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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from _____ to _____

Commission File No. 001-36640

Travelport Worldwide Limited

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of
incorporation or organization)

98-0505105

(I.R.S. Employer
Identification Number)

Axis One, Axis Park

Langley, Berkshire, SL3 8AG, United Kingdom

(Address of principal executive offices, including zip code)

+44-1753-288-000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 1, 2017, there were 125,315,860 shares of the Registrants' common shares, par value \$0.0025 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

The forward-looking statements contained herein involve risks and uncertainties. Many of the statements appear, in particular, in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those in the forward-looking statements. In some cases you can identify forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “potential,” “should,” “will,” and “would” or other similar words. You should read statements that contain these words carefully because they discuss our future priorities, goals, strategies, actions to improve business performance, market growth assumptions and expectations, new products, product pricing, changes to our business processes, future business opportunities, capital expenditures, financing needs, financial position and other information that is not historical information. References within this Quarterly Report on Form 10-Q to “we,” “our,” “us” or “Travelport” refer to Travelport Worldwide Limited, a Bermuda company, and its consolidated subsidiaries.

The following list represents some, but not necessarily all, of the factors that could cause actual results to differ from historical results of continuing operations or those anticipated or predicted by these forward-looking statements:

- factors affecting the level of travel activity, particularly air travel volume, including security concerns, pandemics, general economic conditions, natural disasters and other disruptions;
- our ability to obtain travel provider inventory from travel providers, such as airlines, hotels, car rental companies, cruise-lines and other travel providers;
- our ability to maintain existing relationships with travel agencies and to enter into new relationships on acceptable financial and other terms;
- our ability to develop and deliver products and services that are valuable to travel agencies and travel providers and generate new revenue streams;
- the impact on travel provider capacity and inventory resulting from consolidation of the airline industry;
- our ability to grow adjacencies, such as payment and mobile solutions;
- general economic and business conditions in the markets in which we operate, including fluctuations in currencies, particularly in the U.S. dollar, and the economic conditions in the eurozone;
- the impact on business conditions worldwide as a result of political decisions, including the United Kingdom’s (“U.K.”) decision to leave the European Union (“E.U.”);
- pricing, regulatory and other trends in the travel industry;
- the impact our outstanding indebtedness may have on the way we operate our business;
- our ability to achieve expected cost savings from our efforts to improve operational and technological efficiency, including through our consolidation of multiple technology vendors and locations and the centralization of activities; and
- maintenance and protection of our information technology and intellectual property.

We caution you that the foregoing list of important factors may not contain all of the factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management’s good faith belief with respect to future events and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. The factors listed

in the section captioned “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 21, 2017, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed with the SEC on May 9, 2017, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on August 2, 2017, and this Quarterly Report on Form 10-Q, as well as any other cautionary language in this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described in the forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this report could have an adverse effect on our business, results of operations, financial position and cash flows.

Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

(in \$ thousands, except share data)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net revenue	\$ 610,842	\$ 590,756	\$ 1,873,712	\$ 1,805,924
Costs and expenses				
Cost of revenue	388,027	351,534	1,144,572	1,090,816
Selling, general and administrative . . .	111,762	123,406	338,810	377,177
Depreciation and amortization	50,314	53,581	156,871	158,068
Total costs and expenses	550,103	528,521	1,640,253	1,626,061
Operating income	60,739	62,235	233,459	179,863
Interest expense, net	(28,793)	(29,813)	(92,011)	(129,821)
Gain on sale of a subsidiary	—	—	1,217	—
Loss on early extinguishment of debt	(4,682)	(955)	(4,682)	(3,626)
Income before income taxes	27,264	31,467	137,983	46,416
Provision for income taxes	(22,583)	(10,063)	(43,073)	(22,260)
Net income	4,681	21,404	94,910	24,156
Net loss (income) attributable to non-controlling interest in subsidiaries . .	169	(566)	973	(1,564)
Net income attributable to the Company . . .	\$ 4,850	\$ 20,838	\$ 95,883	\$ 22,592
Income per share – Basic:				
Income per share	\$ 0.04	\$ 0.17	\$ 0.77	\$ 0.18
Weighted average common shares outstanding – Basic	124,469,069	123,920,699	124,303,716	123,821,339
Income per share – Diluted:				
Income per share	\$ 0.04	\$ 0.17	\$ 0.76	\$ 0.18
Weighted average common shares outstanding – Diluted	126,188,372	124,291,687	125,827,540	124,209,052
Cash dividends declared per common share	\$ 0.075	\$ 0.075	\$ 0.225	\$ 0.225

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

<u>(in \$ thousands)</u>	<u>Three Months Ended September 30, 2017</u>	<u>Three Months Ended September 30, 2016</u>	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Net income	<u>\$ 4,681</u>	<u>\$21,404</u>	<u>\$ 94,910</u>	<u>\$24,156</u>
Other comprehensive income, net of tax:				
Currency translation adjustment, net of tax . .	4,234	2,475	20,533	5,135
Amortization of actuarial loss to net income, net of tax	<u>2,856</u>	<u>2,472</u>	<u>8,060</u>	<u>6,974</u>
Other comprehensive income, net of tax	<u>7,090</u>	<u>4,947</u>	<u>28,593</u>	<u>12,109</u>
Comprehensive income	<u>11,771</u>	<u>26,351</u>	<u>123,503</u>	<u>36,265</u>
Comprehensive loss (income) attributable to non-controlling interest in subsidiaries	<u>169</u>	<u>(566)</u>	<u>973</u>	<u>(1,564)</u>
Comprehensive income attributable to the Company	<u>\$11,940</u>	<u>\$25,785</u>	<u>\$124,476</u>	<u>\$34,701</u>

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED BALANCE SHEETS
(unaudited)

<u>(in \$ thousands, except share data)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 204,646	\$ 139,938
Accounts receivable (net of allowances for doubtful accounts of \$13,611 and \$13,430)	252,661	218,224
Other current assets	<u>107,541</u>	<u>84,089</u>
Total current assets	564,848	442,251
Property and equipment, net	406,848	431,046
Goodwill	1,088,653	1,079,951
Trademarks and tradenames	313,097	313,097
Other intangible assets, net	517,538	511,607
Deferred income taxes	9,313	9,213
Other non-current assets	<u>58,388</u>	<u>46,764</u>
Total assets	<u>\$ 2,958,685</u>	<u>\$ 2,833,929</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 76,205	\$ 59,219
Accrued expenses and other current liabilities	556,982	478,560
Current portion of long-term debt	<u>63,552</u>	<u>63,558</u>
Total current liabilities	696,739	601,337
Long-term debt	2,211,011	2,281,210
Deferred income taxes	59,137	59,381
Other non-current liabilities	<u>226,512</u>	<u>227,783</u>
Total liabilities	<u>3,193,399</u>	<u>3,169,711</u>
Commitments and contingencies (Note 11)		
Shareholders' equity (deficit):		
Preference shares (\$0.0025 par value; 225,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 and December 31, 2016)	—	—
Common shares (\$0.0025 par value; 560,000,000 shares authorized; 125,549,659 shares and 124,941,233 shares issued; 124,486,967 shares and 124,032,361 shares outstanding as of September 30, 2017 and December 31, 2016, respectively)	313	312
Additional paid in capital	2,701,387	2,708,836
Treasury shares, at cost (1,062,692 shares and 908,872 shares as of September 30, 2017 and December 31, 2016, respectively)	(15,988)	(14,166)
Accumulated deficit	(2,768,955)	(2,864,838)
Accumulated other comprehensive loss	<u>(161,479)</u>	<u>(190,072)</u>
Total shareholders' equity (deficit)	(244,722)	(359,928)
Equity attributable to non-controlling interest in subsidiaries	<u>10,008</u>	<u>24,146</u>
Total equity (deficit)	<u>(234,714)</u>	<u>(335,782)</u>
Total liabilities and equity	<u>\$ 2,958,685</u>	<u>\$ 2,833,929</u>

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

<u>(in \$ thousands)</u>	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Operating activities		
Net income	\$ 94,910	\$ 24,156
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	156,871	158,068
Amortization of customer loyalty payments	57,348	55,193
Allowance for prepaid incentives	—	10,684
Impairment of long-lived assets	685	4,586
Amortization of debt finance costs and debt discount	7,791	7,922
Gain on sale of a subsidiary	(1,217)	—
Loss on early extinguishment of debt	4,682	3,626
Unrealized (gain) loss on foreign exchange derivative instruments . .	(27,256)	3,159
Unrealized loss on interest rate derivative instruments	1,121	17,471
Equity-based compensation	24,445	21,760
Deferred income taxes	(304)	869
Customer loyalty payments	(54,592)	(56,533)
Pension liability contribution	(1,541)	(2,440)
Changes in assets and liabilities:		
Accounts receivable	(39,209)	(38,802)
Other current assets	(7,493)	(15,501)
Accounts payable, accrued expenses and other current liabilities . .	61,504	19,315
Other	(3,403)	325
Net cash provided by operating activities	<u>\$274,342</u>	<u>\$213,858</u>
Investing activities		
Property and equipment additions	\$ (79,192)	\$ (70,130)
Sale of subsidiary, net of cash disposed	(3,433)	—
Business acquired, net of cash	—	(15,009)
Net cash used in investing activities	<u>\$ (82,625)</u>	<u>\$ (85,139)</u>

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS—(Continued)
(unaudited)

<u>(in \$ thousands)</u>	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Financing activities		
Proceeds from term loans	\$ 114,000	\$ 143,291
Repayment of term loans	(181,813)	(211,103)
Repayment of capital lease obligations and other indebtedness	(29,811)	(34,206)
Proceeds from revolver borrowings	—	10,000
Repayment of revolver borrowings	—	(10,000)
Debt finance cost and lender fees	(686)	(7,791)
Dividend to shareholders	(28,234)	(27,859)
Purchase of non-controlling interest in a subsidiary	(1,063)	(7,820)
Proceeds from share issuance under employee share purchase plan and stock options	2,016	1,580
Treasury share purchase related to vesting of equity awards	(2,461)	(1,004)
Net cash used in financing activities	<u>\$(128,052)</u>	<u>\$(144,912)</u>
Effect of changes in exchange rates on cash and cash equivalents	1,043	(248)
Net increase (decrease) in cash and cash equivalents	64,708	(16,441)
Cash and cash equivalents at beginning of period	139,938	154,841
Cash and cash equivalents at end of period	<u>\$ 204,646</u>	<u>\$ 138,400</u>
Supplemental disclosures of cash flow information		
Interest payments, net of capitalized interest	\$ 83,294	\$ 110,988
Income tax payments, net of refunds	23,540	15,069
Non-cash capital lease additions	17,984	16,554
Non-cash purchase of property and equipment	3,120	—

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN TOTAL EQUITY (DEFICIT)
(unaudited)

(in \$ thousands, except share data)	Common Shares		Additional Paid in Capital	Treasury Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest in Subsidiaries	Total Equity (Deficit)
	Number	Amount		Number	Amount				
Balance as of December 31, 2016 . . .	124,941,233	\$312	\$2,708,836	908,872	\$(14,166)	\$(2,864,838)	\$(190,072)	\$ 24,146	\$(335,782)
Dividend to shareholders (\$0.225 per common share)	—	—	(29,576)	—	—	—	—	—	(29,576)
Purchase of non-controlling interest in a subsidiary	—	—	(47)	—	—	—	—	(1,016)	(1,063)
Sale of shares in a subsidiary	—	—	—	—	—	—	—	(15,539)	(15,539)
Equity-based compensation	608,426	1	22,813	—	—	—	—	3,390	26,204
Treasury shares purchased in relation to vesting of equity awards	—	—	—	194,829	(2,461)	—	—	—	(2,461)
Treasury shares issued in relation to vesting of equity awards	—	—	(639)	(41,009)	639	—	—	—	—
Comprehensive income (loss), net of tax	—	—	—	—	—	95,883	28,593	(973)	123,503
Balance as of September 30, 2017 . . .	125,549,659	\$313	\$2,701,387	1,062,692	\$(15,988)	\$(2,768,955)	\$(161,479)	\$ 10,008	\$(234,714)

(in \$ thousands, except share data)	Common Shares		Additional Paid in Capital	Treasury Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss	Non- Controlling Interest in Subsidiaries	Total Equity (Deficit)
	Number	Amount		Number	Amount				
Balance as of December 31, 2015	124,476,382	\$311	\$2,715,538	844,908	\$(13,331)	\$(2,881,658)	\$(177,507)	\$33,789	\$(322,858)
Dividend to shareholders (\$0.225 per common share)	—	—	(28,553)	—	—	—	—	—	(28,553)
Purchase of non-controlling interest in a subsidiary	—	—	1,189	—	—	—	—	(9,709)	(8,520)
Equity-based compensation	308,167	1	23,381	—	—	—	—	—	23,382
Treasury shares purchased in relation to vesting of equity awards	—	—	—	70,362	(1,004)	—	—	—	(1,004)
Treasury shares issued in relation to vesting of equity awards	—	—	(802)	(50,969)	802	—	—	—	—
Comprehensive income (loss), net of tax	—	—	—	—	—	22,592	12,109	1,564	36,265
Balance as of September 30, 2016	124,784,549	\$312	\$2,710,753	864,301	\$(13,533)	\$(2,859,066)	\$(165,398)	\$25,644	\$(301,288)

See Notes to the Consolidated Condensed Financial Statements

TRAVELPORT WORLDWIDE LIMITED
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

Travelport Worldwide Limited (the “Company” or “Travelport”) is a travel commerce platform providing distribution, technology, payment, mobile and other solutions for the global travel and tourism industry. With a presence in approximately 180 countries and territories, Travelport’s business is comprised of:

The Travel Commerce Platform, through which the Company facilitates travel commerce by connecting the world’s leading travel providers, such as airlines and hotel chains, with online and offline travel buyers in the Company’s proprietary business-to-business (“B2B”) travel commerce platform. As travel industry needs evolve, Travelport is utilizing its Travel Commerce Platform to redefine the electronic distribution and merchandising of airline core and ancillary products, as well as extending its reach into the growing world of travel commerce beyond air, including to hotel, car rental, rail, cruise-line and tour operators. In addition, Travelport has leveraged its domain expertise in the travel industry to design a pioneering B2B payment solution that addresses the need of travel agencies to efficiently and securely make payments to travel providers globally. The Company also provides travel companies with a mobile travel platform and digital product set that allows airlines, hotels, corporate travel management companies and travel agencies to engage with their customers through digital services including apps, mobile web and mobile messaging. Travelport utilizes the extensive data managed by its platform to provide an array of additional services, such as advertising solutions, subscription services, business intelligence data services, and marketing-oriented analytical tools to travel agencies, travel providers and other travel data users.

Through its Technology Services, Travelport provides critical hosting solutions to airlines, such as pricing, shopping, ticketing, ground handling and other solutions, enabling them to focus on their core business competencies and reduce costs. The Company hosts reservations, inventory management and other related critical systems for Delta Air Lines Inc.

The Company has two operating segments, Travelport and eNett; however, the Company reports them together as one reportable segment as eNett does not meet the thresholds for a separate reportable segment.

These consolidated condensed financial statements and other consolidated condensed financial information included in this Quarterly Report on Form 10-Q are unaudited, with the exception of the December 31, 2016 consolidated balance sheet, which was derived from the Company’s audited consolidated financial statements. These consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim reporting. Certain disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

In presenting the consolidated condensed financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgments and available information. Accordingly, actual results could differ from those estimates. In management’s opinion, the consolidated condensed financial statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. These consolidated condensed financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 21, 2017.

As of December 31, 2016, the Company had U.S. federal net operating loss (“NOL”) carry forwards of approximately \$367 million, which expire between 2032 and 2036, state NOL carry forwards of approximately \$14 million, which expire between 2017 and 2036, and other tax credits of approximately \$25 million. The deferred tax assets on these U.S. federal and state NOLs and other tax credits were \$168 million. A full valuation allowance has been recorded against these U.S. NOLs and other tax credits as the Company believes it is more likely than not that the benefit from these NOL carry forwards and tax credits will not be realized.

TRAVELPORT WORLDWIDE LIMITED
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation (Continued)

The Company regularly assesses its ability to realize deferred tax assets. As of September 30, 2017, the Company's estimated annual effective tax rate includes the impact of releasing a portion of the valuation allowance associated with the Company's current year U.S. ordinary income. However, the Company has maintained a full valuation allowance on the remaining deferred tax assets. Future realized earnings performance and changes in future earnings projections, among other factors, may cause an adjustment to the conclusion as to whether it is more likely than not that the benefit of the deferred tax assets will be realized. This would impact the income tax expense in the period for which it is determined that these factors have changed.

2. Recently Issued Accounting Pronouncements

Equity-Based Compensation—modification accounting

In May 2017, the Financial Accounting Standards Board (the "FASB") issued guidance clarifying when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This guidance does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. The amendments under this guidance are applicable to the Company for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for public companies, including adoption in any interim period, for reporting periods for which financial statements have not yet been issued. The amendments in this guidance should be applied prospectively to an award modified on or after the adoption date. The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance.

Pension

In March 2017, the FASB issued guidance on the presentation of net periodic pension cost and post-retirement benefit cost ("net benefit cost"). The new guidance requires the Company to present the service cost component of net benefit cost as part of the other employee compensation costs in operating income, which can be further considered for capitalization as part of the capitalization policy, and present the other components of net benefit cost, including interest costs, expected return on plan assets and amortization of actuarial gain or loss (the "other components") separately, in one or more line items, outside of operating income. Further, the new guidance requires a company to disclose in the footnotes to the financial statements the line items that contain the other components of net benefit cost, if they are not presented on appropriately described separate lines in the statement of operations. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2017 using a retrospective transition method (except for capitalization of service cost, which has to be applied on a prospective basis). The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance, other than disclosures in the financial statements.

Goodwill Impairment

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2019. Early adoption of the amendments in the guidance is permitted for any impairment tests performed after January 1, 2017 and requires its application using a prospective transition method. The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance.

TRAVELPORT WORLDWIDE LIMITED
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

2. Recently Issued Accounting Pronouncements (Continued)

Restricted Cash

In November 2016, the FASB issued guidance that requires entities to include restricted cash as part of cash and cash equivalents in the statement of cash flows. It also requires a reconciliation between the balance sheet and the statement of cash flows. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2017. Early adoption of the amendments in the guidance is permitted and requires its application using a retrospective transition method. The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance.

Statement of Cash Flows

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. The amendments provide specific guidance relating to the classification of certain items, including cash payments for debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, distributions received from equity method investments and cash flows classification based on its predominate source or use. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2017. Early adoption of the amendments in the guidance is permitted and requires its application using a retrospective transition method. The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance.

Financial Instruments—Credit Losses

In June 2016, the FASB issued guidance that amends the guidance on accounting for credit losses on financial instruments. The guidance adds an impairment model that is based on expected losses rather than incurred losses. Under this new guidance, an entity will recognize an allowance for credit losses based on its estimate of expected credit losses, which will result in more timely recognition of such losses. The guidance requires an entity to consider all available relevant information when estimating expected credit losses, including details about past events, current conditions and reasonable and supportable forecasts and their implications for expected credit losses. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2019 and requires its application using a retrospective transition method. The Company is currently evaluating the impact of the amended guidance on the consolidated condensed financial statements.

Compensation—Equity-Based Compensation

In March 2016, the FASB issued guidance that simplified several areas of employee equity-based compensation accounting, including income taxes, forfeitures, minimum statutory withholding requirements and classifications within the statement of cash flows. More significantly, the new guidance eliminated the need to track tax windfalls in a separate pool within additional paid-in capital; instead, excess tax benefits and tax deficiencies are to be recorded within income tax expense. The new guidance also gives entities the ability to elect whether to estimate forfeitures or account for them as they occur. The Company adopted the provisions of this guidance effective January 1, 2017. Adoption of the requirements within this guidance related to excess tax benefits, forfeitures, minimum statutory withholding requirements and classifications within the statement of cash flows did not have a material impact on the Company's consolidated condensed financial statements. The recognition of a \$10 million deferred tax asset as of January 1, 2017 related to an unrecognized excess tax benefit was fully offset by a valuation allowance recorded as it is more-likely-than-not that the deferred tax asset will not be realized.

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2. Recently Issued Accounting Pronouncements (Continued)

Leases

In February 2016, the FASB issued guidance on lease accounting that supersedes the current guidance on leases. The new guidance establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the income statement. The new guidance is applicable to the Company for interim and annual reporting periods beginning after December 15, 2018. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption of the amendments in the guidance is permitted. The Company is currently evaluating the impact of this guidance on the consolidated condensed financial statements. The Company’s minimum lease commitments for operating leases as of September 30, 2017 was \$101 million.

Revenue Recognition

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

In August 2015, the FASB delayed the effective date of the new revenue guidance issued in May 2014 by one year but allowed companies a choice to adopt the guidance as of the original effective date that was set out in May 2014. The Company has decided to adopt the guidance beginning January 1, 2018, being the date adoption is required pursuant to this guidance.

The guidance permits the use of either a full or modified retrospective adoption approach. The Company will adopt the guidance using the modified retrospective approach, under which the cumulative effect of initially applying the guidance will be recognized as an adjustment to the opening balance of retained earnings (or accumulated losses) as of January 1, 2018. The guidance also permits the application of the modified retrospective approach to either all contracts as of the date of initial application or only to contracts that are not completed as of this date. The Company will apply the modified retrospective approach to all contracts as of January 1, 2018.

Beginning in the second half of 2016, the Company began Phase I of its three-phase plan to complete its adoption of the new revenue recognition guidance. Phase I included activities such as a high-level review and analysis of significant revenue streams (and related costs) that may be impacted by the new guidance, determination of the expected transition method, determination of portfolio of contracts for significant revenue streams, identification of representative contracts from each portfolio to carry out a detailed analysis and detailed review of representative contracts from significant revenue streams and its related costs to determine the potential changes to the Company’s existing accounting policies.

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2. Recently Issued Accounting Pronouncements (Continued)

Phase II determines the impact of the adoption of the new revenue recognition guidance and includes activities such as, validating and concluding on potential accounting implications of new guidance identified from Phase I, quantifying the effects that the new revenue recognition guidance will have on its consolidated financial statements, identifying and documenting changes to its accounting policies, drafting the expanded disclosures as required by the new revenue recognition guidance, and identifying and addressing the impact the new revenue recognition guidance will have on the Company's business processes, systems and internal controls to support the recognition and disclosure requirements.

Phase III will complete the Company's adoption and implementation of the new revenue recognition guidance and will include activities such as recording the accounting adjustments that were identified in Phase II, evaluating and testing modified and/or newly implemented internal controls over new revenue recognition guidance, running parallel reporting for impacted areas under the new and current revenue standard and finalizing the disclosures in the Company's financial statements.

The Company has completed Phase I and substantially completed Phase II activities, including the identification of potential changes resulting from the adoption of this guidance and determination of the effects of the accounting policies under the new guidance that it expects to apply in comparison to its current revenue recognition policies. The Company does not anticipate any significant impact on the consolidated condensed financial statements resulting from the adoption of this guidance and it continues to assess the expanded disclosures required under the new guidance.

3. Other Current Assets

Other current assets consisted of:

<u>(in \$ thousands)</u>	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Sales and use tax receivables	\$ 28,356	\$27,178
Prepaid expenses	26,307	26,289
Client funds	22,974	11,632
Prepaid incentives	14,882	9,492
Derivative assets	9,131	856
Other	5,891	8,642
	<u>\$107,541</u>	<u>\$84,089</u>

Client funds represent cash held on behalf of clients for a short period of time before being transferred to travel industry partners. A compensating balance is held in accrued expenses and other current liabilities as customer prepayments.

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4. Property and Equipment, Net

Property and equipment, net, consisted of:

<u>(in \$ thousands)</u>	September 30, 2017			December 31, 2016		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Capitalized software	\$1,018,051	\$ (810,378)	\$207,673	\$ 925,998	\$(736,573)	\$189,425
Computer equipment	334,544	(206,458)	128,086	344,112	(205,222)	138,890
Building and leasehold improvements	28,591	(10,634)	17,957	27,187	(9,622)	17,565
Construction in progress . . .	53,132	—	53,132	85,166	—	85,166
	<u>\$1,434,318</u>	<u>\$(1,027,470)</u>	<u>\$406,848</u>	<u>\$1,382,463</u>	<u>\$(951,417)</u>	<u>\$431,046</u>

The Company recorded depreciation expense (including depreciation on assets under capital leases) of \$40 million and \$42 million during the three months ended September 30, 2017 and 2016, respectively. The Company recorded depreciation expense of \$126 million and \$121 million during the nine months ended September 30, 2017 and 2016, respectively.

The Company recorded impairment charges of \$0 and \$1 million for the three months ended September 30, 2017 and 2016, respectively, and \$1 million and \$5 million during the nine months ended September 30, 2017 and 2016, respectively.

As of September 30, 2017 and December 31, 2016, the Company had capital lease assets of \$199 million and \$195 million, respectively, with accumulated depreciation of \$109 million and \$93 million, respectively, included within computer equipment.

5. Intangible Assets

The changes in the carrying amount of goodwill and intangible assets for the Company between January 1, 2017 and September 30, 2017 are as follows:

<u>(in \$ thousands)</u>	January 1, 2017	Additions	Retirements	Foreign Exchange	September 30, 2017
<i>Non-Amortizable Assets:</i>					
Goodwill	\$1,079,951	\$ —	\$ —	\$ 8,702	\$1,088,653
Trademarks and tradenames	313,097	—	—	—	313,097
<i>Other Intangible Assets:</i>					
Acquired intangible assets	1,127,059	—	(383,715)	179	743,523
Accumulated amortization	(804,089)	(30,688)	383,715	(338)	(451,400)
Acquired intangible assets, net	322,970	(30,688)	—	(159)	292,123
Customer loyalty payments	358,259	95,131	(73,463)	7,201	387,128
Accumulated amortization	(169,622)	(57,348)	69,063	(3,806)	(161,713)
Customer loyalty payments, net	188,637	37,783	(4,400)	3,395	225,415
Other intangible assets, net	<u>\$ 511,607</u>	<u>\$ 7,095</u>	<u>\$ (4,400)</u>	<u>\$ 3,236</u>	<u>\$ 517,538</u>

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5. Intangible Assets (Continued)

The changes in the carrying amount of goodwill and intangible assets for the Company between January 1, 2016 and September 30, 2016 are as follows:

<u>(in \$ thousands)</u>	<u>January 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Foreign Exchange</u>	<u>September 30, 2016</u>
<i>Non-Amortizable Assets:</i>					
Goodwill	\$1,067,415	\$ 14,105	\$ —	\$ 3,635	\$1,085,155
Trademarks and tradenames	313,961	—	—	—	313,961
<i>Other Intangible Assets:</i>					
Acquired intangible assets	1,127,360	—	—	(146)	1,127,214
Accumulated amortization	(756,489)	(36,693)	—	(538)	(793,720)
Acquired intangible assets, net	<u>370,871</u>	<u>(36,693)</u>	<u>—</u>	<u>(684)</u>	<u>333,494</u>
Customer loyalty payments	300,142	81,349	(32,606)	2,497	351,382
Accumulated amortization	(136,473)	(55,193)	32,606	(1,241)	(160,301)
Customer loyalty payments, net	<u>163,669</u>	<u>26,156</u>	<u>—</u>	<u>1,256</u>	<u>191,081</u>
Other intangible assets, net	<u>\$ 534,540</u>	<u>\$(10,537)</u>	<u>\$ —</u>	<u>\$ 572</u>	<u>\$ 524,575</u>

The Company paid cash of \$55 million and \$57 million for customer loyalty payments during the nine months ended September 30, 2017 and 2016, respectively. Further, as of September 30, 2017 and December 31, 2016, the Company had balances payable of \$88 million and \$60 million, respectively, for customer loyalty payments.

Amortization expense for acquired intangible assets was \$10 million and \$12 million for the three months ended September 30, 2017 and 2016, respectively, and \$31 million and \$37 million for the nine months ended September 30, 2017 and 2016, respectively, and is included as a component of depreciation and amortization in the Company's consolidated condensed statements of operations.

Amortization expense for customer loyalty payments was \$20 million and \$21 million for the three months ended September 30, 2017 and 2016, respectively, and \$57 million and \$55 million for the nine months ended September 30, 2017 and 2016, respectively, and is included within cost of revenue or revenue in the Company's consolidated condensed statements of operations.

6. Other Non-Current Assets

Other non-current assets consisted of:

<u>(in \$ thousands)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Prepaid incentives	\$35,647	\$25,538
Pension assets	3,373	989
Supplier prepayments	2,506	3,454
Deferred financing costs	2,035	4,752
Derivative assets	2,407	1,719
Other	<u>12,420</u>	<u>10,312</u>
	<u>\$58,388</u>	<u>\$46,764</u>

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7. Restructuring Charges

In November 2016, the Company committed to undertake a course of action (the “Program”) to enhance and optimize the Company’s operational and technological efficiency. The Program involves (i) consolidating the multiple technological vendors with which the Company currently works, (ii) establishing a new centralized quality assurance function and (iii) consolidating the Company’s three existing U.S. technology hubs in Atlanta, Denver and Kansas City into two centers in Atlanta and Denver. These actions are expected to contribute to the achievement of the Company’s long-term targets. The Program is expected to be substantially completed by the end of 2017.

The Company expects total charges under the Program in connection with severance and employee-related obligations to be approximately \$14 million to \$16 million and costs related to implementation to be approximately \$13 million to \$15 million, including approximately \$1 million for the termination of an operating lease and other contracts. The Company expects the obligations related to these costs to be paid in cash which will be funded from operations.

Severance and employee-related costs were recorded based on the Program developed by the business and corporate management which specified positions to be eliminated, benefits to be paid for involuntary terminations under existing severance plans or as a one-time arrangement and the expected timetable for completion of the Program. Estimates of restructuring costs and benefits were made based on information available at the time the charges were recorded. Due to the inherent uncertainty involved, actual amounts paid for such activities may differ from amounts initially recorded, and the Company may need to revise previous estimates.

The following table summarizes the activities related to the Company’s restructuring liability during the nine months ended September 30, 2017, which is included in accrued expenses and other current liabilities in the consolidated condensed balance sheets:

<u>(in \$ thousands)</u>	<u>Severance and Employee-Related Obligations</u>	<u>Implementation Costs</u>	<u>Total</u>
Balance as of January 1, 2017	\$ 11,082	\$ 1,686	\$ 12,768
Restructuring charges recognized	4,451	3,107	7,558
Cash payments made	(13,875)	(4,793)	(18,668)
Balance as of September 30, 2017	<u>\$ 1,658</u>	<u>\$ —</u>	<u>\$ 1,658</u>

Total restructuring charges recognized of \$2 million and \$8 million for the three and nine months ended September 30, 2017, respectively, are included within selling, general and administrative expenses in the consolidated condensed statements of operations.

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8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of:

<u>(in \$ thousands)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Accrued commissions and incentives	\$344,852	\$267,488
Accrued payroll and related	64,539	83,783
Deferred revenue	49,865	42,233
Income tax payable	35,336	17,560
Customer prepayments	22,974	11,632
Accrued interest expense	15,490	15,215
Derivative liabilities	2,528	21,771
Pension and post-retirement benefit liabilities	1,674	1,655
Other	19,724	17,223
	<u>\$556,982</u>	<u>\$478,560</u>

Included in accrued commissions and incentives are \$88 million and \$60 million of accrued customer loyalty payments as of September 30, 2017 and December 31, 2016, respectively.

9. Long-Term Debt

Long-term debt consisted of:

<u>(in \$ thousands)</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
<i>Senior Secured Credit Agreement</i>				
<i>Term loans</i>				
Dollar denominated ⁽¹⁾	L+2.75%	September 2021	\$2,177,415	\$2,236,157
<i>Revolver borrowings</i>				
Dollar denominated ⁽¹⁾⁽²⁾	L+2.50%	September 2022	—	—
Capital leases and other indebtedness			97,148	108,611
Total debt			\$2,274,563	\$2,344,768
Less: current portion			63,552	63,558
Long-term debt			<u>\$2,211,011</u>	<u>\$2,281,210</u>

(1) As of December 31, 2016, the interest rates on the term loans and revolver borrowings were LIBOR plus 4.00% and LIBOR plus 5.00%, respectively. Further, as of September 30, 2017 and December 31, 2016, the principal amounts of term loans were \$2,210 million (with a minimum LIBOR floor of 0.00%) and \$2,278 million (with a minimum LIBOR floor of 1.00%), respectively, which is netted for unamortized debt finance costs of \$14 million and \$18 million, respectively, and unamortized debt discount of \$18 million and \$23 million, respectively.

(2) The maturity date of the revolving credit facility of September 2, 2022 automatically converts to March 2, 2021 unless the then outstanding term loans have a maturity date on or after December 2, 2022.

In September 2017, the Company made a voluntary prepayment of \$50 million principal amount of its term loans outstanding under its senior secured credit agreement. Pursuant to this prepayment, the Company recognized \$1 million as a loss on early extinguishment of debt.

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9. Long-Term Debt (Continued)

As a result of the voluntary prepayment of \$50 million, the Company is not contractually required to repay quarterly installments of the term loans until its maturity. However, the Company has classified a portion of the term loans as “current portion of long-term debt” as the Company has the intent and ability to make additional voluntary prepayments of the term loans from cash flows from operations, which currently are expected to occur within the next twelve months. The amount of any such prepayments may vary based on the Company’s actual cash flow generation and needs, as well as general economic conditions.

In January 2017, the Company entered into an amendment to its senior secured credit agreement, which amended the applicable rates to 2.25% per annum, in the case of base rate (as defined in the senior secured credit agreement) term loans, and 3.25% per annum, in the case of LIBOR term loans. The term loans were subject to a LIBOR floor of 1.00% and a base rate floor of 2.00%. In August 2017, the Company entered into a further amendment to its senior secured credit agreement that (i) amended the applicable rates to 1.75% per annum, in the case of base rate term loans, and 2.75% per annum, in the case of LIBOR term loans, (ii) reduced the base rate floor to 1.00% from 2.00% and the LIBOR floor to 0.00% from 1.00% and (iii) reset the 1% premium on the repricing of the term loans under the senior secured credit agreement for a period of six months. The interest rate per annum applicable to the term loans is based on, at the Company’s election, LIBOR plus 2.75% or base rate plus 1.75%. The Company expects to pay interest based on LIBOR plus 2.75% for the term loans. During the nine months ended September 30, 2017, the average LIBOR rate applied to the term loans was 1.13%. In connection with the repricing, certain lenders contributed \$114 million towards the term loans and an amount equal to that was paid to the lenders who opted to exit or reduce their participation. As a result, the Company recognized a loss on early extinguishment of debt of \$4 million.

During the nine months ended September 30, 2017, the Company (i) repaid a net amount of \$68 million of term loans outstanding under the senior secured credit agreement, (ii) amortized \$4 million of debt finance costs and \$4 million of debt discount and (iii) repaid \$30 million under its capital lease obligations and other indebtedness and entered into \$18 million of new capital leases for information technology assets.

Under the senior secured credit agreement, the Company had a \$125 million revolving credit facility with a consortium of banks, which contained a letter of credit sub-limit up to a maximum of \$50 million. In July 2017, the Company entered into an amendment to its senior secured credit agreement that, among other things, (i) amended the maturity date of the revolving credit facility to September 2, 2022 (provided that such maturity date automatically converts to March 2, 2021 unless the then outstanding term loans have a maturity date on or after December 2, 2022), (ii) increased the revolving credit facility by \$25 million to \$150 million and (iii) reduced the interest rate on revolver borrowings to LIBOR plus 2.50% from LIBOR plus 5.00% as of December 31, 2016. In connection with this amendment, the Company incurred additional lender fees and third party costs of \$1 million which have been capitalized and will be amortized over the term of the revolving credit facility. As of September 30, 2017, the Company had no outstanding borrowings under its revolving credit facility and utilized \$8 million for the issuance of letters of credit, with a balance of \$142 million remaining.

The senior secured credit agreement also permits the issuance of certain cash collateralized letters of credit, in addition to those that can be issued under the revolving credit facility, whereby 103% of cash collateral is to be maintained for outstanding letters of credit. As of September 30, 2017, there were no outstanding cash collateralized letters of credit.

As of September 30, 2017, the Company was in compliance with all restrictive and financial covenants related to its long-term debt.

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10. Financial Instruments

The Company uses derivative financial instruments as part of its overall strategy to manage its exposure to market risks primarily associated with fluctuations in foreign currency exchange rates and interest rates. The Company does not use derivatives for trading or speculative purposes. During the nine months ended September 30, 2017, there was no material change in the Company's foreign currency and interest rate risk management policy or in its fair value methodology. As of September 30, 2017, the Company had a net asset position of \$6 million related to derivative financial instruments associated with its interest rate risk and foreign currency exchange rate risk.

The Company's primary interest rate risk exposure as of September 30, 2017 was the impact of LIBOR interest rates on the Company's dollar denominated variable rate term loans. Prior to August 2017, the term loans had a 1.00% LIBOR floor under the Company's senior secured credit agreement, which was subsequently decreased to 0.00% (see Note 9 — Long-Term Debt). During the nine months ended September 30, 2017, the average LIBOR rate applied to the term loans was 1.13%. In order to protect against potential higher interest costs resulting from increases in LIBOR, as of September 30, 2017, the Company has outstanding interest rate swap contracts that fix the LIBOR rate payable as follows:

Notional Amount (\$ in thousands)	Period	Average Interest Rate
1,400,000	February 2017 to February 2019	1.4010%
1,200,000	February 2019 to February 2020	2.1906%
100,000	February 2020 to February 2021	2.0760%

The Company's primary foreign currency risk exposure as of September 30, 2017 was to exchange rate fluctuations that arise from certain intercompany transactions and from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies.

Presented below is a summary of the Company's derivative contracts, which have not been designated as hedging instruments, recorded on the consolidated condensed balance sheets at fair value.

(in \$ thousands)	Balance Sheet Location	Fair Value Asset		Balance Sheet Location	Fair Value (Liability)	
		September 30, 2017	December 31, 2016		September 30, 2017	December 31, 2016
Interest				Accrued expenses		
rate swap	Other			and other current		
contracts	current assets	\$1,570	\$ 768	liabilities	\$ —	\$ —
Interest	Other			Other non-current		
rate swap	non-current			liabilities	(2,612)	—
contracts	assets	2,407	1,719	Accrued expenses		
Foreign currency	Other			and other current		
contracts	current assets	7,561	88	liabilities	(2,528)	(21,771)
Total fair value of derivative assets (liabilities)		<u>\$11,538</u>	<u>\$2,575</u>		<u>\$(5,140)</u>	<u>\$(21,771)</u>

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10. Financial Instruments (Continued)

As of September 30, 2017, the net notional amounts of the Company's derivative contracts and the periods covered by them are as follows:

<u>(in \$ thousands)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Interest rate swap contracts (varying contracts and periods as discussed above)	\$2,700,000	\$1,400,000
Foreign currency contracts (covering period until September 2018)	266,558	231,832

The following table provides a reconciliation of the movement in the net carrying amount of derivative financial instruments during the nine months ended September 30, 2017 and 2016:

<u>(in \$ thousands)</u>	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Net derivative liability opening balance	\$(19,196)	\$ (2,111)
Total gain (loss) for the period included in net income	12,099	(33,217)
Payments on settlement of derivative contracts	<u>13,495</u>	<u>12,622</u>
Net derivative asset closing balance	<u>\$ 6,398</u>	<u>\$(22,706)</u>

The table below presents the impact of the changes in fair values of derivatives not designated as hedges on net income during the three and nine months ended September 30, 2017 and 2016:

<u>(in \$ thousands)</u>	<u>Statement of Operations Location</u>	<u>Amount of Income (Loss) Recorded in Net Income</u>			
		<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Interest rate swap contracts	Interest expense, net	\$1,332	\$ 4,391	\$(3,322)	\$(17,471)
Foreign currency contracts	Selling, general and administrative	<u>4,238</u>	<u>(3,048)</u>	<u>15,421</u>	<u>(15,746)</u>
		<u>\$5,570</u>	<u>\$ 1,343</u>	<u>\$12,099</u>	<u>\$(33,217)</u>

Fair Value Disclosures for all Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short-term maturities of these assets and liabilities.

The fair values of the Company's other financial instruments are as follows:

<u>(in \$ thousands)</u>	<u>Fair Value Hierarchy</u>	<u>September 30, 2017</u>		<u>December 31, 2016</u>	
		<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Asset (liability)					
Derivative assets	Level 2	\$ 11,538	\$ 11,538	\$ 2,575	\$ 2,575
Derivative liabilities	Level 2	(5,140)	(5,140)	(21,771)	(21,771)
Total debt	Level 2	(2,274,563)	(2,304,627)	(2,344,768)	(2,402,783)

The significant unobservable inputs used to fair value the Company's derivative financial instruments are based on market quoted probability rates of default for each of the derivative assets and liabilities, resulting in a weighted average probability of default of approximately 7% and a recovery rate of 75% for

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10. Financial Instruments (Continued)

derivative assets and 65% for derivative liabilities. In accordance with the Company's policy, as the credit valuation adjustment applied to arrive at the fair value of derivatives has not been greater than 15% of the unadjusted fair value of derivative instruments for two consecutive quarters, the Company has categorized derivative fair valuations at Level 2 of the fair value hierarchy. A 10% change in the significant unobservable inputs will not have a material impact on the fair value of the derivative financial instruments as of September 30, 2017.

The fair value of the Company's total debt has been determined by calculating the fair value of its term loans based on quoted prices obtained from independent brokers for identical debt instruments when traded as an asset and is categorized within Level 2 of the fair value hierarchy.

11. Commitments and Contingencies

Commitments

Purchase Commitments

In the ordinary course of business, the Company makes various commitments to purchase goods and services from specific suppliers, including those related to capital expenditures. As of September 30, 2017, the Company had approximately \$81 million of outstanding purchase commitments, primarily relating to service contracts for information technology, of which \$38 million relates to the twelve months ending September 30, 2018. These purchase obligations extend through 2019.

Contingencies

Company Litigation

The Company is involved in various claims, legal proceedings and governmental inquiries related to contract disputes, business practices, intellectual property and other commercial, employment and tax matters. The Company believes it has adequately accrued for such matters as appropriate or, for matters not requiring accrual, believes they will not have a material adverse effect on its results of operations, financial position or cash flows based on information currently available. However, litigation is inherently unpredictable and although the Company believes its accruals are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could have a material effect on the Company's results of operations or cash flows in a particular reporting period.

Standard Guarantees/Indemnification

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing (i) purchases, sales or outsourcing of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances or sales of debt or equity securities. The guarantees or indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) licensees of the Company's trademarks, (iv) financial institutions in derivative contracts, and (v) underwriters in debt or equity security issuances or sales. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments the Company could be required to make under these guarantees, nor is the Company able to develop an

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11. Commitments and Contingencies (Continued)

estimate of the maximum potential amount of future payments to be made under these guarantees, as the triggering events are not subject to predictability and there is little or no history of claims against the Company under such arrangements. With respect to certain of the aforementioned guarantees, such as indemnifications of landlords against third-party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates any potential payments to be made.

12. Equity

Sale of Shares of a Subsidiary

In April 2017, the Company sold its 51% controlling interest in IGT Solutions Private Ltd. (“IGTS”) for a total gross cash consideration of \$18 million and recorded a gain on sale of such subsidiary of \$1 million, which includes the reclassification of loss on currency translation adjustment from accumulated other comprehensive loss of \$4 million. The Company no longer owns any shares in, and/or controls, IGTS following the sale.

Purchase of Non-Controlling Interest in a Subsidiary

In May 2017, the Company acquired the remaining outstanding non-controlling interest in Locomote Holdings Pty Ltd. (“Locomote”), bringing its total ownership in Locomote to 100%, for a total consideration of \$1 million. The excess of the carrying value of the non-controlling interest acquired over the consideration paid by the Company is recorded within additional paid-in-capital on the Company’s consolidated condensed balance sheet, and the cash payment is presented as a financing activity in the Company’s consolidated condensed statements of cash flow.

Dividends on Common Shares

The Company’s Board of Directors declared the following cash dividends during the nine months ended September 30, 2017:

<u>Declaration Date</u>	<u>Dividend Per Share</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount (in \$ thousands)</u>
February 13, 2017	\$0.075	March 2, 2017	March 16, 2017	\$9,306
May 5, 2017	\$0.075	June 1, 2017	June 15, 2017	\$9,330
August 2, 2017	\$0.075	September 7, 2017	September 21, 2017	\$9,336

On October 31, 2017, the Company’s Board of Directors declared a cash dividend of \$0.075 per common share (see Note 15—Subsequent Events).

13. Equity-Based Compensation

As discussed in Note 2—Recently Issued Accounting Pronouncements, effective January 1, 2017, the Company adopted the provisions of a new guidance on equity-based compensation accounting which simplified its several areas of accounting, including income taxes, forfeitures, minimum statutory withholding requirements and classifications within the statement of cash flows. The adoption of this guidance did not have a material impact on the Company’s consolidated condensed financial statements. The recognition of a \$10 million deferred tax asset as of January 1, 2017 related to an unrecognized excess tax benefit was fully offset by a valuation allowance recorded as it is more-likely-than-not that the deferred tax asset will not be realized.

Restricted Share Units (“RSUs”)

During the nine months ended September 30, 2017, the Company granted 797,386 RSUs, including 691,502 RSUs as part of its annual grant program. The RSUs vest one-fourth annually over a period of four years, if the employee continues to remain in employment during the vesting period. RSUs accrue

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13. Equity-Based Compensation (Continued)

dividend equivalents associated with the underlying common shares as dividends are declared by the Company. Dividends will generally be paid to holders of RSUs in cash upon the vesting of the associated RSUs and will be forfeited should the RSUs not vest. The RSUs do not have an exercise price, and the fair value of the RSUs is considered to be the closing market price of the Company's common shares at the date of grant. In line with the Company's accounting policy, the compensation costs related to RSUs are expensed on a straight-line basis.

The table below presents the activity of the Company's RSUs for the nine months ended September 30, 2017:

<u>(in dollars, except number of RSUs)</u>	<u>Number</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance as of January 1, 2017	1,395,307	\$13.84
Granted at fair market value	797,386	\$12.44
Vested ⁽¹⁾	(428,962)	\$13.79
Forfeited	(95,943)	\$13.41
Balance as of September 30, 2017	<u>1,667,788</u>	<u>\$13.21</u>

(1) During the nine months ended September 30, 2017, the Company completed net share settlements of 161,121 common shares in connection with employee taxable income created upon vesting of RSUs. The Company agreed to pay these taxes on behalf of the employees in return for the employees returning an equivalent value of common shares. These common shares were accounted for as treasury shares by the Company. Further, in respect of 50,541 of the vested RSUs, certain directors of the Company elected to defer receiving common shares until termination of their service as a director of the Company.

Performance Share Units ("PSUs")

During the nine months ended September 30, 2017, the Company granted 1,733,484 PSUs, including 1,593,814 PSUs as part of its annual grant program. The PSUs cliff-vest at the end of approximately three years from the date of the grant, based on the satisfaction of certain performance conditions and continued employment of the employee during the vesting period. For a portion of PSUs, the ultimate number of PSUs that will vest also depends on the Company's ranking within a group of companies based on achievement of its total shareholder's return ("TSR") during the applicable performance period compared to the TSR of the companies within the selected group. However, the total number of all the outstanding PSUs that will ultimately vest will not exceed 200% of the original grant. PSUs accrue dividend equivalents associated with the underlying common shares as dividends are declared by the Company. Dividends will generally be paid to holders of PSUs in cash upon the vesting of the associated PSUs and will be forfeited should the PSUs not vest. The PSUs do not have an exercise price. For PSUs earned based on a market condition, the Company utilizes a Monte Carlo simulation to determine the fair value of these awards at the date of grant, and such fair value is expensed over the vesting period of the approximately three-year performance period on a straight-line basis.

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13. Equity-Based Compensation (Continued)

The table below presents the activity of the Company's PSUs for the nine months ended September 30, 2017:

<u>(in dollars, except number of PSUs)</u>	<u>Number</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance as of January 1, 2017	2,641,227	\$15.52
Granted at fair market value	1,733,484	\$12.99
Vested ⁽¹⁾	(80,000)	\$13.96
Forfeited	(351,701)	\$13.72
Balance as of September 30, 2017⁽²⁾	<u>3,943,010</u>	<u>\$14.60</u>

(1) During the nine months ended September 30, 2017, the Company completed net share settlements of 33,708 common shares in connection with employee taxable income created upon vesting of PSUs. The Company agreed to pay these taxes on behalf of the employees in return for the employees returning an equivalent value of common shares. These common shares were accounted for as treasury shares by the Company.

(2) Total estimated awards that will ultimately vest based on the Company's forecasted performance against the pre-defined targets is expected to be 4,209,491 PSUs.

Stock Options

The table below presents the activity of the Company's stock options for the nine months ended September 30, 2017:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price (in dollars)</u>	<u>Weighted Average Remaining Contractual Terms (in years)</u>	<u>Aggregate Intrinsic Value (in \$ thousands)</u>
Balance as of January 1, 2017	2,720,514	\$13.58		
Exercised	(33,362)	\$13.23		
Forfeited	(100,151)	\$13.79		
Expired	(34,347)	\$14.79		
Balance as of September 30, 2017	<u>2,552,654</u>	<u>\$13.56</u>	<u>7.09</u>	<u>\$5,723</u>
Exercisable as of September 30, 2017	<u>997,482</u>	<u>\$13.01</u>	<u>5.44</u>	<u>2,815</u>
Expected to vest as of September 30, 2017	<u>1,555,172</u>	<u>\$13.91</u>	<u>8.15</u>	<u>2,908</u>

Total equity-based compensation expense recognized in the Company's consolidated condensed statements of operations for the three months ended September 30, 2017 and 2016 was \$9 million and \$6 million, respectively (\$8 million and \$5 million after tax for the three months ended September 30, 2017 and 2016, respectively). The total income tax benefit related to equity-based compensation expense was \$1 million for each of the three months ended September 30, 2017 and 2016.

Total equity-based compensation expense recognized in the Company's consolidated condensed statements of operations for the nine months ended September 30, 2017 and 2016 was \$24 million and \$22 million, respectively (\$22 million and \$20 million after tax for the nine months ended September 30, 2017 and 2016, respectively). The total income tax benefit related to equity-based compensation expense was \$2 million for each of the nine months ended September 30, 2017 and 2016.

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13. Equity-Based Compensation (Continued)

The Company expects the future equity-based compensation expense in relation to awards recognized for accounting purposes as being granted as of September 30, 2017 will be approximately \$50 million.

14. Income Per Share

The following table reconciles the numerators and denominators used in the computation of basic and diluted income per share:

(in \$ thousands, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator – Basic and Diluted Income per Share:				
Net income attributable to the Company . . .	\$ 4,850	\$ 20,838	\$ 95,883	\$ 22,592
Denominator – Basic Income per Share:				
Weighted average common shares outstanding	124,469,069	123,920,699	124,303,716	123,821,339
Income per share – Basic	\$ 0.04	\$ 0.17	\$ 0.77	\$ 0.18
Denominator – Diluted Income per Share:				
Number of common shares used for basic income per share	124,469,069	123,920,699	124,303,716	123,821,339
Weighted average effect of dilutive securities				
RSUs/PSUs	1,603,721	269,311	1,424,009	304,870
Stock Options	115,582	101,677	99,815	82,843
Weighted average common shares outstanding	126,188,372	124,291,687	125,827,540	124,209,052
Income per share – Diluted	\$ 0.04	\$ 0.17	\$ 0.76	\$ 0.18

Basic income (loss) per share is based on the weighted average number of common shares outstanding during each period. Diluted income (loss) per share is based on the weighted average number of common shares outstanding and the effect of all dilutive common share equivalents during each period.

For the three and nine months ended September 30, 2017, the Company had 2.3 million and 2.4 million of weighted average common share equivalents, primarily associated with the Company's stock options, that were excluded from the calculation of diluted income per share. For the three and nine months ended September 30, 2016, the Company had 2.3 million and 2.0 million, respectively, of weighted-average common share equivalents, primarily associated with the Company's stock options, that were excluded from the calculation of diluted income per share. These were excluded as their inclusion would have been antidilutive as the common shares repurchased from the total assumed proceeds applying the treasury stock method exceed the common shares that would have been issued.

15. Subsequent Events

On October 31, 2017, the Company's Board of Directors declared a cash dividend of \$0.075 per common share for the third quarter of 2017, which is payable on December 21, 2017 to shareholders of record on December 7, 2017.

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

The following discussion and analysis of our results of operations and financial condition for the three and nine months ended September 30, 2017 should be read in conjunction with our consolidated condensed financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis includes forward-looking statements that reflect the current view of management and involve risks and uncertainties. Our actual results may differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this Quarterly Report, particularly under the headings "Risk Factors" and "Forward-Looking Statements."

Overview

We are a leading travel commerce platform providing distribution, technology, payment, mobile and other solutions for the global travel and tourism industry. We facilitate travel commerce by connecting the world's leading travel providers, such as airlines and hotel chains, with online and offline travel agencies and other travel buyers in our proprietary business-to-business ("B2B") travel commerce platform (our Travel Commerce Platform). In 2016, we processed approximately \$79 billion of travel spending. Since 2012, we have strategically invested in products with a focus on redefining our Travel Commerce Platform to address the trends, inefficiencies and unmet needs of all components of the travel value chain.

We have one reporting segment, and we further classify revenue according to its source as either Travel Commerce Platform revenue (comprised of Air and Beyond Air) or Technology Services revenue. For the nine months ended September 30, 2017, Air, Beyond Air and Technology Services represented approximately 70%, 25% and 5%, respectively, of our net revenue.

Travel Commerce Platform

Our Travel Commerce Platform combines state-of-the-art technology with features, functionality and innovative solutions to address the high-volume and growing transaction processing requirements for the evolving needs of the travel industry.

Air

We provide comprehensive real-time search, pricing, booking, change, payment and integrated itinerary creation for travelers who use the services of online and offline travel agencies for both leisure and business travel. We provide such services to approximately 400 airlines globally, including approximately 120 low cost carriers ("LCCs"). Our access to business travelers, merchandising capabilities and ability to process complex itineraries have attracted and allowed for the full integration of several fast-growing LCCs such as AirAsia, easyJet, IndiGo and Ryanair into our Travel Commerce Platform.

Beyond Air

We have expanded our Travel Commerce Platform with a fast growing portfolio of Beyond Air initiatives. Our Beyond Air portfolio includes hospitality, payment solutions, digital services, advertising and other platform services.

For the hospitality sector of the travel industry, we provide innovative distribution and merchandising solutions for hotel, car rental, rail, cruise-line and tour operators.

For payment solutions, eNett International (Jersey) Limited's ("eNett") core offering is a Virtual Account Number ("VAN") that automatically generates unique Mastercard numbers used to process payments globally. eNett's operations currently focus on Asia Pacific and Europe, and we believe the model is highly scalable. During the nine months ended September 30, 2017, eNett generated net revenue of \$139 million, representing an approximately 23% increase compared to the nine months ended September 30, 2016.

We also provide a mobile travel platform and digital product set that allows airlines, hotels, corporate travel management companies and travel agencies to engage with their customers through mobile services, including apps, mobile web and mobile messaging.

In addition to hospitality, payment solutions and digital services, we utilize the broad connections and extensive data managed by our Travel Commerce Platform to provide advertising solutions to approximately 3,000 advertisers that allow our travel providers to easily and cost-effectively promote upgrades, ancillary products or services, package deals and other offers. We also offer other platform services, including subscription services, processing services, business intelligence data services and marketing-oriented analytical tools, to travel agencies, travel providers and other travel data users.

Technology Services

We provide critical hosting solutions to airlines, such as pricing, shopping, ticketing, ground handling and other services, enabling them to focus on their core business competencies and reduce costs. We also host reservations, inventory management and other related critical systems for Delta Air Lines Inc. In addition, until April 2017, we owned 51% of IGTS Solutions Private Ltd. (“IGTS”), a technology development services provider based in Gurgaon, India that was used for both internal and external software development. We divested our 51% interest in IGTS in April 2017, and we no longer own any shares in, and/or control, IGTS following the sale.

Management Performance Metrics

Our management team monitors the performance of our operations against our strategic objectives. We assess our performance using both financial and non-financial measures. As a Travel Commerce Platform, we measure performance primarily on the basis of changes in both Reported Segments and RevPas. Travel Commerce Platform RevPas is computed by dividing Travel Commerce Platform revenue by the total number of Reported Segments. Travel Commerce Platform revenue is generated from a wide portfolio of products and services, including traditional air bookings, ancillaries, hospitality, payment solutions, digital services, advertising and other platform services. Reported Segments is defined as travel provider revenue generating units (net of cancellations) sold by our travel agency network, geographically presented by region based upon the point of sale location. We also use other GAAP and non-GAAP measures as performance metrics.

The table below sets forth our performance metrics:

(in \$ thousands, except share data, Reported Segments and RevPas)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2017	2016		%	2017	2016		%
Net revenue	\$610,842	\$590,756	\$ 20,086	3	\$1,873,712	\$1,805,924	\$67,788	4
Operating income	60,739	62,235	(1,496)	(2)	233,459	179,863	53,596	30
Net income	4,681	21,404	(16,723)	(78)	94,910	24,156	70,754	*
Income per share – diluted (in \$).	0.04	0.17	(0.13)	(77)	0.76	0.18	0.58	*
Adjusted EBITDA ⁽¹⁾	136,437	150,432	(13,995)	(9)	451,996	443,585	8,411	2
Adjusted Operating Income ⁽²⁾	76,392	87,757	(11,365)	(13)	268,465	267,017	1,448	1
Adjusted Net Income ⁽³⁾	22,671	40,995	(18,324)	(45)	137,034	126,237	10,797	9
Adjusted Income per Share – diluted ⁽⁴⁾ (in \$)	0.18	0.33	(0.15)	(46)	1.09	1.02	0.07	7
Net cash provided by operating activities	95,735	110,926	(15,191)	(14)	274,342	213,858	60,484	28
Free Cash Flow ⁽⁵⁾	63,372	85,781	(22,409)	(26)	195,150	143,728	51,422	36
Reported Segments (in thousands)	85,397	83,945	1,452	2	264,975	260,725	4,250	2
Travel Commerce Platform RevPas (in \$)	\$ 6.86	\$ 6.67	\$ 0.19	3	\$ 6.76	\$ 6.57	\$ 0.19	3

* Percentage calculated not meaningful

- (1) Adjusted EBITDA is defined as Adjusted Net Income (Loss) excluding depreciation and amortization of property and equipment, amortization of customer loyalty payments, interest expense, net (excluding unrealized gains (losses) on interest rate derivative instruments) and related income taxes.
- (2) Adjusted Operating Income (Loss) is defined as Adjusted EBITDA less depreciation and amortization of property and equipment and amortization of customer loyalty payments.
- (3) Adjusted Net Income (Loss) is defined as net income (loss) from continuing operations excluding amortization of acquired intangible assets, gain (loss) on early extinguishment of debt, and items that are excluded under our debt covenants, such as gain (loss) on sale of subsidiary, non-cash equity-based compensation, certain corporate and restructuring costs, non-cash impairment of long-lived assets, certain litigation and related costs and other non-cash items such as unrealized foreign currency gains (losses) on earnings hedges, and unrealized gains (losses) on interest rate derivative instruments, along with any income tax related to these exclusions.
- (4) Adjusted Income (Loss) per Share—diluted is defined as Adjusted Net Income (Loss) for the period divided by the weighted average number of dilutive common shares.
- (5) Free Cash Flow is defined as net cash provided by (used in) operating activities of continuing operations, less cash used for additions to property and equipment.

We utilize non-GAAP (or adjusted) financial measures, including Adjusted EBITDA, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share—diluted, to provide useful supplemental information to assist investors in understanding and assessing our performance and financial results on the same basis that management uses internally. These adjusted financial measures provide investors greater transparency with respect to key metrics used by management to evaluate our core operations, forecast future results, determine future capital investment allocations and understand business trends within the industry. These metrics are also used by our Board of Directors to determine incentive compensation for future periods. Management believes the adjusted financial measures assist investors in the comparison of financial results between periods as such measures exclude certain items that management believes are not reflective of our core operating performance consistent with how management reviews the business.

Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Share—diluted, Adjusted Operating Income (Loss) and Adjusted EBITDA are supplemental measures of operating performance that do not represent, and should not be considered as, alternatives to net income (loss) or net income (loss) per share—diluted, as determined under U.S. GAAP. In addition, these measures may not be comparable to similarly named measures used by other companies. The presentation of these measures has limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP.

The following table provides a reconciliation of net income to Adjusted Net Income, to Adjusted Operating Income and to Adjusted EBITDA:

(in \$ thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 4,681	\$ 21,404	\$ 94,910	\$ 24,156
Adjustments:				
Amortization of intangible assets ⁽¹⁾	10,165	11,838	30,688	36,693
Gain on sale of a subsidiary	—	—	(1,217)	—
Loss on early extinguishment of debt	4,682	955	4,682	3,626
Equity-based compensation and related taxes	8,676	5,383	24,355	21,307
Corporate and restructuring costs ⁽²⁾	4,217	7,152	14,897	21,431
Impairment of long-lived assets ⁽³⁾	—	499	685	4,586
Other – non cash ⁽⁴⁾	(9,285)	(3,741)	(34,498)	20,608
Tax impact of adjustments ⁽⁵⁾	(465)	(2,495)	2,532	(6,170)
Adjusted Net Income	22,671	40,995	137,034	126,237
Adjustments:				
Interest expense, net ⁽⁶⁾	30,673	34,204	90,890	112,350
Remaining provision for income taxes	23,048	12,558	40,541	28,430
Adjusted Operating Income	76,392	87,757	268,465	267,017
Adjustments:				
Depreciation and amortization of property and equipment	40,149	41,743	126,183	121,375
Amortization of customer loyalty payments	19,896	20,932	57,348	55,193
Adjusted EBITDA	\$136,437	\$150,432	\$451,996	\$443,585

- (1) Amortization of intangible assets relates primarily to intangible assets acquired in the sale of Travelport to The Blackstone Group in 2006 and from the acquisition of Worldspan in 2007.
- (2) Corporate and restructuring costs relate to costs associated with corporate development transactions and costs incurred to enhance our organization's efficiency, including restructuring activity (see Note 7—Restructuring Charges to our consolidated condensed financial statements included in this Quarterly Report on Form 10-Q).
- (3) Impairment of long-lived assets relates to property and equipment.
- (4) Other—non cash includes (i) unrealized (gains) losses on foreign currency derivative contracts of \$(7) million and \$1 million for the three months ended September 30, 2017 and 2016, respectively, and \$(27) million and \$3 million for the nine months ended September 30, 2017 and 2016, respectively, (ii) unrealized (gain) loss on interest rate derivative contracts of \$(2) million and \$(4) million for the three months ended September 30, 2017 and 2016, respectively, and \$1 million and \$17 million for the nine months ended September 30, 2017 and 2016, respectively, (iii) \$8 million related to revenue deferred in previous years for the nine months ended September 30, 2017 and (iv) other gains of \$1 million for the nine months ended September 30, 2017.
- (5) Tax impact of adjustments primarily relates to the gain on sale of a subsidiary, equity-based compensation, corporate and restructuring costs and unrealized gains and losses on foreign currency derivative contracts and is calculated at the rate applicable for the jurisdiction in which the adjusting item arose.
- (6) Interest expense, net, excludes the impact of unrealized (gain) loss on interest rate derivative contracts of \$(2) million and \$(4) million for the three months ended September 30, 2017 and 2016, respectively, and \$1 million and \$17 million for the nine months ended September 30, 2017 and 2016, respectively, which is included within “Other—non cash.”

The following table provides a reconciliation of income per share—diluted to Adjusted Income per Share—diluted:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income per share – diluted	\$0.04	\$0.17	\$0.76	\$0.18
Per share adjustments to net income to determine Adjusted				
Income per Share – diluted	0.14	0.16	0.33	0.84
Adjusted Income per Share – diluted	\$0.18	\$0.33	\$1.09	\$1.02

We have included Adjusted Income (Loss) per Share—diluted as we believe it is a useful measure for our investors as it represents, on a per share basis, our consolidated results, taking into account depreciation and amortization on property and equipment and amortization of customer loyalty payments, as well as other items which are not allocated to the operating businesses such as interest expense (excluding unrealized gains (losses) on interest rate derivative instruments) and related income taxes but excluding the effects of certain expenses not directly tied to the core operations of our businesses. Adjusted Income (Loss) per Share—diluted has similar limitations as Adjusted Net Income (Loss), Adjusted Operating Income (Loss) and Adjusted EBITDA and may not be comparable to similarly named measures used by other companies. In addition, Adjusted Net Income (Loss) does not include all items that affect our net income (loss) and net income (loss) per share for the period. Therefore, it is important to evaluate these measures along with our consolidated condensed statements of operations.

For a discussion of Free Cash Flow, please see “Liquidity and Capital Resources—Cash Flows.”

Factors Affecting Results of Operations

Geographic Mix: Our geographically dispersed footprint helps insulate us from particular country or regional instability, allows for optimal information technology efficiency and enhances our value proposition to travel providers. We are well positioned to capture higher value business from travel providers operating in away markets, which results in higher per transaction revenue for both us and the travel providers we serve. The table below sets forth revenue by region percentages for our Travel Commerce Platform for the nine months ended September 30, 2017 and 2016:

(in percentages)	Nine Months Ended September 30,	
	2017	2016
Asia Pacific	24	23
Europe	32	32
Latin America and Canada	5	5
Middle East and Africa	13	13
International	74	73
United States	26	27
Travel Commerce Platform	100	100

We expect some of the regions in which we currently operate, such as Asia Pacific, the Middle East and Africa, to experience growth in travel that is greater than the global average due to factors such as economic growth and a growing middle class, while more mature regions, such as the United States, remain stable. As these emerging travel regions may grow at a higher rate than mature regions, the geographic distribution of our revenue may similarly shift.

Customer Mix: We believe our customer mix is broadly diversified, supporting our stable and recurring business model with high revenue visibility. We provide air distribution services to approximately 400 airlines globally, including approximately 120 LCCs. In addition, we serve numerous Beyond Air travel providers, including approximately 650,000 hotel properties (of which over 500,000 are independent hotel

properties), over 37,000 car rental locations, approximately 40 cruise-line and tour operators and 14 major rail networks worldwide. We aggregate travel content across approximately 68,000 travel agency locations representing approximately 232,000 online and offline travel agency terminals worldwide, which in turn serves millions of end customers globally. None of our travel buyers or travel providers accounted for more than 10% of our revenue for the nine months ended September 30, 2017.

Seasonality: Our revenue can experience seasonal fluctuations, reflecting seasonal demand trends for the products and services we offer. These trends generally cause our revenue to be higher in the first and second quarters as compared to the third and fourth quarters of the calendar year. Revenue typically peaks during the first two quarters of the year as travelers plan and purchase their upcoming spring and summer travel.

Foreign Exchange Fluctuations: We are exposed to movements in currency exchange rates that impact our operating results. While substantially all of our revenue is denominated in U.S. dollars, a portion of our operating cost base, primarily commissions, is transacted in non-U.S. dollar currencies (principally, the British pound, Euro and Australian dollar).

Litigation and Related Costs: We are involved in various claims, legal proceedings and governmental inquiries related to contract disputes, business practices, intellectual property and other commercial, employment and tax matters. We believe we have adequately accrued for such matters, and for costs of defending against such matters. However, litigation is inherently unpredictable, and although we believe that our accruals are adequate and we have valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on our results of operations or cash flows in a particular reporting period.

Results of Operations

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

(in \$ thousands)	Three Months Ended September 30,		Change	
	2017	2016	\$	%
Net revenue	\$610,842	\$590,756	\$ 20,086	3
Costs and expenses				
Cost of revenue	388,027	351,534	36,493	10
Selling, general and administrative	111,762	123,406	(11,644)	(9)
Depreciation and amortization	50,314	53,581	(3,267)	(6)
Total costs and expenses	550,103	528,521	21,582	4
Operating income	60,739	62,235	(1,496)	(2)
Interest expense, net	(28,793)	(29,813)	1,020	3
Loss on early extinguishment of debt	(4,682)	(955)	(3,727)	*
Income before income taxes	27,264	31,467	(4,203)	(13)
Provision for income taxes	(22,583)	(10,063)	(12,520)	(124)
Net income	\$ 4,681	\$ 21,404	\$(16,723)	(78)

* Percentage calculated not meaningful

Net Revenue

Net revenue is comprised of:

(in \$ thousands)	Three Months Ended September 30,		Change	
	2017	2016	\$	%
Air	\$417,371	\$407,926	\$ 9,445	2
Beyond Air	168,782	151,857	16,925	11
Travel Commerce Platform	586,153	559,783	26,370	5
Technology Services	24,689	30,973	(6,284)	(20)
Net revenue	\$610,842	\$590,756	\$20,086	3

During the three months ended September 30, 2017, net revenue increased by \$20 million, or 3%, compared to the three months ended September 30, 2016. This increase was due to an increase in Travel Commerce Platform revenue of \$26 million, or 5%, offset by a decrease in Technology Services revenue of \$6 million, or 20%.

Travel Commerce Platform

The table below sets forth Travel Commerce Platform RevPAs and Reported Segments:

	Three Months Ended September 30,		Change	
	2017	2016	\$	%
Travel Commerce Platform RevPAs (in \$)	\$ 6.86	\$ 6.67	\$ 0.19	3
Reported Segments (in thousands)	85,397	83,945	1,452	2

The increase in Travel Commerce Platform revenue of \$26 million, or 5%, was due to a \$9 million, or 2%, increase in Air revenue and a \$17 million, or 11%, increase in Beyond Air revenue. Overall, there was a 3% increase in Travel Commerce Platform RevPAs and a 2% increase in Reported Segments.

Our Travel Commerce Platform continues to benefit from growth in Beyond Air revenue. The value of the transactions processed on our Travel Commerce Platform increased to \$21.4 billion for the three months ended September 30, 2017 from \$19.9 billion for the three months ended September 30, 2016 primarily due to an increase in the value and volume in payment solutions and an increase in International Reported Segments. Our percentage of Air segment revenue from away bookings increased to 67% from 66%. Our hospitality segments per 100 airline tickets issued decreased to 48 from 49. Our hotel room nights and car rental days sold grew by 4% and 16%, respectively, and were 18 million and 30 million, respectively, for the three months ended September 30, 2017.

The table below sets forth Travel Commerce Platform revenue by region:

(in \$ thousands)	Three Months Ended September 30,		Change	
	2017	2016	\$	%
Asia Pacific	\$145,008	\$129,309	\$15,699	12
Europe	185,801	180,746	5,055	3
Latin America and Canada	27,563	26,336	1,227	5
Middle East and Africa	77,494	72,833	4,661	6
International	435,866	409,224	26,642	7
United States	150,287	150,559	(272)	—
Travel Commerce Platform	\$586,153	\$559,783	\$26,370	5

The table below sets forth Reported Segments and RevPas by region:

	Reported Segments (in thousands)				RevPas (in \$)			
	Three Months Ended September 30,		Change		Three Months Ended September 30,		Change	
	2017	2016		%	2017	2016	\$	%
Asia Pacific	17,807	16,735	1,072	6	\$8.14	\$7.73	\$ 0.41	5
Europe	20,117	19,588	529	3	\$9.24	\$9.23	\$ 0.01	—
Latin America and Canada	4,706	4,279	427	10	\$5.86	\$6.16	\$(0.30)	(5)
Middle East and Africa	9,354	9,243	111	1	\$8.28	\$7.88	\$ 0.40	5
International	51,984	49,845	2,139	4	\$8.38	\$8.21	\$ 0.17	2
United States	33,413	34,100	(687)	(2)	\$4.50	\$4.41	\$ 0.09	2
Travel Commerce Platform	85,397	83,945	1,452	2	\$6.86	\$6.67	\$ 0.19	3

International

Our International Travel Commerce Platform revenue increased \$27 million, or 7%, due to a 2% increase in RevPas and a 4% increase in Reported Segments. The increase in RevPas was primarily a result of growth in our Beyond Air offerings. The increase in Air revenue was mainly due to the increase in Reported Segments. The increase in Beyond Air revenue was primarily driven by growth in payment solutions and hospitality and advertising. Our International Travel Commerce Platform revenue as a percentage of Travel Commerce Platform revenue was 74% for the three months ended September 30, 2017 compared to 73% for the three months ended September 30, 2016.

Asia Pacific

Revenue in Asia Pacific increased \$16 million, or 12%, due to a 6% increase in Reported Segments and a 5% increase in RevPas. Reported Segments increased primarily due to growth in India, Indonesia and Hong Kong partially offset by a decline in Australia. RevPas increased due to revenue growth in Air and growth in payment solutions in Beyond Air.

Europe

Revenue in Europe increased \$5 million, or 3%, due to a 3% increase in Reported Segments with RevPas remaining stable. Reported Segments increased mainly due to growth in Russia and Netherlands partially offset by a decline in the United Kingdom.

Latin America and Canada

Revenue in Latin America and Canada increased marginally by \$1 million, or 5%.

Middle East and Africa

Revenue in the Middle East and Africa increased \$5 million, or 6%, due to a 5% increase in RevPas and a 1% increase in Reported Segments.

United States

Revenue in the United States remained stable. The increase in RevPas of 2% was offset by a 2% decrease in Reported Segments.

Technology Services

Technology Services revenue decreased \$6 million, or 20%, primarily due to the sale of IGTS in April 2017.

Cost of Revenue

Cost of revenue is comprised of:

<u>(in \$ thousands)</u>	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Commissions	\$306,971	\$273,702	\$33,269	12
Technology costs	81,056	77,832	3,224	4
Cost of revenue	<u>\$388,027</u>	<u>\$351,534</u>	<u>\$36,493</u>	<u>10</u>

Cost of revenue increased by \$36 million, or 10%, as a result of a \$33 million, or 12%, increase in commission costs and a \$3 million, or 4%, increase in technology costs. The increase in commissions was due to a 2% increase in Reported Segments, an 8% increase in travel distribution costs per segment driven by mix, pricing and higher volume related incentives along with incremental costs from our payment solutions business. Commissions include amortization of customer loyalty payments of \$18 million and \$21 million for the three months ended September 30, 2017 and 2016, respectively. Technology costs across the shared infrastructure, that runs our Travel Commerce Platform and Technology Services, increased primarily due to higher investments in technology, partially offset by reduced costs resulting from the sale of IGTS in April 2017.

Selling, General and Administrative (SG&A)

SG&A is comprised of:

<u>(in \$ thousands)</u>	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Workforce	\$ 91,405	\$ 88,276	\$ 3,129	4
Non-workforce	14,869	21,446	(6,577)	(31)
Sub-total	106,274	109,722	(3,448)	(3)
Non-core corporate costs	5,488	13,684	(8,196)	(60)
SG&A	<u>\$111,762</u>	<u>\$123,406</u>	<u>\$(11,644)</u>	<u>(9)</u>

SG&A expenses decreased by \$12 million, or 9%, during the three months ended September 30, 2017 compared to September 30, 2016. SG&A expenses include \$5 million and \$14 million of charges for the three months ended September 30, 2017 and 2016, respectively, for non-core corporate costs that are removed from Adjusted EBITDA. Excluding these items, our SG&A expenses for the three months ended September 30, 2017 compared to the three months ended September 30, 2016 decreased by \$3 million, or 3%. Workforce expenses, which include the wages and benefits of our selling, marketing, advertising,

finance and legal personnel, increased by \$3 million, or 4%, primarily due to an increase in headcount and merit increases, partially offset by lower employee incentive costs. Non-workforce expenses, which include the costs of finance and legal professional fees, communications and marketing and foreign exchange related costs, decreased by \$7 million, or 31%, primarily due to realized foreign exchange gains in 2017 compared with realized foreign exchange losses in 2016.

Non-core corporate costs of \$5 million and \$14 million for the three months ended September 30, 2017 and 2016, respectively, represent costs related to strategic transactions and restructurings, equity-based compensation, impairment of long-lived assets, certain legal and related costs and unrealized foreign currency gains and losses related to derivatives. The decrease of \$8 million is primarily due to an \$8 million favorable movement in the fair value of unrealized foreign currency derivative contracts and a \$3 million decrease in corporate and restructuring costs, offset by a \$3 million increase in equity-based compensation expense.

Depreciation and Amortization

Depreciation and amortization is comprised of:

<u>(in \$ thousands)</u>	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Depreciation on property and equipment	\$40,149	\$41,743	\$(1,594)	(4)
Amortization of acquired intangible assets	10,165	11,838	(1,673)	(14)
Total depreciation and amortization	<u>\$50,314</u>	<u>\$53,581</u>	<u>\$(3,267)</u>	<u>(6)</u>

Total depreciation and amortization decreased by \$3 million, or 6%. Depreciation on property and equipment decreased by \$2 million, or 4%. Amortization of acquired intangible assets decreased by \$2 million, or 14%, as the useful lives expired on a portion of the assets acquired on the sale of Travelport to Blackstone in 2006 and the acquisition of Worldspan in 2007.

Interest Expense, Net

Interest expense, net, decreased by \$1 million, or 3%, primarily due to (i) a \$5 million decrease related to lower interest rates on the term loans outstanding under our senior secured credit agreement, (ii) a \$1 million decrease related to our reduced outstanding debt balance, offset by (iii) a \$3 million unfavorable impact of fair value changes on our interest rate swap derivative contracts and (iv) a \$3 million cost incurred relating to amendments to our senior secured credit agreement in 2017.

Loss on Early Extinguishment of Debt

During the three months ended September 30, 2017, we amended our senior secured credit agreement twice under which we (i) increased the total amount available under the revolving credit facility and extended its maturity and (ii) reduced the interest rates on our term loans by 50 basis points. In connection with these amendments, certain lenders were replaced by new lenders for the revolving credit facility and certain term loan lenders were repaid partially or in full. Further, during this period, we voluntarily prepaid an additional \$50 million principal amount of the term loans outstanding under our senior secured credit agreement. These transactions resulted in a recognition of \$5 million of loss on early extinguishment of debt.

In September 2016, we voluntarily prepaid \$50 million principal amount of the term loans outstanding under our senior secured credit agreement, resulting in a \$1 million loss on early extinguishment of debt.

Provision for Income Taxes

Our tax provision differs significantly from the expected provision amount calculated at the U.S. Federal statutory rate primarily as a result of a number of items such as (i) being subject to income tax in numerous non-U.S. jurisdictions with varying income tax rates, (ii) a valuation allowance continued to be

maintained in various jurisdictions, including the U.S., due to the historical losses in such jurisdictions, (iii) certain expenses that are not deductible for tax or do not secure an effective tax deduction in the relevant jurisdictions (iv) certain income or gains which are not subject to tax and (v) the impact of return-to-provision adjustments.

As of December 31, 2016, we had U.S. federal net operating loss (“NOL”) carry forwards of approximately \$367 million, which expire between 2032 and 2036, state NOL carry forwards of approximately \$14 million, which expire between 2017 and 2036, and other tax credits of approximately \$25 million. The deferred tax assets on these U.S. federal and state NOLs and other tax credits were \$168 million. A full valuation allowance has been recorded against these U.S. NOLs and other tax credits as we believe it is more likely than not that the benefit from these NOL carry forwards and tax credits will not be realized.

We regularly assess our ability to realize deferred tax assets. As of September 30, 2017, our estimated annual effective tax rate includes the impact of releasing a portion of the valuation allowance associated with our current year U.S. ordinary income. However, we have maintained a full valuation allowance on the remaining deferred tax assets. Future realized earnings performance and changes in future earnings projections, among other factors, may cause an adjustment to the conclusion as to whether it is more likely than not that the benefit of the deferred tax assets will be realized. This would impact the income tax expense in the period for which it is determined that these factors have changed.

Nine Months Ended September 30, 2017 compared to Nine Months Ended September 30, 2016

(in \$ thousands)	Nine Months Ended September 30,		Change	
	2017	2016	\$	%
Net revenue	\$1,873,712	\$1,805,924	\$ 67,788	4
Costs and expenses				
Cost of revenue	1,144,572	1,090,816	53,756	5
Selling, general and administrative	338,810	377,177	(38,367)	(10)
Depreciation and amortization	156,871	158,068	(1,197)	(1)
Total costs and expenses	1,640,253	1,626,061	14,192	1
Operating income	233,459	179,863	53,596	30
Interest expense, net	(92,011)	(129,821)	37,810	29
Gain on sale of a subsidiary	1,217	—	1,217	*
Loss on early extinguishment of debt	(4,682)	(3,626)	(1,056)	(29)
Income before income taxes	137,983	46,416	91,567	197
Provision for income taxes	(43,073)	(22,260)	(20,813)	(93)
Net income	\$ 94,910	\$ 24,156	\$ 70,754	*

* Percentage calculated not meaningful

Net Revenue

Net revenue is comprised of:

(in \$ thousands)	Nine Months Ended September 30,		Change	
	2017	2016	\$	%
Air	\$1,315,500	\$1,277,671	\$ 37,829	3
Beyond Air	476,474	435,056	41,418	10
Travel Commerce Platform	1,791,974	1,712,727	79,247	5
Technology Services	81,738	93,197	(11,459)	(12)
Net revenue	\$1,873,712	\$1,805,924	\$ 67,788	4

During the nine months ended September 30, 2017, net revenue increased by \$68 million, or 4%, compared to the nine months ended September 30, 2016. This increase was due to an increase in Travel Commerce Platform revenue of \$79 million, or 5%, offset by a decrease in Technology Services revenue of \$11 million, or 12%.

Travel Commerce Platform

The table below sets forth Travel Commerce Platform RevPas and Reported Segments:

	Nine Months Ended September 30,		Change	
	2017	2016		%
Travel Commerce Platform RevPas (<i>in \$</i>)	\$ 6.76	\$ 6.57	\$ 0.19	3
Reported Segments (<i>in thousands</i>)	264,975	260,725	4,250	2

The increase in Travel Commerce Platform revenue of \$79 million, or 5%, was due to a \$38 million, or 3%, increase in Air revenue and a \$41 million, or 10%, increase in Beyond Air revenue. Overall, there was a 3% increase in Travel Commerce Platform RevPas and a 2% increase in Reported Segments.

Our Travel Commerce Platform continues to benefit from growth in Air revenue and Beyond Air revenue. The value of the transactions processed on our Travel Commerce Platform increased to \$63.1 billion for the nine months ended September 30, 2017 from \$60.8 billion for the nine months ended September 30, 2016 primarily due to an increase in the value and volume of transactions in payment solutions and an increase in International Reported Segments. Our percentage of Air segment revenue from away bookings remained stable at 67%. Our hospitality segments per 100 airline tickets issued decreased to 46 from 47. Our hotel room nights and car rental days sold grew by 3% and 12%, respectively, and were 51 million and 81 million, respectively, for the nine months ended September 30, 2017.

The table below sets forth Travel Commerce Platform revenue by region:

<i>(in \$ thousands)</i>	Nine Months Ended September 30,		Change	
	2017	2016	\$	%
Asia Pacific	\$ 437,748	\$ 388,330	\$49,418	13
Europe	568,811	558,303	10,508	2
Latin America and Canada	83,919	82,617	1,302	2
Middle East and Africa	238,959	223,629	15,330	7
International	1,329,437	1,252,879	76,558	6
United States	462,537	459,848	2,689	1
Travel Commerce Platform	\$1,791,974	\$1,712,727	\$79,247	5

The table below sets forth Reported Segments and RevPas by region:

	Reported Segments (<i>in thousands</i>)				RevPas (<i>in \$</i>)			
	Nine Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2017	2016		%	2017	2016	\$	%
Asia Pacific	54,712	50,733	3,979	8	\$8.00	\$7.65	\$ 0.35	5
Europe	63,478	63,282	196	—	\$8.96	\$8.82	\$ 0.14	2
Latin America and Canada	13,862	13,353	509	4	\$6.05	\$6.19	\$(0.14)	(2)
Middle East and Africa	28,271	28,876	(605)	(2)	\$8.45	\$7.74	\$ 0.71	9
International	160,323	156,244	4,079	3	\$8.29	\$8.02	\$ 0.27	3
United States	104,652	104,481	171	—	\$4.42	\$4.40	\$ 0.02	—
Travel Commerce Platform	264,975	260,725	4,250	2	\$6.76	\$6.57	\$ 0.19	3

International

Our International Travel Commerce Platform revenue increased \$77 million, or 6%, due to a 3% increase in both RevPas and Reported Segments. The increase in RevPas was a result of growth in our Air and Beyond Air offerings. The increase in Air revenue was mainly due to the increase in Reported Segments, improved pricing and a \$9 million recognition of revenue deferred in previous years, partially offset by a decline due to mix. The increase in Beyond Air revenue was primarily driven by growth in payment solutions, hospitality and advertising and digital services. Our International Travel Commerce Platform revenue as a percentage of Travel Commerce Platform revenue was 74% for the nine months ended September 30, 2017 compared to 73% for the nine months ended September 30, 2016.

Asia Pacific

Revenue in Asia Pacific increased \$49 million, or 13%, due to an 8% increase in Reported Segments and a 5% increase in RevPas. Reported Segments increased primarily due to growth in India, Hong Kong and Australia. RevPas increased due to revenue growth in Air and growth in payment solutions in Beyond Air.

Europe

Revenue in Europe increased \$11 million, or 2%, primarily due to a 2% increase in RevPas with Reported Segments remaining stable. RevPas increased due to revenue growth in Air and growth in payment solutions in Beyond Air.

Latin America and Canada

Revenue in Latin America and Canada increased marginally by \$1 million, or 2%.

Middle East and Africa

Revenue in the Middle East and Africa increased \$15 million, or 7%, due to a 9% increase in RevPas offset by a 2% decrease in Reported Segments. The increase in RevPas was mainly due to a \$9 million recognition of revenue deferred in previous years and growth in payment solutions in Beyond Air.

United States

Revenue in the United States increased \$3 million, or 1%, due to an increase in Beyond Air revenue, driven by growth in hospitality and advertising, partially offset by lower Air revenue.

Technology Services

Technology Services revenue decreased \$11 million, or 12%, primarily due to the sale of IGTS in April 2017.

Cost of Revenue

Cost of revenue is comprised of:

<u>(in \$ thousands)</u>	<u>Nine Months Ended</u> <u>September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Commissions	\$ 899,224	\$ 848,458	\$50,766	6
Technology costs	245,348	242,358	2,990	1
Cost of revenue	<u>\$1,144,572</u>	<u>\$1,090,816</u>	<u>\$53,756</u>	<u>5</u>

Cost of revenue increased by \$54 million, or 5%, as a result of a \$51 million, or 6%, increase in commission costs and \$3 million, or 1%, increase in technology costs. Commissions increased due to a 2% increase in Reported Segments, a 3% increase in travel distribution costs per segment and incremental commission costs from our payment solutions business. The increase in travel distribution costs per segment was driven by mix pricing and higher volume related incentives; offset by our acquisition of our distributor

in Japan and the positive impact of an \$11 million allowance for a prepaid incentive related to a long-term contract with a travel agent recorded during the nine months ended September 30, 2016. Commissions include amortization of customer loyalty payments of \$53 million and \$55 million for the nine months ended September 30, 2017 and 2016, respectively. Technology costs across the shared infrastructure that runs our Travel Commerce Platform and Technology Services increased by \$3 million, or 1%, due to higher investments in technology, partially offset by reduced costs resulting from the sale of IGTS in April 2017.

Selling, General and Administrative (SG&A)

SG&A is comprised of:

<u>(in \$ thousands)</u>	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Workforce	\$270,237	\$261,371	\$ 8,866	3
Non-workforce	56,644	65,345	(8,701)	(13)
Sub-total	326,881	326,716	165	—
Non-core corporate costs	11,929	50,461	(38,532)	(76)
SG&A	<u>\$338,810</u>	<u>\$377,177</u>	<u>\$(38,368)</u>	<u>(10)</u>

SG&A expenses decreased by \$38 million, or 10%, during the nine months ended September 30, 2017 compared to September 30, 2016. SG&A expenses include \$12 million and \$50 million of charges for the nine months ended September 30, 2017 and 2016, respectively, for non-core corporate costs that are removed from Adjusted EBITDA. Excluding these items, our SG&A expenses for the nine months ended September 30, 2017 remained stable. Workforce expenses, which include the wages and benefits of our selling, marketing, advertising, finance and legal personnel, increased by \$9 million, or 3%, primarily due to an increase in headcount and merit increases, partially offset by lower employee incentive costs and favorable foreign currency exchange movement. Non-workforce expenses, which include the costs of finance and legal professional fees, communications and marketing and foreign exchange related costs, decreased by \$9 million, or 13%, primarily due to lower realized foreign exchange losses in 2017.

Non-core corporate costs of \$12 million and \$50 million for the nine months ended September 30, 2017 and 2016, respectively, represent costs related to strategic transactions and restructurings, equity-based compensation, impairment of long-lived assets, certain legal and related costs and unrealized foreign currency gains and losses related to derivatives. The decrease of \$39 million is primarily due to a \$30 million favorable movement in the fair value of unrealized foreign currency derivative contracts, a \$7 million decrease in corporate and restructuring costs and a \$4 million decrease in impairment on property and equipment, offset by \$3 million increase in equity based compensation expense.

Depreciation and Amortization

Depreciation and amortization is comprised of:

<u>(in \$ thousands)</u>	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2017</u>	<u>2016</u>	<u>\$</u>	<u>%</u>
Depreciation on property and equipment	\$126,183	\$121,375	\$ 4,808	4
Amortization of acquired intangible assets	30,688	36,693	(6,005)	(16)
Total depreciation and amortization	<u>\$156,871</u>	<u>\$158,068</u>	<u>\$(1,197)</u>	<u>(1)</u>

Total depreciation and amortization decreased by \$1 million, or 1%. Depreciation on property and equipment increased by \$5 million, or 4%, due to additional assets being depreciated upon their transfer from construction in progress to capitalized software. Amortization of acquired intangible assets decreased by \$6 million, or 16%, as the useful lives expired on a portion of the assets acquired on the sale of Travelpart to Blackstone in 2006 and the acquisition of Worldspan in 2007.

Interest Expense, Net

Interest expense, net, decreased by \$38 million, or 29%, primarily due to (i) an \$18 million decrease related to lower interest rates on the term loans outstanding under our senior secured credit agreement, (ii) a \$16 million favorable impact of fair value changes on our interest rate swaps and (iii) a \$3 million decrease related to our reduced outstanding debt balance.

Gain on Sale of a Subsidiary

In April 2017, we sold our 51% controlling interest in IGTS for a total gross cash consideration of \$18 million and have recorded a gain on the sale of such subsidiary of \$1 million.

Loss on Early Extinguishment of Debt

During the third quarter of 2017, we amended our senior secured credit agreement twice under which we (i) increased the total amount available under the revolving credit facility and extended its maturity and (ii) reduced the interest rates on our term loans by 50 basis points. In connection with these amendments, certain lenders were replaced by new lenders for the revolving credit facility and certain term loan lenders were repaid partially or in full. Further, during this period, we voluntarily prepaid an additional \$50 million principal amount of the term loans outstanding under our senior secured credit agreement. These transactions resulted in a recognition of \$5 million of loss on early extinguishment of debt.

In June 2016, we amended our senior secured credit agreement under which we reduced the interest rate on our term loans by 75 basis points. In connection with this amendment, certain lenders under the credit agreement were repaid partially or in full. Further, in September 2016, we voluntarily prepaid \$50 million principal amount of the term loans outstanding under our senior secured credit agreement. These transactions resulted in a \$4 million loss on early extinguishment of debt.

Provision for Income Taxes

Our tax provision differs from the expected provision amount calculated at the U.S. Federal statutory rate primarily as a result of a number of items such as (i) being subject to income tax in numerous non-U.S. jurisdictions with varying income tax rates, (ii) a valuation allowance continued to be maintained in various jurisdictions, including the U.S., due to the historical losses in such jurisdictions, (iii) certain expenses that are not deductible for tax or do not secure an effective tax deduction in the relevant jurisdictions (iv) certain income or gains which are not subject to tax and (v) the impact of return-to-provision adjustments.

As of December 31, 2016, we had U.S. federal NOL carry forwards of approximately \$367 million, which expire between 2032 and 2036, state NOL carry forwards of approximately \$14 million, which expire between 2017 and 2036, and other tax credits of approximately \$25 million. The deferred tax assets on these U.S. federal and state NOLs and other tax credits were \$168 million. A full valuation allowance has been recorded against these U.S. NOLs and other tax credits as we believe it is more likely than not that the benefit from these NOL carry forwards and tax credits will not be realized.

We regularly assess our ability to realize deferred tax assets. As of September 30, 2017, our estimated annual effective tax rate includes the impact of releasing a portion of the valuation allowance associated with our current year U.S. ordinary income. However, we have maintained a full valuation allowance on the remaining deferred tax assets. Future realized earnings performance and changes in future earnings projections, among other factors, may cause an adjustment to the conclusion as to whether it is more likely than not that the benefit of the deferred tax assets will be realized. This would impact the income tax expense in the period for which it is determined that these factors have changed.

Liquidity and Capital Resources

Our principal sources of liquidity are (i) cash and cash equivalents, (ii) cash flows generated from operations and (iii) borrowings under our revolving credit facility. As of September 30, 2017, our cash and cash equivalents and revolving credit facility availability were as follows:

<u>(in \$ thousands)</u>	<u>September 30, 2017</u>
Cash and cash equivalents	\$204,646
Revolving credit facility availability	141,558

With the cash and cash equivalents on our consolidated condensed balance sheet, our ability to generate cash from operations and access to our revolving credit facility and other lending sources, we believe we have sufficient liquidity to meet our ongoing needs for at least the next 12 months.

Working Capital

Our cash flows from operations are significantly impacted by revenue derived from, and commissions paid to, travel providers and travel agencies and consists of accounts receivables and deferred revenue from travel providers and travel agencies, current prepaid travel agency incentive payments and accrued liabilities for commissions. The movement within these account balances are included within working capital.

The table below sets forth our working capital as of September 30, 2017 and December 31, 2016, as monitored by management, which is then reconciled to our working capital as presented in our consolidated condensed balance sheets:

<u>(in \$ thousands)</u>	<u>Asset (Liability)</u>		<u>Change</u>
	<u>September 30, 2017</u>	<u>December 31, 2016</u>	
Accounts receivable, net	\$ 252,661	\$ 218,224	\$ 34,437
Accrued commissions and incentives	(344,852)	(267,488)	(77,364)
Deferred revenue and prepaid incentives, net	(34,983)	(32,741)	(2,242)
Cash and cash equivalents	204,646	139,938	64,708
Accounts payable and employee related	(142,418)	(144,657)	2,239
Accrued interest	(15,490)	(15,215)	(275)
Current portion of long-term debt	(63,552)	(63,558)	6
Taxes	(6,980)	9,618	(16,598)
Other assets (liabilities), net	19,077	(3,207)	22,284
Working Capital	<u>\$(131,891)</u>	<u>\$(159,086)</u>	<u>\$ 27,195</u>
<i>Consolidated Condensed Balance Sheets:</i>			
Total current assets	\$ 564,848	\$ 442,251	\$122,597
Total current liabilities	<u>(696,739)</u>	<u>(601,337)</u>	<u>(95,402)</u>
Working Capital	<u>\$(131,891)</u>	<u>\$(159,086)</u>	<u>\$ 27,195</u>

As of September 30, 2017, we had a working capital net liability of \$132 million, compared to \$159 million as of December 31, 2016. The decrease of \$27 million is primarily due to a \$65 million increase in cash and cash equivalents as discussed in “—Cash Flows” below, a \$34 million increase in accounts receivable, net, and a \$22 million increase in other assets (liabilities), net, partially offset by a \$77 million increase in accrued commissions and incentives and a \$17 million increase in taxes.

As our business grows and our revenue and corresponding commissions and incentive expenses increase, our receivables and accruals increase.

The table below sets forth information on our accounts receivable:

	September 30, 2017	December 31, 2016	Change
Accounts receivable, net (in \$ thousands)	\$252,661	\$218,224	\$34,437
Accounts receivable, net – Days Sales Outstanding (“DSO”) . .	38	39	(1)

Substantially all of our Air revenue within our Travel Commerce Platform is collected through the Airline Clearing House (“ACH”) and other similar clearing houses. ACH requires participants to deposit certain balances into their demand deposit accounts by certain deadlines, which facilitates a timely settlement process. For the nine months ended September 30, 2017, Air revenue accounted for approximately 70% of our revenue; however, only 46% of our outstanding receivables related to customers using ACH as of September 30, 2017. The ACH receivables are collected on average in 31 days. Beyond Air revenue is generally not collected through the ACH process and takes longer to collect. Our average net collection period for total accounts receivable, net, was 38 DSO as of September 30, 2017, as compared to 39 DSO as of December 31, 2016. The growth in Air revenue, in the month of September 2017 compared to December 2016, contributed to the increase in our accounts receivables, net, balance.

Our revenue can experience seasonal fluctuations, reflecting seasonal trends for the products and services we offer. Our accounts receivable balance increased by \$34 million from December 31, 2016 to September 30, 2017, and our accrued commissions and incentives increased by \$77 million from December 31, 2016 to September 30, 2017, reflecting the seasonality in our business. Seasonality trends generally cause our revenue to be higher in the first and second quarters as compared to the third and fourth quarters of the calendar year. Revenue and related cost of revenue typically peak during the first half of the year as travelers plan and book their upcoming spring and summer travel.

Cash Flows

The following table summarizes the changes to our cash flows provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2017 and 2016:

<u>(in \$ thousands)</u>	Nine Months Ended September 30,		Change
	2017	2016	\$
Cash provided by (used in):			
Operating activities	\$ 274,342	\$ 213,858	\$60,484
Investing activities	(82,625)	(85,139)	2,514
Financing activities	(128,052)	(144,912)	16,860
Effect of exchange rate changes	1,043	(248)	1,291
Net increase (decrease) in cash and cash equivalents	\$ 64,708	\$ (16,441)	\$81,149

As of September 30, 2017, we had \$205 million of cash and cash equivalents, an increase of \$65 million compared to December 31, 2016. The following discussion summarizes changes to our cash flows from operating, investing and financing activities for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Operating activities. For the nine months ended September 30, 2017, cash provided by operating activities was \$274 million compared to \$214 million for the nine months ended September 30, 2016. The increase of \$60 million is primarily a result of the increase in operating income, the positive impact from fluctuations in working capital, lower cash interest payments and lower customer loyalty payments.

Investing activities. During the nine months ended September 30, 2017, cash used in investing activities of \$83 million was primarily due to \$79 million cash used in the purchase of property and equipment and a \$3 million net cash outflow related to the sale of IGTS. During the nine months ended September 30, 2016, cash used in investing activities of \$85 million was primarily due to \$70 million cash used in the purchase of property and equipment and \$15 million net cash consideration paid for a business acquisition of our distributor in Japan.

Our investing activities for the nine months ended September 30, 2017 and 2016 include:

<u>(in \$ thousands)</u>	Nine Months Ended September 30,	
	2017	2016
Cash additions to software developed for internal use	\$62,256	\$56,297
Cash additions to computer equipment and other	16,936	13,833
Total	\$79,192	\$70,130

Cash additions to software developed for internal use represent the continuing development of our systems to enhance our Travel Commerce Platform. Our expenditures have been focused on key areas, including investing in our data center, the development of our Travelport Universal API that underpins our new and existing applications, the development of Smartpoint, our innovative booking solution delivering multisource content and pricing, and the development of our Travelport Merchandising Platform to allow airlines to showcase their content in travel agency workflows.

Cash additions to computer equipment are primarily for our continuing investment in our data center.

Our Capital Expenditures, which we view to include cash additions to our property and equipment and repayment of capital lease and other indebtedness, were \$109 million and \$104 million for the nine months ended September 30, 2017 and 2016, respectively.

Financing activities. Cash used in financing activities for the nine months ended September 30, 2017 was \$128 million, which primarily consisted of (i) \$68 million of term loans net repayments, (ii) \$30 million of capital lease and other indebtedness repayments and (iii) \$28 million in dividend payments to shareholders. The cash used in financing activities for the nine months ended September 30, 2016 was \$145 million, which consisted of (i) \$68 million of term loans net repayments (ii) \$34 million of capital lease and other indebtedness repayments, (iii) \$28 million in dividend payments to shareholders, (iv) an \$8 million purchase of non-controlling interest in Locomote and (v) an \$8 million payment to lenders on repricing and debt finance costs.

We believe our important measure of liquidity is Free Cash Flow. This measure is a useful indicator of our ability to generate cash to meet our liquidity demands. We use this measure to conduct and evaluate our operating liquidity. We believe it typically presents an alternate measure of cash flows since purchases of property and equipment are a necessary component of our ongoing operations and provides useful information regarding how cash provided by operating activities compares to the property and equipment investments required to maintain and grow our platform. We believe it provides investors with an understanding of how assets are performing and measures management’s effectiveness in managing cash.

Free Cash Flow is a non-GAAP measure and may not be comparable to similarly named measures used by other companies. This measure has limitations in that it does not represent the total increase or decrease in the cash balance for the period, nor does it represent cash flow for discretionary expenditures. This measure should not be considered as a measure of liquidity or cash flows from operations as determined under U.S. GAAP. This measure is not measurement of our financial performance under U.S. GAAP and should not be considered in isolation or as alternative to net income (loss) or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of liquidity.

We use Capital Expenditures to determine our total cash spent on acquisition of property and equipment and cash repayment of capital lease obligation and other indebtedness. We believe this measure provides management and investors an understanding of total capital invested in the development of our platform. Capital Expenditures is a non-GAAP measure and may not be comparable to similarly named measures used by other entities. This measure has limitation in that it aggregates cash flows from investing and financing activities as determined under U.S. GAAP.

The following table provides a reconciliation of net cash provided by operating activities to Free Cash Flow:

<u>(in \$ thousands)</u>	<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Net cash provided by operating activities	\$274,342	\$213,858
Less: capital expenditures on property and equipment additions	(79,192)	(70,130)
Free Cash Flow	<u>\$195,150</u>	<u>\$143,728</u>

Financing Arrangements

As of September 30, 2017, our financing arrangements include our senior secured credit facilities and obligations under our capital leases and other indebtedness. The following table summarizes our Net Debt position as of September 30, 2017 and December 31, 2016:

<u>(in \$ thousands)</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
<i>Senior Secured Credit Agreement</i>				
<i>Term loans</i>				
Dollar denominated ⁽¹⁾	L+2.75%	September 2021	\$2,177,415	\$2,236,157
<i>Revolver borrowings</i>				
Dollar denominated ⁽¹⁾⁽²⁾	L+2.50%	September 2022	—	—
Capital leases and other indebtedness			97,148	108,611
Total debt			<u>2,274,563</u>	<u>2,344,768</u>
Less: cash and cash equivalents			(204,646)	(139,938)
Net Debt⁽³⁾			<u>\$2,069,917</u>	<u>\$2,204,830</u>

(1) As of December 31, 2016, the interest rates on the term loans and revolver borrowings were LIBOR plus 4.00% and LIBOR plus 5.00%, respectively. Further, as of September 30, 2017 and December 31, 2016, the principal amounts of term loans were \$2,210 million (with a minimum LIBOR floor of 0.00%) and \$2,278 million (with a minimum LIBOR floor of 1.00%), respectively, which is netted for unamortized debt finance costs of \$14 million and \$18 million, respectively, and unamortized debt discount of \$18 million and \$23 million, respectively.

(2) The maturity date of the revolving credit facility of September 2, 2022 automatically converts to March 2, 2021 unless the then outstanding term loans have a maturity date on or after December 2, 2022.

(3) Net Debt is defined as total debt comprised of current and non-current portion of long-term debt minus cash and cash equivalents. Net Debt is not a measurement of our indebtedness under U.S. GAAP and should not be considered in isolation or as alternative to assess our total debt or any other measures derived in accordance with U.S. GAAP. The management uses Net Debt to review our overall liquidity, financial flexibility, capital structure and leverage. Further, we believe, certain debt rating agencies, creditors and credit analysts monitor our Net Debt as part of their assessment of our business.

In September 2017, we made a voluntary prepayment of \$50 million principal amount of our term loans outstanding under our senior secured credit agreement. Pursuant to this prepayment, we recognized \$1 million as a loss on early extinguishment of debt. As a result of this voluntary prepayment of \$50 million, we are not contractually required to repay quarterly installments of the term loans until its maturity. However, we have classified a portion of the term loans as a current portion of long-term debt as we intend and are able to make additional voluntary prepayments of the term loans from cash flows from operations, which we expect to occur within the next twelve months. The amount of any such prepayments may vary based on our actual cash flow generation and needs, as well as general economic conditions.

In January 2017, we entered into an amendment to our senior secured credit agreement, which amended the applicable rates to 2.25% per annum, in the case of base rate (as defined in the senior secured credit agreement) term loans, and 3.25% per annum, in the case of LIBOR term loans. The term loans were subject to a LIBOR floor of 1.00% and a base rate floor of 2.00%. In August 2017, we entered into a further amendment to our senior secured credit agreement that (i) amended the applicable rates to 1.75% per annum, in the case of base rate term loans, and 2.75% per annum, in the case of LIBOR term loans, (ii) reduced the base rate floor to 1.00% from 2.00% and the LIBOR floor to 0.00% from 1.00% and (iii) reset the 1% premium on the repricing of the term loans under the senior secured credit agreement for a period of six months. The interest rate per annum applicable to the term loans is based on, at our election, LIBOR plus 2.75% or base rate plus 1.75%. We expect to pay interest based on LIBOR plus 2.75% for the term loans. During the nine months ended September 30, 2017, the average LIBOR rate applied to the term loans was 1.13%. In connection with the repricing, certain lenders contributed \$114 million towards the term loans and an amount equal to that was paid to the lenders who opted to exit or reduce their participation. As a result, we recognized a loss on early extinguishment of debt of \$4 million.

During the nine months ended September 30, 2017, we (i) repaid a net amount of \$68 million of term loans outstanding under our senior secured credit agreement, (ii) amortized \$4 million of debt finance costs and \$4 million of debt discount and (iii) repaid \$30 million under our capital lease obligations and other indebtedness and entered into \$18 million of new capital leases for information technology assets.

Under our senior secured credit agreement, we had a \$125 million revolving credit facility with a consortium of banks, which contained a letter of credit sub-limit up to a maximum of \$50 million. In July 2017, we entered into an amendment to our senior secured credit agreement that, among other things, (i) amended the maturity date of the revolving credit facility to September 2, 2022 (provided that such maturity date automatically converts to March 2, 2021 unless the then outstanding term loans have a maturity date on or after December 2, 2022), (ii) increased the revolving credit facility by \$25 million to \$150 million and (iii) reduced the interest rate on revolver borrowings to LIBOR plus 2.50% from LIBOR plus 5.00% as of December 31, 2016. In connection with this amendment, we incurred additional lender fees and third party costs of \$1 million which have been capitalized and will be amortized over the term of the revolving credit facility. As of September 30, 2017, we had no outstanding borrowings under our revolving credit facility and utilized \$8 million for the issuance of letters of credit, with a balance of \$142 million remaining.

The senior secured credit agreement also permits the issuance of certain cash collateralized letters of credit, in addition to those that can be issued under the revolving credit facility, whereby 103% of cash collateral has to be maintained for outstanding letters of credit. As of September 30, 2017, there were no outstanding cash collateralized letters of credit.

Substantially all of our debt is scheduled for repayment in September 2021.

Travelport Finance (Luxembourg) S.a.r.l., our indirect 100% owned subsidiary, is the obligor (the "Obligor") under our senior secured credit agreement. All obligations under our senior secured credit agreement are unconditionally guaranteed by certain of our wholly owned foreign subsidiaries, and, subject to certain exceptions, each of our existing and future domestic wholly owned subsidiaries. All obligations under our secured debt, and the guarantees of those obligations, are secured by substantially all the following assets of the Obligor and each guarantor, subject to certain exceptions: (i) a pledge of 100% of the capital stock and intercompany indebtedness of the Obligor and each guarantor; (ii) a pledge of 100% of the capital stock and intercompany indebtedness of certain other subsidiaries directly owned by the Obligor or any other guarantor subject to certain exceptions and limitations; and (iii) a security interest in, and mortgages on, substantially all tangible and intangible assets of the Obligor and each U.S. guarantor subject to additional collateral and guarantee obligations.

Borrowings under our senior secured credit agreement are subject to amortization and prepayment requirements, and our senior secured credit agreement contains various covenants, including a leverage ratio, events of default and other provisions.

Our senior secured credit agreement limits certain of our subsidiaries' ability to:

- incur additional indebtedness;
- pay dividends on, repurchase or make distributions in respect of equity interests or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As of September 30, 2017, our consolidated first lien net leverage ratio, as determined under our senior secured credit agreement, was 3.72 compared to the maximum allowable of 6.00, and we were in compliance with such other covenants under our senior secured credit agreement.

We re-evaluate our capital structure from time to time including, but not limited to, refinancing our current indebtedness with other indebtedness which may have different interest rates, maturities and covenants.

Interest Rate Risk

We are exposed to interest rate risk relating to our floating rate debt. We use derivative financial instruments as part of our overall strategy to manage our exposure to interest rate risk. We do not use derivatives for trading or speculative purposes.

Our primary interest rate exposure as of September 30, 2017 was to interest rate fluctuations in the United States, specifically the impact of LIBOR interest rates on our dollar denominated floating rate debt. Interest on our \$2,210 million principal amount of term loans is currently charged at LIBOR plus 2.75% under our senior secured credit agreement. In order to protect against potential higher interest costs resulting from increases in LIBOR, as of September 30, 2017, we have outstanding interest rate swap contracts that fix the LIBOR rate payable as follows:

Notional Amount (\$ in thousands)	Period	Average Interest Rate
1,400,000	February 2017 to February 2019	1.4010%
1,200,000	February 2019 to February 2020	2.1906%
100,000	February 2020 to February 2021	2.0760%

During the nine months ended September 30, 2017, none of the derivative financial instruments used to manage our interest rate exposure were designated as accounting hedges. The fluctuations in the fair value of interest rate derivative financial instruments not designated as hedges for accounting purposes are recorded as a component of interest expense, net, in our consolidated condensed statements of operations. Losses on these interest rate derivative financial instruments were \$3 million and \$17 million for the nine months ended September 30, 2017 and 2016, respectively.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk that arises from certain intercompany transactions and from non-functional currency denominated assets and liabilities and earnings denominated in non-U.S. dollar currencies.

We use derivative financial instruments as part of our overall strategy to manage our exposure to foreign currency exchange rate risk. We do not use derivatives for trading or speculative purposes.

During 2017, we used foreign currency derivative contracts to manage our exposure to foreign currency exchange rate risk. As of September 30, 2017, we had \$267 million net notional amount of foreign currency contracts.

During the nine months ended September 30, 2017 and 2016, none of the derivative financial instruments used to manage our foreign currency exposures were designated as accounting hedges. The fluctuations in the fair value of foreign currency derivative financial instruments not designated as hedges for accounting purposes are recorded as a component of selling, general and administrative expenses in our consolidated condensed statements of operations. Gains (losses) on these foreign currency derivative financial instruments amounted to \$15 million and \$(16) million for the nine months ended September 30, 2017 and 2016, respectively. The fluctuations in the fair values of our foreign currency derivative financial instruments partially offset the impact of the changes in the value of the underlying risks they are intended to economically hedge.

As of September 30, 2017, our derivative contracts which hedge our interest rate and foreign currency exposure had a net asset position of \$6 million and cover transactions for a period that do not exceed four years.

Contractual Obligations

In January 2017, we amended our senior secured credit agreement under which we reduced the applicable rate on our term loans from 4.00% as of December 31, 2016 to 3.25%. In August 2017, we further amended our senior secured credit agreement under which we reduced the applicable rate on our term loans from 3.25% to 2.75%. These transactions are expected to lower our annualized interest expense by approximately \$28 million based on LIBOR rates and the principal balance of term loans outstanding as of September 30, 2017.

Other than as set forth above, as of September 30, 2017, our future contractual obligations have not changed significantly from the amounts included within our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 21, 2017.

Other Off-Balance Sheet Arrangements

We had no other off-balance sheet arrangements during the nine months ended September 30, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We assess our market risk based on changes in interest rates and foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact on earnings, fair values and cash flows based on a hypothetical 100 basis point change (increase and decrease) in interest rates and a 10% change (increase and decrease) in the exchange rates against the U.S. dollar as of September 30, 2017. There are certain limitations inherent in these sensitivity analyses as our overall market risk is influenced by a wide variety of factors, including the volatility present within markets and the liquidity of markets. These “shock tests” are constrained by several factors, including the necessity to conduct analysis based on a single point in time and the inability to include complex market reactions normally arising from the market shifts modelled.

Interest Rate Risk

We assess our interest rate market risk utilizing a sensitivity analysis based on a hypothetical 100 basis point change (increase or decrease) in interest rates. We have determined, through such analysis, that a 100 basis point increase in interest rates as of September 30, 2017, based on the outstanding floating rate debt balance would increase our annualized interest charge by \$22 million, excluding the effect of fair value changes on our interest rate swaps. Further, a 100 basis point decrease in interest rates as of September 30, 2017, based on the outstanding floating rate debt balance would decrease our annualized interest charge by \$22 million, excluding the effect of fair value changes on our interest rate swaps.

In order to protect against potential higher interest costs resulting from increases in LIBOR, we have entered into several interest rate swap derivative contracts. We have not hedge accounted for these swaps. Mark to market fair value changes on these swaps, which represent the net present value of future cash flows on the swaps, are accounted for within interest expense, net, in our consolidated condensed statement of operations. As of September 30, 2017, a 100 basis point increase or decrease in interest rates would result in a credit or debit to interest expense of \$34 million, due to changes in the fair value of these swaps.

Foreign Currency Risk

We have foreign currency exposure to exchange rate fluctuations, particularly with respect to the British pound, Euro and Australian dollar. We anticipate such foreign currency exchange rate risk will remain a market risk exposure for the foreseeable future. We assess our foreign currency market risk utilizing a sensitivity analysis based upon a hypothetical 10% change (increase or decrease) in exchange rate against the U.S. dollar on the value of our foreign currency derivative instruments as of September 30, 2017. We have determined, through the sensitivity analysis, the impact of a 10% strengthening or weakening in the U.S. dollar exchange rate with respect to the British pound, Euro and Australian dollar would result in a debit or a credit of \$25 million, respectively, on our consolidated condensed statements of operations.

There were no material changes to our market risks as previously disclosed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosure About Market Risks” included within our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on February 21, 2017.

ITEM 4. CONTROLS AND PROCEDURES

- (a) *Disclosure Controls and Procedures.* The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the “Act”) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Act) as of September 30, 2017. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

- (b) *Changes in Internal Control Over Financial Reporting.* There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Act) during the Company’s fiscal quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
- (c) *Limitations on Controls.* Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART II—OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS.*

There are no material changes from the description of our legal proceedings disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 21, 2017.

ITEM 1A. *RISK FACTORS.*

There have been no material changes in the risk factors previously disclosed in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 21, 2017.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.*

Not Applicable.

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES.*

Not Applicable.

ITEM 4. *MINE SAFETY DISCLOSURES.*

Not Applicable.

ITEM 5. *OTHER INFORMATION.*

Trade Sanctions Disclosure

The following activities are disclosed as required by Section 13(r)(1)(D)(iii) of the Exchange Act.

As part of our global business in the travel industry, we provide certain passenger travel related Travel Commerce Platform and Technology Services to Iran Air. We also provide certain Technology Services to Iran Air Tours. All of these services are either exempt from applicable sanctions prohibitions pursuant to a statutory exemption permitting transactions ordinarily incident to travel or, to the extent not otherwise exempt, specifically licensed by the U.S. Office of Foreign Assets Control. Subject to any changes in the exempt/licensed status of such activities, we intend to continue these business activities, which are directly related to and promote the arrangement of travel for individuals.

The gross revenue and net profit attributable to these activities in the quarter ended September 30, 2017 were approximately \$112,000 and \$79,000 respectively.

ITEM 6. *EXHIBITS.*

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRAVELPORT WORLDWIDE LIMITED

Date: November 2, 2017

By: /s/ BERNARD BOT

Bernard Bot

Executive Vice President and Chief Financial Officer

Date: November 2, 2017

By: /s/ ANTONIOS BASOUKEAS

Antonios Basoukeas

Chief Accounting Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Memorandum of Association of Travelport Worldwide Limited (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Travelport Worldwide Limited on September 30, 2014).
3.2	Amended and Restated Bye-laws of Travelport Worldwide Limited (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed by Travelport Worldwide Limited on September 30, 2014).
31.1	Certification of Chief Executive Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13(a)-14(a) and 15(d)-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

CERTIFICATIONS

I, Gordon Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travelport Worldwide Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ GORDON WILSON

Chief Executive Officer

CERTIFICATIONS

I, Bernard Bot, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Travelport Worldwide Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

/s/ BERNARD BOT

*Executive Vice President and
Chief Financial Officer*

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Travelport Worldwide Limited (the “Company”) on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Gordon Wilson, as Chief Executive Officer of the Company, and Bernard Bot, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2017

/s/ GORDON WILSON

Gordon Wilson
Chief Executive Officer

November 2, 2017

/s/ BERNARD BOT

Bernard Bot
*Executive Vice President and
Chief Financial Officer*