRE system. Depreciation of property and equipment totaled approximately \$208 million, \$226 million and \$224 million in 2000, 1999 and 1998, respectively. Amortization of other assets approximated \$138 million in 2000, \$32 million in 1999 and \$24 million in 1998. Other assets are amortized on the straight-line basis over the periods indicated. Accumulated amortization of other assets approximated \$210 million and \$80 million at December 31, 2000 and 1999, respectively. REVENUE RECOGNITION - The Company provides various travel marketing and distribution services using the SABRE system. As compensation for services provided, fees are collected from airline, car rental, and hotel vendors and other providers of travel-related products and services ("associates") for reservations booked through the SABRE system. The fee per booking charged to associates is dependent upon the level of functionality

within the SABRE system at which the associate participates. Revenue for airline travel reservations is recognized at the time of the booking of the reservation, net of estimated future cancellations. At December 31, 2000 and 1999, the Company had recorded booking fee cancellation reserves of approximately \$21 million and \$20 million, respectively. Revenue for car rental, hotel bookings and other travel providers is recognized at the time the reservation is used by the customer. The Company also enters into service contracts with subscribers (primarily travel agencies) to provide access to the SABRE system, hardware, software, hardware maintenance and other support services. Fees billed on service contracts are recognized as revenue in the month earned. The Company, through its ownership interest in the Travelocity.com partnership, also receives commissions from travel suppliers for air travel, hotel rooms, car rentals, vacation packages and cruises booked through the Travelocity.com Web site and advertising revenues from the delivery of advertising impressions on the Travelocity.com Web site. Commissions from air travel providers are recognized upon confirmation of pending payment of the commission. Commissions from other travel providers are recognized upon receipt. Advertising revenues are recognized in the period that advertising impressions are delivered. The Company receives fees from travel suppliers and corporate customers for transactions booked through GetThere's Web-based travel booking systems and recognizes the associated revenues in the month of the transaction. In addition, GetThere also charges certain up-front fees, such as implementation, franchise, and license fees. The revenues for those fees are deferred and generally recognized over the term of the related contract. Additionally, the Company provides outsourcing and software solutions to companies in the travel industry and other industries worldwide. Revenue from data processing services is recognized in the period earned. Revenue from software license fees for standard software products is recognized when the software is delivered, fees are fixed and determinable, no undelivered elements are essential to the functionality of delivered software and collection is probable. Fees for software maintenance are recognized ratably over the life of the contract. Services on long-term software development and consulting contracts are provided under both a time-and-materials basis and a fixed fee basis. Revenues with respect to time-and-materials contracts are recognized as services are performed. Revenues from services provided under fixed fee contracts are recognized using the percentage of completion method of accounting, based on hours completed in comparison to total hours projected at completion. Losses, if any, on long-term contracts are recognized when the current estimate of total contract costs indicates a loss on a contract is probable. As a result of contractual billing terms, at December 31, 2000 and 1999 the Company had recorded accounts receivable of approximately \$25 million and \$10 million, respectively, that had not been billed to customers and deferred revenues of approximately \$35 million and \$19 million, respectively, related to advance payments from customers. Approximately \$9 million of deferred revenues were noncurrent as of each balance sheet date. ADVERTISING COSTS - Advertising costs are generally expensed as incurred. Internet advertising expenses are recognized based on the terms of individual agreements, but generally over the greater of the ratio of the number of impressions delivered over the total number of contracted impressions, or on a straight-line basis over the term of the contract. Advertising costs expensed in 2000, 1999 and 1998, including amounts paid to American under the terms of the Marketing Cooperation Agreement (see Note 6), totaled approximately \$91 million, \$49 million and \$37 million, respectively. 35 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- INCOME TAXES - The entities comprising the Company have been included in the consolidated federal income tax return of AMR through March 15, 2000. The Company and AMR entered into a tax sharing agreement effective July 1, 1996 (the "Tax Sharing Agreement"), which provides for the allocation of tax liabilities during the tax periods the Company is included in the consolidated federal, state and local income tax returns filed by AMR. The Tax Sharing Agreement generally requires the Company to pay to AMR the amount of federal, state and local income taxes that the Company would have paid had it ceased to be a member of the AMR consolidated tax group. The Company is jointly and severally liable for the federal income tax of AMR and the other companies included in the consolidated return for all periods in which the Company is included in the AMR consolidated group. AMR has agreed, however, to indemnify the Company for any liability for taxes reported or required to be reported on a consolidated return arising from operations of subsidiaries of AMR other than the Company. Except for certain items specified in the Tax Sharing Agreement, AMR generally retains any potential tax benefit carryforwards, and remains obligated to pay all taxes attributable to periods before July 2, 1996. The Tax Sharing Agreement also grants the Company certain limited participation rights in any disputes with tax authorities. As a result of the Spin-off, the Company is no longer consolidated with AMR for tax purposes (see Note 6). Therefore, the Company will separately report and file federal, state, and local income tax returns for the taxable

periods beginning March 16, 2000. The results of operations of consolidated subsidiaries of the Company are included in the Company's federal income tax return, with the exception of Travelocity.com Inc., which files a separate federal income tax return. The Company does include its proportionate share of the results of operations of the Travelocity partnership in its federal income tax return (see Note 4). The provision for deferred income taxes has been computed using the liability method as if the Company and Travelocity.com Inc. were separate taxpayers during all periods presented. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, based on available evidence, the future tax benefits more likely than not will be realized.

SOFTWARE DEVELOPMENT COSTS - All costs incurred in the development of software which is licensed to third parties that have the option to take possession of the software are classified as research and development costs and are expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, such costs are capitalized until the product is ready for service. The Company defines technological feasibility in accordance with Statement of Financial Accounting Standards No. 86, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE TO BE SOLD, LEASED, OR OTHERWISE MARKETED. Technological feasibility is achieved upon completion of all planning, designing, coding and testing activities that are necessary to establish that a product can be produced according to its design specifications. Effective January 1, 1999, the Company adopted the provisions of Statement of Position 98-1, ACCOUNTING FOR COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE. SOP 98-1 requires the capitalization of certain costs incurred during internal-use software development projects. Capitalizable costs consist of (a) certain external direct costs of materials and services incurred in developing or obtaining internal-use computer software, (b) payroll and payroll-related costs for employees who are directly associated with and who devote time to the project and (c) interest costs incurred. Research and development costs incurred during the preliminary project stage or incurred for data conversion activities, and training, maintenance and general and administrative or overhead costs are expensed as incurred. Costs that cannot be separated between maintenance of, and relatively minor upgrades and enhancements are also expensed as incurred. The Company amortizes capitalized development costs using the straight-line method over the estimated economic life of the software. At December 31, 2000 and 1999, unamortized software development costs approximated \$33 million and \$24 million, respectively. 36 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- Research and development costs incurred in software development approximated \$59 million, \$48 million and \$39 million for 2000, 1999 and 1998, respectively.

CONCENTRATION OF CREDIT RISK - The Company's customers are primarily located in the United States, Europe, Canada, Asia and Latin America, and are concentrated in the travel industry. Approximately 23%, 24% and 25% of revenues in 2000, 1999 and 1998, respectively, were related to American and other subsidiaries of AMR. Approximately 12%, 13% and 16% of revenues in 2000, 1999 and 1998, respectively, were related to US Airways, Inc. ("US Airways"). Each of the Company's segments recognizes revenues from transactions with American and US Airways. The Company generally does not require security or collateral from its customers as a condition of sale. The Company maintained an allowance for losses of approximately \$21 million and \$12 million at December 31, 2000 and 1999, respectively, based upon the amount of accounts receivable expected to prove uncollectible.

USE OF ESTIMATES - The preparation of these financial statements in conformity with generally accepted accounting principles requires that certain amounts be recorded based on estimates and assumptions made by management.

Actual results could differ from these estimates and assumptions. **CUSTOMER INCENTIVES** - Certain service contracts with significant subscribers contain booking fee productivity clauses and other provisions which allow subscribers to receive cash payments, and/or various amounts of additional equipment and other services from the Company at no cost. The Company establishes liabilities for these commitments and recognizes the related expense as the subscribers earn incentives based on the applicable contractual terms. Accrued incentives at December 31, 2000 and 1999 were approximately \$80 million and \$70 million, respectively. Periodically, the Company makes cash payments to subscribers at inception or modification of a service contract which are deferred and amortized over the expected life of the service contract, generally three years. The service contracts are priced so that the additional airline and other booking fees generated over the life of the contract will exceed the cost of the incentives provided.

STOCK AWARDS AND OPTIONS - The Company accounts for stock awards and options (including awards of

AMR stock and stock options granted to employees prior to July 2, 1996) in accordance with Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES ("APB 25"). No compensation expense is recognized for stock option grants if the exercise price is at or above the fair market value of the underlying stock on the date of grant. Compensation expense relating to other stock awards is recognized over the period during which the employee renders service to the Company necessary to earn the award. In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, ACCOUNTING FOR CERTAIN TRANSACTIONS INVOLVING STOCK COMPENSATION ("FIN 44"), an interpretation of APB 25. FIN 44, which was adopted by the Company prospectively as of July 1, 2000, requires certain changes to previous practice regarding accounting for certain stock compensation arrangements. FIN 44 does not change APB 25's intrinsic value method, under which compensation expense is generally not recognized for grants of stock options to employees with an exercise price equal to the market price of the stock at the date of grant, but it has narrowed its application. The primary effect of the adoption of FIN 44 was the requirement to record deferred compensation of approximately \$22 million related to unvested employee stock options issued in connection with the acquisition of GetThere (see Note 4).

COMPREHENSIVE INCOME - Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the years ended December 31, 2000, 1999 and 1998, the differences between net earnings and total comprehensive income were not significant and consisted primarily of unrealized gains and losses on marketable securities. **FINANCIAL**

INSTRUMENTS - The carrying value of the Company's financial instruments (excluding the depository certificates discussed below), including cash, marketable securities, accounts receivable, and short and long-term debt instruments approximate their respective fair values at December 31, 2000 and 1999. **37 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

----- At December 31, 2000, American held 2.3 million depository certificates representing beneficial ownership of common stock of Equant N.V. ("Equant"), a telecommunications company affiliated with Societe Internationale de Telecommunications Aeronautiques ("SITA"), for the economic benefit of the Company. The depository certificates are issued by the SITA Foundation, which holds the underlying Equant shares. Based upon the market value of Equant's publicly-traded common stock, the estimated value of the depository certificates held on behalf of the Company by American was approximately \$60 million and \$258 million at December 31, 2000 and 1999, respectively. In November 2000, an agreement was announced in which the SITA Foundation will exchange approximately 68 million Equant shares for France Telecom shares. The SITA Foundation will receive one France Telecom share for every 2.2 Equant shares. The agreement is conditional upon certain regulatory approvals from the European Union and the United States authorities. It is also subject to certain customary termination provisions. Completion is expected to take place in the first half of 2001. Based upon the terms of the SITA Foundation exchange agreement with France Telecom, the depository certificates have an estimated value of approximately \$90 million at December 31, 2000. The Company's carrying value of these certificates was nominal at December 31, 2000 and 1999 as certain restrictions limit the Company's ability to freely dispose of the certificates. Any future disposal of such depository certificates or shares of France Telecom received in exchange for the depository certificates, may result in additional gains to the Company. **TREASURY STOCK** - The Company accounts for the purchase of treasury stock at cost. Upon reissuance of shares of treasury stock, the Company records any difference between the weighted-average cost of such shares and any proceeds received as an adjustment to additional paid-in capital. **RECENT ACCOUNTING PRONOUNCEMENT** - The Company has adopted Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES ("FAS 133") effective January 1, 2001. FAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. At December 31, 2000, the Company was a party to certain derivative instruments, including foreign currency forwards designated as a hedge related to anticipated foreign currency expenditures, an interest rate/foreign currency swap contract entered into in connection with Euro denominated debt related to the Gradient acquisition (see Note 4) and warrants received from Hotel Reservations Network in connection with an affiliation agreement. These instruments were not significant to the

Company's financial position or results of operations as of or for the year ending December 31, 2000. The Company currently estimates that it will report a gain of approximately \$7 million, before minority interest, related to the adoption of FAS 133 in the first quarter of 2001. The estimated gain is based upon the fair value of the derivatives and any actual gains or losses realized by the Company will be dependent upon future events.

3. MARKETABLE SECURITIES Marketable securities consist of (in thousands):

	December 31, 2000	1999
Corporate notes	\$ 380,857	
Overnight investment and time deposits	99,961	149,072
Mortgages	17	23,081
Asset-backed securities	26,556	
U.S. Government treasuries	37,280	24,932
Total	\$137,258	\$604,498

38 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) The following table summarizes marketable securities by contractual maturity (in thousands):

	December 31, 2000	1999
Due in one year or less	\$ 99,961	\$268,873
Due after one year through three years	17	297,472
Due after three years	37,280	38,153
Total	\$137,258	\$604,498

Marketable securities, all of which are classified as available-for-sale, are stated at fair value based on market quotes. Net unrealized gains and losses, net of deferred taxes, have not been significant and are reflected as an adjustment to stockholders' equity.

4. MERGERS AND ACQUISITIONS During 2000, the Company completed the following mergers and acquisitions. Each of these transactions was accounted for using the purchase method of accounting for business combinations.

MERGER OF TRAVELOCITY.COM AND PREVIEW TRAVEL, INC. - On March 7, 2000, the Company completed the merger of Travelocity.com Inc. ("Travelocity.com"), a newly created subsidiary of the Company, and Preview Travel, Inc. ("Preview"), an independent publicly-traded company engaged in consumer direct travel distribution over the Internet. Under the terms of the merger agreement, shareholders of Preview received one common share of Travelocity.com Inc., for each share of Preview held, and Preview was merged into Travelocity.com Inc., the surviving entity. Shares of Travelocity.com Inc. stock now trade under the symbol "TVLY" on the NASDAQ National Market. In connection with the merger, the Company contributed its Travelocity.com division and approximately \$100 million in cash to Travelocity.com LP, a Delaware limited partnership (the "Partnership"). Immediately following the merger, Travelocity.com Inc. contributed the assets and businesses obtained from the acquisition of Preview to the Partnership. As a result of the merger, the Company owns an economic interest of approximately 70% in the combined businesses, composed of an approximate 61% direct interest in the Partnership and an approximate 22% interest in Travelocity.com Inc., which holds an approximate 39% interest in the Partnership. The cost of the acquisition of Preview was approximately \$287 million, which has been allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. Fair values were determined by the Company's management based on information furnished by Preview's management and independent valuations of the net assets acquired, including intangible assets. The Company recorded goodwill and other intangibles related to this acquisition of approximately \$252 million which are being amortized over one to three years.

ACQUIRED INTEREST IN DILLON COMMUNICATION SYSTEMS GMBH ("DILLON") - On June 26, 2000, the Company acquired a 51% ownership interest in Dillon, a supplier of electronic travel distribution services in Germany. In accordance with the purchase agreement, the Company paid approximately \$20 million in cash and will make additional payments of approximately \$1 million in each of the next three years. The cost of the acquisition of approximately \$24 million was allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. The Company recorded goodwill and other intangible assets related to this acquisition of approximately \$24 million, which are being amortized over approximately five years.

39 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

ACQUISITION OF GRADIENT SOLUTIONS LIMITED ("GRADIENT") - On August 15, 2000, the Company acquired Gradient, resulting in Gradient becoming a wholly owned subsidiary of the Company. Gradient is a Dublin, Ireland-based technology company that provides e-commerce solutions to the global travel marketplace. The cost of the acquisition was approximately \$39 million, of which approximately \$13 million was paid in cash with the balance in Euro-denominated notes payable. This cost was allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. The Company recorded goodwill and other intangible assets of approximately \$38 million related to this acquisition, which are being amortized over approximately five years.

ACQUISITION OF GETTHERE, INC. ("GETTHERE") - On October 17, 2000, the Company acquired GetThere, a Delaware corporation, resulting in GetThere becoming a wholly owned subsidiary of the Company. GetThere operates one of the world's largest Internet

marketplaces focused on business-to-business travel services and powers online travel sites for leading airlines. The cost of the acquisition of GetThere was approximately \$781 million. The cost of the acquisition has been allocated to the respective assets and liabilities acquired based on estimated fair values, with the remainder recorded as goodwill. The fair values were determined by the Company's management based on information furnished by GetThere's management and preliminary independent valuations of the net assets acquired, including intangible assets. The Company recorded goodwill and other intangible assets of approximately \$688 million related to this acquisition, which are being amortized over two to four years. The following unaudited pro forma information presents the Company's results of operations as if the mergers and acquisitions in 2000 had occurred as of January 1, 1999. The pro forma information has been prepared by combining the results of operations of the Company and the acquired businesses for the years ended December 31, 2000 and 1999. This pro forma information does not purport to be indicative of what would have occurred had these mergers and acquisitions occurred as of that date, or of results of operations that may occur in the future (in thousands, except per share data): Year Ended December 31,

-----	2000	1999	-----	Revenues	\$2,645,953	\$2,476,825	Net earnings (loss)	(19,443)
91,350	Earnings per common share: Basic	\$(0.15)	\$0.71	=====	=====	Diluted	\$(0.15)	\$0.69

===== 5. SIGNIFICANT TRANSACTIONS US AIRWAYS AGREEMENT - In January 1998, the Company completed the execution of a 25-year information technology services agreement with US Airways. Under the terms of the agreement, the Company provides substantially all of US Airways' information technology services. In connection with the agreement, the Company purchased substantially all of US Airways' information technology assets for approximately \$47 million, hired more than 600 former employees of US Airways, and granted to US Airways two tranches of stock options, each to acquire 3 million shares of the Company's Class A common stock. On December 14, 1999, US Airways exercised the first tranche of stock options. Pursuant to the terms of the exercised options, the Company settled the options in cash in lieu of issuing common stock and paid approximately \$81 million to US Airways on January 5, 2000. 40 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- The second tranche of options is exercisable during the ten-year period beginning on the fifth anniversary of the asset transfer date. In connection with the Company's payment of the \$675 million dividend on February 18, 2000, the Company adjusted the terms of the second tranche of US Airways options to provide for the same aggregate intrinsic value of the US Airways' holdings of the Company's common stock before and after the effect of the dividend on the Company's stock price. Additionally, the terms of the second tranche of options provided US Airways the opportunity to select an alternative vehicle of substantially equivalent value in place of receiving shares of the Company's stock during the six-month period ended December 31, 2000. No such election was made during that time. The Company may, at its discretion, choose to settle the remaining stock options with alternative value in place of issuing shares of its common stock. Such payment may result in the payment of cash by the Company to US Airways. The Company has recorded a liability and related deferred costs equal to the number of options outstanding, multiplied by the difference between the exercise price of the options and the market price of the Company's Class A common stock. The deferred costs and liability are adjusted for changes in the market price of the Company's stock at each month-end until such time as the options are settled or US Airways' ability to select an alternative vehicle in place of receiving stock expires. At December 31, 2000 and 1999, the Company had a liability relating to these options of \$147 million and \$154 million, respectively, and net deferred costs of approximately \$107 million and \$126 million, respectively. During 2000, 1999, and 1998, the Company recorded amortization expense of approximately \$12 million, \$18 million and \$10 million, respectively, related to the options. The deferred costs are being amortized over the eleven-year non-cancelable portion of the agreement. In 2000, United Airlines announced its intent to acquire US Airways. Such acquisition may impact the level of services provided to US Airways by the Company. ABACUS JOINT VENTURE - In February 1998, the Company signed long-term agreements with ABACUS International Holdings Ltd., which created a Singapore-based joint venture company called ABACUS to manage travel distribution in the Asia/Pacific region. The Company paid \$139 million in cash and contributed its assets related to the Company's ongoing travel distribution activities in Asia/Pacific and other consideration. In exchange, the Company received 35% of the shares of the joint venture company. The Company accounts for its investment in the joint venture using the equity method of accounting and records revenue for the Company's share of the net income of ABACUS. The Company provides ABACUS with transaction processing on the SABRE system. At December 31, 2000 and 1999, the Company's net investment in ABACUS totaled approximately

\$144 million. The Company's initial investment in ABACUS differed from its proportional share of the net equity in the underlying assets of ABACUS by approximately \$116 million. This amount is being amortized over 20 years.

TICKETNET JUDGMENT - In August 1998, the Company received a favorable court judgment related to Ticketnet Corporation, an inactive subsidiary of the Company, and recognized approximately \$14 million of other income.

EQUANT DEPOSITORY CERTIFICATES - At December 31, 1998, American owned approximately 1.7 million depository certificates representing beneficial ownership of common stock of Equant for the economic benefit of the Company (see Note 2). In connection with a secondary offering of Equant common stock, in February 1999,

American liquidated 490,000 of these certificates for the Company's benefit. The Company received proceeds of approximately \$35 million from the transaction, resulting in a gain of approximately \$35 million. In December 1999,

in connection with an additional secondary offering of Equant common stock, approximately 1.2 million certificates were liquidated for the Company's benefit. The Company received proceeds of approximately \$103 million from the transaction, resulting in an additional gain of approximately \$103 million.

41 SABRE HOLDINGS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 6. CERTAIN TRANSACTIONS WITH AMR

AND AMERICAN AMR AGREEMENTS - The Company has certain agreements with AMR and its affiliates (the "AMR Agreements"), which are discussed below. INFORMATION TECHNOLOGY SERVICES AGREEMENT -

The Company is party to the Information Technology Services Agreement with American dated July 1, 1996 (the "Technology Services Agreement"), to provide American with certain information technology services. The base term of the Technology Services Agreement expires June 30, 2006. The terms of the services to be provided by the

Company to American, however, vary. For example, the Company will provide: (i) data center services, application development and existing application maintenance enhancement services until June 30, 2006; (ii) services relating to

existing client server operations until June 30, 2001; (iii) distributed systems services until June 30, 2002; and (iv) data and voice network services until June 30, 2001. The Technology Services Agreement provides for annual price

adjustments. For certain prices, adjustments are made according to formulas, which are reset every two years and which may take into account the market for similar services provided by other companies. The resulting rates may

reflect an increase or decrease over the previous rates. With limited exceptions, under the Technology Services Agreement the Company will continue to be the exclusive provider of all information technology services provided by

the Company to American immediately prior to the execution of the Technology Services Agreement. Any new information technology services, including most new application development services, requested by American can be

outsourced pursuant to competitive bidding by American or performed by American on its own behalf. With limited exceptions, the Company has the right to bid on all new services for which American solicits bids. Additionally,

American may continue to perform development and enhancement work that it is currently performing on its own behalf. After July 1, 2000, American may terminate the Technology Services Agreement for convenience. If it does

so, American will be required to pay a termination fee equal to the sum of all amounts then due under the Technology Services Agreement, including wind-down costs, net book value of dedicated assets and a significant percentage of

estimated lost profits. American may also terminate the Technology Services Agreement without penalty, in whole or in part, depending upon circumstances, for egregious breach by the Company of its obligations or for serious failure to

perform critical or significant services. If the Company is acquired by another company (other than AMR or American) with more than \$1 billion in annual airline transportation revenue, then American may terminate the

Technology Services Agreement without paying any termination fee. If American (i) is acquired by an unaffiliated third party, (ii) merges with an unaffiliated third party and the persons who were shareholders of American

immediately prior to the merger own less than 50% of the outstanding stock of American immediately after the merger, or (iii) acquires another air carrier with more than \$1 billion in annual revenues, then American may terminate

the Technology Services Agreement without paying any termination fee; except that if American terminates the agreement for convenience during the first four years of the term of the Technology Services Agreement in

accordance with clause (iii) above, American would be required to pay the Company a termination fee of \$25 million plus wind-down costs. Additionally, if American were to dispose of any portion of its businesses or any affiliate

accounting for more than 10% of the Company's fees from American, then American shall either cause such divested business or affiliate to be obligated to use the Company's services in accordance with the Technology Services

Agreement or pay a proportionate termination fee. In connection with the Spin-off, the Company and American agreed to certain amendments to the Technology Services Agreement. These amendments include the following: (i)

the Company will provide services relating to AMR's real time environment until June 30, 2008, (ii) the Company will provide services relating to AMR's client server operations until June 30, 2002, (iii) American will have the right to hire up to 25 of the Company's Operations Research personnel, (iv) the Company's obligations to pay certain ongoing royalty payments to American are terminated in exchange for a one time payment of \$10 million, (v) the intellectual property rights of the Company and American are modified to provide American additional rights in certain software

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(CONTINUED) -----

applications, and (vi) American is granted access to the Company's commercial portfolio of software on a license fee free basis.

MANAGEMENT SERVICES AGREEMENT - The Company and American were parties to a Management Services Agreement dated July 1, 1996 (the "Management Services Agreement"), pursuant to which American performed certain management services for the Company that American had historically provided to the Company. In connection with the Spin-off, the Company and American agreed to the early termination of certain services, effective March 2000, and the continuation of certain services with termination dates through June 30, 2001.

MARKETING COOPERATION AGREEMENT - The Company and American were parties to the Marketing Cooperation Agreement dated July 1, 1996 (the "Marketing Cooperation Agreement"), pursuant to which American agreed to provide marketing support for 10 years for certain of the Company's products. Under the terms of the Marketing Cooperation Agreement, the Company pays American a fee for its marketing support, the amount of which may increase or decrease, generally based on booking volumes. The total fee was approximately \$20 million, \$18 million and \$17 million in 2000, 1999 and 1998, respectively. Additionally, the Company had guaranteed to American certain cost savings in the fifth year of the Marketing Cooperation Agreement. At December 31, 1998, the Company had recorded a liability of approximately \$7 million for this guarantee. This liability was reversed during the fourth quarter of 1999 based on projections of cost savings. In connection with the Spin-off, the Company and American agreed to terminate the Company's obligation to guarantee those cost savings.

NON-COMPETITION AGREEMENT - The Company, AMR and American have entered into a Non-Competition Agreement dated July 1, 1996 (the "Non-Competition Agreement"), pursuant to which AMR and American, on behalf of themselves and certain of their subsidiaries, have agreed to limit their competition with the Company's businesses. The Non-Competition Agreement expires on December 31, 2001. American may terminate the Non-Competition Agreement, however, if the Technology Services Agreement is terminated as a result of an egregious breach thereof by the Company.

TRAVEL AGREEMENTS - The Company and American are parties to a Travel Privileges Agreement dated July 1, 1996 (the "Travel Privileges Agreement"), pursuant to which the Company is entitled to purchase personal travel for its employees and retirees at reduced fares. The Travel Privileges Agreement will expire on June 30, 2008. To pay for the provision of flight privileges to certain of its future retired employees, the Company makes a lump sum payment to American each year for each employee retiring in that year. The payment per retiree is based on the number of years of service with the Company and AMR over the prior ten years of service. The cost of providing this privilege is accrued over the estimated service lives of the employees eligible for the privilege (see Note 8). The Company and American agreed to certain amendments to the Travel Privileges Agreement in connection with the Spin-off. These amendments allow American to provide certain employees with additional limited travel privileges and require the Company to indemnify American for costs related to the Company's continued use of the travel privileges. The Company and American were also parties to a Corporate Travel Agreement (the "Corporate Travel Agreement"), pursuant to which the Company received discounts for certain flights purchased on American. In exchange, the Company agreed to fly a certain percentage of its travel on American as compared to all other air carriers combined.

CREDIT AGREEMENT - On July 1, 1996, the Company and American entered into a Credit Agreement pursuant to which the Company was required to borrow from American, and American was required to lend to the Company, amounts required by the Company to fund its daily cash requirements. In addition, American could, but was not required to, borrow from the Company to fund its daily cash requirements. The maximum amount the Company could borrow at any time from American under the Credit Agreement was \$300 million. The maximum amount that American could borrow at any time from the Company under the Credit Agreement was \$100 million. No borrowings occurred by either the Company or American under this agreement. In connection with the Spin-off, the Credit Agreement was terminated on April 14, 2000.

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DEBENTURE PAYABLE TO AMR - In 1996, the Company issued to AMR a floating rate, subordinated debenture due September

30, 2004 (the "Debenture"). The principal balance was approximately \$318 million at December 31, 1998. During 1999, in connection with the Omnibus Financing Agreement discussed below, the Company prepaid the remaining principal balance and all outstanding accrued interest under the Debenture. The average interest rate on the Debenture was 5.6% and 6.1% for 1999 and 1998, respectively. OMNIBUS FINANCING AGREEMENT - On March 17, 1999, the Company and American entered into a short-term credit agreement pursuant to which American could borrow from the Company up to a maximum of \$300 million. During the first half of 1999, American borrowed \$300 million under the short-term credit agreement. Subsequently, in June 1999, the Company, AMR and American entered into an Omnibus Financing Agreement pursuant to which (a) the \$300 million outstanding from American under the short-term credit agreement was applied against the \$318 million remaining under the Debenture payable from the Company to AMR and (b) the Company paid the remaining principal balance of approximately \$18 million and all outstanding accrued interest under the Debenture. INDEMNIFICATION AGREEMENT - In July 1996, the Company and American entered into an intercompany agreement (the "Indemnification Agreement") pursuant to which each party indemnified the other for certain obligations relating to the Reorganization. Pursuant to the Indemnification Agreement, the Company indemnified American for liabilities assumed against third party claims asserted against American as a result of American's prior ownership of assets or operation of businesses contributed to the Company and for losses arising from or in connection with the Company's lease of property from American. In exchange, American indemnified the Company for specified liabilities retained by it against third party claims against the Company relating to American's businesses and asserted against the Company as a result of the ownership or possession by American prior to July 2, 1996 of any asset contributed to the Company in July 1996 and for losses arising from or in connection with American's lease of property from the Company. In connection with the Spin-off, the Company and American agreed to terminate the Indemnification Agreement as of July 1, 2003. AGREEMENT ON SPIN-OFF TAXES - In connection with the Spin-off, the Company and AMR entered into an indemnity agreement (the "Agreement on Spin-off Taxes") pursuant to which the Company will be responsible for Spin-off related taxes, in certain circumstances, if the Spin-off is deemed to be taxable as a result of certain factual representations and assumptions relating to the Company being inaccurate or as a result of the Company's subsequent actions. The Internal Revenue Service ("IRS") has issued a Tax Ruling to the effect that the Spin-off will be tax-free to the Company, AMR and AMR shareholders under Section 355 of the Internal Revenue Code of 1986, as amended (except to the extent that cash is received in lieu of fractional shares). Under the terms of the Agreement on Spin-off Taxes, the Company has also agreed to comply with certain restrictions on its future operations to assure that the Spin-off will be tax free, including restrictions with respect to a third party's acquisition of shares of the Company's stock and the Company's issuance of stock. REVENUES FROM AMR - Revenues from American and other subsidiaries of AMR were \$611 million, \$590 million and \$574 million in 2000, 1999 and 1998, respectively. 44 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED) ----- OPERATING EXPENSES -

Prior to the Spin-off, operating expenses were charged to the Company by American and other subsidiaries of AMR to cover certain employee benefits, facilities rental, marketing services, management services, legal fees and certain other administrative costs based on employee headcount or actual usage of facilities and services. The Company believes amounts charged to the Company for these expenses approximate the cost of such services provided by third parties. Travel service costs for travel by the Company's employees for personal and business travel are charged to the Company based on rates negotiated with American. If the Company had not been affiliated with American, the personal travel flight privilege would most likely not have been available to employees. The rates negotiated with American for 2000, 1999 and 1998 under the Corporate Travel Agreement approximate corporate travel rates offered by American to similar companies. Expenses charged to the Company by AMR and its affiliates approximated \$19 million for the two months prior to the Spin-off in March 2000. Expenses charged to the Company by AMR and its affiliates for the years ended December 31, 1999 and 1998 are as follows (in thousands):

Year Ended December 31,	1999	1998	Employee benefits	\$45,471	\$41,348	Facilities rental	2,814	2,706
			Marketing cooperation	10,793	24,044	Management services	5,719	10,069
			Other administrative costs	2,816	12,732	Travel services	45,190	45,433
			Total expenses	\$112,803	\$136,332			

7. DEBT On February 4, 2000, the Company entered into a \$300 million, senior unsecured, revolving credit agreement (the "Credit Facility"), which expires on September 14, 2004. Concurrently, the Company entered into a short-term \$200 million, senior unsecured, term loan agreement (the "Interim Loan"), with an original maturity of August 4, 2000 which was

subsequently extended to February 4, 2001. On February 18, 2000, the Company utilized a portion of its available cash balance and marketable securities, as well as proceeds from both the Credit Facility and Interim Loan to fund a \$675 million dividend to shareholders. In connection with the bridge credit facility discussed below, the entire \$200 million balance outstanding under the Interim Loan was repaid and the Interim Loan agreement was terminated. At December 31, 2000, there was no outstanding borrowings under the Interim Loan and \$149 million outstanding under the Credit Facility at an average annual interest rate of 6.7%. On October 10, 2000, the Company entered into a \$865 million bridge credit agreement (the "Bridge Credit Agreement") which expires on July 10, 2001. Proceeds of the Bridge Credit Agreement were used to fund the acquisition of GetThere and to repay the \$200 million outstanding under the Interim Loan. Interest on the Bridge Credit Agreement is variable, based upon the London Interbank Offered Rate ("LIBOR"), the prime rate or the federal funds rate plus a margin, at the Company's option. At December 31, 2000, the outstanding balance of borrowings under the Bridge Credit Agreement was \$710 million at an average interest rate of 7.1%. The Bridge Credit Agreement contains certain covenants and events of default, including the maintenance of certain financial ratios. The Company was in compliance with all such covenants for 2000.

45 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 8. EMPLOYEE BENEFIT PLANS The Company sponsors The Sabre Group Retirement Plan (the "SGRP"), a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code of 1986. The Company makes a defined contribution and matches a defined portion of employee contributions to the plan and has recorded expenses related to the SGRP of approximately \$21 million, \$20 million and \$16 million in 2000, 1999 and 1998, respectively. Additionally, the Company sponsors The Sabre Group Legacy Pension Plan (the "LPP"), a tax-qualified defined benefit plan for employees meeting certain eligibility requirements. As a result of the Spin-off, the Company amended its retiree medical and life insurance plan effective January 1, 2001. The Company changed the plan to offer subsidized retiree medical coverage only to employees hired prior to October 1, 2000. Employees hired after that date will be offered access to the Company-sponsored plan but with no subsidy and therefore no liability to the Company. In addition, active employees will no longer pre-fund their share of the retiree medical benefit costs but will make post-retirement contributions averaging 20% of the cost of retiree medical coverage. Previously established employee pre-funding account balances will continue to accrue interest and will be used to offset future retiree contributions; however, new pre-funding contributions were discontinued. The lifetime maximums for the retiree medical plan were increased due to the consolidation of supplemental medical plan benefits into the basic retiree medical plan. Officers and certain employees of the Company are eligible for additional retirement benefits, to be paid by the Company, under the Supplemental Executive Retirement Plan (the "SERP") as an operating expense. The SERP provides pension benefits (calculated upon the basis of final average base salary, incentive compensation payments and performance returns) to which officers and certain employees of the Company would be entitled, but for the limit on the maximum annual benefit payable under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code of 1986 (\$135,000 for 2000), and the limit on the maximum amount of compensation which may be taken into account under the Company's retirement program (\$170,000 for 2000). Pursuant to the Travel Privileges Agreement, the Company is entitled to purchase personal travel for certain retirees. To pay for the provision of flight privileges to certain of its future retired employees, the Company makes a lump sum payment to American for each employee retiring in that year. The payment per retiree is based on the number of years of service with the Company and AMR over the prior ten years of service. The cost of providing this privilege is accrued over the estimated service lives of the employees eligible for the privilege. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2000 and 1999, and a statement of funded status as of December 31, 2000 and 1999 (in thousands): Pension Benefits Other Benefits

	2000	1999	2000	1999	
Benefit obligation at January 1	\$(201,950)	\$(211,445)	\$(61,335)	\$(57,333)	Change in benefit obligation:
Service cost	(10,836)	(13,055)			Benefit obligation at January 1
Interest cost	(4,369)	(5,118)			Service cost
Actuarial gains (losses)	(16,974)	(15,710)	(4,764)	(4,350)	Interest cost
Settlements	(557)	(7,673)			Actuarial gains (losses)
Benefits paid	633	971	982	400	Settlements
Plan amendments	---	---	9,739	---	Benefits paid
Benefit obligation at December 31	\$(256,955)	\$(201,950)	\$(73,315)	\$(61,335)	Plan amendments

===== 46 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) -----

Change in plan assets: Fair value at January 1 \$126,299 \$110,607 \$10,600 \$8,933 Actual return on plan assets 10,122

2,025 (1,654) (159) Company contributions 18,261 11,903 12,741 2,226 Transfers from AMR (1,384) 2,735 --- ---
 Settlements --- --- (9,739) --- Benefits paid (633) (971) (982) (400) ----- Fair value at
 December 31 \$152,665 \$126,299 \$10,966 \$10,600 =====
 the plan (underfunded) \$(104,290) \$(75,651) \$(62,349) \$(50,735) Unrecognized net loss (gain) 54,292 22,252 (4,246)
 (15,044) Unrecognized prior service cost 702 755 5,995 (1,280) Unrecognized transition asset 7 16 --- --- -----
 ----- Accrued benefit cost \$(49,289) \$(52,628) \$(60,600) \$(67,059) =====

===== The assumptions used in the measurement of the Company's benefit obligations as of
 December 31, 2000 and 1999 are as follows: Pension Benefits Other Benefits -----

----- Weighted-average assumptions: 2000 1999 2000 1999 ----- Discount
 rate 7.50% 8.00% 7.50% 8.00% Expected return on plan assets 9.50% 9.50% 9.50% 9.50% Rate of compensation
 increase 5.25% 5.25% --- --- Due to the revisions to the retiree medical program, a 9% annual rate of increase in the
 per capita cost of covered retiree health care benefits was assumed for 2001. This rate was assumed to gradually
 decrease by .5% each year until it reaches an ultimate rate of 5%. The following table provides the components of net
 periodic benefit costs for the three years ended December 31, 2000 (in thousands). Total costs for other postretirement
 benefits are included in employee benefits in the table in Note 6. Pension Benefits Other Benefits

	2000	1999	1998	2000	1999	1998
Service cost	\$10,836	\$13,055	\$11,257	\$4,369	\$5,118	\$5,261
Interest cost	16,974	15,710	12,370	4,764	4,350	4,065
Expected return on plan assets	(13,025)	(10,294)	(8,336)	(1,093)	(904)	(684)
Amortization of transition asset	9	(151)	(228)	---	---	---
Amortization of prior service cost	53	22	22	248	(150)	(150)
Amortization of net loss (gain)	74	3,032	1,690	(475)	(533)	(241)
Total net periodic benefit cost	\$14,921	\$21,374	\$16,775	\$7,813	\$7,881	\$8,251

===== Assumed health care cost trend rates have a significant effect on the
 amounts reported for the postretirement medical benefit plans. A one percentage point decrease in the assumed health
 care cost trend rates would decrease the total service and interest cost components of total net periodic benefit cost for
 2000 and the postretirement benefit obligations at December 31, 2000 by approximately \$2 million and \$10 million,
 respectively. A one percentage point increase in the assumed health care cost trend rates would increase the total
 service and interest cost components of total net periodic benefit cost for 2000 and the postretirement benefit
 obligations at December 31, 2000 by approximately \$2 million and \$12 million, respectively. Plan assets for the LPP
 and for the postretirement health care and life insurance benefits consist primarily of mutual fund shares managed by a
 subsidiary of AMR invested in debt and equity securities. 47 SABRE HOLDINGS CORPORATION NOTES TO
 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 9. INCOME TAXES The provision (benefit) for
 income taxes is as follows (in thousands): Year Ended December 31, ----- 2000 1999
 1998 ----- Current portion: Federal \$ 88,684 \$185,409 \$120,628 State 1,556 11,788 7,976 Foreign
 10,611 6,929 11,930 ----- Total current 100,851 204,126 140,534 Deferred portion: Federal 10,298
 (18,280) (7,186) State 12,036 10,192 6,165 ----- Total deferred 22,334 (8,088) (1,021) -----
 ----- Total provision for income taxes \$123,185 \$196,038 \$139,513 =====

===== The
 provision for income taxes differs from amounts computed at the statutory federal income tax rate as follows (in
 thousands): Year Ended December 31, ----- 2000 1999 1998 -----
 Income tax provision at statutory federal income tax rate \$ 93,540 \$184,781 \$130,009 State income taxes, net of
 federal 6,712 14,287 9,192 benefit Nondeductible goodwill amortization 28,278 --- --- Research and experimentation
 credit (4,000) --- --- Other, net (1,345) (3,030) 312 ----- Total provision for income taxes \$123,185
 \$196,038 \$139,513 =====

===== 48 SABRE HOLDINGS CORPORATION NOTES TO
 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- The components of the Company's deferred tax
 assets and liabilities were as follows (in thousands): December 31, ----- 2000 1999 -----
 Deferred tax assets: Accrued expenses \$ 39,630 \$ 35,248 Employee benefits other than pensions 29,432 31,286
 Deferred revenue 5,855 5,662 Pension obligations 10,606 18,395 Net operating loss carryforwards 82,225 416
 ----- Total deferred tax assets \$ 167,748 \$ 91,007 Deferred tax liabilities: Foreign operations \$ (837) \$
 (3,269) Depreciation and amortization (25,588) (29,313) Amortization of computer software and intangible assets
 (77,214) (14,997) Other (47,123) (23,184) ----- Total deferred tax liabilities \$(150,762) \$(70,763)

----- Valuation allowance (48,800) --- ----- Net deferred tax asset (liability) \$ (31,814) \$
 20,244 ===== Current deferred income tax asset \$15,889 \$ 18,052 Noncurrent deferred income
 tax asset (liability) (47,703) 2,192 ----- Net deferred tax asset (liability) \$ (31,814) \$ 20,244

===== The increase in the deferred tax liability for amortization of computer software and intangible assets resulted from a deferred tax liability recorded for the intangible assets, other than goodwill, recorded in connection with the acquisition of GetThere. As a result of the merger of Travelocity.com and Preview, Travelocity.com acquired net operating losses ("NOL's") of approximately \$105 million previously incurred by Preview which begin expiring in 2009. Additionally, as a result of the acquisition of GetThere, the Company acquired NOL's of approximately \$100 million previously incurred by GetThere which begin expiring in 2011. Preview and GetThere NOL's are subject to limitation under Section 382 of the Internal Revenue Code, but such limitation is not expected to have a significant impact on the Company's ability to utilize the NOL's. The company believes that, more likely than not, it will be able to utilize the NOL's acquired from GetThere. Accordingly, no valuation allowance has been established related to these NOL's. The results of operations of Travelocity.com Inc. are not included in the federal income tax return of the Company (see Note 2). Accordingly, only Travelocity.com Inc. can utilize the NOL's acquired from Preview. Travelocity.com Inc. has additional NOL's totaling approximately \$18 million relating to its proportionate share of the losses of the Travelocity partnership during 2000 (see Note 4). At December 31, 2000, a valuation allowance has been recorded, to fully reserve the deferred tax assets resulting from Travelocity.com Inc.'s NOL's, as the Company has been unable to conclude that it is more likely than not that Travelocity.com Inc. will be able to utilize these NOL's. To the extent that the NOL's acquired from Preview are utilized to offset Travelocity.com Inc.'s future taxable income, goodwill and non-current intangible assets recorded in connection with the acquisition will be reduced. If goodwill and non-current intangible assets have been fully amortized or reduced to zero, income tax expense will be reduced. To the extent that Travelocity.com Inc. is able to realize the benefit of the NOL's, either acquired from Preview or arising subsequent to the acquisition of Preview, the Company will recognize a benefit equal to its ownership interest in Travelocity.com Inc. of approximately 22%. 49 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 10. COMMITMENTS AND CONTINGENCIES

On July 1, 1996, the Company entered into an operating lease agreement with AMR for certain facilities and AMR assigned its rights and obligations under certain leases to the Company. Also on July 1, 1996, the Company entered into an operating lease agreement with a third party for the lease of other facilities. In October 1998, the Company sold data center mainframe equipment to an unrelated party for approximately \$34 million. The Company then entered into an agreement to lease back the equipment from the unrelated party. The Company recognized a deferred gain of approximately \$1 million on the transaction. The agreement has a term of seven years; however, the Company has the option, at its discretion, to terminate the contract as of December 31, 2001. Under the agreement, the Company may lease additional equipment at rates specified in the agreement. In 1999, the Company entered into a syndicated lease financing facility of approximately \$310 million for the use of land, an existing office building and the construction of a new corporate headquarters facility in Southlake, Texas, as well as the development of new data center facilities in Tulsa, Oklahoma. The financing facility will be accounted for as an operating lease. The initial term of the lease extends through September 2004, with two optional one-year renewal periods thereafter. At the end of each renewal period, the Company is required to either renew the lease, purchase the property for its original cost, or arrange for the sale of the property to a third party, with the Company guaranteeing to the lessor proceeds on such sale of approximately 85% of the original fair value of the leased facility, or approximately \$264 million. Additionally, in 1999, the Company entered into an agreement with AOL that provides, among other things, that the Travelocity.com Web site will be the exclusive reservations engine for AOL's Internet properties. Travelocity.com is obligated for payments of up to \$200 million and AOL and Travelocity.com will share advertising revenues and commissions over the five year term of the agreement. Under certain circumstances, Travelocity.com may elect to alter the terms of this agreement such that guaranteed payments to AOL would no longer be required. At December 31, 2000, future minimum lease payments required under the aforementioned operating lease agreements and other operating lease agreements with terms in excess of one year for facilities, equipment and software licenses as well as other guaranteed payments were as follows (in thousands): YEAR ENDING DECEMBER 31, ----- 2001 \$95,777 2002 95,598 2003 83,899 2004 80,174 2005 18,556 Thereafter 42,752 Rental expense was approximately \$63 million, \$56 million and \$43 million for the years ended December 31, 2000, 1999 and 1998, respectively. The Company is

involved in certain disputes and other matters arising in the normal course of business. Additionally, the Company is subject to review and assessment by various taxing authorities. Although the ultimate resolution of these matters cannot be reasonably estimated at this time, management does not believe that they will have a material, adverse effect on the financial condition or results of operations of the Company. 50 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 11. CAPITAL STOCK On February 7, 2000, the Company declared a one-time cash dividend on all outstanding shares of the Company's Class A and Class B common stock. The aggregate amount of the dividend was \$675 million, or approximately \$5.20 per share, and was paid to shareholders on February 18, 2000. In the future, the Company intends to retain its earnings to finance future growth and, therefore, does not anticipate paying any additional cash dividends on its common stock. Any determination as to the future payment of dividends will depend upon the future results of operations, capital requirements and financial condition of the Company and its subsidiaries and such other factors as the Board of Directors of the Company may consider, including any contractual or statutory restrictions on the Company's ability to pay dividends. On March 15, 2000, AMR exchanged all of its 107,374,000 shares of the Company's Class B common stock for an equal number of shares of the Company's Class A common stock and distributed such shares to AMR shareholders as a stock dividend. The distribution consisted of AMR's entire ownership interest in the Company. The Company now has only Class A common stock outstanding. The Company is authorized by its certificate of incorporation to issue up to 250 million shares of Class A common stock, and up to 20 million shares of Preferred Stock. In 1997, the Company's Board of Directors authorized, subject to certain business and market conditions, the purchase of up to 1.5 million shares of the Company's Class A common stock. On March 16, 1999, the Company's Board of Directors authorized the repurchase of up to an additional 1 million shares of the Company's Class A common stock. On September 15, 1999, the Company's Board of Directors authorized the repurchase of up to an additional \$100 million of the Company's Class A common stock during the next two years. The Company repurchased 1,004,193; 1,029,890 and 1,428,200 shares of Class A common stock in 2000, 1999 and 1998, respectively. 51 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- 12. OPTIONS AND OTHER STOCK-BASED AWARDS Under the Company's 1996 Long-Term Incentive Plan (the "1996 Plan") officers and other key employees of the Company may be granted restricted stock, deferred stock, stock options, stock appreciation rights, stock purchase rights, other stock-based awards and/or performance-related awards. The 1996 Plan will terminate no later than October 2006. In 1999, the Company amended the 1996 Plan (the "Amended Plan"). Under the Amended Plan, the Company expanded the employees eligible for awards to include non-employee directors and managers of the Company in addition to officers and key employees. The total number of shares of Class A common stock authorized to be issued under the Amended Plan is approximately 14 million shares, provided that no more than 1 million shares of stock shall be granted to any employee in a one-year period. At December 31, 2000, approximately 3 million shares remained available for future grants of stock-based awards under the Amended Plan. In 2000, the Company established the Sabre Holdings Corporation Stock Option Plan (the "2000 Plan") to attract, retain, and reward employees of the Company, by offering stock incentives in the Company. Under the 2000 Plan, employees may be granted stock options, stock appreciation rights or other stock-based awards. The total number of shares of Class A common stock authorized for distribution under the 2000 Plan is 7 million shares. At December 31, 2000 approximately 3 million shares remained available for future grants. The total charge for stock compensation expense included in wages, salaries and benefits expense was \$13 million, \$15 million and \$13 million for 2000, 1999 and 1998, respectively. No compensation expense was recognized for stock option grants under the 1996 Plan, the Amended plan, or the 2000 Plan since the exercise price of the Company's stock option grants was equal to the fair market value of the underlying stock on the date of grant. Shares of restricted stock are awarded at no cost to employees. Restricted shares generally vest three years following the date of grant. Restricted stock activity follows:
 Year Ended December 31, ----- 2000 1999 1998 ----- Outstanding at
 January 1 192,410 155,590 166,940 Granted 715,957 168,000 12,390 Issued (67,148) (126,740) (10,280) Canceled ---
 (4,440) (13,460) ----- Outstanding at December 31 841,219 192,410 155,590 =====
 ===== The weighted-average grant date fair values of restricted stock granted during 2000, 1999 and 1998 were \$34.70, \$50.08 and \$38.49, respectively. The grant date fair values are based on the Company's stock price on the date of grant. The Company recognizes stock compensation expense for these grants over the related vesting period.

Company Performance Shares are also awarded at no cost to officers and key employees of the Company based on performance metrics of the Company. The Company Performance Shares vest over a three-year performance period and are settled in cash. The Company's Performance Share activity was as follows: Year Ended December 31,

	2000	1999	1998		2000	1999	1998
Outstanding at January 1	479,069	504,873	612,100	Granted	282,361	197,326	206,970
Awards settled in cash	(194,957)	(179,035)	(263,040)	Canceled	(100,326)	(44,095)	(51,157)
Outstanding at December 31	466,147	479,069	504,873				

===== 52 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) =====

The weighted-average grant date fair values of Company Performance Shares granted during 2000, 1999 and 1998 were \$46.43, \$42.30 and \$36.42, respectively. The grant date fair values are based on the Company's stock price on the date of grant. The Company recognizes stock compensation expense for these grants over the related performance periods. Stock options are granted at the market value of Class A common stock on the date of grant, except as otherwise determined by a committee appointed by the Board of Directors, generally vest over three to five years, and are not exercisable more than ten years after the date of grant. Stock option activity follows: Year Ended December 31,

	2000	1999	1998		2000	1999	1998
Outstanding at January 1	4,672,970	3,395,390	2,874,070	Granted	13,551,898	30,892,469	46,371,245
Exercised	(779,866)	(697,130)	(433,270)	Canceled	(1,701,498)	(37,544,949)	(33,492,910)
Outstanding at December 31	15,743,504	15,743,504	15,743,504	Exercisable options outstanding at December 31	3,305,349	3,305,349	3,305,349

	2000	1999	1998		2000	1999	1998
Weighted-average grant date fair value of stock options granted during	\$13.42	\$18.75	\$12.55	Weighted-average exercise price of stock options outstanding at December 31, 2000:	\$32.53	\$32.53	\$32.53

The weighted-average grant date fair value of stock options granted during 2000, 1999 and 1998 were \$13.42, \$18.75 and \$12.55, respectively. The grant date fair values were estimated at the date of grant using the Black-Scholes option pricing model. The following table summarizes information about the stock options outstanding at December 31, 2000: Options Outstanding Options Exercisable

Weighted-Average Range of Exercise Prices	Shares (years)	Exercise Price	Shares	Exercise Price
\$ 0.16 - \$25.99	5,298,291	8.49	\$19.25	2,759,265
\$35.99 - \$48.99	5,321,792	9.67	\$38.16	52,240
\$49.00 - \$69.40	2,465,661	9.17	\$49.63	---
Total	15,743,504	8.99	\$32.53	3,305,349

=====
 Stock appreciation rights ("SARS") may be granted in conjunction with all or part of any stock option granted. All appreciation rights will terminate upon termination or exercise of the related option and will be exercisable only during the time that the related option is exercisable. If a SAR is exercised, the related stock option will be deemed to have been exercised. 53 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company has a Directors' Stock Incentive Plan, which provides for an annual award of options to purchase 3,000 shares of the Company's Class A common stock to each non-employee director. The plan also provides for a one-time award of options to purchase 10,000 shares of the Company's Class A common stock to a new non-employee director upon his or her initial election to the Board of Directors. The options have an exercise price equal to the market price of the Class A common stock on the date of grant and vest pro rata over a five-year period. Each option expires on the earlier of (i) the date the non-employee director ceases to be a director of the Company, if for any reason other than due to death, disability or retirement, or (ii) three years from the date the non-employee director ceases to be a director of the Company due to death, disability or retirement. 350,000 shares of Class A common stock are reserved for issuance under the Directors' Stock Incentive Plan. As of December 31, 2000, 109,026 options had been granted to directors at a weighted-average exercise price of \$25.20. None of the options granted to the directors have been exercised. At December 31, 2000, approximately 241,000 shares were available for future grants under the Directors' Stock Incentive Plan. Beginning in 1999, stock options granted to non-employee directors were granted under the Amended Plan. In 2000 and 1999, 54,543 and 24,000 options were granted to directors at weighted-average exercise prices of \$30.79 and \$62.59, respectively. These amounts are included in the previous stock options outstanding table. None of these options have been exercised. Certain officers and key employees of the Company have been awarded

deferred shares of the Company's Class A common stock ("Company Career Equity Shares"). The Company Career Equity Shares are issued upon the individual's retirement from the Company. During 2000, 1,066 of these shares were issued and 5,057 were canceled. At December 31, 2000 and 1999, 3,609 and 7,600 shares of the Company Career Equity Shares were outstanding, respectively. In connection with the payment of the \$675 million dividend on February 18, 2000, the Company adjusted the terms of its outstanding employee stock option plans such that the exercise price per share of each option was reduced, and the number of options held by each employee was increased, such that the aggregate intrinsic value of each employee's option holdings was the same before and after the effect of the payment of the dividend on the Company's stock price. Because the adjustment to the option terms was done in accordance with Emerging Issues Task Force Consensus No. 90-9, CHANGES TO FIXED EMPLOYEE STOCK OPTION PLANS AS A RESULT OF EQUITY RESTRUCTURING, no compensation expense was recorded by the Company. The weighted-average exercise prices, included in the schedules above, for stock options granted prior to the payment of the dividend have not been adjusted for the effects of the dividend. The Company sponsors an Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees to purchase Class A common stock at a discount from the market price of such stock. From January 1997 through June 2000, participating employees could purchase the stock on a monthly basis at 85% of the market price at the beginning or the end of each monthly offering period, whichever was lower. Participating employees were limited to an aggregate maximum purchase price of either 1% or 2% of the employee's annual compensation, subject to certain limitations. The ESPP was amended July 1, 2000 to allow participating employees to purchase stock on a semiannual basis at 85% of the lower of the market price of the stock at the beginning or the end of a six month period. In addition, the amended ESPP allows participating employees to purchase stock up to an aggregate maximum purchase price of 10% of the employee's annual compensation, subject to certain limitations. 2,000,000 shares of Class A common stock have been reserved for issuance under the ESPP. Approximately 57,000, 59,000 and 54,000 shares were issued under the ESPP during 2000, 1999 and 1998, respectively, and approximately 1,800,000 shares remain available for future purchases at December 31, 2000. For other stock-based awards, a committee established by the Board of Directors determines the eligible persons to whom awards will be made, the times at which the awards will be made, the number of shares to be awarded, the price, if any, to be paid by the recipient and all other terms and conditions of the award. 54 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- As required by Statement of Financial Accounting Standards No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, pro forma information regarding net income and earnings per share has been determined as if the Company had accounted for its employee stock options and stock-based awards under the fair value method set forth in Statement No. 123. The fair value for the stock options granted by the Company to officers and key employees of the Company after January 1, 1995 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 5.65% to 6.51% for 2000, 4.65% to 6.22% for 1999 and 5.45% to 5.67% for 1998; a dividend yield of 0%; a volatility factor of the expected market price of the Company's Class A common stock of 0.40 for 2000, 0.39 for 1999 and 0.32 for 1998; and a weighted-average expected life of the options granted of 4.5 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable and requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of the pro forma disclosures, the estimated fair value of the options and stock-based awards is amortized to expense over the vesting period. The Company's pro forma information is as follows (in thousands, except per share amounts):

	2000	1999	1998				
-----				-----	-----	-----	-----
				Net earnings: As reported	\$144,052		
\$331,907	\$231,941	=====	=====	Pro forma	\$134,066	\$326,788	\$228,672
=====	=====	=====	=====	Earnings per common share, as reported: Basic	\$1.11	\$2.56	\$1.78
=====	=====	=====	=====	Diluted	\$1.11	\$2.54	\$1.78
=====	=====	=====	=====	Earnings per common share, pro forma: Basic	\$1.04	\$2.52	\$1.76
=====	=====	=====	=====	Diluted	\$1.03	\$2.50	\$1.75
=====	=====	=====	=====				

55 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) ----- 13. EARNINGS PER SHARE

Basic earnings per share excludes any dilutive effect of options, warrants and other stock-based awards. The number of shares used in the diluted earnings per share calculations includes the dilutive effect of stock options, restricted and career equity shares and the options issued to US Airways (see Note 5). The net earnings used in the diluted earnings per share calculations have been adjusted, as necessary, to reflect the amortization expense that would have been recognized had options issued to US Airways qualified as equity instruments for accounting purposes during the period. The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except per share amounts): Year Ended December 31, ----- 2000 1999 1998 -----

-----	Numerator: Numerator for basic earnings per common share - net earnings	\$144,052	\$331,907	
	\$231,941 Incremental amortization of deferred asset related to options issued to US Airways	---	---	(255) -----
-----	Numerator for diluted earnings per common share - adjusted net earnings	\$144,052	\$331,907	\$231,686
=====	Denominator: Denominator for basic earnings per common share -			
	weighted-average shares	129,198	129,574	129,943
	Dilutive effect of stock awards and options	643	1,081	578 -----
-----	Denominator for diluted earnings per common share - adjusted weighted-average shares	129,841	130,655	130,521
=====	Earnings per common share - basic	\$1.11	\$2.56	\$1.78
=====	Earnings per common share - diluted	\$1.11	\$2.54	\$1.78

----- For additional information regarding stock awards and options, see Note 12. Options to purchase approximately 8,280,000; 3,130,000 and 2,470,000 weighted-average shares of common stock were outstanding during 2000, 1999 and 1998, respectively, but were excluded from the computation of diluted earnings per share because the effect would be antidilutive. In addition, one tranche of options granted to US Airways to purchase 3,000,000 shares of common stock were excluded from the computation of diluted earnings per share in 1999 and 1998 because the Company intended to settle those options with a cash payment and did so on January 5, 2000 (see Note 5). 56 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) ----- 14. SEGMENT REPORTING

The Company has two primary lines of business: travel marketing and distribution and outsourcing and software solutions. The travel marketing and distribution business consists of three reportable segments: travel marketing and distribution, Travelocity.com and GetThere. These three segments are aggregated and presented as "Travel Marketing and Distribution" within the consolidated statements of income for the three years ended December 31, 2000. The travel marketing and distribution segment distributes travel services to travel agencies ("subscribers"). Through the Company's global distribution system, subscribers can access information about and book reservations with airlines and other providers of travel and travel-related products and services. The Travelocity.com segment consists of the Company's majority-owned interest in Travelocity.com which distributes travel services to individual consumers. Through the Travelocity.com Web site, individual consumers can compare prices, make travel reservations and obtain destination information online. The Company's GetThere segment provides Web-based solutions for corporations and travel suppliers. With GetThere, travel suppliers have access to extensive Web-based features to manage travel reservations, bonus mile programs, flight status alerts and Internet specials. Corporate customers have access to Web-based travel booking systems designed for corporate travelers, travel arrangers and travel managers that enables travel planning and reservations while providing control and decision support to travel managers. The outsourcing and software solutions segment provides information technology services, including software development and consulting, transaction processing and comprehensive information technology outsourcing to the travel and transportation industries. The Company's reportable segments are strategic business units that offer different products and services and are managed separately because each business requires different market strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon business segment operating income, which is defined as income before interest and non-operating income and expenses. The Company accounts for intersegment transactions as if the transactions were to third parties, that is, at estimated current market prices. Intersegment transactions are recorded as expense offsets and are not included in segment revenues. Personnel and related costs for the corporate headquarters, certain legal and professional fees and other corporate charges are allocated to the segments through a management fee based primarily on usage. Depreciation expense on the corporate headquarters buildings and related facilities costs are allocated to the segments through a facility fee based on headcount. The related assets are not allocated to the segments. Other assets not allocated to the segments include cash, marketable securities and deferred tax assets. Benefits expense, including pension expense, postretirement benefits, medical insurance and workers' compensation, are allocated to the segments

based on headcount. Unallocated corporate expenses include depreciation expense and other costs associated with the corporate headquarters buildings, net of facility fees allocated to the reportable segments and affiliated companies, expenses related to the Spin-off and certain other corporate charges maintained at the corporate level. Year Ended December 31, ----- 2000 1999 1998 -----

Revenues from external customers: Travel marketing and distribution \$1,587,509 \$1,420,693 \$1,293,820 Travelocity.com 144,261 40,305 22,088 GetThere 11,991 2,165 --- Outsourcing and software solutions 852,765 953,419 981,592 -----

----- Total external revenues \$2,596,526 \$2,416,582 \$2,297,500 =====

Intersegment revenues: Travel marketing and distribution \$ 17,425 \$ (23,882) \$ (8,524) Travelocity.com 48,409 23,882 8,524 GetThere --- --- --- Outsourcing and software solutions 5,286 --- --- 57 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- Total intersegment revenues \$ 71,120 \$ --- \$ --- =====

Equity in net income of equity method investees: Travel marketing and distribution \$ 20,849 \$ 18,037 \$ 8,887 =====

Total consolidated revenues: Travel marketing and distribution \$1,625,783 \$1,414,848 \$1,302,707 Travelocity.com 192,670 64,187 22,088 GetThere 11,991 2,165 --- Outsourcing and software solutions 858,051 953,419 981,592 Elimination of intersegment revenues (71,120) --- --- ----- Total consolidated revenues \$2,617,375 \$2,434,619 \$2,306,387 =====

Intersegment expense transfers: Travel marketing and distribution \$ --- \$ --- \$ 10,340 Travelocity.com --- --- --- GetThere --- --- --- Outsourcing and software solutions 277,495 413,671 373,848 ----- Total intersegment expense transfers \$ 277,495 \$ 413,671 \$ 384,188 =====

Operating income (loss): Travel marketing and distribution \$ 399,617 \$ 367,354 \$ 306,088 Travelocity.com (114,054) (22,578) (22,729) GetThere (76,135) (21,565) --- Outsourcing and software solutions 56,409 53,333 64,133 Unallocated corporate expenses (15,405) (4,042) 2,880 ----- Total consolidated operating income \$ 250,432 \$ 372,502 \$ 350,372 =====

===== Depreciation and amortization: Travel marketing and distribution \$ 110,699 \$ 123,268 \$ 124,475 Travelocity.com 82,348 2,833 2,412 GetThere 38,758 5,018 5,810 Outsourcing and software solutions 96,693 103,574 94,782 Unallocated depreciation and amortization 17,296 23,553 20,255 ----- Total consolidated depreciation and amortization \$ 345,794 \$ 258,246 \$ 247,734 =====

===== Segment assets: Travel marketing and distribution \$ 459,483 \$ 546,971 \$ 598,972 Travelocity.com 370,205 9,606 10,970 GetThere 684,810 2,400 6,927 Outsourcing and software solutions 543,907 434,273 501,882 Unallocated cash and investments 145,036 611,126 537,710 Unallocated corporate headquarters and other 446,913 346,835 270,356 ----- Total consolidated assets \$2,650,354 \$1,951,211 \$1,926,817 =====

===== Capital expenditures for segment assets: Travel marketing and distribution \$ 78,567 \$ 67,466 \$ 96,908 Travelocity.com 11,755 522 2,346 GetThere 1,341 491 85 Outsourcing and software solutions 81,876 62,057 186,475 58 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) -----

Unallocated capital expenditures 16,587 37,427 34,217 ----- Total capital expenditures \$ 190,126 \$ 167,963 \$ 320,031 =====

Amortization of goodwill and intangible assets: Travel marketing and distribution \$ 4,207 \$ --- \$ --- Travelocity.com 67,996 --- --- GetThere 37,216 --- --- ----- Total amortization of goodwill and intangible assets \$ 109,419 \$ --- \$ --- =====

===== The Company's revenues and long-lived assets, including goodwill and intangible assets, by geographic region are summarized below (in thousands). Revenues are attributed to countries based on the location of the customer. Year Ended December 31, ----- 2000 1999 1998 -----

Revenues: United States \$2,037,282 \$1,793,818 \$1,713,195 Foreign 580,093 640,801 593,192 -----

----- Total \$2,617,375 \$2,434,619 \$2,306,387 =====

Long-lived assets: United States \$1,681,641 \$ 754,201 \$ 758,224 Singapore 145,606 145,586 143,496 Other foreign 130,139 75,000 80,693 ----- Total \$1,957,386 \$ 974,787 \$ 982,413 =====

===== 15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED) The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2000 and 1999 (in thousands except per share data): First Second Third Fourth Quarter Quarter Quarter Quarter ----- 2000 Revenues \$644,906 \$661,784 \$667,307 \$643,378 Operating income (loss) 102,600 100,568 67,987 (20,723) Net earnings (loss) 65,616 63,408 44,415 (29,383) Earnings (loss) per common share: Basic \$.51 \$.49 \$.34 \$(.23) Diluted \$.48 \$.46 \$.34

\$(23) 1999 Revenues \$638,107 \$638,819 \$617,242 \$540,451 Operating income 112,068 95,948 120,632 43,854 Net earnings 92,729 63,463 78,428 97,287 Earnings per common share: Basic \$.71 \$.49 \$.61 \$.75 Diluted \$.71 \$.48 \$.55 \$.75 The travel industry is seasonal in nature. Bookings, and thus booking fees charged for the use of the SABRE system, decrease significantly each year in the fourth quarter, primarily in December. 59 SABRE HOLDINGS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

----- The Company recorded expenses associated with the separation of the Company from AMR of approximately \$13 million in the first quarter of 2000. During the first and second quarters of 2000, the Company recorded reductions in amortization expenses of approximately \$2 million and \$4 million, respectively, related to options granted to US Airways due to changes in the market price of the Company's stock (see Note 5). During the third and fourth quarters of 2000, the Company recorded amortization expense of approximately \$3 million and \$15 million, respectively, related to the options granted to US Airways. The Company recorded amortization expense on goodwill and intangible assets acquired as a result of the strategic acquisitions consummated during 2000 of approximately \$5 million, \$21 million, \$22 million and \$64 million for the four quarters of 2000, respectively (see Note 4). During the third quarter of 2000, the Company recorded approximately \$19 million in severance expenses related to the reduction in its work force. The Company recognized a gain of approximately \$35 million during the first quarter of 1999 and approximately \$103 million during the fourth quarter of 1999 related to the liquidation of Equant depository certificates held by American for the economic benefit of the Company (see Note 5). During 1999, the Company recorded amortization expenses of approximately \$3 million in the first quarter, \$22 million in the second quarter and \$13 million in the fourth quarter of 1999, related to options granted to US Airways under the information technology services agreement, due to changes in the market price of the Company's stock (see Note 5). During the third quarter of 1999, the Company recorded a reduction in amortization expenses of approximately \$19 million, related to the options granted to US Airways. During the third quarter of 1999, the Company recorded approximately \$8 million in severance expenses related to the reduction in its work force. During the fourth quarter of 1999, the Company reversed a liability of approximately \$7 million related to a cost savings guarantee in the fifth year of the Marketing Cooperation Agreement with American based on projected cost savings. 60 ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. PART III

----- ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT Incorporated herein by reference is the information set forth under the headings "Nominees for Election as Directors" and "Continuing Directors" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001. Information concerning the executive officers is set forth under the heading "Executive Officers of the Registrant" in Part I of this report. ITEM 11. EXECUTIVE COMPENSATION Incorporated herein by reference is the information set forth under the heading "Executive Compensation" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT Incorporated herein by reference is the information set forth under the heading "Ownership of Securities" from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Incorporated herein by reference is the information set forth under the heading "Relationships with AMR Corporation and Affiliates" in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2001 and under Note 6 to the Consolidated Financial Statements in Item 8 of this report. PART IV

----- ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) (1) The financial statements listed in the accompanying index to financial statements and the schedules are filed as part of this report. (2) The schedules listed in the accompanying index to financial statements and schedules are filed as part of this report. (3) Exhibits required to be filed by Item 601 of Regulation S-K. EXHIBIT NUMBER DESCRIPTION OF EXHIBIT -----
----- 2.1 Agreement and Plan of Merger, dated as of October 3, 1999, as amended January 24, 2000, by and among Sabre Inc., Travelocity Holdings, Inc., Travelocity.com Inc. and Preview Travel, Inc. (9) 2.2 Agreement and Plan of Merger, dated as of August 28, 2000, among Sabre Holdings Corporation, GetThere Acquisition Corp., and GetThere, Inc. (10) 3.1 Restated Certificate of Incorporation of Registrant. (11) 3.2 Restated Bylaws of Registrant. (11) 4.1 Registration Rights Agreement between Registrant and AMR Corporation. (2) 4.2 Specimen

Certificate representing Class A common stock. (12) 10.1 Registration Rights Agreement between Registrant and AMR Corporation. (See Exhibit 4.1) 10.2 Intercompany Agreement, dated as of July 2, 1996, among Registrant, The Sabre Group, Inc., TSGL Holding, Inc., TSGL-SCS, Inc., TSGL, Inc., Sabre International, Inc., Sabre Servicios Colombia, LTDA and American Airlines, Inc. (1)(2) 10.3 Management Services Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.4 Credit Agreement, dated as of July 1, 1996, between Registrant, The Sabre Group, Inc., AMR Corporation and American Airlines, Inc. (2) 61 EXHIBIT NUMBER DESCRIPTION OF EXHIBIT ----- 10.5 \$850,000,000 Subordinated Debenture, dated July 2, 1996, executed by Registrant and payable to AMR Corporation. (2) 10.6 Information Technology Services Agreement, dated July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.7 Non-competition Agreement, dated July 1, 1996, among Registrant, The Sabre Group, Inc., AMR Corporation and American Airlines, Inc. (2) 10.8 Marketing Cooperation Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.9 Tax Sharing Agreement, dated July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (2) 10.10 Travel Privileges Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.11 Corporate Travel Agreement, dated July 25, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.12 Software Marketing Agreement, dated September 10, 1996, among Registrant, The Sabre Group, Inc. and AMR Corporation. (1)(2) 10.13 Canadian Technical Services Subcontract, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (1)(2) 10.14 Form of Participating Carrier Agreement between The Sabre Group, Inc. and American Airlines, Inc. (2) 10.15 Investment Agreement, dated September 11, 1996, between The Sabre Group, Inc. and AMR Investment Services, Inc. (1)(2) 10.16 Assignment and Amendment Agreement, dated as of July 1, 1996, among The Sabre Group, Inc., American Airlines, Inc. and the Dallas-Fort Worth International Airport Board. (2) 10.17 American Airlines Special Facilities Lease Agreement, dated October 1, 1972, between American Airlines, Inc. and the Dallas-Fort Worth Regional Airport Board, as amended by Supplemental Agreements Nos. 1-5. (2) 10.18 Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (2) 10.19 Sublease, dated June 1, 1958, between American Airlines, Inc. and the Trustees of the Tulsa Municipal Airport Trust, as amended by Amendments Nos. 1-12. (2) 10.20 Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (2) 10.21 Amended and Restated Sublease Agreement, dated May, 1996, between American Airlines, Inc. and the Tulsa Airports Improvement Trust. (2) 10.22 Assignment Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (2) 10.23 Office Lease Agreement, dated as of January 19, 1996, between American Airlines, Inc. and Maguire/Thomas Partners - Westlake/Southlake Partnership. (2) 10.24 American Airlines, Inc. Supplemental Executive Retirement Plan dated November 16, 1994. (3) 10.25 The Sabre Group Holdings, Inc. Long-Term Incentive Plan. (13) 10.26 The Sabre Group Holdings, Inc. Directors Stock Incentive Plan. (2) 10.27 Form of Executive Termination Benefits Agreement. (2) 62 EXHIBIT NUMBER DESCRIPTION OF EXHIBIT ----- 10.28 The Sabre Group Holdings, Inc. Employee Stock Purchase Plan. (4) 10.29 Option Issuance Agreement, dated January 1, 1998 between Registrant and US Airways, Inc.(5) 10.30 The Sabre Group Holdings, Inc. Deferred Compensation Plan. (6) 10.31 Services Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and AMR COMBS, Inc. (1)(14) 10.32 Services Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and TELESERVICE RESOURCES, Inc. (1)(14) 10.33 Services Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and AMR SERVICES CORPORATION. (1)(14) 10.34 Information Technology Services Agreement, dated as of July 1, 1998, between The Sabre Group, Inc. and TELESERVICE RESOURCES, Inc. (1)(14) 10.35 Program Lease Agreement, dated September 30, 1998, between The Sabre Group, Inc. and Comdisco, Inc. (1)(14) 10.36 Corporate Travel Agreement, dated June 24, 1998, between The Sabre Group, Inc. and American Airlines. (1)(14) 10.37 The Sabre Group Holdings, Inc. Amended and Restated 1996 Long-Term Incentive Plan, dated January 19, 1999. (7) 10.38 Promissory Note and Agreement, dated March 17, 1999 between American Airlines, Inc. and The Sabre Group Holdings, Inc. (7) 10.39 Omnibus Financing Agreement, dated as of June 30, 1999, by and among American Airlines, Inc., The Sabre Group, Inc., The Sabre Group Holdings, Inc. and AMR Corporation. (7) 10.40 Letter Amendment, dated April 21, 1999, to the Management Services Agreement, dated as of July 1, 1996, between The Sabre Group, Inc. and American Airlines, Inc. (7) 10.41 Agreement and Plan of Merger dated as of October 3, 1999 by and among Sabre Inc., Travelocity Holdings, Inc., Travelocity.com Inc. and Preview Travel, Inc. (8) 10.42 Second Amended and Restated Information Technology Services Agreement dated as of December 13, 1999 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.43 Amendment to Management

Services Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.44 Services Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.45 Supplemental Agreement Regarding Workers' Compensation dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.46 Amendment to Travel Privileges Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.47 Amendment to Marketing Cooperation Agreement dated as of March 15, 2000 between Sabre Inc. and American Airlines, Inc. (1)(15) 10.48 Termination Agreement dated February 7, 2000 between Sabre Inc. and American Airlines, Inc. relating to the Intercompany Agreement (See Exhibit 10.2) (1)(15) 10.49 Agreement on Spin-off Taxes dated March 15, 2000 between AMR Corporation and Sabre Holdings Corporation. (1)(15) 10.50 Sabre Holdings Corporation Officer Supplemental Executive Retirement Plan, as Amended, effective April 24, 1999. (15) 10.51 Sabre Holdings Corporation Non-Officer Supplemental Executive Retirement Plan, as Amended, effective April 24, 1999. (15) 12.1 Computation of ratio of earnings to fixed charges for the year ended December 31, 2000 21.1 Subsidiaries of Registrant. 23.1 Consent of Ernst & Young LLP. 63 (1) Confidential treatment was granted as to a portion of this document. (2) Incorporated by reference to exhibits 3.1 through 10.32 to the Company's Registration Statement on Form S-1 (Registration No. 333-09747). (3) Incorporated by reference to Exhibit 10(mmm) to AMR's report on Form 10-K for the year ended December 31, 1994. (4) Incorporated by reference to Exhibit A to the Company's proxy statement on Schedule 14A filed April 17, 2000. (5) Incorporated by reference to Exhibit 10.34 to the Company's report on Form 10-K for the year ended December 31, 1997. (6) Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-51291). (7) Incorporated by reference to Exhibits 10.42 through 10.45 to the Company's report on Form 10-Q for the quarterly period ended June 30, 1999. (8) Incorporated by reference to Exhibit 10.46 to the Company's report on Form 10-Q for the quarterly period ended September 30, 1999. (9) Incorporated by reference to Annex A to the Final Prospectus on Form 424B filed by Travelocity.com Inc. on February 8, 2000. (10) Incorporated by reference to Exhibit 2 to the Schedule 13D filed by the Company on September 1, 2000. (11) Incorporated by reference to Exhibits 3.1 and 3.2 to the Company's report on Form 10-Q for the quarterly period ended June 30, 2000. (12) Incorporated by reference to Exhibit 4.1 to the Company's report on Form 10-Q for the quarterly period ended March 30, 2000. (13) Incorporated by reference to Exhibit B to the Company's proxy statement on Schedule 14A filed April 17, 2000. (14) Incorporated by reference to Exhibits 10.36 through 10.41 to the Company's report on Form 10-K for the year ended December 31, 1999. (15) Incorporated by reference to Exhibits 10.47 through 10.56 to the Company's report on Form 10-K for the year ended December 31, 1999. (b) Reports on Form 8-K: On October 25, 2000, and on December 22, 2000, the Company filed current reports on Form 8-K relating to its acquisition of GetThere Inc. Pursuant to General Instruction B.2. of Form 8-K, the Forms 8-K listed below contained only Item 9 disclosures, and consequently such Forms 8-K are not incorporated into this Form 10-K or into any other form or report filed with the Commission into which this Form 10-K would be incorporated by reference. On November 2, 2000, the Company filed a current report on Form 8-K announcing it would conduct an analyst and investor conference in New York City, New York. On November 16, 2000, the Company filed a current report on Form 8-K announcing the publication of its investment community newsletter. On December 15, 2000, the Company filed a current report on Form 8-K to announce a new booking fee pricing structure effective February 1, 2001. Also, the Company announced updated financial projections for the fourth quarter of 2000 and fiscal year 2001. 64 SABRE HOLDINGS CORPORATION INDEX TO FINANCIAL STATEMENTS AND SCHEDULES COVERED BY REPORT OF INDEPENDENT AUDITORS [ITEM 14(a)] FINANCIAL STATEMENTS Page Report of Independent Auditors 29 Consolidated Balance Sheets at December 31, 2000 and 1999 30 Consolidated Statements of Income for the Years Ended 31 December 31, 2000, 1999 and 1998 Consolidated Statements of Cash Flows for the Years Ended 32 December 31, 2000, 1999 and 1998 Consolidated Statements of Stockholders' Equity for the Years 33 Ended December 31, 2000, 1999 and 1998 Notes to Consolidated Financial Statements 34 Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2000, 1999 and 1998 66 All other schedules are omitted because the required information is included in the financial statements or notes thereto, or because the required information is either not present or not present in sufficient amounts. 65 CONSOLIDATED SCHEDULES FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 SABRE HOLDINGS CORPORATION SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2000 (IN THOUSANDS) COLUMN A COLUMN B COLUMN C COLUMN D COLUMN E COLUMN F
----- ADDITIONS

	BALANCE AT CHARGED TO	CHARGED TO	BEGINNING OF COSTS AND OTHER	
	BALANCE AT CLASSIFICATION	YEAR EXPENSES	ACCOUNTS DEDUCTIONS	END OF YEAR
	----- (1) (2) YEAR ENDED			
DECEMBER 31, 2000	Allowance for uncollectible accounts	\$ 11,913	\$ 16,412	\$ --- \$ (7,272) \$ 21,053
	cancellation reserve	19,748	1,106	--- --- 20,854
	Associate reserves	1,704	4,133	--- (4,237) 1,600
DECEMBER 31, 1999	Allowance for uncollectible accounts	12,403	12,913	--- (13,403) 11,913
	cancellation reserve	17,722	2,026	--- --- 19,748
	Associate reserves	3,711	1,871	--- (3,878) 1,704
DECEMBER 31, 1998	Allowance for uncollectible accounts	8,905	12,199	--- (8,701) 12,403
	Booking fee cancellation reserve	15,242	--- 2,480	--- 17,722
	Associate reserves	4,686	3,629	--- (4,604) 3,711

----- (1) Amounts charged against revenue. (2) Includes write-offs for uncollectible accounts and payments to associates. 66 SIGNATURES Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. SABRE HOLDINGS CORPORATION /s/ William J. Hannigan ----- William J. Hannigan Chairman, President and Chief Executive Officer (Principal Executive Officer) /s/ Jeffery M. Jackson ----- Jeffery M. Jackson Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) Date: February 28, 2001 Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted: Directors: /s/ David W. Dorman /s/ Pamela B. Strobel ----- David W. Dorman Pamela B. Strobel /s/ Paul C. Ely, Jr. /s/ Mary Alice Taylor ----- Paul C. Ely, Jr. Mary Alice Taylor /s/ Glenn W. Marschel, Jr. /s/ Richard L. Thomas ----- Glenn W. Marschel, Jr. Richard L. Thomas /s/ Bob L. Martin ----- Bob L. Martin Date: February 28, 2001 67