SABRE HOLDINGS CORP
Form 424B3
March 26, 2002

SUBJECT TO COMPLETION. DATED MARCH 26, 2002.
PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED APRIL 17, 2000.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

FILE PURSUANT TO RULE 424(b)(3)
REGISTRATION NO. 333-32106

8,000,000 SHARES

[SABRE LOGO]

SABRE HOLDINGS CORPORATION

CLASS A COMMON STOCK

The Class A common stock is listed on the New York Stock Exchange under the symbol "TSG". The last reported sale price of the Class A common stock on March 25, 2002, was $45.20 per share.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Public offering price.......................	$	$
Underwriting discount.......................	$	$
Proceeds, before expenses, to Sabre..........	$	$

To the extent that the Underwriters sell more than 8,000,000 shares of common stock, the Underwriters have the option to purchase up to an additional 1,200,000 shares from Sabre at the initial price to public, less the underwriting discount.

The Underwriters expect to deliver the shares through the facilities of the Depository Trust Company against payment in New York, New York on , 2002.

JOINT BOOK-RUNNING MANAGERS

BEAR, STEARNS & CO. INC. GOLDMAN, SACHS & CO.

MORGAN STANLEY

BANC OF AMERICA SECURITIES LLC

CREDIT SUISSE FIRST BOSTON

JPMORGAN

PROSPECTUS SUPPLEMENT DATED , 2002.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including statements regarding our competitive strengths, business strategy, future financial position, budgets, forecasted revenue or earnings growth, cost estimates, expected operating margins or cash flow, future bookings outlook and technology adoption trends and objectives of management are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "could," "project," "potential," "plan," "forecasts," "expect," "should," "would," "intend," "estimate," "anticipate," "believe," "continue" or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2001 and:

- risks associated with competition from established and emerging travel distribution channels and competitors, many of which are well funded and have major travel suppliers as significant shareholders;

- risks that decreased supplier commissions paid to travel agents may have the effect of diverting customers from travel agencies that use our global distribution system to Web sites owned by or affiliated with travel suppliers, including the risks associated with the recent announcements by major airlines, such as Delta Air Lines, American Airlines, Continental Airlines, United Air Lines, Northwest Airlines, America West Airlines and US Airways, to eliminate the payment of base commissions for tickets issued by U.S. travel agents that have not negotiated agreements with the airlines;

- risks that our revenues are highly dependent on the travel and transportation industries and particularly on the airlines, and that a prolonged decrease in travel bookings volume, such as any decrease attributable to the September 11, 2001 terrorist attacks in New York and Washington or to any subsequent terrorist-related activity or any decrease attributable to general economic conditions, could adversely impact our financial performance, operations, liquidity or capital resources and could adversely impact our ability to recover the carrying value of our intangible assets;

- risks associated with our ability to make and integrate successfully business combinations and strategic alliances, including our ability to consummate successfully the tender offer for all of the outstanding publicly-held common shares of Travelocity.com Inc. and the successful transition of its business from a public company to one of our wholly-owned subsidiaries;

- risks associated with travel distribution industry consolidation and increased competition for travel agency subscribers, which may result in increased expenses, reduced revenue and market position, and, if we increase our borrowings to finance such increased expenses, greater financial leverage;

- risks that airlines that are divesting their ownership of global distribution systems might limit their participation in our travel marketing and distribution services;

- risks that regulatory developments could limit our ability to compete;

- risks that rapid technological changes and new distribution channels may render our technology obsolete or decrease the attractiveness of our services to customers;

- risks that our computer and network systems may suffer failures, capacity constraints and business interruptions, which could increase our operating costs and cause us to lose customers;

- risks associated with the trade barriers outside of North America that limit our ability to compete;

- risks inherent in international operations, such as risks of currency exchange rate fluctuations, local economic and political conditions, restrictive governmental actions, increased seasonal reductions in business activity, higher costs of doing business, lack of or the failure to implement the appropriate infrastructure to support our technology, disruptions of capital and trading markets, and the laws and policies of the United States affecting trade, foreign investment and taxes; and

- risks that proposed changes in generally accepted accounting principles regarding our syndicated lease financing arrangement could cause the real estate and related debt subject to such arrangement to be consolidated into our financial statements, and that as a result we would record depreciation expense related to the real estate, which would decrease our net income.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by factors that could cause our actual results to differ materially from our expectations. We undertake no obligation to update publicly or revise any forward-looking statements.

SUMMARY

THE FOLLOWING SUMMARY HIGHLIGHTS SELECTED INFORMATION ABOUT THIS OFFERING. IT MAY NOT CONTAIN ALL THE INFORMATION THAT IS IMPORTANT TO YOU. IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, THE WORDS "SABRE," "THE COMPANY," "WE," "OUR," "OURS," AND "US" REFER TO SABRE HOLDINGS CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES UNLESS OTHERWISE STATED OR THE CONTEXT OTHERWISE REQUIRES. YOU SHOULD READ THE ENTIRE PROSPECTUS SUPPLEMENT, INCLUDING THE ACCOMPANYING PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE INTO THE PROSPECTUS SUPPLEMENT AND PROSPECTUS.

SABRE

We are a world leader in the electronic and online distribution and marketing of travel and travel services through our SABRE computer reservations system and our Travelocity.com Inc. and GetThere, Inc. subsidiaries. In addition, we are a leading provider of software solutions to the travel and transportation industries. The SABRE system allows travel agencies, corporate travel departments and individual consumers to access information about and book reservations with airlines and other providers of travel and travel-related products and services. As of December 31, 2001, travel agencies with approximately 66,000 locations in over 112 countries on six continents subscribed to the SABRE system, which enabled these subscribers to make reservations with approximately 405 airlines, 52 car rental companies, 229 tour operators, 9 cruise lines, 10 railroads and 244 hotel companies covering approximately 53,000 hotel properties worldwide. In 2001, we estimate that more than $67 billion of travel-related products and services were sold through the SABRE system.

As of the date of this prospectus supplement, we own an approximate 70% economic interest in Travelocity.com Inc., a leading provider of online travel services to consumers. Travelocity operates Travelocity.com and other Web sites, which have approximately 32 million registered members, the highest in the industry. Through Travelocity's Web sites, individual consumers can compare prices, make travel reservations and obtain destination information online. During 2001, members booked approximately $3.1 billion in travel services through Travelocity's Web sites. Based upon such gross travel bookings, Travelocity is the sixth-largest travel agency in North America.

Our subsidiary GetThere, Inc. provides Web-based travel booking systems designed for corporate travelers, travel arrangers and travel managers. Through our GetThere system, corporations provide employees with a convenient way to make travel and meeting reservations via their company intranet, while significantly reducing costs to the corporation by enabling lower service fees and better policy adherence, and by providing lower average ticket prices and real-time data on spending. As of December 31, 2001 more than 800 large corporations, including over half of the Fortune 200, use GetThere technology. GetThere also provides Web-based booking systems to major airlines including Alitalia, All Nippon Airways, British Airways, Cathay Pacific and United Airlines.

Through our Airline Solutions and Emerging Businesses segment, we provide software development and consulting solutions and other products and services to airlines and other travel providers. We currently provide both custom and off the shelf software solutions to more than 145 airlines.

Our principal executive offices are located at 3150 Sabre Drive, Southlake, Texas 76092, our telephone number is (682) 605-1000.

RECENT DEVELOPMENTS

TRAVELOCITY TENDER OFFER

On March 5, 2002, we commenced a cash tender offer for all of the outstanding publicly-held common shares of Travelocity that we do not already own. We amended the offer on March 18, 2002 to increase the tender offer price from $23.00 per share to $28.00 per share to acquire the balance of

Travelocity's common stock, which is approximately 15 million shares. An additional approximately 2.0 million Travelocity shares are subject to issuance pursuant to options with an exercise price of $28.00 or less under Travelocity's stock option and incentive plans. On March 18, 2002, a special committee of outside, independent directors of Travelocity's board of directors determined that our amended tender offer price is adequate. Based on that determination, the special committee and Travelocity's board of directors, with both special committee directors voting in favor, one director voting against, and six directors abstaining, recommended that Travelocity stockholders accept our amended offer and tender their shares. Notwithstanding the recommendation of Travelocity's board of directors, we can give no assurances that the tender offer will be completed successfully.

We estimate that the total amount of funds required to purchase all of the outstanding Travelocity common shares, other than those we already own, in the tender offer and the related merger and related fees and expenses will be approximately $481 million. This includes shares issuable upon exercise of options with an exercise price of less than $28.00. The tender offer is not conditioned on our obtaining any financing, including the successful completion of this offering or on the approval of Travelocity's board of directors. We intend to purchase all of the outstanding shares of Travelocity common stock and pay related fees and expenses from cash on hand and working capital. The tender offer is conditioned on the tender of a number of shares sufficient to bring our ownership interest in Travelocity common stock to at least 90 percent of the outstanding shares on an "as converted" basis, which means the percentage of shares that we would own following our conversion of all of our economic interests into Travelocity common stock treating as outstanding Travelocity common shares issuable upon the exercise of options with an exercise price of $28.00 or less as of April 2002.

Following completion of the tender offer, if we own 90% of Travelocity's common stock on an "as converted" basis, we intend to consummate a "short-form" merger in which the remaining Travelocity stockholders would receive the same cash price paid in the tender offer. We have reserved the right to waive or reduce the minimum condition and to elect to purchase a smaller number of shares but we have no current expectation that we would seek to exercise that right. In no event, however, will we purchase shares in the tender offer if less than a majority of the outstanding shares, excluding shares beneficially owned by us, are validly tendered and not withdrawn. The tender offer is scheduled to expire at 12:00 midnight, New York City time, on Friday, April 5, 2002, unless we extend it.

Investors, Travelocity stockholders and other interested parties are urged to read the tender offer documents that we and Travelocity filed and will file with the Securities and Exchange Commission because they contain and will contain important information about the tender offer. Investors are able to receive such documents free of charge at the SEC's Web site, WWW.SEC.GOV, or by contacting Investor Relations at Sabre at 3150 Sabre Drive, Southlake, Texas 76092.

We, Travelocity and the directors of Travelocity have been named as defendants in nine separate lawsuits brought by ten individual shareholders of Travelocity. These lawsuits were filed in the Delaware Court of Chancery in and for New Castle County on February 19, 2002. An additional lawsuit was filed in the District Court of Tarrant County, Texas on February 21, 2002 naming Travelocity and specified directors of Travelocity as defendants. Another lawsuit was filed in the District Court of Tarrant County, Texas on February 25, 2002 naming Sabre and specified directors of Travelocity as defendants. The plaintiffs generally allege that our tender offer for the publicly-held shares of Travelocity is unfair to Travelocity's minority shareholders, that our tender offer price is inadequate, that we breached our fiduciary duties to Travelocity's minority shareholders, that we are engaged in unfair self-dealing and are not acting in good faith towards Travelocity's public stockholders, that the tender offer is a product of a conflict of interest between us and Travelocity's public stockholders and other related allegations. The plaintiffs generally seek class certification from the court, injunctive relief, unspecified damages, and other relief. On March 20, 2002, we and Travelocity signed a memorandum of understanding with the plaintiffs to settle all pending stockholder litigation relating to the tender offer. Under the terms of the memorandum, we have stated our intention to

agree to an offer price of no less than $28.00 per share and not to object to an award of attorneys' fees and costs to counsel to the putative plaintiff class in an amount not to exceed $1.9 million. Under the terms of the memorandum, the plaintiffs have stated an intention to have all pending stockholder litigation settled and dismissed as to the plaintiffs and the putative plaintiff class. The settlement is subject to, among other things, the approval of the Delaware Court of Chancery.

SITE59 ACQUISITION

On March 26, 2002, Travelocity announced that it had entered into a definitive merger agreement with Site59.com, Inc., a privately held online travel vendor with merchant hotel and vacation package capability. Travelocity expects that, pursuant to this agreement, Site59 will become a subsidiary of Travelocity prior to April 1, 2002. We have agreed to provide a loan to Travelocity in an aggregate amount of up to approximately $43 million to fund substantially all the purchase price for the proposed transaction. The loan, which is not contingent upon the successful completion of the tender offer, will bear interest at a rate equal to six-month LIBOR plus 150 basis points.

THE OFFERING

Class A common stock offered by us........	8,000,000 shares
Approximate number of shares of Class A common stock outstanding after the offering..................................	142,644,340 shares
Use of proceeds...........................	We estimate that our net proceeds from this offering without exercise of the overallotment option will be approximately $344.4 million. We intend to use these proceeds for general corporate purposes.
NYSE symbol..............................	TSG

The number of shares outstanding after the offering is based on our shares outstanding on March 25, 2002, and excludes 13,056,465 shares reserved for issuance under outstanding options with a weighted average exercise price of $36.31 and shares that may be reserved for issuance in connection with our assumption of the outstanding Travelocity common stock options if we successfully complete the Travelocity tender offer and the related merger. The number of shares outstanding after the offering assumes that the underwriters' overallotment option is not exercised. If the underwriters exercise their overallotment option in full, we will issue and sell an additional 1,200,000 shares and will receive additional net proceeds before expenses of approximately $51.7 million.

We, all of our officers and members of the board of directors have agreed with the underwriters not to dispose of or hedge any Class A common stock owned by us or by them for 90 days from the date of this prospectus supplement without the prior written consent of the underwriters. This agreement also allows these officers and members of the board of directors to sell up to 625,000 shares of Class A common stock in the aggregate without the consent of the underwriters.

SUMMARY FINANCIAL INFORMATION

The following table presents our summary results for the years ended December 31, 2001 and 2000. You should read the summary consolidated financial data presented below in conjunction with the selected consolidated financial data and respective notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus supplement, and the consolidated financial statements and the respective notes to those statements included in our Annual Report on Form 10-K for the year ended December 31, 2001. Some of the financial metrics in the table below are presented on a basis excluding selected special items. This presentation is consistent with the manner in which management assesses the operating performance of our business.

	YEAR ENDED DECEMBER 31,	
	2001(1)	2000
	(IN MILLIONS, EXCEPT PER SHARE DATA)	
INCOME STATEMENT DATA(2)(3)(4):		
Revenues	$2,103.1	$1,940.7
Operating expenses, excluding amortization of goodwill and intangible assets	1,834.3	1,658.5
Amortization of goodwill and intangible assets(4)	277.5	109.4
Operating income (loss)	(8.7)	172.8
Other income (expense), net	20.2	(13.9)
Minority interests	22.5	30.7
Income from continuing operations before income taxes	34.0	189.6
Income taxes	81.0	93.5
Income (loss) from continuing operations	(47.0)	96.1
Income from discontinued operations, net(2)(5)	75.1	48.0
Cumulative effect of accounting change, net(6)	3.1	--
Net earnings	$ 31.2	$ 144.1
Earnings (loss) per common share--diluted:		
Income (loss) from continuing operations	$ (.35)	$ .74
Income from discontinued operations, net(2)(5)	.57	.37
Cumulative effect of accounting change, net(6)	.02	--
Net income	$ .24	$ 1.11
Operating income before special items(7)(8)	$ 314.0	$ 308.2
Income from continuing operations before special items(7)(8)	$ 184.5	$ 194.5
Net earnings before special items(7)(8)	$ 231.8	$ 256.7
Earnings per common share before special items--diluted:		
Income from continuing operations before special items(7)(8)	$ 1.37	$ 1.50
Income from discontinued operations, net before special items(7)(8)	.35	.48
Net earnings before special items(7)(8)	$ 1.72	$ 1.98

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(1) Our results of operations for the year ended December 31, 2001 were negatively affected by a significant reduction in travel following the September 11, 2001 terrorist attacks on New York and Washington. While it is difficult to quantify the amount of revenue lost as a direct result of the attacks, we believe a reasonable estimate is $200 million. We undertook certain initiatives to aid our customers following the attacks, which negatively impacted our results by approximately $16 million during 2001. See Note 6 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(2) Effective on July 1, 2001, we completed the sale of our information technology infrastructure outsourcing business, and also entered into agreements with EDS for (a) EDS to manage our information technology systems for 10 years, and (b) EDS and us to market jointly certain information technology services and

software solutions to the travel and transportation industries. See Note 2 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement. The results of operations of the information technology infrastructure outsourcing business have been reclassified and presented as income from discontinued operations, net, for 2001 and 2000.

(3) We have significant transactions with AMR and American Airlines. The terms of many of the agreements with AMR and its affiliates were revised in connection with AMR's divestiture of its entire ownership interest in us in the first quarter of 2000. See Note 8 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(4) 2001 and 2000 results of operations were impacted by our merger and acquisition activities and the related goodwill amortization expense associated with those transactions. See Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and Note 5 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement, for additional information regarding mergers and acquisitions and the impact on our financial condition and results of operations.

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

(6) On January 1, 2001 we adopted Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES." See Note 7 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(7) Special items excluded from 2001 operating income are $288.5 million, or

$237.3 million net of tax and minority interests, in amortization expense associated with goodwill and other intangibles, as well as stock compensation, arising from the merger of Travelocity.com Inc. and Preview Travel Inc., the acquisition of a 51 percent interest in Dillion Communication Systems GmbH, the acquisitions of Gradient Solutions Limited, GetThere Inc. and Sabre Pacific; severance expense of $28.2 million, $17.5 million net of tax; and a write-off of software licenses of $6.0 million, or $3.7 million net of tax. In addition to the items listed above, net earnings before special items exclude a $47.3 million gain or $29.2 million net of tax, as a result of the sale of shares in France Telecom; a loss of $3.2 million, or $2.3 million net of tax, related to the sale of Hotel Reservation Network warrants; amortization expense of $17.7 million, or $10.9 million net of tax, related to the accounting treatment of options granted to US Airways; a gain of $62.8 million, or $38.8 million net of tax, on the sale of the infrastructure outsourcing business to EDS and a gain of $3.1 million, net of tax and minority interests, for a cumulative effect of change in accounting principle.

(8) Special items excluded from 2000 operating income are $114.7 million, or $85.9 million net of tax and minority interests, in amortization expense associated with goodwill and other intangibles, as well as stock compensation, arising from the merger of Travelocity.com Inc. and Preview Travel Inc., the acquisition of a 51 percent interest in Dillion Communication Systems GmbH, and the acquisitions of Gradient Solutions Limited and GetThere Inc.; expenses of $12.5 million, or $7.5 million net of tax, associated with the spinoff from AMR; and severance expense of $8.2 million, or $5.0 million net of tax. In addition to the items listed above, net earnings and earnings per share before special items excluded expenses of $12.2 million, or $7.5 million net of tax, related to the accounting treatment of options granted to US Airways and severance expense related to discontinued operations of $10.8 million, or $6.7 million net of tax.

USE OF PROCEEDS

We estimate that our net proceeds from this offering without exercise of the overallotment option will be approximately $344.4 million. We intend to use these net proceeds for general corporate purposes. If the underwriters exercise their overallotment option in full, we will issue and sell an additional 1,200,000 shares and will receive additional net proceeds before expenses of approximately $51.7 million.

MARKET PRICE OF COMMON STOCK AND DIVIDENDS

Our Class A common stock is traded on the New York Stock Exchange (symbol TSG). The approximate number of record holders of our Class A common stock at March 25, 2002 was 10,714.

The range of the high and low sales prices for our Class A common stock on the New York Stock Exchange by quarter for the two most recent fiscal years was:

	HIGH	LOW
Quarter Ended:		
December 31, 2001	$43.02	$25.70
September 30, 2001	53.85	21.22
June 30, 2001	54.98	43.34

March 31, 2001	47.85	35.88
Quarter Ended:		
December 31, 2000	$43.81	$26.38
September 30, 2000	30.56	22.31
June 30, 2000	38.63	25.56
March 31, 2000	53.50	34.19

The last reported sale price of our Class A common stock on the New York Stock Exchange on March 25, 2002, was $45.20 per share.

On February 7, 2000, we declared a one-time cash dividend on all outstanding shares of our Class A 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. No dividends were paid during 2001. In the future, we intend to retain our earnings to finance future growth and, therefore, do not anticipate paying any additional cash dividends on our common stock. Any determination as to the future payment of dividends will depend upon our future results of operations, capital requirements and financial condition and such other factors as our board of directors may consider, including any contractual or statutory restrictions on our ability to pay dividends.

DESCRIPTION OF CLASS A COMMON STOCK

Our authorized capital stock is 250,000,000 shares of Class A common stock, $.01 par value, and 20,000,000 shares of preferred stock, $.01 par value. At March 25, 2002, 134,644,340 shares of Class A common stock and no shares of preferred stock were outstanding.

The following description of our Class A common stock and preferred stock is not complete and is qualified in its entirety by reference to our second restated certificate of incorporation and our bylaws and to any certificate of designations that we file with the SEC if we offer preferred stock under this prospectus. We have filed copies of our second restated certificate of incorporation and our bylaws as exhibits to Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, respectively. The following description of our Class A common stock also supplements, and to the extent inconsistent therewith replaces, the

description of our stock under the caption "Description of Capital Stock" in the accompanying prospectus.

The holders of our Class A common stock are entitled to one vote per share on all matters to be voted on by stockholders. Holders of shares of our Class A common stock are not entitled to cumulate their votes in the election of directors.

Generally, all matters to be voted on by our stockholders must be approved by a majority, or, in the case of the election of directors, by a plurality, of the votes entitled to be cast by all of our common stockholders, subject to any voting rights granted to any of the holders of our preferred stock. Except as the law may otherwise provide, and subject to any voting rights granted to holders of our preferred stock, amendments to our certificate of incorporation generally must be approved by a majority of our common stockholders.

Holders of our common stock will share in an equal amount per share in any dividend declared by our board of directors, subject to any preferential rights of any of our outstanding preferred stock.

On our liquidation, dissolution or winding up, after payment in full of any amounts we must pay to any creditors and any holders of our preferred stock, all of our common stockholders are entitled to share ratably in any assets available for distribution to our common stockholders.

No shares of our Class A common stock are subject to redemption or have preemptive rights to purchase additional shares of our common stock.

The transfer agent and registrar for our common stock is The Bank of New York.

Our Class A common stock trades on the New York Stock Exchange under the symbol "TSG." We will list any shares of our Class A common stock sold under this prospectus supplement on the New York Stock Exchange.

The following provisions in our charter or bylaws may make a takeover of our company more difficult:

- our charter and bylaws provide for a classified board of directors, and generally that any vacancies on the board will be filled only by the affirmative vote of a majority of our remaining directors, even if less than a quorum;

- our charter and bylaws provide that our directors may be removed only for cause and only upon the affirmative vote of holders of at least 80% of the voting power of all the then outstanding shares of our stock entitled to vote generally in the election of directors;

- our charter generally provides that stockholder action can be taken only at an annual or special meeting of our stockholders and may not be taken by written consent in place of a meeting;

- our charter and bylaws generally provide that special meetings of our stockholders can be called only by our board of directors, and that the business conducted at any special meeting of our stockholders is limited to the business set forth in the notice of meeting provided to stockholders;

- our bylaws establish an advance notice procedure for our stockholders to make nominations of candidates for election as directors or bring other business before an annual meeting of our stockholders;

- our bylaws generally provide that the business that may be conducted at an annual meeting is limited to business that has been brought before the meeting by, or at the direction of, our chairman of the board or our board of directors or by a stockholder who has given timely written notice of that stockholder's intention to bring that business before the meeting;

- our charter and bylaws require that any amendment to the provisions of our bylaws or to certain provisions of our charter, including those provisions discussed above, must be approved by the holders of at least 80% of the then outstanding shares of our stock entitled to vote generally in the election of directors; and

- our charter and bylaws provide that our board of directors may amend our bylaws.

These provisions may delay stockholder actions with respect to business combinations and the election of new members to our board of directors. As such, the provisions could discourage open market purchases of our common stock because a stockholder who desires to participate in a business combination or elect a new director may consider them disadvantageous. Additionally, the issuance of preferred stock could delay or prevent a change of control or other corporate action.

As a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an "interested stockholder" from engaging in a "business combination" with us for three years following the date that person became an interested stockholder, unless:

- before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;

- upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding stock held by persons who are both directors and officers of our corporation or by specified employee stock plans; or

- on or following the date on which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 2/3% of our outstanding voting stock excluding shares held by the interested stockholder.

An "interested stockholder" is generally a person owning 15% or more of our outstanding voting stock. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Although our stockholders may elect to exclude our company from the restrictions imposed by Section 203 of the DGGL, our certificate of incorporation does not currently exclude us from those restrictions.

CAPITALIZATION

The following table sets forth our debt and equity capitalization as of December 31, 2001:

- on an actual basis, and

- on an adjusted basis, which gives effect to the sale of 8,000,000 shares in this offering at an assumed public offering price of $45.20, after deducting the underwriting discount and commissions and estimated offering expenses.

The "As Adjusted" column does not include the payment of the purchase price of approximately $43 million for Site59, the effects of the payment of the total amount of cash, estimated to be $481 million, required to purchase all of the outstanding shares of Travelocity common stock, other than those we already own, in the tender offer and the related merger and related fees and expenses. This includes shares issuable upon exercise of options with an exercise price of less than $28.00. See "Summary--Recent Developments." In addition, the "As Adjusted" column does not include 13,056,465 shares reserved for issuance under outstanding options, shares that may be reserved for issuance in connection with our assumption of outstanding options to acquire Travelocity common stock if we successfully complete the Travelocity tender offer and the related merger and up to 1,200,000 shares of our Class A common stock issuable upon exercise of the underwriters' overallotment option.

You should read this table in conjunction with our selected consolidated financial data presented elsewhere in this prospectus supplement along with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

	DECEMBER 31, 2001	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Cash and marketable securities	$ 666,887	$1,011,303
Short term debt	$ --	$ --
Long-term debt:		
Revolving credit facility	--	--
7.35% Notes due 2011	400,375	400,375
Total long-term debt	400,375	400,375
Stockholders' equity:		
Preferred stock: $0.01 par value; 20,000 shares authorized; no shares issued	--	--
Class A common stock: $0.01 par value; 250,000 shares authorized; 133,527 shares issued, actual, 141,527 shares issued, as adjusted	1,351	1,431
Additional paid-in capital	818,742	1,163,078
Retained earnings	227,986	227,986
Accumulated other comprehensive income	3,176	3,176
Less treasury stock at cost; 384 shares	(9,479)	(9,479)
Total stockholders' equity	1,041,776	1,386,192
Total capitalization	$1,442,151	$1,786,567

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents our historical financial data. You should read the selected consolidated financial data presented below in conjunction with the consolidated financial statements, the respective notes to those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented elsewhere in this prospectus supplement. Effective July 1, 2001, we completed the sale of our information technology infrastructure outsourcing business to Electronic Data Systems Corporation, or EDS. The results of operations of our information technology infrastructure outsourcing business have been presented as a discontinued operation for the years ended December 31, 2001, 2000, 1999 and 1998. See Note 2 of the Consolidated Financial Statements included in our Annual Report for the year ended December 31, 2001, which is incorporated by reference to this prospectus supplement. During 2001, we completed the acquisitions of Sabre Pacific and David R. Bornemann Associates, Inc. During 2000, we acquired Preview Travel; Gradient Solutions Limited; GetThere, Inc. and a 51% ownership interest in Dillon Communication Systems GmbH. Those acquisitions affect the comparability of the data presented.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented elsewhere in this prospectus supplement and Note 5 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference to this prospectus supplement, for further information regarding these acquisitions and their impact on our financial condition and results of operations.

	YEAR ENDED DECEMBER 3			
	2001(1)	2000	1999	
	(IN MILLIONS, EXCEPT PER SH AND OTHER DATA WHERE INDI			
INCOME STATEMENT DATA(2)(3)(4):				
Revenues	$2,103.1	$1,940.7	$1,699.0	$1
Operating expenses, excluding amortization of goodwill and intangible assets	1,834.3	1,658.5	1,393.5	1
Amortization of goodwill and intangible assets(4)	277.5	109.4	--	
Operating income (loss)	(8.7)	172.8	305.5	
Other income (expense), net	20.2	(13.9)	155.4	
Minority interests	22.5	30.7	--	
Income from continuing operations before income taxes	34.0	189.6	460.9	
Income taxes	81.0	93.5	170.4	
Income (loss) from continuing operations	(47.0)	96.1	290.5	
Income from discontinued operations, net(2)(5)	75.1	48.0	41.4	
Cumulative effect of accounting change, net(6)	3.1	--	--	
Net earnings	$ 31.2	$ 144.1	$ 331.9	$
Earnings (loss) per common share--basic:				
Income (loss) from continuing operations(2)	$ (. 35)	$ .74	$ 2.24	$
Income from discontinued operations, net(2)(5)	.57	.37	.32	
Cumulative effect of accounting change, net(6)	.02	--	--	
Net income	$ .24	$ 1.11	$ 2.56	$
Earnings (loss) per common share--diluted:				
Income (loss) from continuing operations(2)	$ (.35)	$ .74	$ 2.22	$
Income from discontinued operations, net(2)(5)	.57	.37	.32	
Cumulative effect of accounting change, net(6)	.02	--	--	
Net income	$ .24	$ 1.11	$ 2.54	$
BALANCE SHEET DATA (at end of period)(2):				
Current assets	$1,092.2	$ 693.0	$ 976.4	$
Goodwill and intangible assets, net	664.3	891.5	--	
Total assets	2,376.0	2,650.4	1,951.2	1
Current liabilities	564.5	1,266.4	525.1	
Long-term notes payable	400.4	149.0	--	
Minority interests	219.7	239.5	--	
Stockholders' equity	1,041.8	791.0	1,262.0	

	YEAR ENDED DECEMBER		
	2001	2000	1999
	(IN MILLIONS, EXCEPT PER AND OTHER DATA WHERE IN		
OTHER DATA(2):			
Direct reservations booked using the SABRE system(7)........	372	394	370
Total reservations processed using the SABRE system(8)......	431	467	439
EBITDA(9)...	$402.7	$475.5	$480.6
Ratio of earnings to fixed charges(10).....................	0.97	4.47	23.58
Cash flows from operating activities(2)....................	$410.2	$310.8	$495.4
Capital expenditures(2)....................................	$158.4	$190.1	$168.0

The following table sets forth selected financial metrics that exclude certain special items that are summarized below for the years ended December 31, 2001 and 2000. This presentation is consistent with the manner in which management assesses the operating performance of our business.

	2001	2000
Operating income before special items(11)(12)..............	$314.0	$308.2
Income from continuing operations before special items(11)(12)..	$184.5	$194.5
Net earnings before special items(11)(12)..................	$231.8	$256.7
Earnings per common share before special items--diluted(11)(12)		
Income from continuing operations before special items....	$ 1.37	$ 1.50
Income from discontinued operations, net before special items...	.35	.48
Net earnings before special items........................	$ 1.72	$ 1.98

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(1) Our results of operations for the year ended December 31, 2001 were negatively affected by a significant reduction in travel following the September 11, 2001 terrorist attacks on New York and Washington. While it is difficult to quantify the amount of revenue lost as a direct result of the attacks, we believe a reasonable estimate is $200 million. We undertook certain initiatives to aid our customers following the attacks, which negatively impacted our results by approximately $16 million during 2001. See Note 6 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(2) Effective on July 1, 2001, we completed the sale of our information technology infrastructure outsourcing business, and also entered into agreements with EDS for (a) EDS to manage our information technology systems for 10 years, and (b) EDS and us to market jointly certain

information technology services and software solutions to the travel and transportation industries. See Note 2 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement. The results of operations of the information technology infrastructure outsourcing business have been reclassified and presented as income from discontinued operations, net, for 2001, 2000, 1999 and 1998. Results of operations for 1997 have not been reclassified for discontinued operations due to changes in our organizational structure beginning in 1998 which limit our ability to accurately reclassify the results of operations for 1997 to present the information technology infrastructure outsourcing business as a discontinued operation. Balance sheet and cash flow data have not been revised for the effects of our sale of our outsourcing business.

(3) We have significant transactions with AMR and American Airlines. The terms of many of the agreements with AMR and its affiliates were revised in connection with AMR's divestiture of its entire ownership interest in us in the first quarter of 2000. See Note 8 to the Consolidated

Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(4) 2001 and 2000 results of operations were impacted by our merger and acquisition activities and the related goodwill amortization expense associated with those transactions. See Note 5 to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement, for additional information regarding mergers and acquisitions and the impact on our financial condition and results of operations.

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

(6) On January 1, 2001 we adopted Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES." See Note 7 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement.

(7) Computer reservation system reservations for which we collect a booking fee.

(8) Includes direct reservations plus reservations processed by joint venture partners using the SABRE system.

(9) Earnings before interest, taxes, depreciation and amortization, or EBITDA, from continuing operations consists of the sum of income from continuing operations before provision for income taxes, net interest expense, depreciation and amortization and other income (expense), net. EBITDA is not a measure of income or cash flows in accordance with generally accepted accounting principles. EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA should not be considered in isolation or as a substitute for net income, operating cash flow or any other measure of financial performance prepared in accordance with generally accepted accounting principles or as a measure of our

profitability or liquidity. EBITDA margin is calculated by dividing EBITDA by revenues from continuing operations for the applicable period.

(10) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of income from continuing operations before income taxes and the cumulative effect of change in accounting method, interest expense, and the portion of rent expense deemed to represent interest. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest. Earnings for the year ended December 31, 2001 were inadequate to cover fixed charges by $1.3 million.

(11) Special items excluded from 2001 operating income are $288.5 million, or $237.3 million net of tax and minority interests, in amortization expense associated with goodwill and other intangibles, as well as stock compensation, arising from the merger of Travelocity.com Inc. and Preview Travel Inc., the acquisition of a 51 percent interest in Dillion Communication Systems GmbH, the acquisitions of Gradient Solutions Limited, GetThere Inc. and Sabre Pacific; severance expense of $28.2 million, $17.5 million net of tax; and a write-off of software licenses of $6.0 million, or $3.7 million net of tax. In addition to the items listed above, net earnings and earnings per share before special items exclude a $47.3 million gain, or $29.2 million net of tax, as a result of the sale of shares in France Telecom; a loss of $3.2 million, or $2.3 million net of tax, related to the sale of Hotel Reservation Network warrants; amortization expense of $17.7 million, or $10.9 million net of tax, related to the accounting treatment of options granted to US Airways; a

gain of $62.8 million, or $38.8 million net of tax, on the sale of the infrastructure outsourcing business to EDS and a gain of $3.1 million, net of tax and minority interests, for a cumulative effect of change in accounting principle.

(12) Special items excluded from 2000 operating income are $114.7 million, or $85.9 million net of tax and minority interests, in amortization expense associated with goodwill and other intangibles, as well as stock compensation, arising from the merger of Travelocity.com Inc. and Preview Travel Inc., the acquisition of a 51 percent interest in Dillion Communication Systems GmbH, and the acquisitions of Gradient Solutions Limited and GetThere Inc.; expenses of $12.5 million, or $7.5 million net of tax, associated with the spinoff from AMR; and severance expense of $8.2 million, or $5.0 million net of tax. In addition to the items listed above, net earnings and earnings per share before special items excluded expenses of $12.2 million, or $7.5 million net of tax, related to the accounting treatment of options granted to US Airways and severance expense related to discontinued operations of $10.8 million, or $6.7 million net of tax.

BUSINESS

We are a world leader in the marketing and distribution of travel through our SABRE(1) computer reservations system. In addition, we are a leading provider of software solutions to the travel and transportation industries.

Sabre Holdings Corporation is a holding company incorporated in Delaware on June 25, 1996. Pursuant to a reorganization consummated on July 2, 1996, we became the successor to the businesses of The Sabre Group which were formerly operated as divisions or subsidiaries of AMR or American Airlines. On October 17, 1996, we completed an initial public offering of 23,230,000 shares of our Class A common stock, par value $.01 per share, representing approximately 17.8% of the economic interest of our outstanding common equity. On March 15, 2000, AMR distributed its entire ownership stake in our company to its shareholders. Effective July 1, 2001, we completed the sale of our information technology infrastructure business to Electronic Data Systems Corporation, or EDS.

We operate through four business segments: Travel Marketing and Distribution, Travelocity, GetThere, and the Airline Solutions and Emerging Businesses. As of the date of this prospectus supplement, we own an approximate 70% economic interest in Travelocity, with the remaining amount subject to the tender offer discussed in "Summary-- Recent Developments--Travelocity Tender Offer." The Travel Marketing and Distribution segment distributes travel services to subscribers such as travel agencies. Through our 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 segment 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. GetThere distributes travel services online directly to businesses. GetThere operates one of the world's largest Internet marketplaces focused on corporate online travel services and powers online travel sites for leading airlines. The Airline Solutions and Emerging Businesses segment primarily provides software development and consulting solutions and other products and services to airlines and other travel providers. In 2001, we estimate that air travel, as represented by the number of airline bookings, was distributed in North America across the various channels served by these four business segments as follows: traditional travel agency--49%; online consumer--9%; online corporate--1%; and supplier direct--41%. Each of these segments is discussed in greater detail below.

TRAVEL MARKETING AND DISTRIBUTION

The SABRE system and other global distribution systems are the principal means of air travel distribution in the United States and in many international regions. Through the SABRE system, subscribers, such as travel agencies, corporate travel departments and individual consumers, can access information about and book reservations with our associates, which are airlines, car rental companies, hotel companies, railroads, tour operators, ferry companies and cruise lines. As of December 31, 2001, travel agencies with approximately 66,000 locations in over 112 countries on six continents subscribed to the SABRE system, which enabled these subscribers to make reservations with approximately 405 airlines, 52 car rental companies, 229 tour operators, 9 cruise lines, 10 railroads and 244 hotel companies covering approximately 53,000 hotel properties worldwide.

During 2001, more airline bookings in North America were made through the SABRE system than through any other global distribution system. We estimate that in 2001 our share of airline bookings in North America made through the four major global distribution systems by traditional travel agencies

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(1) Sabre, Direct Connect, eVoya, Turbo Sabre, Sabre Business Travel Solutions, Planet Sabre, Travelocity.com and Travelocity are registered marks, and Airmax, Airflite, Basic Booking Request, eMergo, GetThere, Sabre Net Platform, DirectAirline, DirectCorporate, and DirectMidMarket are trademarks and/or service marks of an affiliate of Sabre Inc. All other names are trade names, trademarks and/or service marks of their respective owners.

was 48%. Approximately 77.5%, 82.5% and 84.7% of our revenue from continuing operations in 2001, 2000, and 1999, respectively, was generated by the marketing and distribution of travel, primarily through booking fees paid by associates.

THE SABRE GLOBAL DISTRIBUTION SYSTEM

The SABRE system, like other global distribution systems, creates an electronic marketplace where travel providers display information about their products and warehouse and manage inventory. Subscribers, principally travel agencies but also corporate travel departments and individual consumers, via Travelocity.com and other online agencies that subscribe to SABRE, access information and purchase travel products and services using the SABRE system. In 2001, over 930 associates displayed information about their products and services through the SABRE system, and we estimate that more than $67 billion of travel-related products and services were sold through the SABRE system.

In addition to providing information to subscribers about airlines and other travel-related vendors, the SABRE system reports to the travel providers transaction data about subscriber-generated reservations, allowing vendors to manage better inventory and revenues. The SABRE system also allows travel agency subscribers to print airline tickets, boarding passes and itineraries. Additionally, the SABRE system provides subscribers with travel information on matters such as currency, medical and visa requirements, weather and sightseeing. By accessing the SABRE system, a subscriber can, from a single source, obtain schedules, availability and pricing information from multiple travel providers for complex travel itineraries.

ASSOCIATE PARTICIPATION

We derive our travel marketing and distribution revenues primarily from booking fees paid by associates for reservations made through the SABRE system for their products and services. In addition to airlines, associates include car rental companies, hotel companies, railroads, tour operators, ferry companies and cruise lines.

Airlines and other associates can display, warehouse, manage and sell their inventory in the SABRE system. The booking fee paid by an associate depends upon several factors, including the associate's level of participation in the SABRE system and the type of products or services provided by the associate. Airlines are offered a wide range of participation levels. The lowest level of participation for airlines, the SABRE BASIC BOOKING REQUEST participation level, provides schedules and electronic booking functionality only. Higher levels of participation for airlines, such as the SABRE DIRECT CONNECT AVAILABILITY participation level, provide greater levels of communication with the SABRE system, giving subscribers more detailed information and associates improved inventory management. For an associate selecting one of the higher levels of participation, the SABRE system provides subscribers with a direct connection to the associate's internal reservation system, allowing the SABRE system to provide real-time information and allowing the associate to optimize revenue for each flight. Car rental companies and hotel operators are provided with similar levels of participation from which to select. We also provide associates, upon request, marketing data in the form of anonymous, aggregated data from which all personal information has been deleted. This marketing data is derived from the SABRE system bookings and is provided for fees that vary depending on the amount and type of information provided.

SUBSCRIBER ACCESS

Access to the SABRE system enables subscribers to locate, price, compare and purchase electronically travel products and services provided by associates. We tailor the interface and functionality of the SABRE system to the needs of our different types of subscribers. Marketing is targeted to travel agencies, travel suppliers, corporations and individual consumers.

We provide travel agents with the hardware, software, technical support and other services needed to use the SABRE system, in return for fees that typically vary inversely with the travel agency's productivity, as measured by the number of bookings generated. Such fees are payable over the term of the travel agent's agreement with us, generally five years in the United States and Latin America, three years in Canada, and one year in Europe.

Because travel agencies have differing needs, we have modified the SABRE system interface to meet the specific needs of different categories of travel agents. For example, we developed TURBO SABRE software, an advanced point-of-sale interface and application development tool that enables advanced functionality such as customized screens, automated quality control, database integration, and eliminates complex commands, reducing keystrokes and training requirements. In addition, we offer SABRE EVOYA WEBTOP, a web-based travel agency portal combining the breadth of the Internet with the power of the SABRE system. It provides access to our traditional format-based booking tool, as well as Web-based booking tools for cruises, restaurants, ground transportation, theatres, local events and theme parks.

We provide online booking solutions to serve the specific online needs of travel agencies and associate customers, including Web site development, business logic middleware, and backend processing. The end consumer accesses the agency- and associate-specific Web sites via the Internet to locate, price, compare and purchase travel products and services. Travel agent and associate product offerings range from off-the-shelf applications to fully customized solutions. License, consulting, and Web hosting fees are recovered from the subscribers and vary with the level of customization and volume generated by the site. We currently provide Web hosting services for over 1,000 sites.

The SABRE system interfaces are available in English, Spanish, Portuguese, French, German, Italian and Japanese. In addition, we offer travel agencies back-office accounting systems and further support travel agencies by offering a simplified method to develop and place their own marketing presence on the Internet.

Our global share of all airline bookings made through the four global distribution systems, SABRE, Galileo, Amadeus and Worldspan, by region in 2001 was:

REGION	SABRE SHARE OF AIRLINE BOOKINGS
North America	48%
Latin America	50%
Asia/Pacific	57%
Europe, Middle East and Africa	14%

TRAVELOCITY

As of the date of this prospectus supplement, we own an approximate 70% economic interest in Travelocity.com Inc., a leading provider of online travel services to consumers. Travelocity operates Travelocity.com and other Web sites, which have approximately 32 million registered members, the highest in its industry. Based upon gross travel bookings of $3.1 billion in 2001, Travelocity is the sixth-largest travel agency in North America. In the fourth quarter of 2001, we estimate that Sabre's share of the airline bookings in North America made through the four major global distribution systems in the online consumer distribution channel was 40%.

Through Travelocity's Web sites and certain co-branded sites operated in conjunction with other Web sites, individual leisure and business travelers can compare prices, make travel reservations online and obtain destination information. Travelocity's Web sites are accessible through the Internet and computer online services such as AOL. They feature booking and purchase capability for airlines, car

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rental agencies, hotel companies and cruise and vacation providers, and offer access to a database of information regarding specific destinations and other information of interest to travelers.

In addition to Travelocity's main U.S. Web site, it operates multiple Web sites tailored to customers in the United Kingdom, Canada and Germany. Travelocity is the exclusive provider of travel booking services for various America Online, Inc. services, including AOL, AOL.com, Netscape, CompuServe and Digital City in the United States and Canada. Travelocity is also an exclusive provider of some of the travel booking services on Web sites operated by Yahoo!, Inc. in the United States and Canada. In 2001, Travelocity and Otto Freizeit und Touristik GmbH, a global leader in direct marketing and Europe's leading direct marketing firm, consummated plans to launch Travelocity Europe, a new multi-channel travel company, making Travelocity Europe one of the leading European online agencies. Finally, Travelocity also launched TRAVELOCITY.CA EN FRANCAIS for its Canadian customers, providing the most comprehensive French and English language online planning and buying choices across air, car, hotel, rail, and vacation travels.

Travelocity receives booking fees and commissions from travel providers for purchases of their travel products and services pursuant to reservations made through Travelocity's Web sites. In addition, Travelocity receives advertising revenues from the delivery of advertising impressions on Travelocity's Web sites.

Travelocity was incorporated on September 30, 1999 as our wholly-owned indirect subsidiary. In 2000, we merged Travelocity with Preview Travel, Inc., an independent publicly-traded company engaged in consumer direct travel distribution over the Internet. Shares of stock of Travelocity, the surviving entity, now trade under the symbol "TVLY" on the NASDAQ National Market. On March 5, 2002, we commenced a tender offer for the publicly traded shares of common stock of Travelocity as discussed in "Summary--Recent Developments--Travelocity Tender Offer." Investors, Travelocity stockholders and other interested parties are urged to read the tender offer documents that we filed and will file with the SEC because they contain and will contain important information about the tender offer. Investors will be able to receive such documents free of charge at the SEC's website, WWW.SEC.GOV, or by contacting Investor Relations at Sabre at 3150 Sabre Drive, Southlake, Texas 76092.

GETTHERE

GetThere provides Web-based travel booking systems designed for corporate travelers, travel arrangers and travel managers. Through our GetThere system, corporations provide employees with a convenient way to make travel and meeting reservations via their company intranet, while significantly reducing costs to the corporation by enabling lower service fees, better policy adherence, and providing lower average ticket prices and real-time data on spending. Many corporations save more than 20 percent on travel costs, often representing millions of dollars in bottom-line savings. Through major agency and supplier partners, GetThere is delivering sophisticated corporate travel features to small and medium-sized companies that make up a significant percentage of the industry's business travel expenditures. As of December 31, 2001 more than 800 large corporations, including over half of the Fortune 200, use GetThere technology. In 2001, we estimate that GetThere's share of airline bookings in North America made through the four global distribution systems in the online corporate distribution channel was 71%.

GetThere also enables trip reservations on airline Web sites, providing value to travelers while reducing the suppliers' cost of selling tickets. Suppliers can also incorporate value-added services to promote loyalty, such as complete air, car and hotel reservations, awards programs and redemption, and flight status alerts and information. GetThere provides Web-based booking systems to major airlines including Alitalia, All Nippon Airways, British Airways, Cathay Pacific and United Airlines.

We receive fees for transactions booked through GetThere's travel booking systems and also recognize revenues for certain up-front fees, such as implementation, franchise, and license fees over the term of the related contract.

AIRLINE SOLUTIONS AND EMERGING BUSINESSES

SOFTWARE DEVELOPMENT, SALES AND LICENSING. Our suite of software products provides industry-specific applications that help airlines and other travel providers streamline their operations, improve workflow, and raise productivity. Some of the most popular products support planning and scheduling, flight operations, pricing and revenue management, crew management, cargo tracking, passenger systems and frequent flyer programs. We currently provide both custom and off the shelf software solutions to more than 145 airlines.

We began expanding our existing software products and solutions in 2000 by launching SABRE EMERGO Web-enabled solutions, a new application service provider offering that simplifies delivery options and positions us for growth into new market segments. We are in the process of integrating over 25 products into the eMergo environment. The offering allows carriers access to our leading technological solutions that feature delivery through shorter implementations, 24-hour data center support, and fewer complications than running an internal system. Most products offered within EMERGO are Web-enabled and provide users with secure access for a pre-defined, usage-based fee.

RESERVATIONS HOSTING. We are a leading provider of airline reservations hosting services. These services involve maintaining and storing an airline's schedules, fares and inventory on our central computer systems for the primary purpose of creating reservations for the airline's customers. These services also support airport check-in, ticketing, car and hotel reservations and the airline's frequent flyer program. The reservations hosting services allow our airline clients to support and expand upon these fundamental airline functions. In addition, we have designed our reservations hosting services to easily integrate with many of our other software solutions so that airline customers using our reservations hosting services can readily access the benefits offered by these other solutions. Each hosted airline has a unique and secured partition that contains data and reservations for that airline. We currently provide reservations hosting services to over 60 airlines worldwide, boarding over 300 million passengers annually. In 2001, we estimate that our share of airline bookings in North America made through the supplier direct distribution channel was 39%.

CONSULTING SERVICES. Our consulting services assist businesses in the travel and transportation industries in collecting and analyzing operational and aggregated customer data in order to improve internal operations and product distribution in the marketplace. These services enable airlines, airports and other travel-related businesses to improve operations and optimally distribute their fares, schedules and inventories through all available channels with a special emphasis on distribution through computer reservations and global distribution systems. We offer consulting services covering several areas related to the airline and travel industries, including revenue management, distribution strategy, maintenance and engineering, electronic business solutions, crew contract negotiations, network profitability and airline start-up assistance.

We distribute our software solutions and consulting services through a sales and marketing organization that spans four continents, with primary sales offices in Dallas, London, Hong Kong and Sydney. We also maintain agency relationships to support sales efforts in key markets, including India, China and the Middle East.

INTERNATIONAL MARKETING

We are actively involved in marketing the SABRE system internationally either directly or through joint venture or distributorship arrangements. Our global marketing partners principally include foreign

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airlines that have strong relationships with travel agents in such airlines' primary markets and entities that operate smaller global distribution systems or other travel-related network services.

We have long-term agreements with ABACUS International Holdings Ltd. which created ABACUS International Ltd, a Singapore-based joint venture company that manages travel distribution in the Asia/Pacific region. As of the date of this prospectus supplement, we own 35% of the joint venture and provide it with transaction processing and product development services on the SABRE system. We also provide distribution products and services to Infini and Axess, Japan's two largest global distribution system travel agency marketing companies. As of the date of this prospectus supplement, Infini is owned 35% by ABACUS and 65% by All Nippon Airways. As of the date of this prospectus supplement, Axess is owned 25% by us and 75% by Japan Airlines.

COMPETITION

Although distribution through traditional travel agents continues to be the primary method of travel distribution, new channels of direct online distribution to businesses and consumers are developing rapidly. The adoption of these tools is currently quite low, but it is growing quickly. We believe that our products and services offered through GetThere and Travelocity are well positioned to effectively compete in these emerging distribution channels.

The global market to attract and retain agency subscribers is intensely competitive. Factors affecting competitive success of global distribution systems include depth and breadth of information, ease of use, reliability, service and incentives to travel agents and range of products available to travel providers, travel agents and consumers. We compete in travel marketing and distribution primarily against other large and well-established global distribution systems. Our principal competitors in marketing to travel agents include Amadeus Global Travel Distribution SA, Galileo International Inc. and Worldspan, L.P. Each of these competitors offers many products and services substantially similar to ours.

We potentially face many new competitors as new travel distribution channels develop, including new Internet based online corporate and online consumer channels. Many of these channels will continue to require services from a global distribution system such as the SABRE system. We have and will continue to offer transaction processing and other services to parties that compete directly with the Travelocity.com Web site and GetThere as such parties require access to our offerings. For example, we provide transaction processing services to Cheaptickets.com, and Lowestfare.com and Hotwire.com even though they directly compete against Travelocity. For the provision of these services, we receive booking fees for bookings made through these and other travel-related Web sites.

We market the SABRE system to corporations through GetThere. The market for Internet-based travel procurement and supply services is relatively new, highly competitive and rapidly evolving. Our main competitors in the online corporate channel in marketing to corporations include providers of online travel products and services, such as Amadeus Global Travel Distribution SA and Amadeus' E-Travel, Galileo's Highwire and Datalex PLC; and online providers of indirect goods and services including Ariba and Commerce One.

We offer our online consumer channel primarily through the Travelocity.com Web site. The main competitors of the Travelocity.com Web site in marketing to consumers include Orbitz, which is owned primarily by several U.S. airlines, Expedia, which is owned primarily by USA Networks, Inc., Priceline.com, Hotwire.com, Cheaptickets.com and Lowestfare.com. Increasingly, many travel suppliers are developing their own Web sites, some of which offer an array of products and services that directly target consumers. Various major airlines have recently launched or announced their intention to launch Internet Web sites in the United States, Europe and Asia to provide booking services for airline travel, hotel accommodations and other travel services offered by multiple vendors. Several hotels have announced plans for similar multi-vendor Web sites. Some owners of these sites do, or appear to have

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the intention to, make certain discounted fares and prices available exclusively on their proprietary or multi-vendor Web sites. To that end, Orbitz has included "most favored distributor" and exclusivity provisions in its airline participation contracts. Orbitz is currently being investigated by the U.S. Department of Transportation and the U.S. Department of Justice. The U.S. Department of Transportation is also conducting a rulemaking proceeding in which one of the central issues is whether Orbitz should be subject to the same sorts of regulations as have long applied to airline-owned or airline-marketed computer reservations systems used by travel agencies.

The Attorneys General of 20 U.S. states and the Commonwealth of Puerto Rico have filed comments with both the U.S. Department of Transportation and the U.S. Department of Justice expressing their serious concerns about the impact that Orbitz might have on competition. The Senate Antitrust Subcommittee has written to the U.S. Department of Justice and the Federal Trade Commission calling for an investigation of Orbitz. In those proceedings, a number of parties--including the Association of Retail Travel Agents, the American Society of Travel Agents, Southwest Airlines, the Consumer Federation and us--have either sought to have conditions imposed on the manner in which Orbitz may operate or to have it prohibited outright. Congress has recently passed legislation requiring the U.S. Department of Transportation to report on the competitive impact of Orbitz and whether it is being used to distort competition. On March 12, 2002, the U.S. Department of Transportation requested that Orbitz provide confidential documents pertaining to its business plans and contracts to determine whether the terms of participation in Orbitz are unreasonably restricting competition in the airline and airline distribution businesses. The agency's request also extended to the airlines that own Orbitz, its business partners and several competitors. We have sought the imposition of conditions that will safeguard fair competition in this sphere. We are unable to say when any of these proceedings might conclude or what the final outcome may be.

Opodo is a multi-airline owned travel distribution Web site in Europe. The European Commission has given tentative approval for Opodo to operate in the European Union. In an effort to gain final approval, Opodo and its owner carriers have proposed conditions limiting the use of most favored distributor clauses and exclusivity provisions, and have proposed to be bound by provisions of the European Commission Computer Reservation System Code of Conduct that require equal access to fare content. We have commented on the proposal and have asked the European Commission to strengthen and clarify language regarding equal access to content. We are unable to say when this process will be complete or what the final outcome will be.

COMPUTER RESERVATION SYSTEM INDUSTRY REGULATION

Our travel marketing and distribution business is subject to regulation in the United States, the European Union, Canada and Peru. These regulations generally address the relationships among computer reservation systems, airline associates, and travel agency subscribers. Generally, these regulations do not address relationships with non-airline associates. The regulations in the European Union, however, do include rail associates in some circumstances. In general, these regulations are directed at ensuring fair competition among travel providers. Among the principles addressed in the current regulations are:

- unbiased computer reservation system displays of airline information,

- fair treatment of airline associates by computer reservation systems,

- equal participation by airlines in non airline-owned computer reservation systems, and

- fair competition for subscribers.

The computer reservation system regulations in the United States are currently under review. In addition, the Transportation Ministry of Peru adopted new computer reservation system regulations in

December 2001. We do not believe that the possible revisions to the United States regulations, or the adoption of regulations in Peru, will materially adversely affect our operations.

OTHER REGULATION

We may be impacted by regulations affecting issues such as: exports of technology, telecommunications, data privacy and electronic commerce. Some portions of our business, such as our Internet-based travel marketing and distribution, may be affected if regulations are adopted in these areas. Any such regulations may vary among jurisdictions. We believe that we are capable of addressing these regulatory issues as they arise.

LEGAL PROCEEDINGS

WORLDSPAN DISPUTE. On January 9, 1998, Worldspan LP, the former provider of computer reservation system services to ABACUS International Holdings, filed a lawsuit against us in the United States District Court for the Northern District of Georgia, Atlanta Division, seeking damages and an injunction, and alleging, among other things, that we interfered with Worldspan's relationship with

ABACUS, violated the U.S. antitrust laws, and misappropriated Worldspan's confidential information. On March 30, 2001, the parties filed cross motions for summary judgment on certain claims and said motions were heard by the court on November 6, 2001. The court granted our motion for partial summary judgment dismissing Worldspan's state law claims, including alleged tortious interference and misappropriation of trade secrets. Worldspan has appealed the court's ruling. We believe that Worldspan's remaining claims are without merit and we are vigorously defending ourselves. Additionally, we are entitled to indemnification pursuant to the terms of the agreement with ABACUS. No trial date has been set.

INDIA TAX ISSUE. In 1998, the Indian tax authority asserted that we have a taxable presence in India. In March 1999, we received a $30 million USD tax assessment, including interest, for the two years ending March 31, 1998. We challenged the assessment on the grounds that we do not have a taxable presence in India and, even if we do, the assessment is based on incorrect financial data. The United States government intervened on our behalf, and other U.S. companies currently facing similar tax-related issues with the Indian government, but was unable to reach agreement with the Indian government on our case. Additionally, we appealed the validity and amount of the assessment within the Indian tax authority. Although we did not prevail in our appeal based on the merits, a reassessment based on correct financial data was ordered by the tax authority. We are awaiting that redetermination. We continue to believe that the position of the Indian government is without merit and that we will ultimately prevail. We anticipate that we will appeal the case through judicial systems in India if an unfavorable ruling is obtained from the tax authority in India.

NORTHWEST AIRLINES DISPUTE. On June 5, 2001, Northwest Airlines filed a lawsuit against us and our subsidiary, GetThere L.P., seeking 778,209 shares of our Class A common stock. This lawsuit was based on a 1999 agreement between Northwest and GetThere before we acquired GetThere. Under this agreement, Northwest could exercise a number of warrants to obtain GetThere stock if Northwest and GetThere entered into specified additional agreements and GetThere began processing transactions for Northwest's Web site. After our acquisition of GetThere, these warrants were converted into warrants to acquire our Class A common stock. We have entered into a settlement agreement with Northwest under which Northwest will dismiss the lawsuit against us. We do not believe that the settlement will have a material impact on our business, financial condition or results of operations.

TRAVELOCITY SHAREHOLDER LITIGATION. We, Travelocity and the directors of Travelocity have been named as defendants in nine separate lawsuits brought by ten individual shareholders of Travelocity. These lawsuits were filed in the Delaware Court of Chancery in and for New Castle County on

February 19, 2002. An additional lawsuit was filed in the District Court of Tarrant County, Texas on February 21, 2002 naming Travelocity and specified directors of Travelocity as defendants. Another lawsuit was filed in the District Court of Tarrant County, Texas on February 25, 2002 naming Sabre and specified directors of Travelocity as defendants. The plaintiffs generally allege that our tender offer for the publicly-held shares of Travelocity is unfair to Travelocity's minority shareholders, that our tender offer price is inadequate, that we breached our fiduciary duties to Travelocity's minority shareholders, that we are engaged in unfair self-dealing and are not acting in good faith towards Travelocity's public stockholders, that the tender offer is a product of a conflict of interest between us and Travelocity's public stockholders and other related allegations. The plaintiffs generally seek class certification from the court, injunctive relief, unspecified damages, and other relief. On March 20, 2002, we and Travelocity signed a memorandum of understanding with the plaintiffs to settle all pending stockholder litigation relating to the tender offer. Under the terms of the memorandum, we have stated our intention to agree to an offer price of no less than $28.00 per share and not to object to an award of attorneys' fees and costs to counsel to the putative plaintiff class in an amount not to exceed $1.9 million. Under the terms of the memorandum, the plaintiffs have stated an intention to have all pending stockholder litigation settled and dismissed as to the plaintiffs and the putative plaintiff class. The settlement is subject to, among other things, the approval of the Delaware Court of Chancery.

INTELLECTUAL PROPERTY

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

EDS TRANSACTION

On March 14, 2001, we entered into agreements with EDS which provide for:

- the sale of our infrastructure outsourcing business and information technology infrastructure assets and associated real estate to EDS,

- a 10-year contract with EDS to manage our information technology systems, and

- agreements between Sabre and EDS to jointly market information technology services and software solutions to the travel and transportation industries.

Effective on July 1, 2001, we completed the sale to EDS of our information technology infrastructure outsourcing business including outsourcing contracts, Web hosting contracts, and information technology infrastructure assets and related real estate to EDS for approximately $661 million in cash. We may receive aggregate additional payments from EDS for these assets of up to a total of $6 million on April 15, 2003 and 2004, depending on the amount of revenues received by EDS under an airline outsourcing contract included in the sale. We used the entire $661 million of the cash proceeds from the sale to reduce existing debt.

The assets transferred included our: outsourcing contracts with American, US Airways, Gulf Air and Dollar/Thrifty Rent-A-Car; our data centers; and our network, desktop and mid-range computer systems. These assets were used for our outsourcing business and for transaction processing in our

travel marketing and distribution segment, including the operation of the SABRE system. Approximately 4,000 of our employees, located mostly in the United States, were transitioned to employment with EDS upon closing of the transaction.

We retained our core travel marketing and distribution business, including:

the line of business related to contracts with travel suppliers and travel agency subscribers for participation in the SABRE system; our investment in the Travelocity consumer online business and GetThere corporate online booking business; and contracts with travel suppliers, travel agencies and online travel sites for Web site development and booking engine services. We plan to continue to focus our business on remaining the global leader in all channels of travel distribution.

We also retained contracts and assets that are directly related to our core travel marketing and distribution business. Those include our reservations hosting business, which provides internal reservation systems for airline customers; contracts to provide software applications development, maintenance and licensing; our intellectual property assets, including our software applications portfolios; and the EMERGO suite of airline solutions.

PROPERTIES

Our principal corporate executive headquarters offices are located in Southlake, Texas and consist of two newly constructed leased buildings and one previously constructed leased building. The initial term of the lease expires in 2004 with two one-year renewal periods, thereafter subject to certain lessor and lessee approvals. We also have an option to purchase these facilities prior to or upon expiration of the lease. Additionally, we lease office facilities in Westlake, Texas under leases expiring in 2003. We also lease office facilities in approximately 70 other locations worldwide.

In connection with the sale of our outsourcing assets to EDS, we assigned nine facility leases to EDS. Four of the assigned facilities are located in Tulsa, Oklahoma and include our principal data center, a data tape archive facility, an operations center and a computer center. EDS also subleases a large office facility from us in Fort Worth, Texas in a sublease that will expire in 2011.

The construction of a new data center facility in Tulsa, Oklahoma is near completion. We are currently negotiating to sell this data center when construction is completed. On January 31, 2002 we sold our previous headquarters office facility in Fort Worth, Texas to American Airlines for proceeds of approximately $80 million. A second small office facility in Fort Worth, Texas, which we own, is also actively being marketed at this time.

Many of our travel agency and corporate subscribers connect to the SABRE system through leased access circuits. These leased access circuits, in turn, connect to the domestic and international data networks leased by us, such as those leased from Societe Internationale de Telecommunications Aeronautiques, which is owned by a consortium of airlines.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUMMARY

During 2001, we generated revenue from continuing operations by providing Travel Marketing and Distribution services to travel agencies, corporate travel departments and travel suppliers using the SABRE system; to consumers using Travelocity's Web site and to businesses using GetThere products; from the development and marketing of airline solutions; and from products and services offered by emerging businesses. Approximately 77.5% of our revenue was generated from Travel Marketing and Distribution services, approximately 11.1% from Travelocity, 9.4% from Airline Solutions and Emerging Businesses and 2.0% from GetThere. Total revenues from continuing operations have grown at a compound annual growth rate of 10.4% for the three years ended December 31, 2001.

Our revenue for 2001 was adversely affected by the terrorist attacks of September 11. Air travel in the United States was suspended for several days following the attacks. Once air travel resumed, we experienced significant decreases in booking volumes due to reduced travel in the United States, and, to a lesser degree, internationally. Travel bookings decreased dramatically from approximately a 65% decline in the days immediately following the attacks, as compared to the same period a year ago, but have increased since the attacks to end the year approximately 15% lower than the same period a year ago. While it is difficult to quantify the amount of revenue lost as a result of the attacks, we believe a reasonable estimate is $200 million.

For the three years ended December 31, 2001, operating expenses from continuing operations have grown at a compound annual growth rate of 18.6%. Amortization of goodwill and intangible assets resulting from acquisitions of GetThere, Preview, Gradient, Sabre Pacific and Dillon was $109.4 million in 2000 and increased to $277.5 million in 2001. Absent the effect of this amortization expense, operating expenses from continuing operations have grown at a compound annual growth rate of 13.2%. Our primary operating expenses consist of salaries, benefits, other employee-related costs, communication costs and customer incentives, representing approximately 61.5%, 66.7% and 77.4% of total operating expenses in 2001, 2000 and 1999, respectively. Those expenses grew at a compound annual growth rate of 10.4% for the three years ended December 31, 2001, primarily due to our growth, including business acquisitions, and were in line with revenue growth during this same period.

As a result of lower than expected growth in travel bookings and revenues resulting from the September 11 terrorist attacks and higher growth in operating expenses primarily resulting from amortization of goodwill and intangibles, our operating margin decreased to (0.4)% in 2001 from 18.0% in 1999.

CRITICAL ACCOUNTING POLICIES

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

We have included below a discussion of the following critical accounting policies that we believe are affected by our more significant judgments and estimates used in the preparation of our financial statements, how we apply such policies, and how results differing from our estimates and assumptions would affect the amounts presented in our financial statements. Other accounting policies also have a significant effect on our financial statements, and some of these policies also require the use of estimates and assumptions. Note 3 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated by reference into this prospectus supplement, discusses our significant accounting policies.

ACCOUNTS RECEIVABLE: We generate a significant portion of our revenues and corresponding accounts receivable from services provided to the commercial air travel industry. As of December 31, 2001, approximately 75% of our accounts receivable were attributable to these customers. Our other accounts receivable are generally due from other participants in the travel and transportation industry.

We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, e.g., bankruptcy filings, failure to pay amounts due to us or others, we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off history, average percentage of receivables written off historically, and the length of time the receivables are past due.

During 2001, the commercial air travel industry in particular, and the travel and transportation industry in general, was adversely affected by a decline in travel resulting from a softening economy. This was worsened by the aftermath of the terrorist attacks of September 11. We believe that we have appropriately considered the effects of these factors, as well as any other known customer liquidity issues, on the ability of our customers to pay amounts owed to us. However, if demand for commercial air travel softens, due to prevailing economic conditions, terrorist acts or other incidents involving commercial air transport, or other factors, the financial condition of our customers may be adversely impacted. If we begin, or estimate that we will begin, to experience higher than expected defaults on amounts due us, our estimates of the amounts which we will ultimately collect could be reduced by a material amount. As an example, we increased our allowance for bad debts by a net amount of approximately $20 million during 2001, to $41 million at December 31, 2001 to account for the adverse effects of the weakening economy and the events of September 11 on the ability of our customers to pay amounts due to us.

BOOKING FEE CANCELLATION RESERVE: We record revenue for airline travel reservations processed through the SABRE system at the time of the booking of the reservation. However, if the booking is canceled in a later month, the booking fee must be refunded to the customer, less a small cancellation fee. Therefore we record revenue net of an estimated amount reserved to account for future cancellations. This reserve is calculated based on historical cancellation rates. In estimating the amount of future cancellations that will require us to refund a booking fee, we assume that a significant percentage of cancellations are followed by an immediate re-booking, without loss of revenue. This assumption is based on historical rates of cancellations/re-bookings and has a significant impact on the amount reserved. If circumstances change, i.e., higher than expected cancellation rates or changes in booking behavior, our estimates of future cancellations could be increased by a material amount, and our revenue decreased by a corresponding amount. At December 31, 2001, we have a recorded booking fee cancellation reserve of approximately $21 million.

BUSINESS COMBINATIONS: During 2000 and 2001, we completed acquisitions of other companies. The amounts assigned to the identifiable assets and liabilities acquired in connection with these acquisitions were based on estimated fair values as of the date of the acquisition, with the remainder recorded as goodwill. The fair values were determined by our management, generally based upon information supplied by the management of the acquired entities and valuations prepared by independent appraisal experts. The valuations have been based primarily upon future cash flow projections for the acquired assets, discounted to present value using a risk-adjusted discount rate. For certain classes of intangible assets, the valuations have been based upon estimated cost of replacement.

In connection with these acquisitions, we have recorded a significant amount of intangible assets. These assets are being amortized over the expected economic lives of the assets, generally ranging from one to seven years. If we determine that we have over-estimated the economic life of these assets, we will begin to amortize the remaining unamortized carrying value of the assets over the newly estimated

life. Accordingly, depreciation and amortization expense would be increased. The amount of the increase could be material to our results of operations.

We evaluate the carrying value of our intangible assets for impairment whenever indicators of impairment exist. If we determine that such indicators are present, we prepare an undiscounted future net cash flow projection for the asset. In preparing this projection, we must make a number of assumptions concerning such things as future booking volume levels, price levels, commission rates, rates of growth in our online booking businesses, rates of increase in operating expenses, etc. If our projection of undiscounted future net cash flows is in excess of the carrying value of the recorded asset, no impairment is recorded. If the carrying value of the asset exceeds the projected undiscounted net cash flows, an impairment is recorded. The amount of the impairment charge is determined by discounting the projected net cash flows.

We also recorded a significant amount of goodwill in connection with our 2000 and 2001 acquisitions. Through the end of 2001, we evaluated goodwill for impairment based on undiscounted projected future cash flows. If the carrying value of the goodwill was less than the undiscounted projected future cash flows, no impairment would be recognized. Beginning January 1, 2002, we will adopt a recently issued accounting standard and begin to evaluate our goodwill for impairment on an annual basis or whenever indicators of impairment exist. The evaluation will be based upon a comparison of the estimated fair value of the unit of our business to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities of that unit. The fair values used in this evaluation will be estimated based upon discounted future cash flow projections for the unit. These cash flow projections will be based upon a number of assumptions, as discussed in the immediately preceding paragraph.

To date, we have not recorded an impairment of our goodwill or intangible assets. We believe that assumptions we have made in projecting future cash flows for the evaluations described above are reasonable. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

DEFERRED TAX ASSETS: We account for deferred income taxes based upon differences between the financial reporting and income tax bases of our assets and liabilities. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, more likely than not, the future tax benefits will be recognized.

At December 31, 2001, we have recorded a net deferred tax asset of approximately $66 million. We have recorded this asset as we believe it is more likely than not that we will be able to realize the asset through reduction of future taxable income. We base this belief upon the levels of taxable income historically generated by our business, as well as projections of future taxable income. If future levels of taxable income are not consistent with our expectations, we may be required to record an additional valuation allowance, which could reduce our net income by a material amount.

SYNDICATED LEASE ARRANGEMENT: We are affiliated with a special purpose entity that qualifies for off-balance sheet treatment. In 1999, we arranged a syndicated lease financing facility of approximately $310 million through this entity 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 construction of a new data center in Tulsa, Oklahoma. We anticipate exercising a purchase option for the data center and executing an immediate sale to a third party in 2002. If the anticipated sale of the data center occurs, the outstanding commitment on the syndicated lease financing facility of $310 million will decrease by approximately $100 million. We account for the lease financing facility as an operating lease, and the costs of the properties financed through the facility, as well as the related debt, are not consolidated in our financial statements.

All of the capitalization of the special purpose entity has been provided by a consortium of independent banking institutions. The banks have invested capital at risk exceeding 3.3% of the capital of the special purpose entity. This, and certain other criteria, allow the special purpose entity to not be consolidated in our financial statements. If the invested capital at risk of the lenders declines below 3%, or if certain other criteria are not met, we would be required to consolidate the special purpose entity. Had we consolidated the special purpose entity at December 31, 2001, both our reported assets and liabilities would have been increased by approximately $260 million.

SEASONALITY

The travel industry is seasonal in nature. Bookings, and thus fees charged for the use of the SABRE system, decrease significantly each year in the fourth quarter, primarily in December, due to early bookings by customers for travel during the holiday season and a decline in business travel during the holiday season. The third and fourth quarters of 2001 were also negatively impacted by the significant decrease in air travel and booking activity after the September 11 terrorist attacks.

The following table sets forth our quarterly financial data (in millions, except per share data):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2001				
Revenues	$573,414	$582,035	$524,829	$422,812
Operating income (loss)	44,861	38,448	2,106	(94,124)
Income (loss) from continuing operations	413	5,051	17,290	(69,707)
Income from discontinued operations, net	13,632	22,673	38,772	--
Cumulative effect of accounting change, net	3,103	--	--	--
Net earnings (loss)	$ 17,148	$ 27,724	$ 56,062	$(69,707)
Earnings per common share--basic:				
Income (loss) from continuing operations	$ --	$ .04	$ .13	$ (.52)
Income from discontinued operations, net	.10	.17	.29	--
Cumulative effect of accounting change, net	.03	--	--	--
Net earnings (loss)	$ .13	$ .21	$ .42	$ (.52)
Earnings (loss) per common share--diluted:				
Income (loss) from continuing operations	$ --	$ .04	$ .13	$ (.52)
Income from discontinued operations, net	.10	.16	.29	--
Cumulative effect of accounting change, net	.03	--	--	--
Net earnings (loss)	$ .13	$ .20	$ .42	$ (.52)

2000				
Revenues	$479,142	$501,377	$495,596	$464,619
Operating income (loss)	76,271	74,864	60,781	(39,134)
Income (loss) from continuing operations	49,358	47,532	39,987	(40,772)
Income from discontinued operations, net	16,258	15,876	4,428	11,385
Net earnings (loss)	$ 65,616	$ 63,408	$ 44,415	$(29,387)
Earnings per common share--basic:				
Income (loss) from continuing operations	$ .38	$ .37	$ .31	$ (.32)
Income from discontinued operations, net	.13	.12	.03	.09
Net earnings (loss)	$ .51	$ .49	$ .34	$ (.23)
Earnings (loss) per common share--diluted:				
Income (loss) from continuing operations	$ .38	$ .37	$ .31	$ (.32)
Income from discontinued operations, net	.10	.09	.03	.09
Net earnings (loss)	$ .48	$ .46	$ .34	$ (.23)

RESULTS OF OPERATIONS

2001 COMPARED TO 2000

REVENUES. Total revenues from continuing operations for the year ended December 31, 2001 increased approximately $162 million, 8.3%, compared to the year ended December 31, 2000, from $1,941 million to $2,103 million. Travel Marketing and Distribution revenue increased $24 million, 1.5%. This increase was primarily due to a $29 million increase from booking and other fees from associates which reflected a price increase of 8% over prior year offset by a decrease in direct booking volumes of 6% as a result of the decrease in leisure travel due to the U.S. economic slowdown and the events of September 11; a $9 million increase in joint venture revenue due to increases in joint venture

development revenues; and a decrease in revenues from other products of $14 million. Travelocity increased revenues approximately $89 million, 61.9%, due to increases in transaction revenue from a 33% increase in gross travel bookings, growth in advertising revenues primarily from the revenue sharing agreement with AOL, and growth in other revenues primarily due to service charges for the handling and express delivery of certain paper tickets and the recognition of additional revenue related to warrants received from Hotel Reservations Network. GetThere revenues increased approximately $30 million, 253.1%, resulting primarily from the combination of GetThere with our existing Business Travel Solutions business in October 2000. Supplier revenue, which consists of services provided to air travel providers, such as United Airlines, for hosting their consumer Web sites, increased $12 million. GetThere also increased corporate and other revenue approximately $18 million, due to increases in trip fees and revenues from partnerships with agencies such as American Express and other online customers. Airline Solutions and Emerging Businesses revenues increased approximately $19 million, 10.6%, due primarily to increases in applications development performed on behalf of various travel providers. While it is difficult to quantify the amount of revenue lost as a result of the attacks, we believe a reasonable estimate is $200 million.

COST OF REVENUES. Cost of revenues for the year ended December 31, 2001 increased approximately $51 million, 3.9%, compared to the year ended December 31, 2000, from $1,317 million to $1,368 million. Approximately

$41 million of this increase was driven by increases in salaries, development labor, depreciation and other operating expenses for GetThere due to the growth in the business during 2001. Approximately $23 million of the increase was primarily due to increased salaries, benefits and employee-related expenses resulting from growth in Travelocity. The increases in Travelocity and GetThere were partially offset by decreases in expenses in Travel Marketing and Distribution of $4 million, mainly resulting from savings in depreciation expense, offset by increased customer incentive expenses. The remaining offset of $9 million in Airline Solutions and Emerging Businesses was due to decreases in development labor.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the year ended December 31, 2001 increased $125 million, 36.5%, compared to the year ended December 31, 2000 from $342 million to $467 million. Approximately $32 million of the increase in selling, general and administrative expenses relates to the Travelocity business and includes an increase in advertising spending, amortization of payments made to strategic distribution partners, salaries, benefits and employee-related costs, and professional services as well as other administrative costs to support the business. Approximately $19 million of the increase relates to the GetThere business as a result of the purchase of GetThere in October 2000. The remaining $74 million increase in selling, general administrative expenses is due to increases in bad debt reserves as a result of the events of September 11, and increases in advertising and promotion costs, customer incentives, and other selling, general and administrative expenses to support our growth, as well as costs historically allocated to the outsourcing business that are still being incurred as part of the continuing operations.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS. Amortization of goodwill and intangible assets increased $169 million, 155.0%, from $109 million for the year ended December 31, 2000 to $278 million for the year ended December 31, 2001. The increase is primarily due to the impact in 2001 of recognizing a full year of amortization of goodwill recorded in connection with the 2000 acquisitions of GetThere and Preview Travel. We recorded approximately $1 billion of goodwill and intangible assets associated with the merger of Preview and Travelocity and the acquisitions of GetThere, Gradient and an interest in Dillon in 2000, as well as the purchase of Sabre Pacific and David R. Bornemann Associates, Inc. in 2001. The majority of goodwill and intangible assets resulting from acquisitions are being amortized over periods ranging from one to seven years.

OPERATING INCOME. Operating income decreased $182 million for the year ended December 31, 2001, 105.2%, from $173 million for the year ended December 31, 2000 to ($9) million. Operating

margins decreased from 8.9% in 2000 to (0.4)% in 2001, due to an increase in operating expenses of 19.4% partially offset by an 8.3% increase in revenues. Travel Marketing and Distribution's operating income decreased $58 million, 14.3%, due to the increase in customer incentives partially offset by decreases in depreciation and amortization. Travelocity.com's operating loss decreased $38 million due to increases in transaction services revenues from associates and increases in advertising revenues, slightly offset by increased goodwill amortization and higher selling, general and administrative expenses. GetThere's operating