SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 8-K
CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

JULY 19, 2001 (JULY 19, 2001)
(Date of Report (date of earliest event reported))

CENDANT CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	1-10308	06-0918165
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification Number)

9 WEST 57TH STREET NEW YORK, NY	10019
(Address of principal executive office)	(Zip Code)

(212) 413-1800
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS

This Current Report on Form 8-K of the Company is being filed to make available preliminary pro forma financial information with respect to the Company's planned acquisition of Galileo International, Inc. ("Galileo") for purposes of incorporating such information by reference into certain other filings of the Company. This Report also makes available pro forma financial data giving effect to the following transactions for the year ended December 31, 2000 and as of and for the quarter ended March 31, 2001: the acquisition of Avis Group Holdings, Inc. ("Avis") on March 1, 2001 and various finance-related activities which occurred during the first and second quarters of 2001, including the issuances of debt and equity securities and the conversion of the Company's Feline PRIDES into CD common stock.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired.

See Exhibit 99.1 attached hereto for the audited Financial Statements of Galileo as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000.

See Exhibit 99.2 attached hereto for the unaudited Financial Statements of Galileo as of March 31, 2001 and for the three months ended March 31, 2001 and 2000.

The Financials Statements of Avis are incorporated by reference from Avis' Annual Report on Form 10-K for the year ended December 31, 2000 and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, previously filed with the Commission on March 28, 2001 and May 15, 2001, respectively, and incorporated by reference herein.

(b) Pro Forma Financial Information.

See Exhibit 99.3 attached hereto for Pro Forma Financial Information giving effect to the planned acquisition of Galileo, the March 1, 2001 acquisition of Avis and various finance-related activities which occurred during the first and second quarters of 2001.

(c) 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.

CENDANT CORPORATION

/s/ Kevin M. Sheehan

Kevin M. Sheehan
Senior Executive Vice President and
Chief Financial Officer

/s/ Tobia Ippolito

Tobia Ippolito
Executive Vice President, Finance and
Chief Accounting Officer

Date: July 19, 2001

CENDANT CORPORATION
CURRENT REPORT ON FORM 8-K

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP, relating to Avis Group Holdings, Inc.
23.2	Consent of KPMG LLP, relating to Galileo International, Inc.
99.1	Audited Financial Statements of Galileo International, Inc. as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000
99.2	Unaudited Financial Statements of Galileo International, Inc. as of March 31, 2001 and for the three months ended March 31, 2001 and 2000
99.3	Pro Forma Financial Information (unaudited)

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Current Report on Form 8-K under the Securities and Exchange Act of 1934 of Cendant Corporation dated July 19, 2001 of our report dated January 29, 2001 (March 2, 2001 as to Note 27) relating to the consolidated financial statements of Avis Group Holdings, Inc. for the years ended December 31, 2000, 1999 and 1998, appearing in the annual report on Form 10-K of Avis Group Holdings, Inc. for the year ended December 31, 2000, and to the incorporation by reference in Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-59244, 333-59246 and 333-59742 of Cendant Corporation on Form S-3 and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-38638, 333-51544 and 333-58670 of Cendant Corporation on Form S-8 under the Securities Act of 1933 of our report dated January 29, 2001 (March 2, 2001 as to Note 27) incorporated by reference in the above-mentioned Current Report on Form 8-K of Cendant Corporation.

/s/ Deloitte & Touche LLP
New York, New York
July 19, 2001

EXHIBIT 23.2

CONSENT OF KPMG LLP

We consent to the inclusion of our report dated January 26, 2001, except as to Note 15 which is as of February 22, 2001, with respect to the consolidated balance sheets of Galileo International, Inc. and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000, and to the incorporation by reference in Registration Statement Nos. 333-11035, 333-17323, 333-17411, 333-20391, 333-23063, 333-26927, 333-35707, 333-35709, 333-45155, 333-45227, 333-49405, 333-78447, 333-86469, 333-59244, 333-59246, and 333-59742 of Cendant Corporation on Form S-3 and Registration Statement Nos. 33-74066, 33-91658, 333-00475, 333-03237, 33-58896, 33-91656, 333-03241, 33-26875, 33-75682, 33-93322, 33-93372, 33-75684, 33-80834, 33-74068, 33-41823, 33-48175, 333-09633, 333-09655, 333-09637, 333-22003, 333-30649, 333-42503, 333-34517-2, 333-42549, 333-45183, 333-47537, 333-69505, 333-75303, 333-78475, 333-38638, 333-51544, and 333-58670 of Cendant Corporation on Form S-8 under the Securities Act of 1933 of such report which appears in the Form 8-K of Cendant Corporation dated July 19, 2001.

/s/ KPMG, LLP

Chicago, Illinois
July 19, 2001

EXHIBIT 99.1

GALILEO INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2000
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Independent Auditors' Report

The Board of Directors
Galileo International, Inc.:

We have audited the accompanying consolidated balance sheets of Galileo International, Inc. and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Galileo International, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
January 26, 2001, except as to Note 15, which is as of February 22, 2001.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,460	$ 1,794
Accounts receivable:		
Trade receivables and other	178,549	166,885
Due from affiliates	23,001	19,057
	201,550	185,942
Less allowances	9,351	7,819
Net accounts receivable	192,199	178,123
Deferred tax assets	17,794	15,338
Prepaid expenses	18,158	13,240
Other current assets	14,084	21,955
Total current assets	244,695	230,450
Property and equipment, at cost:		
Land	6,470	6,470
Buildings and improvements	76,452	72,219
Equipment	416,406	354,686
	499,328	433,375
Less accumulated depreciation	288,651	242,498
Net property and equipment	210,677	190,877
Computer software, at cost	480,598	430,706
Less accumulated amortization	320,328	269,912
Net computer software	160,270	160,794
Intangible assets, at cost:		
Customer lists	426,564	406,614
Goodwill	380,014	189,097
Other	87,214	64,167
	893,792	659,878
Less accumulated amortization	173,580	87,742
Net intangible assets	720,212	572,136
Long-term investments	15,706	29,033
Other noncurrent assets	127,699	71,903
	$ 1,479,259	$ 1,255,193

(Continued)

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS (continued)
(in thousands, except share data)

	December 31, 2000	December 31, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade payables and other	$ 73,825	$ 45,676
Due to affiliates	3,088	2,358
	76,913	48,034
Accrued commissions	34,471	33,722
Accrued compensation and benefits	20,709	19,939
Income taxes payable	1,234	2,785
Other accrued liabilities	89,283	93,663
Capital lease obligations, current portion	1,638	110
Long-term debt, current portion	212,654	121,000
Total current liabilities	436,902	319,253
Pension and postretirement benefits	79,285	68,466
Deferred tax liabilities	35,398	14,656
Other noncurrent liabilities	25,427	24,741
Capital lease obligations, less current portion	2,619	92
Long-term debt, less current portion	434,392	434,392
Total liabilities	1,014,023	861,600
Stockholders' equity:		
Special voting preferred stock: $.01 par value; 7 shares authorized; 3 shares issued and outstanding	---	---
Preferred stock: $.01 par value; 25,000,000 shares authorized; no shares issued	---	---
Common stock: $.01 par value; 250,000,000 shares authorized; 105,232,696 and 105,038,035 shares issued; 88,311,977 and 89,999,435 shares outstanding	1,052	1,050
Additional paid-in capital	682,988	671,615
Retained earnings	357,008	368,843
Unamortized restricted stock grants	(1,963)	(2,761)
Accumulated other comprehensive income	(4,493)	(2,866)
Common stock held in treasury, at cost: 16,920,719 and 15,038,600 shares	(569,356)	(642,288)
Total stockholders' equity	465,236	393,593
	$ 1,479,259	$ 1,255,193

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)

	Year ended December 31, 2000	1999	1998
Revenues:			
Electronic global distribution services	$ 1,561,464	$ 1,452,101	$ 1,342,705
Information services	81,834	74,001	138,113
	1,643,298	1,526,102	1,480,818
Operating expenses:			
Cost of operations	585,752	527,716	568,271
Commissions, selling and administrative	701,447	613,617	554,509
Special charges (Recovery of) - restructurings	1,736	(11,359)	26,460
Special charges - services agreements	19,725	83,226	---
Special charge - in-process research and development write-off	7,000	---	---
	1,315,660	1,213,200	1,149,240
Operating income	327,638	312,902	331,578
Other income (expense):			
Interest expense, net	(44,925)	(16,004)	(9,629)
Other, net	(16,839)	64,374	3,532
Income before income taxes	265,874	361,272	325,481
Income taxes	116,985	143,064	129,867
Net income	$ 148,889	$ 218,208	$ 195,614
Weighted average shares outstanding	89,972,364	98,140,621	104,796,282
Basic earnings per share	$ 1.65	$ 2.22	$ 1.87
Diluted weighted average shares outstanding	90,350,120	98,813,522	105,186,241
Diluted earnings per share	$ 1.65	$ 2.21	$ 1.86

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31, 2000	1999	1998
Operating activities:			
Net income	$ 148,889	$ 218,208	$ 195,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	217,651	166,299	172,537
Loss (gain) on sale of assets	324	(58,347)	(419)
Impairment write-down of minority ownership investments	10,186	---	---
Write-off of in-process research and development	7,000	---	---
Unrealized gain on trading securities	---	(10,492)	---
Deferred income taxes, net	4,280	6,516	(5,167)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:			
Accounts receivable, net	(3,861)	(1,209)	(8,149)
Other current assets	8,148	3,194	(2,826)
Noncurrent assets	(33,919)	(18,299)	(28,428)
Accounts payable and accrued commissions	(456)	3,111	2,903
Accrued liabilities	(9,871)	(13,848)	30,258
Income taxes payable	(1,534)	(8,794)	10,140
Noncurrent liabilities	16,178	(5,962)	12,615
Other	2,036	798	---
Net cash provided by operating activities	365,051	281,175	379,078
Investing activities:			
Purchase of property and equipment	(55,498)	(84,445)	(89,442)
Purchase and capitalization of computer software	(52,955)	(20,657)	(23,496)
Proceeds on sale of assets	1,441	60,470	3,750
Acquisition of businesses, net of cash acquired in 2000 and 1998 of $15,551 and $3,576, respectively	(128,861)	---	(50,433)
Purchase of debt and equity securities	(32,421)	(35,290)	(5,076)
Net cash used in investing activities	(268,294)	(79,922)	(164,697)
Financing activities:			
Borrowings under credit agreements	190,000	574,000	49,392
Repayments under credit agreements	(99,000)	(88,128)	(230,004)
Repurchase of common stock for treasury	(154,640)	(635,523)	(6,765)
Dividends paid to stockholders	(32,356)	(33,940)	(29,871)
Payments of capital lease obligations	(510)	(27,701)	(7,311)
Other financing activities	298	3,363	787
Net cash used in financing activities	(96,208)	(207,929)	(223,772)
Effect of exchange rate changes on cash	117	(1,358)	(148)
Increase (decrease) in cash and cash equivalents	666	(8,034)	(9,539)
Cash and cash equivalents at beginning of year	1,794	9,828	19,367
Cash and cash equivalents at end of year	$ 2,460	$ 1,794	$ 9,828

See accompanying notes to consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Special Voting Preferred Stock	Common Stock	Additional Paid - in Capital	Retained Earnings
Balance at December 31, 1997	$ -	$ 1,048	$ 663,688	$ 18,832
Comprehensive income:				
Net income	-	-	-	195,614
Foreign currency translation adjustments	-	-	-	-
Comprehensive income				
Issuance of 97,900 shares of restricted stock	-	1	3,991	-
Amortization of restricted stock grants	-	-	-	-
Issuance of 33,150 shares of Common stock under employee stock option plans	-	-	787	-
Repurchase of 169,100 shares of Common stock for treasury	-	-	-	-
Dividends paid ($0.285 per share)	-	-	-	(29,871)
Balance at December 31, 1998	-	1,049	668,466	184,575
Comprehensive income:				
Net income	-	-	-	218,208
Unrealized holding losses on marketable securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Other comprehensive income (loss)				
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 107,285 shares of Common stock under employee stock option plans	-	1	3,149	-
Repurchase of 14,869,500 shares of Common stock for treasury	-	-	-	-
Retirement of 4 shares of Special voting preferred stock	-	-	-	-
Dividends paid ($0.345 per share)	-	-	-	(33,940)
Balance at December 31, 1999	-	1,050	671,615	368,843
Comprehensive income:				
Net income	-	-	-	148,889
Unrealized holding gains on marketable securities	-	-	-	-
Reclassification adjustment for losses included in net income	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Other comprehensive income (loss)				
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 194,661 shares of Common stock under employee stock option plans	-	2	494	-
Issuance of stock options upon acquisition of TRIP.com	-	-	10,879	-
Issuance of 5,499,630 shares of Common stock from treasury to acquire TRIP.com	-	-	-	(127,917)
Issuance of 21,199 shares of Common stock from treasury under employee stock purchase plan	-	-	-	(451)
Repurchase of 7,402,948 shares of Common stock for treasury	-	-	-	-
Dividends paid ($0.36 per share)	-	-	-	(32,356)
Balance at December 31, 2000	$ -	$ 1,052	$ 682,988	$ 357,008

	Unamortized Restricted Stock Grants	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 1997	$ -	$ 128	$ -	$ 683,696
Comprehensive income:				
Net income	-	-	-	195,614
Foreign currency translation adjustments	-	(1,267)	-	(1,267)
Comprehensive income				194,347
Issuance of 97,900 shares of restricted stock	(3,992)	-	-	-
Amortization of restricted stock grants	433	-	-	433
Issuance of 33,150 shares of Common stock under employee stock option plans	-	-	-	787
Repurchase of 169,100 shares of Common stock for treasury	-	-	(6,765)	(6,765)
Dividends paid ($0.285 per share)	-	-	-	(29,871)
Balance at December 31, 1998	(3,559)	(1,139)	(6,765)	842,627
Comprehensive income:				
Net income	-	-	-	218,208
Unrealized holding losses on marketable securities	-	(1,122)	-	(1,122)
Foreign currency translation adjustments	-	(605)	-	(605)
Other comprehensive income (loss)				(1,727)
Comprehensive income				216,481
Amortization of restricted stock grants	798	-	-	798
Issuance of 107,285 shares of Common stock under employee stock option plans	-	-	-	3,150
Repurchase of 14,869,500 shares of Common stock for treasury	-	-	(635,523)	(635,523)
Retirement of 4 shares of Special voting preferred stock	-	-	-	-
Dividends paid ($0.345 per share)	-	-	-	(33,940)
Balance at December 31, 1999	(2,761)	(2,866)	(642,288)	393,593
Comprehensive income:				
Net income	-	-	-	148,889
Unrealized holding gains on marketable securities	-	686	-	686
Reclassification adjustment for losses included in net income	-	1,122	-	1,122
Foreign currency translation adjustments	-	(3,435)	-	(3,435)
Other comprehensive income (loss)				(1,627)
Comprehensive income				147,262
Amortization of restricted stock grants	798	-	-	798
Issuance of 194,661 shares of Common stock under employee stock option plans	-	-	-	496
Issuance of stock options upon acquisition of TRIP.com	-	-	-	10,879
Issuance of 5,499,630 shares of Common stock from treasury to acquire TRIP.com	-	-	226,842	98,925
Issuance of 21,199 shares of Common stock from treasury under employee stock purchase plan	-	-	730	279
Repurchase of 7,402,948 shares of Common stock for treasury	-	-	(154,640)	(154,640)
Dividends paid ($0.36 per share)	-	-	-	(32,356)
Balance at December 31, 2000	$ (1,963)	$ (4,493)	$ (569,356)	$ 465,236

See accompanying notes to consolidated financial statements.

(in thousands, except share data)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Galileo International, Inc. (the "Company"), incorporated in the state of Delaware, is one of the world's leading providers of electronic global distribution services for the travel industry utilizing a computerized reservation system ("CRS"). The Company provides travel agencies and other subscribers with the ability to access schedule and fare information, book reservations and issue tickets for airlines. The Company also provides subscribers with information and booking capability covering car rental companies and hotel properties throughout the world. Through its wholly owned subsidiary, Quantitude, Inc. ("Quantitude"), the Company also provides enterprise networking services to customers both in and outside of the travel industry. The Company distributes its products and services in 107 countries on six continents.

Principles of Consolidation and Business Acquisitions

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

In 1999, the Company acquired a minority equity interest in TRIP.com, Inc. ("TRIP.com"), an online travel services and technology provider. On March 10, 2000, the Company purchased the remaining 81% ownership interest in TRIP.com for $214,390 in a combined cash and stock transaction. The Company paid $104,586 in cash and issued 5,499,630 shares of Common Stock, previously held in treasury, valued at $98,925. In addition, the Company converted all outstanding stock options of TRIP.com into the Company's stock options (the "Converted Options") at an estimated fair value of $10,879.

The following unaudited pro forma financial information presents a summary of consolidated results of operations of the Company and TRIP.com as if the acquisition had occurred on January 1, 1999:

	Year ended December 31, 2000	1999
Revenues	$ 1,645,870	$ 1,536,776
Net income	142,459	153,688
Basic earnings per share	1.57	1.48
Diluted earnings per share	1.56	1.47

These unaudited pro forma results include adjustments for additional amortization of goodwill and other intangible assets. Additionally, the pro forma operating results include pro forma interest expense on the assumed acquisition borrowings to finance the cash portion of the TRIP.com acquisition; pro forma adjustments to the provision for income taxes to reflect the effect of non-deductible amortization of goodwill and other intangible assets; and pro forma adjustments to the weighted average shares outstanding and diluted weighted average shares outstanding used in the earnings per share calculations for the issuance of the Company's Common Stock and the dilutive effect of the Converted Options outstanding, respectively.

The results of operations reflected in the pro forma information are not necessarily indicative of the results which would have been reported if the TRIP.com acquisition had occurred at the beginning of the periods presented, or of the future operations of the consolidated entities.

Also during 2000, the Company acquired Terren Corporation ("Terren"), a developer of client-server software for business databases, data communications and information management, and Travel Automation Services Limited ("Galileo UK"), the Company's national distribution company ("NDC") in the United Kingdom. Terren and Galileo UK were acquired on March 8 and April 14, 2000 at purchase prices of $2,592 and $19,992, respectively. The purchase price for Terren consisted of $1,405 in cash payments and the assumption of a note payable and accrued interest totaling $1,187. The purchase price for Galileo UK consisted entirely of cash. In connection with the acquisition of Galileo UK, the Company terminated certain revenue sharing obligations in exchange for $10,051 in cash paid on the acquisition date. The related intangible asset is being amortized over 17 years. The pro forma effects of these acquisitions are not significant.

In connection with all of the 2000 acquisitions, the Company incurred expenses of $8,378, which have been accounted for as part of the purchase prices. The Company accounted for these acquisitions using the purchase method of accounting. Accordingly, the costs of these acquisitions were allocated to the assets acquired and liabilities assumed based on their respective fair values. Goodwill and other intangible assets related to the cost of these acquisitions are being amortized over 3 to 20 years. The resulting amortization is included in cost of operations expenses. The results of operations and cash flows of TRIP.com, Terren and Galileo UK have been consolidated with those of the Company from the date of each acquisition.

During 1998, the Company acquired a Florida-based airline information systems company, S. D. Shepherd Systems, Inc. ("Shepherd Systems") and two NDCs: Galileo Nordiska AB ("Nordiska") and Galileo Canada Distributions Systems, Inc. ("Galileo Canada"). Nordiska, Galileo Canada and Shepherd Systems were acquired on January 1, June 1 and November 19, 1998 at purchase prices of $2,066, $34,392, and $16,740, respectively. In connection with the acquisitions, the Company also incurred expenses of $811, which have been accounted for as part of the purchase prices. The Company accounted for the acquisitions using the purchase method of accounting. Accordingly, the costs of the acquisitions were allocated to the assets acquired and liabilities assumed based on their respective fair values. Goodwill related to the cost of the acquisitions is being amortized over 10 to 25 years and is included in cost of operations expenses. The results of operations and cash flows of the acquired companies have been consolidated with those of the Company from the date of each acquisition. In connection with the acquisition of Galileo Canada, the Company incurred $34,392 of debt under a five-year term loan agreement.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2000 presentation.

Foreign Currency Translation

The Company uses the U.S. dollar for financial reporting purposes as substantially all of the Company's billings are in U.S. dollars. The balance sheets of the Company's foreign subsidiaries are translated into U.S. dollars using the balance sheet date exchange rate, and revenues and expenses are translated using the average exchange rate. The resulting translation gains and losses are recorded as a separate component of stockholders' equity. Foreign currency transaction gains and losses are reflected in the consolidated statements of income.

Cash and Cash Equivalents

Cash in excess of operating requirements is invested daily in liquid, income-producing investments, having maturities of three months or less. The carrying amounts reported on the consolidated balance sheets for cash equivalents include cost and accrued interest, which approximate fair value.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, excluding non-marketable equity securities (as discussed in Note 6) and derivative financial instruments, are reasonable estimates of their fair value.

Allowance for Doubtful Accounts Receivable

The allowance for doubtful accounts receivable was $9,351, $7,819, and $13,747 at December 31, 2000, 1999, and 1998, respectively. Provisions for bad debts were $5,371, $2,569, and $(3,862) for the years ended December 31, 2000, 1999, and 1998, respectively. Write-offs of uncollectible accounts were $5,948, $9,763, and $5,124 for the years ended December 31, 2000, 1999, and 1998, respectively. The 1998 provision includes a $7,548 recovery settlement related to a contractual dispute from a prior year.

Accounting for the Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," requires that long-lived assets and certain identifiable intangibles to be held and used by any entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an indication of a potential impairment exists, recoverability of the respective assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount, including associated intangible assets, of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets. In determining the estimated future cash flows, the Company considers current and projected future levels of income as well as business trends, prospects and market and economic conditions.

The carrying amount of the Company's long-lived assets at December 31, 2000 and 1999 primarily represents the original amounts invested less the recorded depreciation and amortization. Management believes the carrying amount of these investments is not impaired.

Property and Equipment

Depreciation of property and equipment is provided on the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	3-31 years
Equipment	3-10 years

Depreciation expense for the years ended December 31, 2000, 1999, and 1998 was $77,979, $79,111, and $83,724, respectively.

Computer Software

Effective January 1, 1998, the Company adopted the provisions of Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, certain costs to develop internal-use computer software are being capitalized. Prior to 1998, the Company capitalized certain software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed." The ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including but not limited to estimated economic life and changes in software and hardware technology.

Computer software consists principally of purchased computer software and capitalized computer software development costs. Amortization is provided on a straight-line method over estimated useful lives of 3 to 10 years. Amortization expense for the years ended December 31, 2000, 1999, and 1998 was $53,740, $49,384, and $52,688, respectively.

Intangible Assets

Intangible assets are amortized on the straight-line method over the following useful lives:

Customer lists	3-17 years
Goodwill	3-25 years
Other	3-17 years

Amortization expense for the years ended December 31, 2000, 1999, and 1998 was $85,932, $37,804, and $35,692, respectively.

Investments

The Company strategically invests in certain equity securities of technology, travel and Internet-related companies in order to strengthen its core product offerings or to enhance its technological infrastructure. The Company classifies its marketable equity securities into trading and available-for-sale categories in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's trading securities are reported at fair value with unrealized gains and losses reported in other income or expense. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses, and other than temporary declines in value, if any, on equity securities are reported in other income or expense as incurred. Investments in equity securities are accounted for under the cost or equity method as appropriate under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." For non-quoted investments, the Company's policy is to regularly review the assumptions underlying the operating performance and cash flow forecasts in assessing the carrying values. The Company identifies and records impairment on these investments in privately-held companies when events and circumstances indicate that such assets might be impaired.

Revenue Recognition

Fees are charged to airline, car rental, hotel and other travel suppliers for bookings made through the Company's CRS and are dependent upon the level and usage of functionality within the CRS at which the supplier participates. Booking fee revenue is recognized at the time the reservation is made for air bookings, at the time of pick-up for car bookings, and at the time of check-out for hotel bookings.

Research and Development

Research and development costs, excluding amortization of computer software, are expensed as incurred and were $7,052, $6,205, and $4,786 for the years ended December 31, 2000, 1999, and 1998, respectively.

Derivative Financial Instruments

In the normal course of business, portions of the Company's expenses are subject to fluctuations in currency values and interest rates. The Company addresses these risks through a controlled program of risk management that includes the use of derivative financial instruments. To some degree, the Company is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but management does not expect any counterparties to fail to meet their obligations given their high credit ratings. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company enters into foreign exchange forward contracts to manage exposure to fluctuations in foreign exchange rates related to the funding of its European and Canadian operations. The Company accounts for such contracts by recording any unrealized gains or losses in income each reporting period. At December 31, 2000, the Company had no foreign exchange forward contracts outstanding. At December 31, 1999 and 1998, the notional principal amounts of outstanding forward contracts were $19,635 and $31,123, respectively. The fair value of outstanding forward contracts at December 31, 1999 and 1998 was $32 and $821, respectively.

The Company has also entered into interest rate swap agreements to convert portions of its variable rate debt to fixed rate. The Company accounts for its interest rate swap agreements as a hedge of its interest rate exposure. (See Note 8 for further information regarding the Company's interest rate agreements.)

Income Taxes

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109"). Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings per Share

Basic earnings per share data for the years ended December 31, 2000, 1999 and 1998 is calculated based on the weighted average shares outstanding for the period. Diluted earnings per share is calculated as if the Company had additional Common Stock outstanding from the beginning of the year or the date of grant for all dilutive stock options, net of assumed repurchased shares using the treasury stock method. This resulted in increases in the weighted average number of shares outstanding for the years ended December 31, 2000, 1999 and 1998 of 377,756, 672,901, and 389,959, respectively. At December 31, 2000, 1999 and 1998, options totaling 4,208,528, 2,051,981, and 1,837,900, respectively, were excluded from the calculations as their effect was antidilutive.

2. TRANSACTIONS WITH AFFILIATES

Airline stockholders, in aggregate, owned 64.9% of the Company's outstanding Common Stock at December 31, 1998, with only United Air Lines, Inc. ("United Airlines") and KLM deemed to be affiliates due to indirect ownership, individually, greater than 10% of the Company's outstanding Common Stock. In June 1999, the Company completed a secondary offering of its Common Stock, and also repurchased shares from an airline stockholder. As of December 31, 2000 and 1999, the percentage of the Company's outstanding Common Stock owned by airline stockholders was 27.5% and 27.0%, respectively, with only United Airlines deemed to be an affiliate. (See Note 10 for further information regarding the secondary offering and repurchase of shares by the Company.)

The Company recognized electronic global distribution services revenues, primarily in the form of booking fees, from affiliates totaling $133,333, $138,361, and $170,346 for the years ended December 31, 2000, 1999, and 1998, respectively. The Company also received information services revenues from affiliates totaling $70,922, $65,392, and $128,839 for the years ended December 31, 2000, 1999, and 1998, respectively. Total revenues from United Airlines of $204,255, $203,753, and $269,942 were greater than 10% of the Company's revenues for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company, in the ordinary course of business, purchases services from affiliates. Services purchased from affiliates and classified within commissions, selling and administrative expenses totaled $3,669, $4,715, and $15,623 for the years ended December 31, 2000, 1999, and 1998, respectively.

In July 1997, the Company entered into certain services agreements with airline stockholders to provide fare quotation services, internal reservation services, other internal management services and software development services. The Company will provide the fare quotation services under existing pricing arrangements for a period of approximately five years. In December 1999, the Company amended the agreement under which it provides certain of the above mentioned services to United Airlines. This amendment, which went into effect on January 1, 2000, extends the length of the agreement for an additional five years.

3. EMPLOYEE PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has defined benefit pension plans and other postretirement benefit plans that cover substantially all U.S. employees. Other benefits include health care benefits provided to retired U.S. employees and retiree flight benefits provided to certain former United Airlines employees. The Company has no significant postretirement health care benefit plans outside of the United States. The majority of its

U.S. employees may become eligible for these benefits if they reach normal retirement age while working for the Company.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ending December 31, 2000 and 1999, and a statement of the funded status as of December 31, 2000 and 1999:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
RECONCILIATION OF BENEFIT OBLIGATIOn				
Obligation at January 1	$ 114,693	$ 113,430	$ 42,647	$ 43,416
Service cost	7,861	8,101	2,036	2,189
Interest cost	9,911	8,321	3,785	3,067
Actuarial loss (gain)	10,542	(13,203)	6,406	(5,594)
Benefit payments	(3,735)	(1,956)	(763)	(431)
Obligation at December 31	$ 139,272	$ 114,693	$ 54,111	$ 42,647
RECONCILIATION OF FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets at January 1	$ 118,897	$ 99,757	$ -	$ -
Actual return on plan assets	(7,186)	21,078	-	-
Employer contributions	190	18	763	431
Benefit payments	(3,735)	(1,956)	(763)	(431)
Fair value of plan assets at December 31	$ 108,166	$ 118,897	$ -	$ -
FUNDED STATUS				
Funded status at December 31	$ (31,106)	$ 4,204	$ (54,111)	$ (42,647)
Unrecognized transition obligation	1,741	1,990	-	-
Unrecognized prior-service cost	1,797	2,379	(1,077)	(1,227)
Unrecognized (gain) loss	(1,946)	(32,121)	5,469	(937)
Net amount recognized	$ (29,514)	$ (23,548)	$ (49,719)	$ (44,811)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2000 and 1999:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Accrued benefit liability	$ (29,514)	$ (23,548)	$ (49,719)	$ (44,811)
Additional minimum liability	(51)	(107)	-	-
Intangible asset	51	107	-	-
Net amount recognized	$ (29,514)	$ (23,548)	$ (49,719)	$ (44,811)

The Company's nonqualified pension plan was the only pension plan with an accumulated benefit obligation in excess of plan assets. The plan's accumulated benefit obligation was $1,142 and $900 at December 31, 2000 and 1999, respectively. There are no plan assets in the nonqualified plan due to the nature of the plan. The Company's plans for postretirement benefits other than pensions also have no plan assets. The aggregate benefit obligation for those plans was $54,111 and $42,647 as of December 31, 2000 and 1999, respectively.

The following table provides the components of net periodic benefit cost for the plans for years ended December 31, 2000, 1999, and 1998:

	Pension Benefits			Other Benefits		
	2000	1999	1998	2000	1999	1998
Service cost	$ 7,861	$ 8,101	$ 6,964	$ 2,036	$ 2,189	$ 1,910
Interest cost	9,911	8,321	7,178	3,785	3,067	2,733
Expected return on plan assets	(11,165)	(9,376)	(7,500)	-	-	-
Amortization of transition obligation	249	249	249	-	-	-
Amortization of prior-service cost	582	582	582	(150)	(150)	(259)
Amortization of net loss (gain)	(1,281)	21	16	-	41	-
Net periodic benefit cost	$ 6,157	$ 7,898	$ 7,489	$ 5,671	$ 5,147	$ 4,384

The prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Company's benefit obligation are shown in the following table:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Weighted average assumptions as of December 31:				
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.50%	9.50%	N/A	N/A
Rate of compensation increase	4.50%	4.75%	N/A	N/A

The health care trend rate used to determine the accumulated postretirement benefit obligation was 10% for 2000, decreasing by 1% each year until reaching 4% for the year 2006 and beyond.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 240	$ (212)
Effect on the health care component of the accumulated postretirement benefit obligation	1,990	(1,848)

The Company has a defined contribution pension plan covering a majority of the United Kingdom employees which requires the Company to annually contribute approximately 10% of eligible employee compensation on behalf of each participant. The Company's contributions to the plan were $1,007, $1,661, and $2,319 during the years ended December 31, 2000, 1999, and 1998, respectively.

The Company offers its U.S.-based employees a 401(k) savings plan. Employees can elect to contribute pretax earnings, as limited by the Internal Revenue Code, to their account and can determine how the money is invested from a selection of options offered by the Company. The Company's contributions, matching participating employees' contributions up to a designated level, were $2,972, $2,818, and $2,705 during the years ended December 31, 2000, 1999, and 1998, respectively.

4. SPECIAL CHARGES

(See Note 9 for discussion of the special charges related to the services agreements.)

The Company recorded a special charge of $1,736 ($972 after tax) during the year ended December 31, 2000 related to the integration of Galileo UK into the Company's operations. The special charge was comprised of $1,457 in severance costs related to the termination of 29 employees, and $279 in facilities expenses. As of December 31, 2000, $620 of severance related costs have been paid and charged against the liability and 15 employees have been terminated. The estimated remaining liability at December 31, 2000 related to the integration of Galileo UK was $1,139 and is included in the accompanying consolidated balance sheet.

The Company recorded a special charge of $7,000 (non-tax deductible) during the year ended December 31, 2000 to write off in-process research and development costs related to the acquisition of TRIP.com.

The Company recorded special charges of $26,460 ($15,902 after tax) during the year ended December 31, 1998 related to a strategic realignment of the Company's operations in the United Kingdom and, to a lesser degree, other realignments within the Company. These special charges were comprised primarily of $15,025 in severance costs related to the termination of 399 employees, primarily in the development and marketing groups, and $11,435 of other costs, principally related to the closing of the remaining Swindon, U.K. facilities. As of December 31, 2000, $16,202 of severance costs have been paid and charged against the liability and 373 employees have been terminated. The realignment activities have been completed as of December 31, 2000. Also related to the closing of Swindon, U.K. facilities, in 1993 the Company, formerly Covia Partnership, combined with The Galileo Company Ltd. and consolidated its two data center facilities resulting in the closing of the Swindon, U.K. data center. In connection therewith, the estimated cost of the consolidation was charged to expense. During 1999, the Company was successful in assigning a Swindon, U.K. facility lease at market rates, resulting in recognition of an $11,359 one-time recovery of previously reserved facilities expenses. At December 31, 2000 and 1999, the estimated remaining liabilities for all of the above-mentioned restructuring activities, principally related to facility closure costs, were $6,990 and $10,220, respectively, and are included in the accompanying consolidated balance sheets.

5. INCOME TAXES

For financial reporting purposes, income before income taxes includes the following components:

	2000	1999	1998
Domestic operations	$ 252,318	$ 353,208	$ 317,862
Foreign operations	13,556	8,064	7,619
Total income before income taxes	$ 265,874	$ 361,272	$ 325,481

The provisions for income taxes consist of the following:

	2000	1999	1998
Current taxes:			
Federal	$ 97,820	$ 117,167	$ 112,799
State	12,441	18,582	20,803
Foreign	2,444	799	1,432
Total	112,705	136,548	135,034
Deferred taxes:			
Federal	6,182	5,542	(3,834)
State	(1,902)	974	(1,333)
Total	4,280	6,516	(5,167)
Provision for income taxes	$ 116,985	$ 143,064	$ 129,867

Deferred tax assets (liabilities) are comprised of the following at December 31, 2000 and 1999:

	2000	1999
Current:		
Productivity payments	$ 8,110	$ 7,598
Bad debt reserves	2,725	2,364
Compensation accruals	1,616	458
Special charges	-	392
Other	5,343	4,526
	$ 17,794	$ 15,338
Noncurrent:		
Software amortization	$ (49,766)	$ (57,375)
Other liabilities	(26,693)	(8,999)
Rights agreements	(13,122)	(6,248)
Postretirement medical and pension accruals	30,911	26,681
Services agreements	11,101	10,619
Other assets	5,084	4,024
Depreciation	4,353	14,348
Facilities reserves	2,734	2,294
	$ (35,398)	$ (14,656)

The following table reconciles the U.S. statutory rate with the effective rate for the years ended December 31, 2000, 1999, and 1998:

	2000	1999	1998
Tax at U.S. federal income tax rate	$ 93,056	$ 126,445	$ 113,918
Increase (decrease) in taxes resulting from:			
State income taxes, net of U.S. federal income tax benefit	6,851	12,711	13,522
Amortization of excess of cost over net assets acquired and related purchase accounting adjustments	15,721	2,111	2,111
Tax effect of non-deductible expenses	2,957	373	344
Foreign and U.S. tax effects attributable to foreign operations	1,533	1,792	323
Other	(3,133)	(368)	(351)
Taxes on income at effective rate	$ 116,985	$ 143,064	$ 129,867

Undistributed earnings of the Company's corporate foreign subsidiaries amounted to approximately $3,931 and $3,237 at December 31, 2000 and 1999, respectively. Those earnings are considered to be indefinitely reinvested, and accordingly, no provision for U.S. federal and state income taxes and foreign withholding taxes have been made. Upon distribution of those earnings, the Company would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryovers would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately $381 and $314 would be payable upon remittance of all previously unremitted earnings at December 31, 2000 and 1999, respectively.

6. INVESTMENTS

Investments in equity securities at December 31, 2000 and December 31, 1999 are as follows:

	December 31, 2000			
		Gross Unrealized		
	Amortized Cost	Gains	(Losses)	Fair Value
Marketable equity securities:				
Available-for-sale securities	$ 1,334	$ 1,125	$ -	$ 2,459
Total marketable securities	1,334	$ 1,125	$ -	$ 2,459
Other equity securities	15,567			
Total	$ 16,901			

	December 31, 1999			
		Gross Unrealized		
	Amortized Cost	Gains	(Losses)	Fair Value
Marketable equity securities:				
Trading securities	$ 1,000	$ 10,492	$ -	$ 11,492
Available-for-sale securities	3,274	-	(1,838)	1,436
Total marketable securities	4,274	$ 10,492	$ (1,838)	$ 12,928
Other equity securities	27,597			
Total	$ 31,871			

At December 31, 2000, all of the Company's marketable equity securities are classified as available-for-sale. Of these investments, $2,320 is included in other current assets, and $139 is included in long-term investments.

In December 2000, the Company recorded impairment charges of $10,186 to write down certain of the Company's investments in technology and travel related companies to estimated fair value. The write-downs consisted of $3,135 for one of the Company's marketable equity investments and $7,051 for several non-marketable equity investments. The estimated fair values established for the non-marketable investments were determined by using management's estimates of the net proceeds the Company expects to recover upon the eventual disposition of the investments. The decline in the estimated fair values of these investments was considered to be other than temporary.

In December 1999, the Company entered into an agreement to sell its entire equity investment in Stamps.com for $11,492. This investment was classified as trading at December 31, 1999 and was included in other current assets. The remaining marketable equity securities were classified as available-for-sale and were included in long-term investments at December 31, 1999.

Unrealized holding gains of $686 (net of deferred taxes of $439) and unrealized holding losses of $1,122 (net of deferred taxes of $716) on available-for-sale securities were included in accumulated other comprehensive income in 2000 and 1999, respectively. Unrealized gains of $10,492 on trading securities were included in earnings in 1999 related to the Stamps.com investment. The Company completed the sale of its entire equity investment in Stamps.com for $11,492 in January 2000. There were no other sales of marketable equity securities in 2000 or 1999.

Other equity securities represent non-marketable securities that are restricted or not publicly traded. These securities are included in long-term investments. Included in this category are non-marketable depository certificates representing beneficial ownership of common stock of Equant N.V. ("Equant"), a telecommunications company affiliated with Societe Internationale de Telecommunications Aeronautiques ("SITA"). In July 1999, SITA notified the Company of a reallocation of depository certificates among SITA members. Due to the Company's higher usage of the SITA network over the four years ended December 31, 1998, the Company received 708,335 additional depository certificates. In connection with secondary offerings of Equant common stock in 1999, the Company liquidated 696,151 of these certificates. The Company received proceeds of $58,725 from these transactions, resulting in gains of $58,574. In November 2000, Equant announced a planned merger with France Telecom's Global One business. In connection with this planned merger, the SITA Foundation signed an agreement to exchange all of its Equant shares for France Telecom shares. As a result, each of the Company's depository certificates are expected to represent the right to receive the economic benefit of approximately .4545 France Telecom shares. France Telecom is listed on the New York Stock Exchange under the ticker: FTE. This merger is expected to be completed by June 30, 2001, at which time the Company will have the option to participate in an orderly resale process. As of December 31, 2000 and 1999, the Company owned 1,106,564 of these depository certificates. The Company's carrying value of these depository certificates was nominal at December 31, 2000 and 1999.

7. LEASES AND COMMITMENTS

The Company leases various office facilities and equipment under operating leases with remaining terms of up to 23 years. Rental expense under operating leases was $22,778, $22,806, and $25,756 for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company also leases data processing equipment under capital leases. Equipment, at cost, includes $8,906, $4,819, and $26,027 relating to capital leases at December 31, 2000, 1999, and 1998, respectively. Accumulated depreciation includes $4,559, $4,613, and $21,842 relating to capital leases at December 31, 2000, 1999, and 1998, respectively, with lease amortization included in depreciation expense.

Future minimum lease payments under capital leases and noncancelable operating leases at December 31, 2000 are as follows:

	Capital	Operating
2001	$ 1,778	$ 24,758
2002	1,667	19,112
2003	1,042	16,946
2004	-	13,334
2005	-	9,377
Thereafter	-	60,857
Total minimum lease payments	4,487	144,384
Less sublease income	-	(12,314)
Net rental payments		$ 132,070
Less amount representing interest	(230)	
Present value of future minimum lease payments	4,257	
Current portion of present value of future minimum lease payments	1,638	
Long-term portion of present value of future minimum lease payments	$ 2,619	

8. LONG-TERM DEBT

Outstanding long-term debt consists of the following at December 31, 2000 and 1999:

	2000	1999
Five-year credit agreement	$ 400,000	$ 400,000
16-month credit agreement	212,000	-
Term loan	34,392	34,392
364-day credit agreement	-	121,000
Other	654	-
	647,046	555,392
Less current portion of long-term debt	212,654	121,000
Long-term debt	$ 434,392	$ 434,392

The Company is party to a $400,000 five-year credit agreement and a $500,000 16-month credit agreement (collectively, the "Credit Agreements") with a group of banks. In March 2000, the Company entered into a $200,000 16-month credit agreement, which was partially utilized to fund the acquisition of the remaining ownership interest in TRIP.com. In April 2000, the Company entered into the new $500,000 credit agreement that expires in July 2001. This new $500,000 16-month credit agreement replaces the $200,000 16-month credit agreement entered into in March 2000 and the $200,000 364-day credit agreement that was due to expire in July 2000. Facility fees range from 10.0 to 22.5 basis points under each of the Credit Agreements. Interest on the borrowings may be either Base Rate, CD Rate or LIBOR based. At December 31, 2000, the nominal interest rate for loans outstanding under the Credit Agreements was 7.2%.

On June 5, 1998, in connection with the acquisition of Galileo Canada, the Company incurred $34,392 of debt under a five-year term loan agreement (the "Term Loan"). In addition, on June 5, 1998, the Company entered into an interest rate swap agreement for a notional amount of $34,392 to fix the effective interest rate of the Term Loan until maturity in June 2003, subject to pricing adjustments based on changes in certain financial ratios of the Company. At December 31, 2000, the notional interest rate on the Term Loan was 7.11% and the effective interest rate was 6.30%. The Term Loan requires quarterly interest payments throughout the five-year term.

On March 8, 2000, in connection with the acquisition of Terren, the Company assumed a $1,131 note payable (the "Terren Note") due in two installments, and $56 of accrued interest. The first installment was paid with accrued interest in July 2000. A final payment of $654 plus accrued interest is due July 31, 2001. The Terren Note carries an interest rate of 7%. The outstanding balance on the note as of December 31, 2000 was $654.

At December 31, 2000, borrowings totaled $400,000 under the five-year credit agreement with no required repayments until maturity in July 2002, and $212,000 under the 16-month credit agreement with required payment in entirety in July 2001. The outstanding balance on the Term Loan was $34,392, with no required repayments until maturity in June 2003. Under the Credit Agreements and the Term Loan, the Company is required to maintain certain financial ratios and is restricted from paying dividends and repurchasing its Common Stock above certain thresholds.

The Company has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its outstanding borrowings. At December 31, 2000 and 1999, the Company had an outstanding interest rate swap agreement having a total notional value of $34,392, with fixed interest rates averaging 5.87% for both years. The fair value of the outstanding swap agreement at December 31, 2000 and 1999 was $(77) and $999, respectively. For the years ended December 31, 2000, 1999, and 1998, the effective interest rate on the Company's outstanding debt under the Credit Agreements was 6.92%, 5.89%, and 5.89%, respectively.

Total interest, including interest under capital leases, of $49,639, $17,528, and $11,876 was incurred for the years ended December 31, 2000, 1999, and 1998, respectively.

9. COMMITMENTS & CONTINGENCIES

The Company's wholly owned subsidiaries, Galileo International, L.L.C. ("GILLC") and Apollo Galileo USA Partnership ("Apollo"), as well as United Airlines and one of its subsidiaries, are defendants in a lawsuit captioned Osband, et al. v. United Air Lines, Inc., et al. The lawsuit, which was filed on March 1, 1996 in the District Court for Arapahoe County, Colorado, currently consists of 99 plaintiffs, all of whom were employed by United Airlines prior to 1988, and were subsequently employed by the United Airlines subsidiary, one of the Company's predecessors, and GILLC or Apollo since that time. The plaintiffs allege that the defendants promised the plaintiffs that they would receive lifetime flight benefits at a level equivalent to the flight benefits that United Airlines provides to its employees. The plaintiffs brought claims for specific performance and injunctive relief seeking reinstatement of their benefits and damages under theories of breach of contract, promissory estoppel and breach of express covenant of good faith and fair dealing. After defeating the plaintiffs' motion for preliminary injunction, the trial court granted the defendants' Motion to Dismiss for Lack of Subject Matter Jurisdiction on the ground that all issues relating to free passes granted by common carriers where they are adjuncts to employees are preempted by federal law. On appeal, the Court of Appeals upheld the dismissal of the plaintiffs' promissory estoppel claim as preempted by federal law, but reversed and remanded to the trial court on the plaintiffs' other claims. The claims of six of the 99 plaintiffs were tried before a jury in a five-week trial commencing October 30, 2000. The jury returned a verdict in favor of the plaintiffs in the total amount of $3,270, an aggregate of $710 of which the jury found GILLC and Apollo liable for. Post-trial motions have been filed and are pending. The Company intends to appeal the verdict, which has been certified as a final judgment. The Court has requested the parties brief the issue of whether the verdict for the six plaintiffs should be a liability finding in favor of the remaining 93 plaintiffs. The Company continues to dispute the plaintiffs' claims and intends to defend the lawsuit vigorously.

The Company is a party in various other suits and claims that arise in the ordinary course of business. Management currently believes that the ultimate disposition of these matters, including the matter described above, will not have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations.

In connection with NDC acquisitions in 1997 of Apollo Travel Services Partnership ("ATS"), Traviswiss AG ("Traviswiss") and Galileo Nederland BV ("Galileo Nederland") and the 1998 acquisition of Galileo Canada, the Company entered into agreements (the "Services Agreements") with United Airlines, US Airways, Air Canada, SAirGroup, and KLM (collectively, the "Service Providers") to provide certain marketing services to the Company. During the sixth year (eighth year for a portion of Galileo Canada) following the effective date of the Services Agreements, the Company is contractually required to pay the Service Providers a fee of up to $232,000 (on a present value basis as of the date of the agreements), contingent upon improvements in the Company's airline booking fee revenue in the seller's respective territories over the five-year period immediately following the acquisitions, as measured by the annual price increase rate and over the five-year period (seven-year period in the case of Galileo Canada) immediately following the acquisitions, as measured by the annual air segment growth rate.

On December 30, 1999, the Company was released by United Airlines from the price increase obligation under the Services Agreement between the two companies. In turn, GIO Services, L.L.C. ("GIO Services"), a qualified special-purpose entity, was created to assume the liability and pay United Airlines in July 2002. The Company contributed $97,325 of assets to GIO Services. These assets are projected to yield cash proceeds on the payment date at least equal to the maximum amount owed. The Company recorded a special charge of $83,226 related to this transaction. During 2000, the Company reassessed the future benefit of the services provided by US Airways under the Services Agreement between the two companies. As a result, the Company recorded a special charge of $19,725 and transferred $27,157 to GIO Services to provide for payment of the price-related obligation to US Airways in July 2002. The activities of GIO Services are strictly limited to payment of these Services Agreement obligations. As a result of these transactions, the Company has no further payment obligations to United Airlines and US Airways related to booking fee price increases under the Services Agreements.

For the remainder of the ATS services agreement and all other Services Agreements, the Company continues to estimate the probable future liabilities based on an evaluation of the likelihood that the revenue goals required under the terms of these agreements will be met. The Company ratably records these liabilities over the remaining contract periods. The Company does not expect to incur any liability related to the air segment growth component of the ATS, Traviswiss, or Galileo Canada Services Agreements. At December 31, 2000 and 1999, the estimated liability related to the Services Agreements was $18,578 and $13,874, respectively, and is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

In connection with the 1998 acquisition of Shepherd Systems, the Company is contractually required to make additional payments up to an aggregate of $5,040 due ratably over five years, based on a calculation of the relevant calendar year's annual cash flow of Shepherd Systems. Accordingly, in 1998 the Company recorded a contingent liability for the additional payments which was accounted for as part of the purchase price. At December 31, 1999 the liability related to these payments was included in other noncurrent liabilities. During 2000, based upon an analysis of Shepherd Systems' historical and projected cash flow results, the Company determined that no payments will be required. Accordingly, the contingent liability was written off against the acquisition-related goodwill of Shepherd Systems.

10. STOCKHOLDERS' EQUITY

Common Stock

Each share of Common Stock entitles the holder thereof to one vote in elections of independent and management directors and all other matters submitted to a vote of stockholders. Each share also has an equal and ratable right to receive dividends paid from the Company's assets, when and if declared by the Board of Directors.

Special Voting Preferred Stock

The Company's Special Voting Preferred Stock (the "Special Preferred") permits, under certain circumstances, each holder of a share of Special Preferred to elect one director to the Company's Board of Directors, provided certain Common Stock ownership thresholds are met. The Special Preferred shares do not provide the holder with any further stockholder voting privileges nor does the holder receive dividends on such shares. In the event of liquidation, dissolution or winding-up of the Company, holders of the Special Preferred are entitled to $100 per share, but holders are not entitled to any further payment. Substantial restrictions exist as to the transferability of the Special Preferred shares by the holders.

Preferred Stock

The Board of Directors of the Company is authorized, without further stockholder action, to divide any or all shares of its authorized Preferred Stock into one or more series and to fix and determine the rights and qualifications, limitations or restrictions thereon of each such series, including voting powers, dividend rights, liquidation preferences, redemption rights and conversion or exchange privileges.

Common Stock Held in Treasury

During 2000, the Board of Directors of the Company authorized an additional $250,000 share repurchase program. The Company began purchasing shares under this program after completion of a $750,000 program which had been authorized in 1999. Repurchased shares are held in treasury for the purpose of providing available shares for possible resale in future public or private offerings, and for other general corporate purposes. The purchases are funded through the Company's available working capital and borrowing facilities. The amount, timing and price of any repurchases of the Company's Common Stock depends on market conditions and other factors. The Company repurchased a total of 7,402,948 and 14,869,500 of its shares at a cost of $154,640 and $635,523 during the years ended December 31, 2000 and 1999, respectively.

Also during 2000, the Company issued 5,499,630 shares of Common Stock, previously held in treasury, in connection with its acquisition of TRIP.com. These treasury shares had a fair value of $98,925 and an accumulated cost of $226,842. As of December 31, 2000 and 1999, the Company held a total of 16,920,719 and 15,038,600 shares in treasury, respectively.

Stock-Based Compensation

During 1999, the Company adopted the 1999 Equity and Performance Incentive Plan (the "1999 Plan") to attract and retain officers and other key employees of the Company and to award such persons with incentives and rewards for superior performance. The 1999 Plan provides for the grant of Common Stock in the form of stock options, stock appreciation rights, stock awards or such other forms as determined to be consistent with the purposes of the 1999 Plan. The 1999 Plan superceded and replaced the 1997 Stock Incentive Plan. Options outstanding under these two plans have been granted at prices which are either equal to or above the market value of the stock on the date of the grant, vest over a three- or five-year period, and expire nine or ten years after the grant date.

An aggregate of 13,000,000 shares of Common Stock are reserved for issuance under the 1999 Plan. The number of shares available for issuance under the 1999 Plan may be adjusted in the event of changes in the Company's capital structure. Shares issued pursuant to the 1999 Plan may be authorized but unissued shares, treasury shares or any combination thereof.

The Company also adopted the 1997 Non-Employee Director Stock Plan (the "Director Plan") to retain the services of qualified individuals who are not employees of the Company to serve as members of the Board of Directors. The Director Plan authorizes awards of options, based on the director's term, which generally vest six months after the date of grant, have an exercise price equal to the fair market value at the date of grant, and expire ten years from date of grant. Directors who are employees of an airline stockholder (or the airline stockholder at the option of the airline stockholder) will receive, in lieu of such options, a cash payment equal to the value of the option calculated on the basis of the Black-Scholes option valuation model. An aggregate of 500,000 shares of Common Stock are reserved for issuance under the Director Plan.

In connection with its acquisition of TRIP.com, in March 2000 the Company converted existing options to acquire 1,244,725 shares of TRIP.com common stock into 1,073,331 options to acquire Common Stock of the Company. The Converted Options were granted with exercise prices ranging from $0.16 to $19.71 and had a weighted average remaining vesting period of 3.25 years. On the date of grant, the Converted Options had an estimated aggregate fair value of $10,879 which was recorded as part of the purchase price of the TRIP.com acquisition. The estimated fair value was obtained by using the Black-Scholes option pricing model with the following assumptions: expected term of 4.25 years, expected volatility of 40.0%, expected dividend yield of 1.0%, and a risk-free interest rate of 6.0%. The Company's Common Stock had an approximate market value of $18.00 per share on the date the Converted Options were granted.

During 2000, the Company adopted the Employee Stock Purchase Plan (the "Stock Purchase Plan"). The Stock Purchase Plan provides eligible employees with the opportunity to purchase shares of Common Stock at a 15% discount from fair market value pursuant to a payroll deduction program, based on offering periods consisting of each calendar quarter. The number of shares of Common Stock available for issuance under the Stock Purchase Plan is 500,000 and may be authorized but unissued shares, treasury shares or any combination thereof. As of December 31, 2000, the Company had issued 21,199 shares of Common Stock under the Stock Purchase Plan.

During 1998, the Company's Board of Directors approved the issuance of 97,900 shares of restricted Common Stock to the Company's President and Chief Executive Officer. Half of these shares vest in equal installments over a five-year period from the date of grant and the remaining shares vest in equal installments over a four-year period beginning one year from the date of grant. During 2000, vested shares of restricted stock totaling 31,818 were converted into an equal number of shares of Common Stock.

During 2000, 1999, and 1998, $798, $798, and $433, respectively, of compensation cost for restricted shares was recognized in the consolidated financial statements.

During 2000, 1999, and 1998, stock appreciation rights totaling 47,600, 1,500, and 34,550, respectively, were granted under the 1999 and 1997 Plans. The weighted average fair value on the grant date for the stock appreciation rights granted in 2000, 1999 and 1998 were $10.35, $11.75 and $14.54. Compensation cost for stock appreciation rights of zero, $(53), and $57 was recognized in the consolidated financial statements for the years ended December 31, 2000, 1999, and 1998, respectively.

Stock option activity during 2000, 1999, and 1998 is as follows (number of shares in thousands):

	2000		1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1	2,893	$ 37.45	2,824	$ 35.51	1,064	$ 25.40
Granted- TRIP.com acquisition	1,073	10.29	-	-	-	-
Granted- all other	1,662	24.43	451	48.02	1,889	40.75
Exercised	(195)	2.59	(107)	30.34	(33)	24.57
Forfeited	(969)	27.17	(275)	37.52	(96)	30.56
Expired	-	-	-	-	-	-
Outstanding at December 31	4,464	$ 29.82	2,893	$ 37.45	2,824	$ 35.51
Exercisable at December 31	1,513	34.85	884	34.44	188	24.76
Weighted average fair value of options granted during the year:						
Upon TRIP.com acquisition		$ 10.14		$ -		$ -
All other grants		10.31		19.52		14.53

The following table summarizes information about stock options outstanding at December 31, 2000 (number of shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.16 to $12	246	8.2	$ 3.69	53	$ 6.00
$17 to $25	2,335	8.8	23.90	405	24.50
$28 to $38	245	6.7	28.81	121	29.35
$40 to $46	1,291	7.5	40.78	817	40.78
$48 to $55	347	8.5	48.10	117	48.14
	4,464	8.3	$ 29.82	1,513	$ 34.85

The Company applies APB Opinion No. 25 in accounting for its stock-based compensation plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. The following table presents pro forma information had the Company determined compensation cost based on the fair value at the grant date for its stock options under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation":

	2000	1999	1998
Valuation assumptions:			
Expected option term (years)	5.0	5.0	5.0
Expected volatility	40.0%	40.0%	35.0%
Expected dividend yield	1.0%	1.0%	1.0%
Risk-free interest rate	7.0%	6.0%	5.0%
Pro forma effects (1):			
Net income as reported	$ 148,889	$ 218,208	$ 195,614
Pro forma effect	(9,003)	(7,328)	(4,118)
Net income as adjusted	$ 139,886	$ 210,880	$ 191,496
Basic earnings per share as adjusted	$ 1.55	$ 2.15	$ 1.83
Diluted earnings per share as adjusted	$ 1.55	$ 2.13	$ 1.82

(1) Estimated using Black-Scholes option pricing model.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

11. SUPPLEMENTAL INFORMATION

Supplemental cash flow information and noncash investing and financing activities are as follows:

	2000	1999	1998
Supplemental cash flow information			
Cash paid during the period for:			
Interest	$ 53,612	$ 11,471	$ 11,994
Income taxes	114,862	148,300	123,508
Supplemental noncash investing and financing activities			
Capital lease obligations and accounts payable from acquisition of equipment	$ 30,298	$ 8,394	$ 901

12. BUSINESS AND CREDIT CONCENTRATIONS

The Company derives substantially all of its revenues from the travel industry. Accordingly, events affecting the travel industry, particularly airline travel and participating airlines, can significantly affect the Company's business, financial condition and results of operations.

United Airlines is the largest single travel supplier utilizing the Company's systems, generating revenues that accounted for approximately 12% of total revenues in 2000. No other travel supplier accounted for 10% or more of the Company's revenues in 2000.

Travel agencies are the primary channel of distribution for the services offered by travel vendors. Bookings generated by the Company's five largest travel agency customers constituted 22% of the bookings made through the Company's systems in 2000. If the Company were to lose and not replace the bookings generated by any significant travel agencies, its business, financial condition and results of operations could be materially adversely affected.

13. GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

The Company's business is divided into operating segments, defined as components of an enterprise about which discrete financial information is available and regularly evaluated by the chief operating decision maker in deciding how to allocate resources to an individual segment and in assessing performance of the segment. The Company's chief operating decision maker is the Chairman, President and Chief Executive Officer. The Company has identified three operating segments based on similarities in products, services and customers: electronic global distribution services, information services and enterprise networking services. However, based on the quantitative thresholds in Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," electronic global distribution services is the Company's only reportable segment as of December 31, 2000, 1999 and 1998.

Data relating to the Company's operations by geographic area is set forth below:

	United States Market	United Kingdom Market	Other Markets	Total
2000				
Revenues	$ 605,838	$ 161,307	$ 794,319	$ 1,561,464
Identifiable assets	181,842	9,841	18,994	210,677
1999				
Revenues	$ 603,776	$ 126,169	$ 722,156	$ 1,452,101
Identifiable assets	165,990	1,163	23,724	190,877
1998				
Revenues	$ 588,312	$ 114,182	$ 640,211	$ 1,342,705
Identifiable assets	162,912	7,258	24,799	194,969

Revenues consist of electronic global distribution revenues only. The location of the travel agent making the booking determines the geographic region credited with the related revenues. The United Kingdom is the only country outside the United States that contributed more than 10% of revenues or had more than 10% of the identifiable assets in any of the years presented. Providing geographic area data for information services revenues and enterprise networking services would be impracticable.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth an unaudited summary of quarterly financial data (in thousands, except share data) for the years ended December 31, 2000 and 1999. This quarterly information has been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, reflects all adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for a full fiscal year.

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 440,738	$ 425,344	$ 405,935	$ 371,281
Operating expenses	341,463	330,789	323,622	319,786
Operating income	99,275	94,555	82,313	51,495
Net income	47,400	43,160	37,899	20,430
Basic earnings per share	0.52	0.47	0.42	0.23
Diluted earnings per share	0.52	0.47	0.42	0.23

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenues	$ 403,991	$ 398,822	$ 384,692	$ 338,597
Operating expenses	283,175	294,807	288,120	347,098
Operating income (loss)	120,816	104,015	96,572	(8,501)
Net income	78,006	62,249	54,248	23,705
Basic earnings per share	0.75	0.60	0.58	0.26
Diluted earnings per share	0.74	0.59	0.58	0.26

The Company typically experiences a seasonal pattern in its operating results, with the fourth quarter typically having the lowest total revenues and operating income due to early bookings by customers for holiday travel and due to a decrease in business travel during the holiday season.

In the first quarter of 2000, the Company recognized a $19,725 ($11,046 after tax) special charge related to the extinguishment of a portion of its liability arising from a services agreement with US Airways, and a $7,000 (non-tax deductible) special charge to write off in-process research and development costs related to the TRIP.com acquisition. In the third quarter of 2000, the Company recognized a $1,736 special charge ($972 after tax) related to the integration of Galileo UK. (See Note 9 and Note 4, respectively, for further discussion.) The fourth quarter of 2000 includes the retroactive impact ($4,512) of a 1.9 percentage point decrease in the Company's 2000 effective tax rate recorded during the quarter.

In the fourth quarter of 1999, the Company recognized an $83,226 ($50,269 after tax) special charge to extinguish the price-increase component of its liability arising from its services agreement with United Airlines, and an $11,359 ($6,861 after tax) recovery of expenses previously reserved for the realignment of its United Kingdom operations. (See Note 9 and Note 4, respectively, for further discussion.)

Earnings per share amounts for each quarter are required to be computed independently and, as a result, their sum does not equal the total year earnings per share amounts for 2000 and 1999.

15. SUBSEQUENT EVENTS

On February 22, 2001, the Board of Directors of the Company declared a dividend distribution of one right (a "Right") for each share of Common Stock of the Company outstanding at the close of business on March 8, 2001 (the "Record Date"), pursuant to the terms of a Rights Agreement, dated as of February 22, 2001 (the "Rights Agreement"). The Rights Agreement also provides, subject to specified exceptions and limitations, that shares of Common Stock issued or delivered from the Company's treasury after the Record Date will be entitled to and accompanied by Rights. The Rights are in all respects subject to and governed by the provisions of the Rights Agreement.

EXHIBIT 99.2

GALILEO INTERNATIONAL, INC.
QUARTER ENDED MARCH 31, 2001
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Condensed Consolidated Balance Sheets as of March 31, 2001 (unaudited) and December 31, 2000	2
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GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,580	$ 2,460
Accounts receivable, net	271,249	192,199
Other current assets	51,798	50,036
Total current assets	333,627	244,695
Property and equipment, at cost:		
Land	6,470	6,470
Buildings and improvements	76,499	76,452
Equipment	424,721	416,406
	507,690	499,328
Less accumulated depreciation	298,623	288,651
Net property and equipment	209,067	210,677
Computer software, net	164,359	160,270
Intangible assets, net	694,279	720,212
Other noncurrent assets	141,661	143,405
	$1,542,993	$1,479,259
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 72,262	$ 76,913
Accrued commissions	44,671	34,471
Income taxes payable	49,656	1,234
Other accrued liabilities	120,392	111,630
Long-term debt, current portion	187,654	212,654
Total current liabilities	474,635	436,902
Pension and postretirement benefits	83,531	79,285
Deferred tax liabilities	28,902	35,398
Other noncurrent liabilities	30,420	28,046
Long-term debt, less current portion	434,392	434,392
Total liabilities	1,051,880	1,014,023
Stockholders' equity:		
Special voting preferred stock: $.01 par value; 7 shares authorized; 3 shares issued and outstanding	-	-
Preferred stock: $.01 par value; 25,000,000 shares authorized; no shares issued	-	-
Common stock: $.01 par value; 250,000,000 shares authorized; 105,344,901 and 105,232,696 shares issued; 87,737,783 and 88,311,977 shares outstanding	1,053	1,052
Additional paid-in capital	684,024	682,988
Retained earnings	399,639	357,008
Unamortized restricted stock grants	(1,763)	(1,963)
Accumulated other comprehensive income	(7,462)	(4,493)
Common stock held in treasury, at cost: 17,607,118 and 16,920,719 shares	(584,378)	(569,356)
Total stockholders' equity	491,113	465,236
	$1,542,993	$1,479,259

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in thousands, except share data)

	Quarter Ended March 31,	
	2001	2000
Revenues:		
Electronic global distribution services	$ 442,546	$ 421,306
Information and network services	23,307	19,432
	465,853	440,738
Operating expenses:		
Cost of operations	163,645	134,004
Commissions, selling and administrative	197,990	180,734
Special charge - services agreement	-	19,725
Special charge - in-process research and development write-off	-	7,000
	361,635	341,463
Operating income	104,218	99,275
Other income (expense):		
Interest expense, net	(10,488)	(9,275)
Other, net	(3,444)	(2,384)
Income before income taxes	90,286	87,616
Income taxes	39,726	40,216
Net income	$ 50,560	$ 47,400
Weighted average shares outstanding	87,978,305	90,678,954
Basic earnings per share	$ 0.57	$ 0.52
Diluted weighted average shares outstanding	88,236,155	90,902,545
Diluted earnings per share	$ 0.57	$ 0.52

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See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Quarter Ended March 31, 2001	2000
Operating activities:		
Net income	$ 50,560	$ 47,400
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,299	42,969
Write-off of in-process research and development	-	7,000
Gain on sale of assets	(783)	(169)
Deferred income taxes, net	(9,244)	(13,978)
Changes in operating assets and liabilities, net of effects from acquisition of businesses:		
Accounts receivable, net	(77,959)	(76,410)
Other current assets	(597)	12,089
Noncurrent assets	(2,446)	(418)
Accounts payable and accrued commissions	8,491	23,845
Accrued liabilities	10,509	(226)
Income taxes payable	48,490	53,780
Noncurrent liabilities	6,630	(383)
Other	3,649	1,437
Net cash provided by operating activities	97,599	96,936
Investing activities:		
Purchase of property and equipment	(25,815)	(6,276)
Purchase and capitalization of computer software	(18,388)	(7,735)
Proceeds on sale of assets	2,287	169
Acquisition of businesses, net of $11,613 cash acquired	-	(101,214)
Other investing activities	-	(5,000)
Net cash used in investing activities	(41,916)	(120,056)
Financing activities:		
Borrowings under credit agreements	19,000	135,000
Repayments under credit agreements	(44,000)	-
Dividends paid to stockholders	(7,929)	(8,091)
Repurchase of common stock for treasury	(15,022)	(57,393)
Payments of capital lease obligations	(416)	(29)
Other financing activities	1,037	21
Net cash (used in) provided by financing activities	(47,330)	69,508
Effect of exchange rate changes on cash	(233)	(297)
Increase in cash and cash equivalents	8,120	46,091
Cash and cash equivalents at beginning of period	2,460	1,794
Cash and cash equivalents at end of period	$ 10,580	$ 47,885

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands, except share data)

	Special Voting Preferred Stock	Common Stock	Additional Paid - in Capital	Retained Earnings
Balance at December 31, 2000	$ -	$ 1,052	$ 682,988	$ 357,008
Comprehensive income:				
Net income	-	-	-	50,560
Other comprehensive income (loss), net of tax:				
Unrealized holding losses on marketable securities	-	-	-	-
Reclassification adjustment for gains included in net income	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Cash flow hedge- net derivative losses	-	-	-	-
Other comprehensive income (loss)				
Comprehensive income				
Amortization of restricted stock grants	-	-	-	-
Issuance of 84,505 shares of common stock under employee stock option plans	-	1	683	-
Issuance of 27,700 shares of common stock under employee stock purchase plan	-	-	353	-
Repurchase of 686,399 shares of common stock for treasury	-	-	-	-
Dividends paid ($0.09 per share)	-	-	-	(7,929)
Balance at March 31, 2001	$ -	$ 1,053	$ 684,024	$ 399,639

	Unamortized Restricted Stock Grants	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2000	$ (1,963)	$ (4,493)	$ (569,356)	$ 465,236
Comprehensive income:				
Net income	-	-	-	50,560
Other comprehensive income (loss), net of tax:				
Unrealized holding losses on marketable securities	-	(427)	-	(427)
Reclassification adjustment for gains included in net income	-	(686)	-	(686)
Foreign currency translation adjustments	-	(1,364)	-	(1,364)
Cash flow hedge- net derivative losses	-	(492)	-	(492)
Other comprehensive income (loss)				(2,969)
Comprehensive income				47,591
Amortization of restricted stock grants	200	-	-	200
Issuance of 84,505 shares of common stock under employee stock option plans	-	-	-	684
Issuance of 27,700 shares of common stock under employee stock purchase plan	-	-	-	353
Repurchase of 686,399 shares of common stock for treasury	-	-	(15,022)	(15,022)
Dividends paid ($0.09 per share)	-	-	-	(7,929)
Balance at March 31, 2001	$ (1,763)	$ (7,462)	$(584,378)	$ 491,113

See accompanying notes to condensed consolidated financial statements.

GALILEO INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements of Galileo International, Inc. (herein referred to as the "Company", "we", "us", and "our") have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. The information furnished herein includes all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods presented.

The results of operations for the quarter ended March 31, 2001 are not necessarily indicative of the results to be expected for the year ending December 31, 2001.

These financial statements should be read in conjunction with the audited financial statements and notes to the audited financial statements for the year ended December 31, 2000 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2001.

NOTE 2 - EARNINGS PER SHARE

Basic earnings per share for the quarters ended March 31, 2001 and 2000 is calculated based on the weighted average shares outstanding for the period. Diluted earnings per share is calculated as if the Company had additional Common Stock outstanding from the beginning of the year or the date of grant for all dilutive stock options, net of assumed repurchased shares using the treasury stock method. This resulted in an increase in the weighted average number of shares outstanding for the quarters ended March 31, 2001 and 2000 of 257,850 and 223,591, respectively.

NOTE 3 - SPECIAL CHARGES

The Company recorded a special charge of $1.7 million during the quarter ended September 30, 2000 related to the integration of Travel Automation Services Limited ("Galileo UK") into the Company's operations. The special charge was comprised of $1.4 million in severance costs related to the termination of 29 employees, and $0.3 million in facilities expenses. As of March 31, 2001, $0.9 million of severance related costs have been paid and charged against the liability and 19 employees have been terminated. The estimated remaining liabilities at March 31, 2001 and December 31, 2000 were $0.8 million and $1.1 million, respectively, and are included in the accompanying condensed consolidated balance sheets.

In 1993 the Company, formerly Covia Partnership, combined with The Galileo Company Ltd. and consolidated its two data center facilities resulting in the closing of the Swindon, U.K. data center. In connection therewith, the estimated cost of the consolidation was charged to expense. At March 31, 2001 and December 31, 2000, the estimated remaining liabilities, principally related to facility closure costs, were $6.7 million and $7.0 million, respectively, and are included in the accompanying condensed consolidated balance sheets.

NOTE 4 - DEBT

Outstanding long-term debt consists of the following at March 31, 2001 and December 31, 2000:

(In millions)	March 31, 2001	December 31, 2000
Five-year credit agreement	$ 400.0	$ 400.0
16-month credit agreement	187.0	212.0
Term loan	34.4	34.4
Other	0.7	0.7
	622.1	647.1
Less current portion of long-term debt	187.7	212.7
Long-term debt	$ 434.4	$ 434.4

As of March 31, 2001, the effective interest rate for amounts outstanding under the two credit agreements was 5.7%.

NOTE 5 - STOCKHOLDERS' EQUITY

On February 22, 2001, the Board of Directors of the Company adopted a stockholder rights plan (the "Plan"). Under the Plan, the Company declared a dividend distribution of one Preferred Stock Purchase Right (a "Right") for each share of Common Stock of the Company outstanding at the close of business on March 8, 2001 (the "Record Date"), pursuant to the terms of a Rights Agreement, dated as of February 22, 2001 (the "Rights Agreement"). The Rights Agreement also provides, subject to specified exceptions and limitations, that shares of Common Stock issued or delivered from the Company's treasury after the Record Date will be entitled to and accompanied by Rights. The Rights are in all respects subject to and governed by the provisions of the Rights Agreement. The Rights initially trade together with the Company's Common Stock and are not exercisable. Under certain circumstances specified in the Rights Agreement, and in the absence of further action by the Company's Board of Directors, the rights generally will become exercisable and allow the holder to purchase from the Company one one-hundredth of a share of Series H Junior Participating Ordinary Preferred Stock at an initial purchase price of $90. The Board authorized the issuance of 2,500,000 preferred shares under the Plan, none of which has been issued. The Rights will become exercisable at a specified period of time after any person becomes the beneficial owner of 15% or more of the outstanding shares of

Common Stock or commences a tender or exchange offer which, if consummated, would result in any person becoming the beneficial owner of 15% or more of the Common Stock, in each case, without the approval of the Board. If any person becomes the beneficial owner of 15% or more of the outstanding Common Stock, each Right will entitle the holder, other than the acquiring person, to purchase, for $90, a number of shares of the Common Stock having a market value of $180. For persons who, as of February 22, 2001, beneficially owned 15% or more of the outstanding Common Stock, the Plan "grandfathers" their current level of ownership, so long as they do not purchase additional shares that result in ownership of 20% or more of the outstanding Common Stock. The Company's Board of Directors may, at its option, redeem all rights for $0.01 per Right at any time prior to the time the Rights become exercisable. The Rights will expire on March 8, 2011, unless earlier redeemed, exchanged or amended by the Board of Directors.

For the quarter ended March 31, 2001, the Company accounted for a $0.7 million unrealized holding loss on available-for-sale marketable equity securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The after tax effect of $0.4 million is included as a separate component of Stockholders' Equity.

The Company also accounted for a $0.8 million net derivative loss on cash flow hedges in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). The after tax effect of $0.5 million is included as a separate component of Stockholders' Equity.

During 2000, the Board of Directors authorized an additional $250.0 million share repurchase program. The Company began purchasing shares under this program in June 2000, after completion of a $750.0 million program which had been authorized in 1999. Repurchased shares are held in treasury for the purpose of providing available shares for possible resale in future public or private offerings, and for other general corporate purposes. The purchases are funded through the Company's available working capital and borrowing facilities. The amount, timing and price of any repurchases of the Company's Common Stock depend on market conditions and other factors. For the quarter ended March 31, 2001, the Company repurchased 686,399 of its shares in the open market at a total cost of $15.0 million. As of March 31, 2001, the Company held a total of 17,607,118 shares in treasury.

Comprehensive income for the quarter ended March 31, 2000 was $46.8 million, comprised of net income of $47.4 million, unrealized holding gains on securities of $0.3 million, and foreign currency translation adjustments of $(0.9) million.

NOTE 6 - INTEREST IN EQUANT

At March 31, 2001, the Company owned 1,106,564 non-marketable depository certificates representing beneficial ownership of common stock of Equant N.V. ("Equant"), a telecommunications company affiliated with Societe Internationale de Telecommunications

Aeronautiques ("SITA"). In November 2000, Equant announced a planned merger with France Telecom's Global One business. In connection with this planned merger, the SITA Foundation signed an agreement to exchange all of its Equant shares for France Telecom shares. As a result, each of the Company's depository certificates are expected to represent the right to receive the economic benefit of approximately .4545 France Telecom shares. France Telecom is listed on the New York Stock Exchange under the ticker: FTE. This merger is expected to be completed by June 30, 2001, at which time the Company will have the option to participate in an orderly resale process.

The Company's carrying value of these depository certificates was nominal at March 31, 2001 and December 31, 2000. Any future disposal of such depository certificates may result in significant gains to the Company.

NOTE 7 - SUPPLEMENTAL CASH FLOW INFORMATION

(In millions)	Quarter Ended March 31, 2001	Quarter Ended March 31, 2000
Cash paid for:		
Interest	$ 9.8	$ 13.5
Income taxes	0.7	0.6

PRO FORMA FINANCIAL INFORMATION (unaudited)

The following Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the planned acquisition of Galileo International, Inc. ("Galileo"). The following Unaudited Pro Forma Condensed Combined Statements of Operations give effect to the planned acquisition of Galileo and the Company's March 1, 2001 acquisition of Avis Group Holdings, Inc. ("Avis"). Both transactions have been accounted for under the purchase method of accounting.

Since the acquisition of Avis occurred prior to March 31, 2001, the financial position of Avis has been included in the Company's historical balance sheet as of March 31, 2001. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes the acquisition of Galileo occurred on March 31, 2001. The Unaudited Pro Forma Condensed Combined Statements of Operations assume the acquisitions of Avis and Galileo occurred on January 1, 2000. The unaudited pro forma financial data is based on the historical consolidated financial statements of the Company, Avis and Galileo under the assumptions and adjustments set forth in the accompanying explanatory notes.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 also gives effect to various significant finance-related activities that occurred during the first quarter of 2001 (the "Financing Activities"), which comprise the issuance of debt securities (net of debt retirements) and equity securities, the conversion of PRIDES to CD common stock and the issuance of zero-coupon convertible notes. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 assumes the Financing Activities occurred on January 1, 2000. In addition, the Unaudited Pro Forma Condensed Combined Balance Sheet also gives effect to the May 2001 issuance of zero-coupon zero-yield senior convertible notes, which are assumed to be issued on March 31, 2001.

For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet, Galileo's assets and liabilities were recorded at their estimated fair market values and the excess purchase price was assigned to goodwill and other identifiable intangibles. The fair market values were based on preliminary estimates which are subject to revision upon consummation of the acquisition of Galileo.

Since Avis was consolidated with the Company as of March 1, 2001, the results of operations of Avis between January 1, 2001 and February 28, 2001 were combined with the Company's results of operations to report the combined pro forma results of operations for the three months ended March 31, 2001. The pro forma results of the combined company were then added to Galileo's results of operations for the three months ended March 31, 2001 and for the year ended December 31, 2000, subject to certain pro forma adjustments, to provide the Unaudited Pro Forma Condensed Combined Statements of Operations. All intercompany transactions were eliminated on a pro forma basis. Historically, Avis paid the Company for services the Company provided related to call centers and information technology and for the use of the Company's trademarks and Avis paid Galileo for services Galileo provided related to reservations for vehicle rentals.

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the disbursement of $33 in cash to Avis stockholders for each share of Avis common stock acquired. The Company made payments totaling approximately $994 million, including payments of $937 million to Avis stockholders, direct expenses of $40 million related to the transaction and the net cash obligation of $17 million related to Avis stock options settled prior to consummation. The purchase price also included the fair value of CD common stock options exchanged with certain fully-vested Avis stock options. The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the purchase price being funded by the issuance of $600 million in debt, with the remaining amount provided in cash.

The pro forma adjustments relating to the acquisition of Galileo assume a combination of a disbursement of CD common stock and cash aggregating an expected value of $33 for each share of Galileo common stock outstanding and the conversion of Galileo stock options to CD common stock options. Cendant will pay aggregate consideration and expenses totaling $3,052 million, including payments of cash and stock totaling $2,895 million to Galileo stockholders, expenses of $48 million related to the conversion of Galileo stock options to CD common stock options and estimated transaction expenses of $109 million directly related to the acquisition of Galileo.

Approximately $2,330 million of the merger consideration is expected to be funded through the issuance of CD common stock, with the remainder being financed by debt issuances. The Unaudited Pro Forma Condensed Combined Statements of Operations reflect incremental interest expense based upon an assumed rate of 7.5% for any new debt issuances. In addition, Cendant's assumption of Galileo's net debt of approximately $620 million is reflected in the Unaudited Pro Forma Condensed Combined Balance Sheet.

The unaudited pro forma financial information has been prepared assuming that the price of CD common stock is $19 on the date of the acquisition of Galileo, which reflects the market value of CD common stock on the date the planned acquisition of Galileo was announced. The purchase price may change based on fluctuations in the price of CD common stock, but is subject to a collar as described in Notes (k) and (p) to the Unaudited Pro Forma Condensed Combined Statements of Operations for the three months ended March 31, 2001 and for the year ended December 31, 2000, respectively.

In August 2000, Avis contributed its European vehicle management and leasing business ("PHH Europe") to a newly formed joint venture in exchange for cash, settlement of intercompany debt and a 20% interest in the venture (the "PHH Europe Transaction"). The accompanying Supplemental Unaudited Pro Forma Condensed Combined Statement of Operations of Avis for the year ended December 31, 2000 has been adjusted to reflect the PHH Europe Transaction.

In connection with various acquisitions, the Company intends to review acquired operations, which may result in a plan to realign or reorganize certain of those operations. The cost of implementing such a plan, if it were to occur, have not been reflected in the accompanying pro forma financial information. The impact of a potential realignment could increase or decrease the amount of goodwill and intangible assets and the related amortization in the accompanying pro forma financial information. The Unaudited Pro Forma Condensed Combined Statements of Operations exclude any benefits that might result from the acquisitions due to synergies that may be derived or from the elimination of duplicate efforts.

The Company's management believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma financial information. The Company has completed other acquisitions and dispositions which are not significant and, accordingly, have not been included in the accompanying unaudited pro forma financial information. The unaudited pro forma financial information may not be indicative of the financial position or results of operations that would have occurred if the acquisition of Avis, the planned acquisition of Galileo and the Financing Activities had been in effect on the dates indicated or which might be obtained in the future.

The unaudited pro forma financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto for the Company, Avis and Galileo, which have been incorporated by reference or included herein. Certain reclassifications have been made to the historical amounts of Galileo to conform with the Company's classification

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2001
(IN MILLIONS)

	HISTORICAL CENDANT	HISTORICAL GALILEO	PURCHASE AND OTHER ADJUSTMENTS	COMBINED PRO FORMA
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,092	$ 11	$ 986 (a)	$ 3,089
Receivables, net	1,380	271	-	1,651
Other current assets	1,030	52		1,082
Total current assets	4,502	334	986	5,822
Property and equipment, net	1,508	373	22 (c)	1,903
Stockholder litigation settlement trust	600	-	-	600
Deferred income taxes	1,358	-	-	1,358
Franchise agreements, net	1,514	-	-	1,514
Goodwill, net	4,950	300	2,313 (c)	7,563
Other intangibles, net	764	455	308 (c)	1,527
Other assets	1,738	81	14 (b)	1,833
Total assets exclusive of assets under programs	16,934	1,543	3,643	22,120
Assets under management and mortgage programs				
Relocation receivables	329	-	-	329
Mortgage loans held for sale	917	-	-	917
Mortgage servicing rights	1,667	-	-	1,667
Vehicle-related, net	7,747	-	-	7,747
	10,660	-	-	10,660
TOTAL ASSETS	$ 27,594	$ 1,543	$ 3,643	$ 32,780
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable and other current liabilities	$ 2,258	$ 287	$ -	$ 2,545
Current portion of long-term debt	267	188	1,000 (a)	1,455
Deferred income	1,046	-	-	1,046
Deferred income taxes	227	-	82 (c)	309
Total current liabilities	3,798	475	1,082	5,355
Long-term debt	3,903	434	674 (d)	5,011
Stockholder litigation settlement	2,850	-	-	2,850
Other liabilities	706	143	-	849
Total liabilities exclusive of liabilities under programs	11,257	1,052	1,756	14,065
Liabilities under management and mortgage programs				
Debt	9,589	-	-	9,589
Deferred income taxes	1,030	-	-	1,030
	10,619	-	-	10,619
Mandatorily redeemable preferred interest in a subsidiary	375	-	-	375
Stockholders' equity	5,343	491	1,887 (e)	7,721
Total liabilities and stockholders' equity	$ 27,594	$ 1,543	$ 3,643	$ 32,780

See accompanying Notes to Unaudited Pro Forma Condensed Combined Balance Sheet.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2001
(DOLLARS IN MILLIONS)

The accompanying Unaudited Pro Forma Condensed Combined Balance Sheet was prepared to reflect the planned acquisition of Galileo, which will be accounted for under the purchase method of accounting, and the issuance of zero-coupon zero-yield senior convertible notes. The purchase price of $3,052 (including $109 of estimated expenses directly attributable to the acquisition of Galileo and $48 of the estimated fair value of CD common stock options issued in exchange for Galileo stock options) was based on acquiring 100% of the Galileo common stock outstanding at $33 per share.

(a) Represents debt associated with the May 2001 issuance of the zero-coupon zero-yield senior convertible notes for gross proceeds of $1,000 (net proceeds of $986).

(b) Represents deferred financing costs of $14 associated with the May 2001 issuance of the zero-coupon zero-yield senior convertible notes.

(c) Represents the excess of the cost over the preliminary estimate of the fair value of the identifiable net assets acquired, calculated as follows:

Calculation of acquisition goodwill	
Cash consideration	$ 674
Issuance of CD common stock	2,330
Preliminary estimate of fair value of CD common stock options issued in exchange for Galileo stock options	48
Total purchase price	3,052
Preliminary estimate of fair value of identifiable net assets acquired	
Book value of Galileo	491
Elimination of Galileo goodwill	(300)
Preliminary estimate of adjustments to fair value of identifiable intangible assets	308
Preliminary estimate of adjustment to fair value of computer software	22
Deferred tax liability on fair value adjustments and transaction costs	(82)
Preliminary estimate of fair value of identifiable net assets acquired	439
Acquisition goodwill	$ 2,613
Calculation of acquisition goodwill adjustment	
Acquisition goodwill	$ 2,613
Historical Galileo goodwill	(300)
Acquisition goodwill adjustment	$ 2,313

(d) Represents the issuance of $674 of debt to finance a portion of the acquisition price ($565) and to pay fees directly associated with the acquisition ($109).

(e) Represents the issuance of CD common stock valued at $2,330 in exchange for outstanding shares of Galileo common stock, the issuance of CD common stock options valued at $48 in exchange for Galileo stock options and the elimination of Galileo equity balances aggregating $491.

UNADUITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL CENDANT	HISTORICAL AVIS JAN 1- FEB 28, 2001	AVIS PURCHASE ADJUSTMENTS	ADJUSTED CENDANT
REVENUES				
Membership and service fees, net	$ 1,076	$ 27	$ (34) (A)	$ 1,069
Vehicle-related	398	594	-	992
Global distribution services	-	-	-	-
Other	12	20	- (B)	32
Net revenues	1,486	641	(34)	2,093
EXPENSES				
Operating	451	174	(34) (A)	591
Vehicle depreciation, lease charges and interest, net	181	284	-	465
Selling, general and administrative	411	115	-	526
Non-vehicle depreciation and amortization	101	23	2 (D)	126
Other charges, net	204	-	-	204
Non-vehicle interest, net	60	78	1 (C)	139
Other, net	-	-	-	-
Total expenses	1,408	674	(31)	2,051
Net gain on dispositions of businesses	435	-	-	435
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY IN HOMESTORE.COM	513	(33)	(3)	477
Provision (benefit) for income taxes	205	(10)	(2) (E)	193
Minority interest, net of tax	13	-	-	13
Losses related to equity in Homestore.com, net of tax	18	-	-	18
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 277	$ (23)	$ (1)	$ 253
CD COMMON STOCK INCOME PER SHARE				
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
Basic	$ 0.32			$ 0.29
Diluted	0.30			0.28
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	790			790
Diluted	830			830
MOVE.COM COMMON STOCK INCOME PER SHARE				
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
Basic	$ 10.41			$ 10.41
Diluted	10.13			10.13
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	2			2
Diluted	3			3

	HISTORICAL GALILEO	GALILEO PURCHASE ADJUSTMENTS	COMBINED PRO FORMA
REVENUES			
Membership and service fees, net	$ -	$ -	$ 1,069
Vehicle-related	-	-	992
Global distribution services	443	(3) (F)	440
Other	23	-	55
Net revenues	466	(3)	2,556
EXPENSES			
Operating	104	(3) (F)	692
Vehicle depreciation, lease charges and interest, net	-	-	465
Selling, general and administrative	191	-	717
Non-vehicle depreciation and amortization	67	(4) (G)	189
Other charges, net	-	-	204
Non-vehicle interest, net	10	13 (H)	162
Other, net	4	-	4
Total expenses	376	6	2,433
Net gain on dispositions of businesses	-		435
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST			

AND EQUITY IN HOMESTORE.COM	90	(9)	558
Provision (benefit) for income taxes	40	(3)(I)	230
Minority interest, net of tax	-		13
Losses related to equity in Homestore.com, net of tax	-		18
	-----	----	-------
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 50	$ (6)	$ 297
	=====	====	=======
CD COMMON STOCK INCOME PER SHARE			
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
Basic			$ 0.30 (K)
Diluted			0.29 (K)
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic		123 (J)	913
Diluted		123 (J)	953
MOVE.COM COMMON STOCK INCOME PER SHARE			
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
Basic			$ 10.41
Diluted			10.13
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic			2
Diluted			3

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following pro forma adjustments relate to the acquisition of Avis and the Financing Activities.

(a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.

(b) Represents the elimination of the Company's earnings attributable to its investment in Avis for which the combined effect is zero.

(c) Represents interest expense on debt issued to finance the acquisition of Avis ($7), net of the amortization of the fair value adjustment on acquired debt ($4) and the reversal of Avis' amortization of debt-related costs ($2).

(d) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years, net of the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of purchase price on a straight-line basis over 20 years.

(e) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 38.5% (not including adjustments for non-deductible goodwill).

The following pro forma adjustments relate to the acquisition of Galileo.

(f) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.

(g) Represents the amortization of goodwill generated on the estimated excess of fair value over the net assets acquired on a straight-line basis over 40 years ($16) and the amortization of the estimated identifiable intangibles on a straight-line basis with lives ranging from 5 to 20 years ($11), net of the reversal of Galileo's amortization of pre-acquisition goodwill and other identifiable intangibles ($31).

(h) Represents interest expense relating to the assumed issuance of debt used to finance a portion of the acquisition of Galileo. Assuming interest rates changed by .125%, the related interest expense and pre-tax impact on earnings would be $0.2.

(i) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 38.5% (not including adjustments for non-deductible goodwill).

(j) Represents the issuance of 123 million shares of CD common stock used to fund a portion of the acquisition of Galileo.

(k) The purchase price is subject to a collar for fluctuations in the price of CD common stock between $17 and $20. The total purchase price is fixed for price fluctuations between $17 and $20, but the number of shares of CD common stock to be issued will change to equal $2,330 in value. The impact on earnings per share is approximately $.002 for each dollar movement between $17 and $20. The impact for fluctuations outside the collar would result only from changes in the annual goodwill amortization as the number of shares of CD common stock to be issued is fixed outside the collar. The related impact on earnings per share would be less than $.002 for each dollar movement outside the collar. The earnings per share reflected herein is based on an estimated price of CD common stock of $19, which reflects the market value of CD common stock on the date the planned acquisition of Galileo was announced.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL CENDANT	ADJUSTED AVIS(*)	AVIS PURCHASE ADJUSTMENTS
REVENUES			
Membership and service fees, net	$4,512	$ 155	$ (173)(a)
Vehicle-related	--	3,783	--
Global distribution services	--	--	--
Other	147	151	(39)(b)
Net revenues	4,659	4,089	(212)
EXPENSES			
Operating	1,426	966	(173)(a)
Vehicle depreciation, lease charges and interest, net	--	1,671	--
Selling, general and administrative	1,508	637	--
Non-vehicle depreciation and amortization	352	74	16(c)
Other charges, net	111	--	--
Non-vehicle interest, net	148	482	6(e)
Other, net	--	--	--
Total expenses	3,545	3,830	(151)
Net loss on dispositions of businesses	(8)	--	(35)(e)
Income before income taxes, minority interest and equity in Homestore.com	1,106	29	(96)
Provision for income taxes	362	117	(30)(f)
Minority interest, net of tax	84	7	--
Income before extraordinary loss and cumulative effect of accounting change	$ 660	$ 135	$ (66)
CD COMMON STOCK INCOME PER SHARE			
INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
Basic	$ 0.92		
Diluted	0.89		
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	724		
Diluted	762		
MOVE.COM COMMON STOCK INCOME PER SHARE			
INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
Basic	$(1.76)		
Diluted	(1.76)		
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	3		
Diluted	3		

	OTHER PRO FORMA ADJUSTMENTS	ADJUSTED CENDANT	HISTORICAL GALILEO	GALILEO PURCHASE ADJUSTMENTS	COMBINED PRO FORMA
REVENUES					
Membership and service fees, net	$ --	$ 4,494	$ --	$ --	$ 4,494
Vehicle-related	--	3,783	--	--	3,783
Global distribution services	--	--	1,561	(12)(k)	1,549
Other	--	259	82	--	341
Net revenues	--	8,536	1,643	(12)	10,167
EXPENSES					
Operating	--	2,219	368	(12)(i)	2,575
Vehicle depreciation, lease charges and interest, net	--	1,671	--	--	1,671
Selling, general and administrative	--	2,145	678	--	2,823
Non-vehicle depreciation and amortization	--	442	241	2(l)	685
Other charges, net	--	111	28	--	139
Non-vehicle interest, net	54(g,i)	690	45	51(m)	786
Other, net	--	--	17	--	17
Total expenses	54	7,278	1,377	41	8,696
Net loss on dispositions of businesses	--	(43)	--	--	(43)
Income before income taxes, minority interest and equity in Homestore.com	(54)	1,215	266	(53)	1,428

Provision for income taxes	(20)(f)	429	117	(13)(n)	533
Minority interest, net of tax	(66)(h)	25	--	--	25
Income before extraordinary loss and cumulative effect of accounting change	$ 32	$ 761	$ 149	$ (40)	$ 870
CD COMMON STOCK INCOME PER SHARE					
INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE					
Basic		$ 0.92			$ 0.92(p)
Diluted		0.90			0.89 (p)
WEIGHTED AVERAGE SHARES OUTSTANDING					
Basic	107(j)	831		123(o)	954
Diluted	107(j)	869		123(o)	992
MOVE.COM COMMON STOCK INCOME PER SHARE					
INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE					
Basic		$ (1.76)			$ (1.76)
Diluted		(1.76)			(1.76)
WEIGHTED AVERAGE SHARES OUTSTANDING					
Basic		3			3
Diluted		3			3

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(*) See Supplemental Unaudited Condensed Combined Statemend of Operation and Notes included herein.

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

The following pro forma adjustments relate to the acquisition of Avis and the Financing Activities.

(a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.

(b) Represents the elimination of the Company's earnings attributable to its investment in Avis.

(c) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years, net of the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of purchase price on a straight-line basis over 20 years.

(d) Represents interest expense on debt issued to finance the acquisition of Avis ($44), net of amortization of the fair value adjustment on acquired debt ($23) and the reversal of Avis' amortization of debt related costs ($13).

(e) Represents the reversal of a gain of $35 million recorded by the Company, which represents the recognition of a portion of its previously recorded deferred gain from the 1999 sale of its fleet business due to the disposition of PHH Europe by Avis in August 2000.

(f) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill), except Note (e) above where the tax effect was approximately 2%, which represented the rate at which taxes were provided on the related gain.

(g) Represents interest expense relating to the issuance of the zero-coupon convertible notes, medium-term notes, borrowing under a $650 million term loan agreement and the repayment of an existing term loan, net of interest expense allocated to the acquisition of Avis (See Note (d) above).

(h) Represents the reduction in preferred stock dividends resulting from the conversion of the PRIDES to CD common stock.

(i) No adjustment has been made to reduce interest expense for interest income on the incremental cash of $1,587 raised through the Financing Activities. Assuming the incremental cash was invested at 5%, which represents the Company's current rate for cash investments, interest expense would have been reduced by $79. Additionally, income before extraordinary loss and cumulative effect of accounting change and income per share before extraordinary loss and cumulative effect of accounting change would have improved by $49 and $0.06, respectively.

(j) Represents the issuance of CD common stock of 61 million shares and 46 million shares relating to the conversion of PRIDES to CD common stock and the issuance of CD common stock, respectively.

The following pro forma adjustments relate to the acquisition of Galileo.

(k) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.

(l) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years ($65) and the amortization of the estimated identifiable intangibles on a straight-line basis with lives ranging from 5 to 20 years ($46), net of the reversal of Galileo's amortization of pre-acquisition goodwill and other identifiable intangibles ($109).

(m) Represents interest expense relating to the assumed issuance of debt used to fund the acquisition of Galileo. Assuming interest rates changed by .125%, the related interest expense and pre-tax impact on earnings would be $0.8.

(n) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill).

(o) Represents the issuance of 123 million shares of CD common stock used to fund a portion of the acquisition of Galileo.

(p) The purchase price is subject to a collar for fluctuations of the price of CD common stock between $17 and $20. The total purchase price is fixed for price fluctuations between $17 and $20, but the number of shares of CD common stock to be issued will change to equal $2,330 in value. The impact on earnings per share is approximately $.006 for each dollar movement between $17 and $20. The impact for fluctuations outside the collar would result only from changes in the annual goodwill amortization as the number of shares of CD common stock to be issued is fixed outside the collar. The related impact on earnings per share would be less than $.007 for each dollar movement outside the collar. The earnings per share reflected herein is based on an estimated price of CD common stock of $19, which reflects the market value of CD common stock on the date the planned acquisition of Galileo was announced.

SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS)

The following unaudited pro forma financial information was prepared to reflect the historical consolidated financial statements of Avis, excluding the PHH Europe Transaction. Avis will receive an annual license fee in connection with the PHH Europe Transaction from the joint venture for the license of the PHH fleet management technology, PHH interactive. Avis utilized the proceeds of the PHH Europe Transaction to reduce their indebtedness and to pay transaction costs.

	HISTORICAL AVIS	SALE OF PHH EUROPE(A)	PRO FORMA ADJUSTMENTS	ADJUSTED AVIS
REVENUES				
Service fees, net	$ 241	$ (86)	$ --	$ 155
Vehicle rental	2,467	--	--	2,467
Vehicle leasing and other fees	1,389	(73)	--	1,316
Other	146	--	5(b)	151
Net revenues	4,243	(159)	5	4,089
EXPENSES				
Operating	966	--	--	966
Vehicle depreciation and lease charges	1,695	(224)	--	1,671
Selling, general and administrative	693	(56)	--	637
Interest, net	577	(37)	(58)(c)	482
Depreciation and amortization	89	(12)	(3)(d)	74
Total expenses	4,020	(129)	(61)	3,830
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	223	(30)	66	259
Provision (benefit for income taxes	95	(3)	25(e)	117
Minority interest	7	--	--	7
INCOME (LOSS) BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 121	$ (27)	$ 41	$ 135

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS)

(a) Represents adjustments to pro forma the results of operations of PHH Europe, assuming that the PHH Europe Transaction occurred on January 1, 2000.

(b) Represents fleet management technology fee income and the equity in the earnings of the joint venture formed pursuant to the PHH Europe Transaction, net of the amortization of the excess of cost over the assets acquired.

(c) Represents a reduction in interest expense resulting from the retirement of acquisition debt and revolving credit facilities related to the application of proceeds of $1,053 from the PHH Europe Transaction.

(d) Represents a decrease in amortization expense relating to goodwill generated from the PHH Europe Transaction, net of the reversal of PHH Europe goodwill.

(e) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 39% (not including adjustments for non-deductible goodwill).