



Press release



Airline ancillary revenue projected to reach \$36.1 billion worldwide in 2012

The Amadeus worldwide estimate of ancillary revenue forecasts an 11.3% increase, surpassing \$3.6 billion in new receipts.

Madrid, Spain & Shorewood, Wisconsin, 29 October, 2012: Today, IdeaWorksCompany, the foremost consultancy in the area of airline ancillary revenue and Amadeus, a leading travel technology partner for the global travel industry, announce the results of The **Amadeus Worldwide Estimate of Ancillary Revenue**, which projects that airline ancillary revenue will reach \$36.1 billion worldwide in 2012.

Earlier this year, Amadeus and IdeaWorksCompany reported the ancillary revenue disclosed by 50 airlines for 2011. These statistics were applied to a larger list of 176 airlines to provide a truly global projection of ancillary revenue activity by the world's airlines in 2012. The **Amadeus Worldwide Estimate of Ancillary Revenue** marks the third year Amadeus and IdeaWorksCompany have offered a projection of global ancillary revenue activity.

Ancillary revenue is generated by additional activities that yield revenue for airlines beyond the core movement of customers from A to B. This wide range of activities includes: commissions gained for hotel bookings, the sale of frequent flyer miles to partners and the provision of a la carte services, which provide increased consumer choice.

Worldwide Estimate of Ancillary Revenue		
2012 Estimate \$36.1 billion (5.4% of Global Airline Revenue of \$667 billion)	2011 Estimate \$32.5 billion (5.6% of Global Airline Revenue of \$577 billion)	2010 Estimate \$22.6 billion (4.8% of Global Airline Revenue of \$474 billion)
<i>Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.</i>		

Holger Taubmann, Senior Vice President, Distribution, Amadeus commented: "It's encouraging to see ancillary revenue growing at over 11% this year which demonstrates the significant commercial potential for airlines. However, to capitalise on this, it is imperative that airlines adopt a multichannel approach, accessing the opportunity presented by in-direct travel agency sales of ancillary services. At Amadeus, helping airlines to benefit from the ancillary opportunity remains a top priority and we are now working with the 53 airlines which have chosen Amadeus Airline Ancillary Services to drive their ancillary revenue strategy."

Julia Sattel, Senior Vice President, Airline IT, Amadeus, added: “To power the sale of ancillary services, it’s paramount that airlines adopt the Electronic Miscellaneous Document (EMD which provides industry standardisation. Amadeus has been at the forefront of driving industry adoption of EMD, being the first Global Distributor to issue an EMD through the travel agency channel. We are committed to supporting our customers by deploying standards-based solutions that properly allow them to maximise the opportunity presented by ancillary services. In the first half of 2012, Amadeus issued 4.88 million EMDs. This is testament to the importance of ancillary services in driving revenues and supporting growth.”

The IdeaWorksCompany analysis performed earlier this year revealed natural groupings (or categories) based upon a carrier’s ability to generate ancillary revenue. The “percentage of revenue” results associated with four defined categories has been applied to a worldwide list of operating revenue disclosed by 176 airlines.¹ The following describes the four categories:

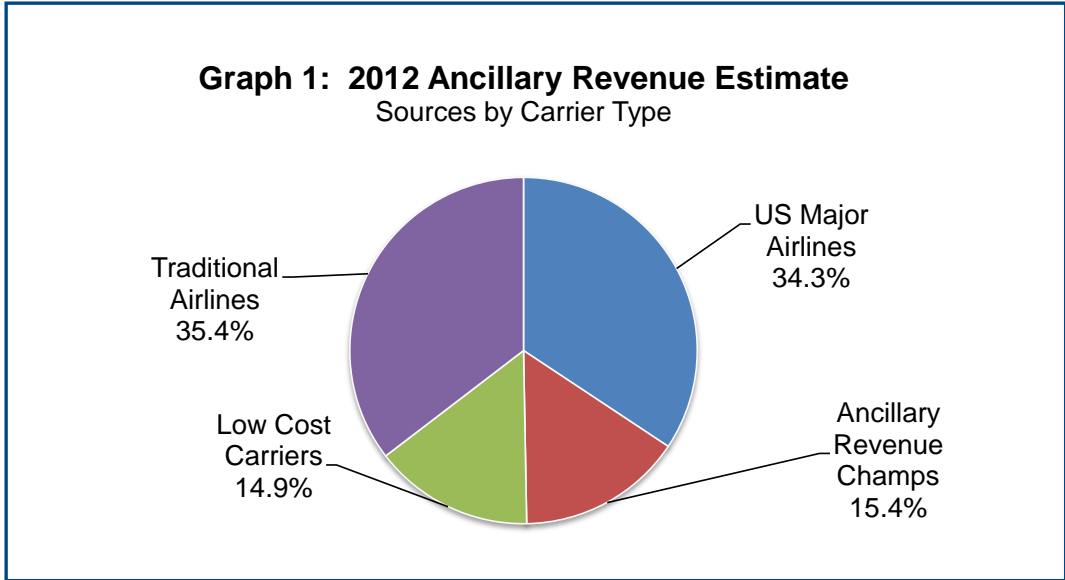
- **Traditional Airlines.** This category represents a catch-all for the largest number of carriers. Ancillary revenue activity may consist of fees associated with excess or heavy bags and limited partner activity for a frequent flier program. The average percentage of revenue remained at 2.9%. Examples include Air Canada, Copa, Etihad, Finnair, and South African Airways.
- **Major US Airlines.** US-based majors generate strong ancillary revenue through a combination of frequent flier revenue and baggage fees. The percentage of revenue for this group was 10.1%, which is a drop from the 2011 rate of 11.9%. Examples include Alaska, American, and United.
- **Ancillary Revenue Champs.** These carriers generate the highest activity as a percentage of operating revenue. The percentage of revenue achieved by this group was 19.7%, which is down slightly from 19.8% for 2011. Examples include AirAsia, Allegiant Air, easyJet, and Spirit Airlines.
- **Low Cost Carriers.** LCCs throughout the world typically rely upon a mix of a la carte fees to generate good levels of ancillary revenue. The percentage of revenue for this group was 7.2% and is above last year’s 6.5%. Examples include Jazeera Airways, JetBlue, Norwegian, Pegasus, Southwest, and GOL.

Amadeus Worldwide Estimate of Ancillary Revenue			
Airline Category	2012 Ancillary Revenue	2011 Ancillary Revenue	Increase
Traditional Airlines	\$12.788 billion	\$10.933 billion	17.0%
US Major Airlines	\$12.399 billion	\$12.496 billion	-0.8%
Ancillary Revenue Champs	\$5.555 billion	\$4.256 billion	30.5%
Low Cost Carriers	\$5.376 billion	\$4.765 billion	12.8%
Worldwide Totals	\$36.1 billion	\$32.5 billion	11.3%

Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.

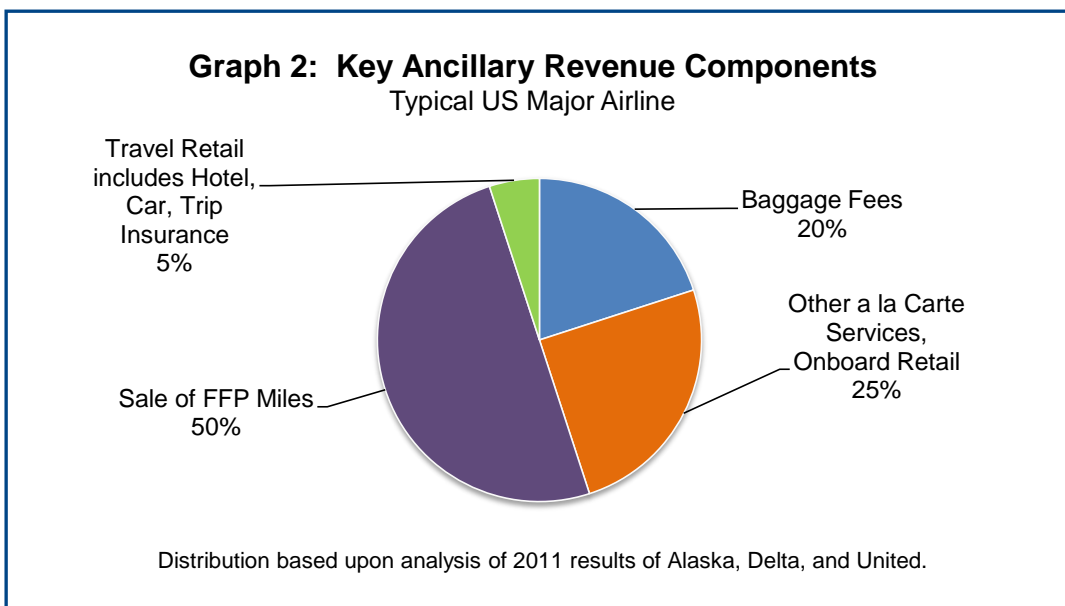
¹Operating revenue results were drawn from the World Airline Report published in the July 2012 issue of *Air Transport World* and the World Airline Rankings in the August 2012 issue of *Airline Business*. Additional sources were used, such as disclosures made at airline websites, to complete the list of 176 airlines. Adjustments were made to prevent duplicate reporting associated with regional affiliates. Pure cargo carriers, such as FedEx and UPS Airlines, were not included. Airlines are assigned to specific categories each year based upon an assessment of a carrier’s ancillary revenue profile.

The US Major Airlines category produces a significant share of global ancillary revenue (see Graph 1). The \$12.4 billion result (34.3% of the global total) is generated by just six airlines: Alaska Airlines, American, Delta, Hawaiian, United, and US Airways. The category decreased this year largely because Delta redefined how it discloses ancillary revenue results; the carrier now excludes revenue from some aviation-related businesses.

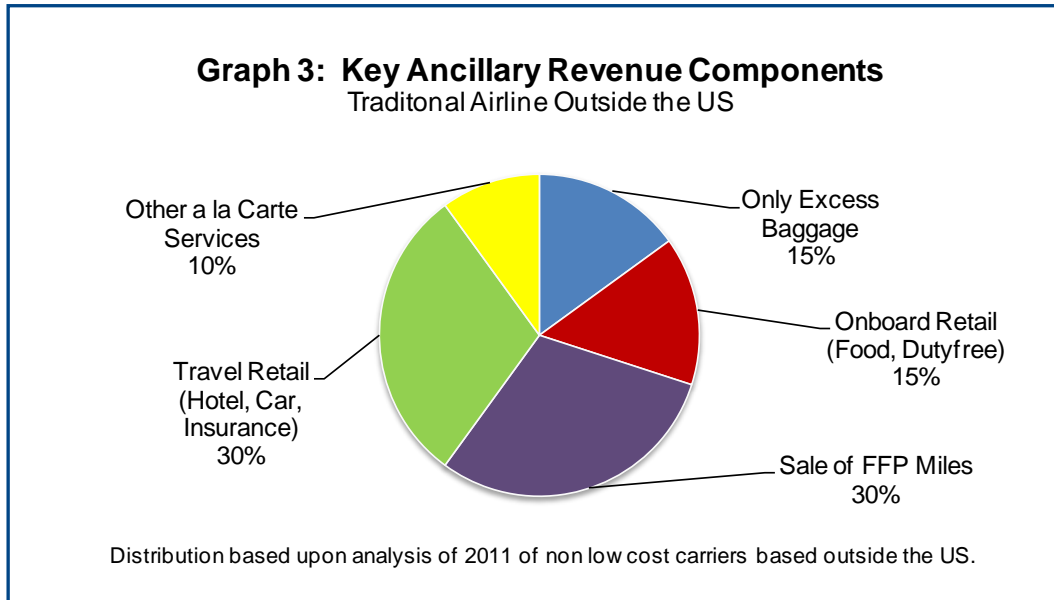


IdeaWorksCompany believes the majority of ancillary revenue for US major airlines is generated by the sale of frequent flier miles (see Graph 2) notably those linked to airline credit cards. This financial activity exceeds \$6 billion annually in the US alone. Baggage fees for US carriers represent approximately 20% of their ancillary receipts. The remaining revenue is produced by an array of a la carte and commission-based products.

Other sources include onboard sales of food, beverages, Wifi, and commissions from hotel bookings. In addition, airlines offer an ever-increasing selection of services that add to traveler convenience such as priority security screening, early boarding, exit row seat assignments, and single visit access to airport lounges.



The Traditional Airline Category (for carriers outside the US) is the largest piece of the pie at \$12.8 billion (35.4% of the global total). The revenue profile for these carriers (see Graph 3) also relies upon the sale of frequent flier miles to partners such as the banks that issue airline credit cards. Baggage revenue is most likely limited to excess bag charges, as only a few of these airlines charge for the first piece.



The Low Cost Carriers and Ancillary Revenue Champs categories feature a diverse array of revenue from optional services and commission-based products. These carriers have the lowest level of revenue produced by frequent flier program activity. Their co-branded credit card portfolios are younger and smaller; revenue levels usually don't match those associated with long-established airlines.

North America continues to lead all other regions largely due to its large market size and how thoroughly airlines have embraced ancillary revenue methods. Revenue results are projected to dip largely due to the methodology change described earlier for Delta. Concurrently, baggage fee revenue disclosed by airlines to the US Department of Transportation has dropped. Some of this is due to increased fee waivers for travellers with elite frequent flier status and travellers checking fewer bags. However, a meaningful amount of baggage revenue (not typically disclosed by carriers) is now generated by the fees paid by banks that issue credit cards. These banks make payments to the airlines for the provision of "first bag free" benefits associated with a growing number of airline credit cards.

Ancillary Revenue Estimates by World Region			
World Region	2012 Ancillary Revenue	2011 Ancillary Revenue	Increase
North America	\$15.614 billion	\$14.933 billion	4.6%
Europe	\$10.077 billion	\$9.021 billion	11.7%
Asia / Pacific	\$7.606 billion	\$6.269 billion	21.3%
Africa / Middle East	\$1.733 billion	\$1.392 billion	24.5%
Latin America / Caribbean	\$1.087 billion	\$0.835 billion	30.2%

Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.

Activity elsewhere in the world should demonstrate significant increases ranging from 11.7% for Europe to 30.2% for Latin America and the Caribbean.

“The majority of the 11.3% increase can be attributed to increased passenger revenue posted by airlines all over the globe,” says Jay Sorensen, President, IdeaWorksCompany. “Low cost carriers will also contribute to the increase as they boost their ancillary revenue to higher levels through more products and better marketing. The next surge of activity will occur when the sale of optional extras becomes more prevalent in the automated booking systems used by travel agents. Look for airlines to become better retailers through all distribution channels during the next three years.”

Despite the International Air Transport Association (IATA) revising its projection of airline profitability up by \$1.1 billion² for 2012 to an expected total of \$4.1 billion, the operating environment remains challenging. The current situation has made ancillary revenue more attractive, and needed, for airlines all over the world.

If airlines were to forego the revenue contribution from the provision of ancillary services it would mean a loss for a great number. Ancillary revenue provides good amounts of cash to buy new aircraft interiors, invest in new equipment, and provide funds for expansion. .

– Ends –

See blog post on the Amadeus Worldwide Estimate of Ancillary Revenue by Jay Sorensen:
<http://www.amadeus.com/blog/29/10/airline-profits/>

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² “Improved Performance Cushions Fall in Profits - Margins and Profits Remain Weak” IATA press release dated 01 October 2012.

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 travellers).

The group operates a **transaction-based business model** and processed more than 947 million billable travel transactions in 2011.

Amadeus has central sites in Madrid (corporate headquarters), 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”. It is a component of the IBEX 35, STOXX Europe 600 Index, and the Dow Jones Sustainability Index (DJSI).

For the year ended December 31, 2011 the company reported like-for-like revenues of €2,712 million and EBITDA of €1,039 million. The Amadeus group employs around 10,000 people worldwide, with 123 nationalities represented at the central offices.

To find out more about Amadeus please visit www.amadeus.com

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

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