

Press Release

Ancillary Revenue reported by airlines grew to €15.11 billion in 2010 and has almost doubled since 2008

Analysis from IdeaWorks, sponsored by Amadeus, reveals that United, Continental, Delta, American and Qantas are top ancillary revenue carriers for 2010.

Amadeus announces 16 contracts with airlines for its Ancillary Services solution.

Madrid, Spain & Shorewood, Wisconsin, USA, 31 May 2011, – Strong revenue from baggage fees and co-branded credit cards placed US carriers in the first, second, and third slots, as revealed in the annual **Amadeus Review of Ancillary Revenue Results**, launched today.

IdeaWorks, the foremost consultancy in the area of airline ancillary revenues, with support from Amadeus, a leading travel technology partner for the global travel and tourism industry, has researched the financial filings made by 104 airlines all over the world to identify examples of ancillary revenue¹. In 2007, only 23 airlines worldwide disclosed ancillary revenue activity - a modest result of €1.72 billion (\$2.45 billion). The world has changed dramatically in four years with 47 carriers disclosing 2010 ancillary revenue activity of €15.11 billion (\$21.46 billion). This represents ancillary revenue growth of 38% over 2009 and 96% since 2008. The amount listed by 47 carriers comes close to the €18.4 billion projected by IdeaWorks in autumn 2010 as the ancillary revenue associated with a global list of 150 carriers.

Two trends are obvious from the review of the financial disclosures made by airlines for the 2010 **Amadeus Review of Ancillary Revenue Results**. First, airlines already engaged in ancillary revenue activities are bringing more products to market. This occurs through the introduction of new à la carte features and the inclusion of distribution methods beyond the carrier's website. Second, many of these airlines are becoming savvy retailers. Branding has been emphasised, pricing is more sophisticated, and an increasing number of features are presented during the booking process.

¹ The figures in this release relate to the revenue earned by the 47 airlines which disclosed some type of ancillary revenue activity in 2010 including à la carte, or unbundled, services, commission-based services – such as hotel or car rental bookings – and other ancillary services revenue from co-branded credit cards, loyalty programs and other activities.

“Ancillary revenue has become an enduring part of airline income statements, as revealed by this study,” says Ian Wheeler, Amadeus VP Marketing and Distribution. “True financial success for airlines is boosted when these services are available through online, travel agency, and corporate travel distribution channels. That’s why we are seeing growing momentum behind Amadeus Ancillary Services solution, which helps carriers sell à la carte ancillary services on their website, call centre and via travel agencies. Sixteen airlines have signed up for the solution and we are continuing to evolve the product functionality.”

Annual Financial Disclosures of Ancillary Revenue			
2010 Results Posted by 47 Airlines €15.11 billion (\$21.46 billion)	2009 Results Posted by 47 Airlines €10.95 billion (\$13.47 billion)	2008 Results Posted by 35 Airlines €7.68 billion (\$10.25 billion)	2007 Results Posted by 23 Airlines €1.72 billion (\$2.45 billion)
<i>Annual results are associated with a fiscal period that has ended in the year indicated.</i>			

Research carried out by IdeaWorks shows that ancillary revenue has definitely grown beyond its low cost airline beginnings. The oil price peak of 2008 caused huge losses and prompted US airlines to start charging travellers for checked baggage. Ultimately, the ripple effect of these fees has eased the path for more airlines to consider à la carte additions and catalysed a stunning increase of 778% since 2007.

The list of top players in 2007 was dominated by carriers such as Ryanair, easyJet, and Aer Lingus. Since then, large carriers have learned how to generate large ancillary revenue numbers. Continental disclosed its ancillary revenue results for the first time when it merged with United. The combination has created an ancillary revenue giant with annual results in excess of €3.5 billion, or nearly \$5 billion (based on current excess rates). Ancillary revenue tables expressed in US dollars are provided at the end of this press release.

Top 10 Airlines – Total Ancillary Revenue (euros)			
Annual Results – 2010		Annual Results – 2009	
€ 3,530,000,000	United Continental	€ 1,527,310,000	United
€ 2,612,200,000	Delta	€ 1,507,750,000	American
€ 1,379,524,000	American	€ 1,117,120,500	Delta
€ 1,087,268,000	Qantas	€ 782,903,000	Qantas
€ 834,492,000	US Airways	€ 663,600,000	Ryanair
€ 801,600,000	Ryanair	€ 608,796,693	easyJet
€ 654,824,400	easyJet	€ 540,589,500	US Airways
€ 426,240,000	Emirates	€ 534,143,000	Air Canada
€ 390,065,000	Alaska Airlines	€ 368,869,000	Alaska Airlines
€ 359,489,220	TAM Airlines	€ 356,742,400	TAM Airlines
<i>2010 carrier results were based upon recent 12-month financial period disclosed which may have ended during 2010 or 2011.</i>			

Second place Delta has embraced ancillary revenue as evidenced by the spread of baggage fees to transatlantic routes, and à la carte fees associated with in-flight Wifi, on-demand movies, onboard dining, and SkyClub lounge passes. The big jump for 2010 can largely be attributed to more thorough financial disclosure of à la carte activity in its annual report and more SkyMiles programme revenue. The carrier disclosed revenue from the sale of various à la carte activities generated \$2.1 billion during 2010 with an additional \$1.6 billion from its SkyMiles frequent flier programme. IdeaWorks includes the sale of miles or points to partners as ancillary revenue activity.

Qantas disclosed “ancillary revenue” of A\$334 million (€252 million) from traditional à la carte sources. However, it is the Qantas Frequent Flyer Programme that really piles on the profits. Revenue posted by the programme was A\$1.108 billion (€835 million) for 2010. Points in the programme have seemingly gained the status of official currency through partnerships with major Australian retailers and banks. With 7.2 million members, that’s a stunning A\$154 (€116) for every programme member.

Ancillary revenue as a percentage of total revenue provides a better measure of ancillary aggressiveness and marketing acumen. This method of measurement allows low-cost carriers to dominate the top-10 list for 2009 and 2010.

Top 10 Airlines – Ancillary Revenue as a % of Total Revenue			
Annual Results – 2010		Annual Results – 2009	
29.2%	Allegiant	29.2%	Allegiant
22.6%	Spirit	23.9%	Spirit
22.1%	Ryanair	22.2%	Ryanair
21.0%	Jet2.com	19.4%	easyJet
20.5%	Tiger Airways	19.4%	Tiger Airways
19.2%	easyJet	18.1%	Jet2.com
18.7%	AirAsia	14.4%	Aer Lingus
18.1%	AirAsia X	13.3%	Alaska Airlines
15.7%	Flybe	13.2%	Flybe
14.7%	United Continental	13.1%	AirAsia

Currency exchange based upon rates in effect for 2011 and 2010. 2010 carrier results were based upon recent 12-month financial period disclosed which may have ended during 2010 or 2011.

These airlines are known for low fares and thus it is easier for ancillary revenue to represent a larger piece of the total revenue picture. They earn ancillary revenue through the complete array of à la carte activity. Consumers benefit from a menu-based approach. Rock bottom prices are possible for those who only travel with a carry-on bag, opt for non-assigned seating, and bring their own food and drink onboard.

Ten years ago Michael O’Leary, CEO of Ryanair, expressed the desire for ancillary revenue to eventually replace the need to charge air fare.² The results on the table suggest this objective may top out at 30%; the best performers achieve rates of 20 to 29%. Ancillary revenue certainly helps the bottom line and definitely reduces the pain of high fuel prices. But its ability to eliminate air fares remains elusive for Ryanair and the airline industry.

Ancillary revenue expressed on a per passenger basis is another method to rank the ability of airlines to unbundle the fare.

Top 10 Airlines – Ancillary Revenue per Passenger (euros)			
Annual Results – 2010		Annual Results – 2009	
€ 29.45	AirAsia X	€ 24.89	Allegiant
€ 26.24	Qantas	€ 22.51	Jet2.com
€ 24.23	United Continental	€ 22.35	Spirit
€ 24.20	Jet2.com	€ 20.37	Qantas
€ 23.20	Allegiant	€ 18.76	United
€ 17.76	Spirit	€ 17.23	Air Canada
€ 17.67	Aer Lingus	€ 16.72	Aer Lingus
€ 16.72	Alaska Airlines	€ 16.47	Alaska Airlines
€ 16.06	Delta	€ 14.43	American
€ 14.84	Flybe	€ 13.47	easyJet

Currency exchange based upon rates in effect for 2011 and 2010. 2010 carrier results were based upon recent 12-month financial period disclosed which may have ended during 2010 or 2011.

AirAsia X has jumped to €29.45 (ancillary revenue per passenger) in 2010 from last year’s result of €17.07. The result posted by AirAsia X demonstrates that travellers on long flights tend to spend more online and while onboard. Consumers have embraced the long-haul - à la carte concept; the carrier’s continued growth and planned share offering are signs of this success.

The strong showing by a merged United and Continental is a significant development for 2010. United has been hard at work for years perfecting its à la carte product offer under the Travel Options by United brand name. Continental has been innovating too and added fare lock and extra legroom seating options during 2010. IdeaWorks estimates the combined revenue from the sale of United Mileage Plus and Continental OnePass miles was approximately \$3 billion (€2.1 billion) for 2010. Synchronising the ancillary revenue efforts of these two airlines will undoubtedly produce higher results for 2011.

Ancillary revenue offers a broad appeal to virtually every type of carrier. It is a revenue art practiced by global airlines known for luxurious first class suites such as Emirates and carriers that sell a bare bones product of a seat with a 30-inch pitch such as Ryanair.

² “Flying for ‘free’ on Ryanair” article dated 13 May 2001 at BBC.co.uk.

Amadeus unveils 16 contracts with airlines and ground-breaking updates to its Ancillary Services solution

Sixteen airlines have signed up for Amadeus Airline Ancillary Services, of which nine will implement the solution both for the online and the travel agency channels. Two of those airlines – Cimber and Corsairfly – are live and in production, selling ancillary services on their websites and via travel agencies in Denmark, France, Norway and Sweden. Amadeus aims to enable travel agencies in 15 countries to sell ancillary services on behalf of airlines by the end of 2011.

“Amadeus Ancillary Services now provides travel agents with a fully competitive content comparable to that of the airline’s own website. It removes our need to differentiate between channels which will undoubtedly broaden the appeal of our travel services. We are thrilled to use this solution as it clearly benefits all parties involved”, says Carsten Jensen, Director Business System & Industry Relations at Cimber Sterling.

“At Amadeus, we are committed to helping airlines adapt and evolve their ancillary services strategy so that they can move their focus from pure revenue to delivering profitability”, says Julia Sattel, Amadeus VP Airline IT. “Whilst the sale of ancillary services may have become standard, the processes are not, and non-standard processes can be costly. Our goal is therefore to deliver end-to-end, fully integrated and automated solutions across all airline operations and processes; as the benefits are clear.”

Amadeus has developed a unique interactive catalogue which clearly displays the range of additional airline services available allowing travel agencies to view, book and up-sell ancillary services quickly and efficiently. The catalogue has been launched in cryptic so that travel agents who prefer to use the long-standing GDS interface can also sell ancillary services on behalf of airlines.

Airlines can drive loyalty with their top customers and maximise the value in their loyalty programmes by pricing à la carte services according to Frequent Flyer status. Airlines using the Altéa Customer Management Solution (CMS) can now automatically cancel services which are not ticketed within a time limit and make them available for other passengers to book. This helps airlines maximise their revenue.

Airlines using the Altéa CMS can also ensure that bad weather does not disrupt their ancillary revenues: if a flight is cancelled, the ancillary service is automatically rebooked for passengers when they are placed on another flight. Carriers on Altéa Departure Control System (DCS) can also now price and collect payment of excess baggage at check-in desks.

The following tables reflect actual dollar disclosures by US-based airlines. All other financial disclosures have been converted to US dollars using rates in effect for 2010 and 2009. Carrier rankings remain the same as euro-based tables but year over year changes for individual carriers will be different due to exchange rate fluctuations.

Top 10 Airlines – Total Ancillary Revenue (US\$)			
Annual Results – 2010		Annual Results – 2009	
\$5,000,000,000	United Continental	\$1,878,610,086	United
\$3,700,000,000	Delta	\$1,854,551,046	American
\$1,954,000,000	American	\$1,374,071,956	Delta
\$1,532,846,000	Qantas	\$962,980,320	Qantas
\$1,182,000,000	US Airways	\$816,236,162	Ryanair
\$1,130,256,000	Ryanair	\$748,827,421	easyJet
\$926,239,400	easyJet	\$664,931,734	US Airways
\$603,840,000	Emirates	\$657,002,460	Air Canada
\$552,500,000	Alaska Airlines	\$453,713,407	Alaska Airlines
\$509,069,792	TAM Airlines	\$378,840,000	TAM Airlines

Currency exchange based upon rates in effect for 2011 and 2010. 2010 carrier results were based upon recent 12-month financial period disclosed which may have ended during 2010 or 2011.

Top 10 Airlines – Ancillary Revenue per Passenger (US\$)			
Annual Results – 2010		Annual Results – 2009	
\$41.60	AirAsia X	\$30.61	Allegiant
\$37.00	Qantas	\$27.69	Jet2.com
\$34.32	United Continental	\$27.50	Spirit
\$34.24	Jet2.com	\$25.05	Qantas
\$32.86	Allegiant	\$23.07	United
\$25.16	Spirit	\$21.19	Air Canada
\$24.91	Aer Lingus	\$20.57	Aer Lingus
\$23.68	Alaska Airlines	\$20.26	Alaska Airlines
\$22.75	Delta	\$17.75	American
\$20.99	Flybe	\$16.57	easyJet

Currency exchange based upon rates in effect for 2011 and 2010. 2010 carrier results were based upon recent 12-month financial period disclosed which may have ended during 2010 or 2011.

See blog post on the Amadeus Review on Ancillary Revenue by Jay Sorensen:
<http://www.amadeus.com/blog/31/05/ancillary-revenue-growth-is-seemingly-unstoppable>

Please note: Amadeus and IdeaWorks will release a 50-page compilation of results and overall rankings from the 47 disclosing airlines during summer 2011.

Disclosure: IdeaWorks makes every effort to ensure the quality of the information in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. IdeaWorks cannot guarantee, and assumes no legal liability or responsibility for the accuracy, currency or completeness of the information.

Notes to the editors

Amadeus is a leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry.

Customer groups include **travel providers** (e.g. airlines, hotels, rail, ferries, etc.), **travel sellers** (travel agencies and websites), and **travel buyers** (corporations and individual travelers).

The group operates a **transaction-based business model** and processed 850 million billable travel transactions in 2010.

Amadeus has central sites in Madrid (corporate headquarters and marketing), Nice (development) and Erding (Operations – data processing centre) and regional offices in Miami, Buenos Aires, Bangkok and Dubai. At a market level, Amadeus maintains customer operations through 73 local Amadeus Commercial Organisations covering 195 countries.

Amadeus is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and trades under the symbol “AMS.MC”. For the year ended 31 December 2010, the company reported revenues of EUR 2,683 million and EBITDA of EUR 1,015 million. The Amadeus group employs over 10,130 employees worldwide, with 123 nationalities represented at the central offices.

To find out more about Amadeus please go to www.amadeus.com.

To visit the Amadeus Investor Relations centre please go to www.investors.amadeus.com.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, partner-marketing strategies, cost reduction programmes and business restructuring. Learn more at IdeaWorksCompany.com.

Contact details

Jay Sorensen
For inquiries: 414-961-1939
Jay “at” IdeaWorksCompany.com

Amadeus
Corporate Communication
tel: +34 91 582 0160
fax : +34 91 582 0188
e-mail : mediarelations@amadeus.com