



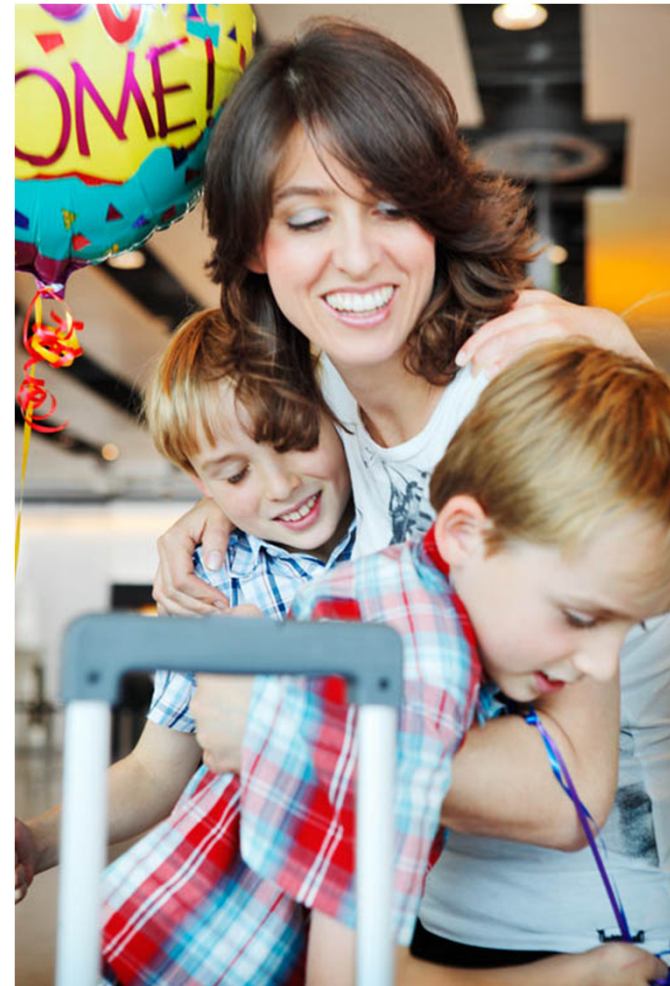
2011 Heathrow investor visits

Review of Heathrow's retail activities

John Holland-Kaye, Commercial Director

Agenda

- Heathrow retail business overview
- Retail financial performance
- Recent and future retail developments
- Future strategy

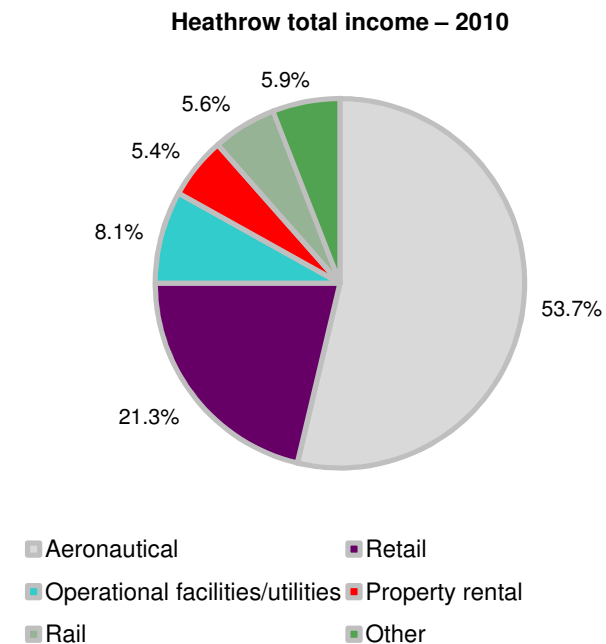




Heathrow retail business overview

Heathrow retail context

- 3rd busiest airport globally
- Unique retail environment
- Retail - 2nd biggest income stream
- Part of regulatory single till with opportunities for outperformance
- Long term retail success lowers tariffs, enhancing Heathrow's competitive position



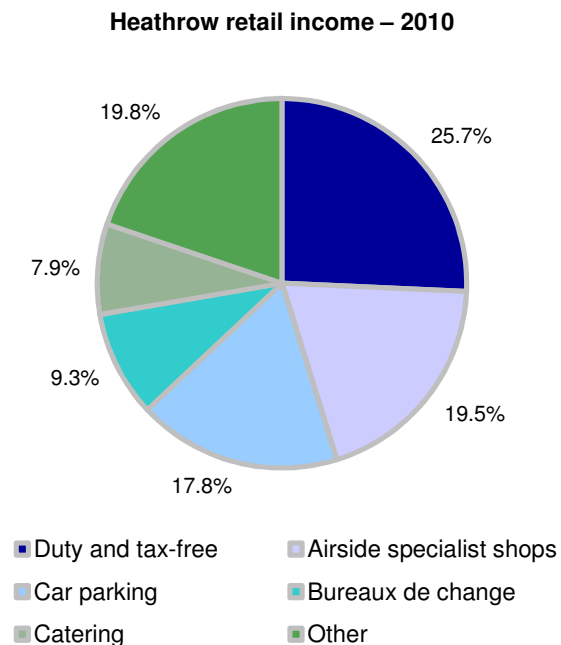
Introduction to Heathrow's passengers

- 67.5m passengers in year to April
- 38% of passengers are British
- 35% of passengers are transfers
- 34% are travelling on business
- 57% are men
- 53% are flying long haul



Retail business model

- Concession fees generally % of sales based on product category
- Car parks managed by specialist operator on behalf of airport
- Most concessions for 3-5 years
 - duty and tax-free concession (World Duty Free) runs to 2020
 - car park contract runs to 2014
- Concessions include minimum guarantees but generally operating well above these levels

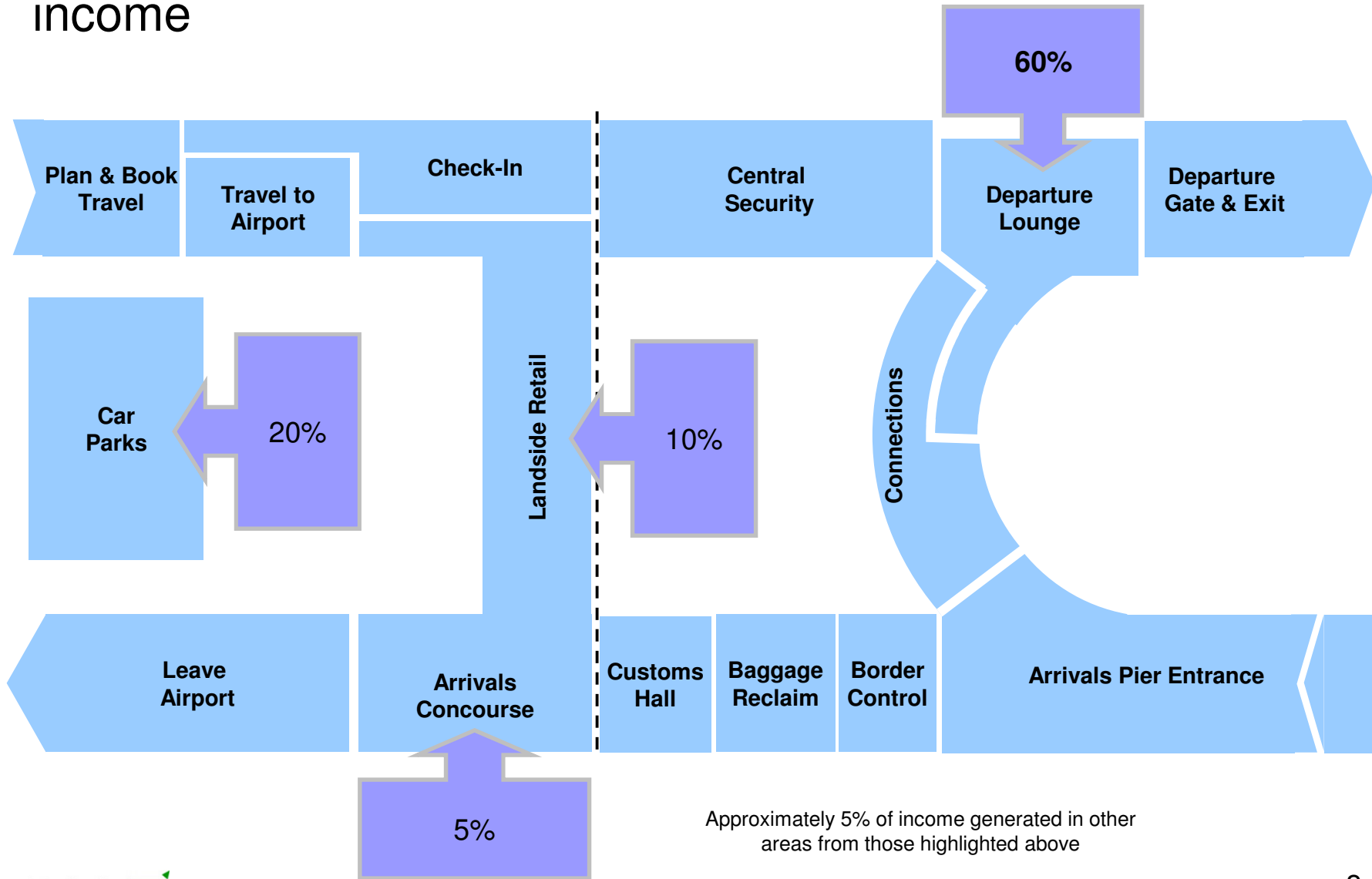


Some basic metrics of Heathrow's retail business

- >50,000m² in-terminal retail space
- >120 concessionaires with 500 retail outlets
- Excluding World Duty Free, diverse customer base
- >5,000 retailer employees
- >20,000 parking spaces



The passenger journey – where Heathrow earns its retail income



Many performance drivers independent of UK economic environment

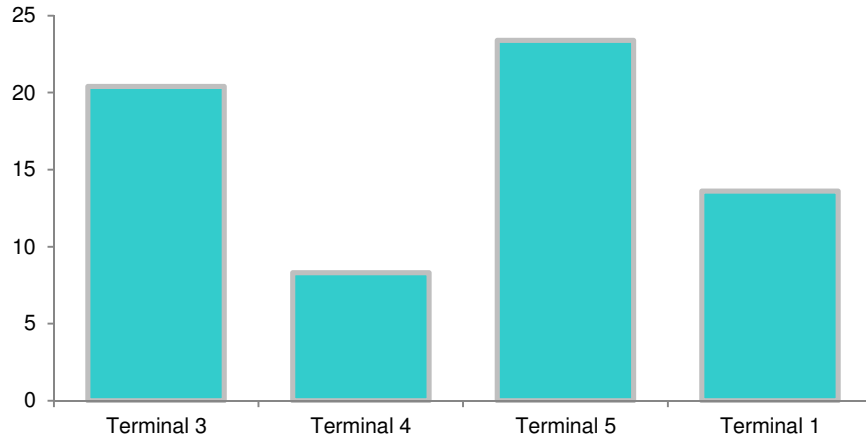
- Passenger profile
 - passenger numbers/mix
 - passenger access to retail facilities
- Retail business management
 - overall passenger experience
 - amount and quality of retail space
 - duty and tax-free environment
 - mix of concessionaires
 - evolution of concession margins
- Competition
 - retail price positioning and awareness
 - surface access transport competition and other car parks (for car parking)

Influence of passenger mix on retail spend

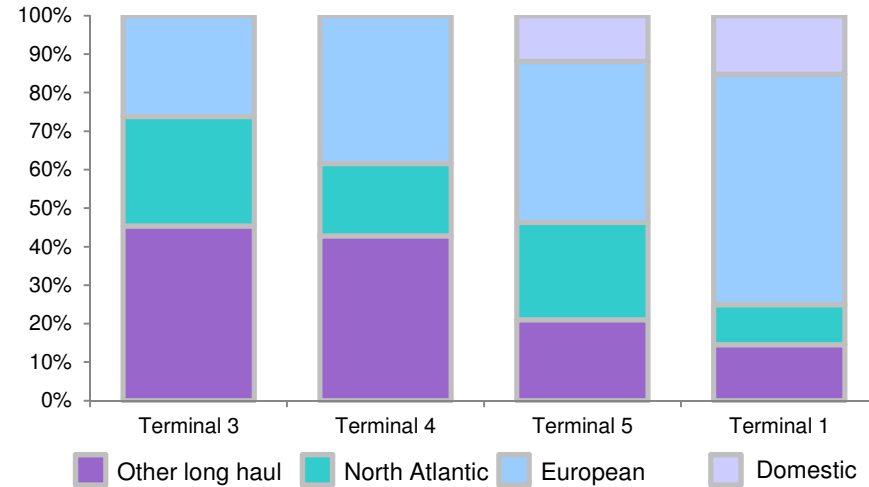
- Long haul passengers significantly higher spenders than short haul
- Origin and destination passengers higher spenders than transfer passengers – in terminal and they use car parks!
- Intra-terminal transfer passengers higher spenders than inter-terminal passengers
- Women higher spenders than men
- Frequent fliers spend more than infrequent fliers

Terminals 3 and 5 are most important for retail income

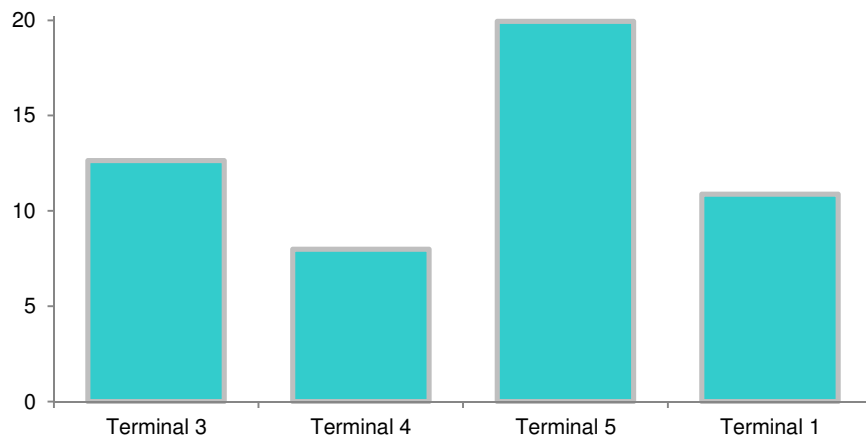
Passengers by terminal - 2010 (million)



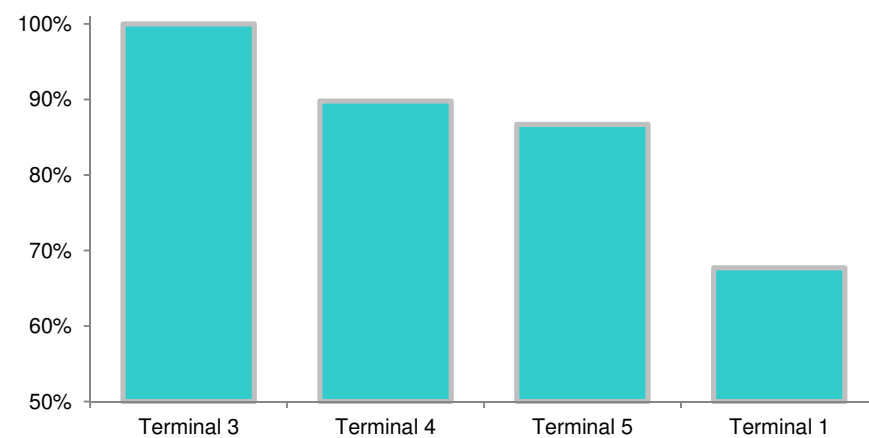
Passenger origin/destination - 2010



Retail space by terminal ('000 m²)



Airside spend per buyer by terminal - 2010





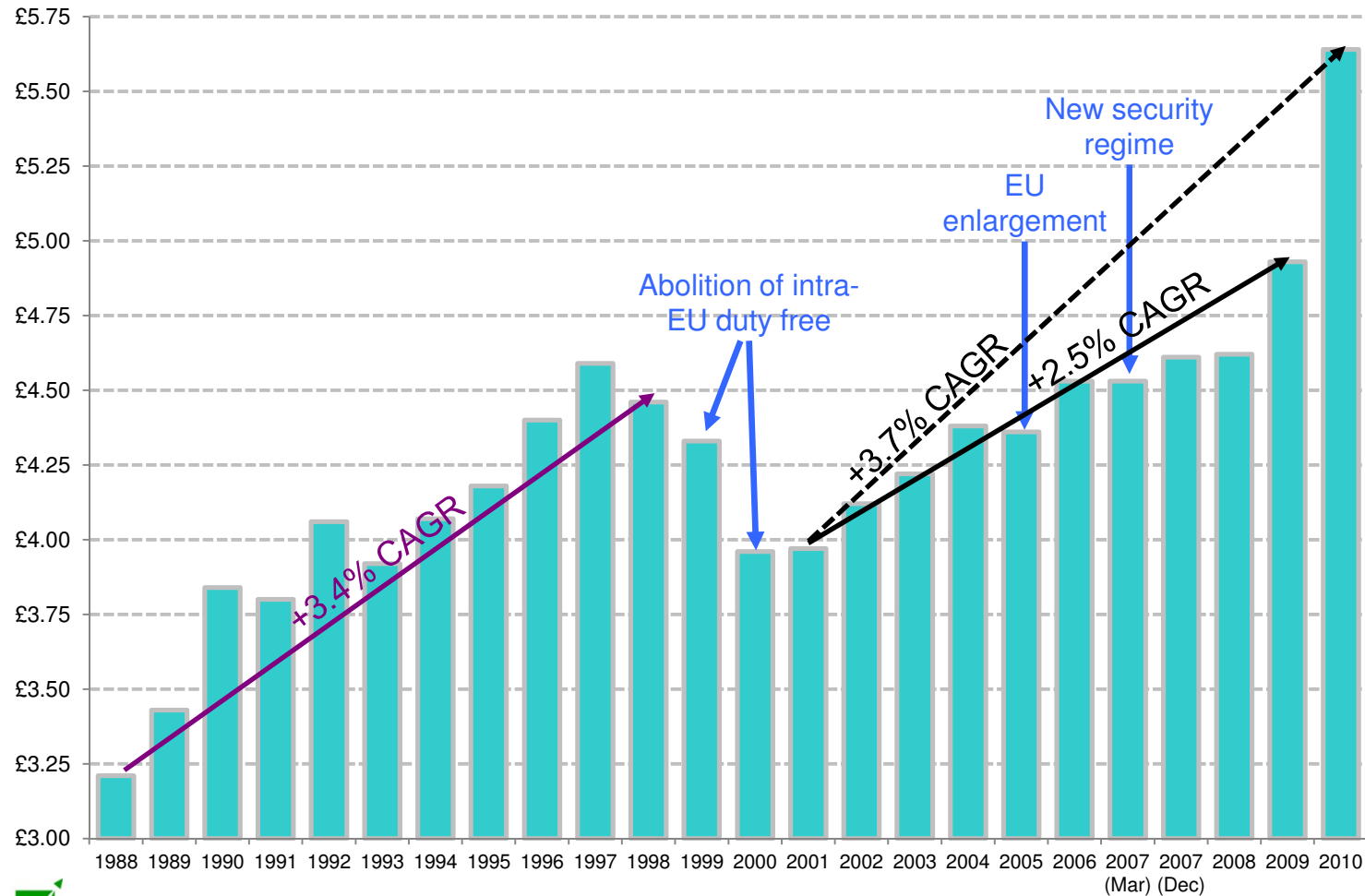
Retail financial performance

Retail key performance indicators

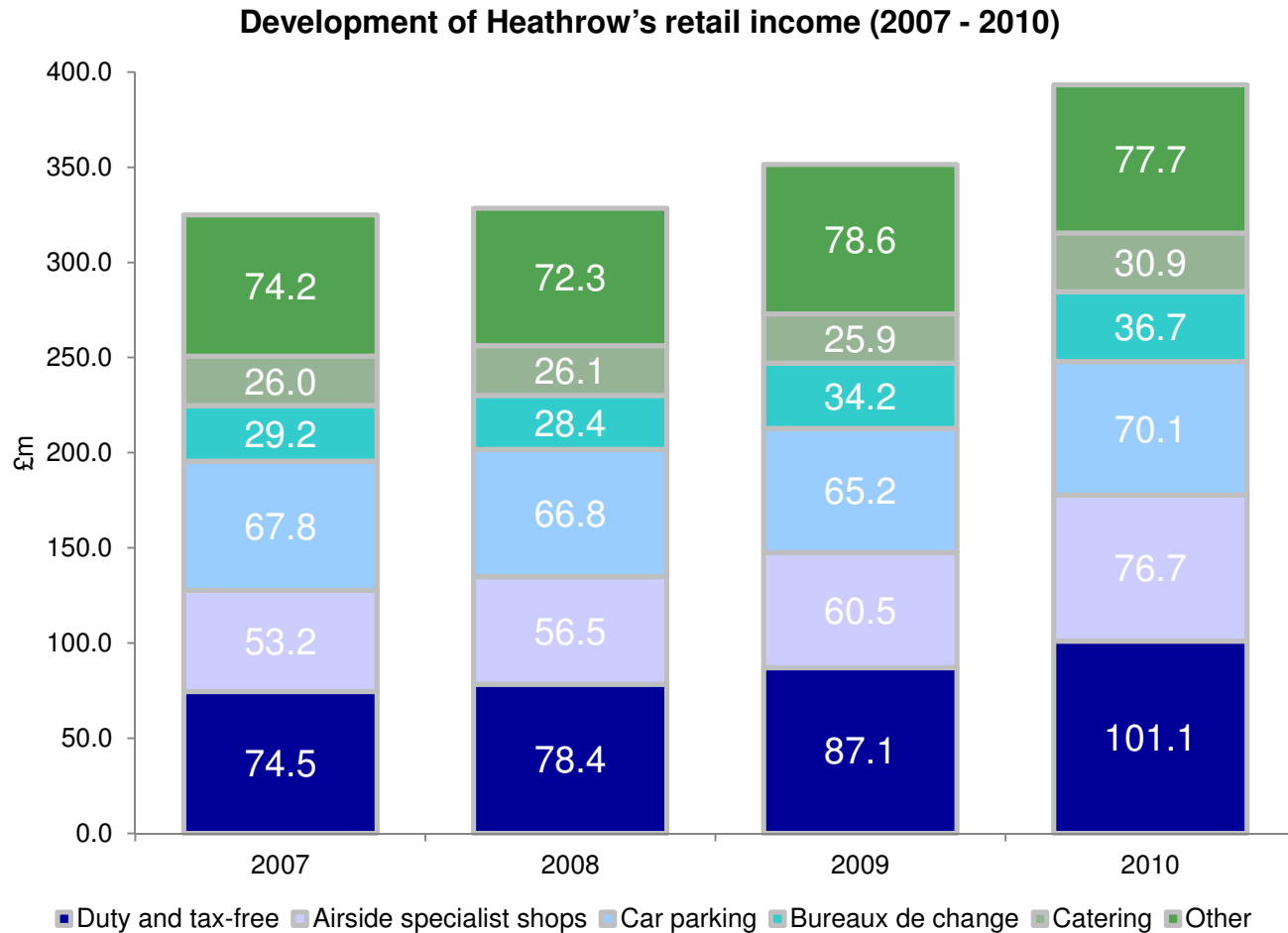
- Airside participation
 - proportion of departing passengers making airside retail purchase
- Airside dwelling time
 - proportion of departing passengers spending at least 1 hour in departures
- Gross spend per buyer
 - average spend by each passenger making an airside retail purchase
- Concession margins

Consistent growth in passenger yield other than when major external retail related events have occurred

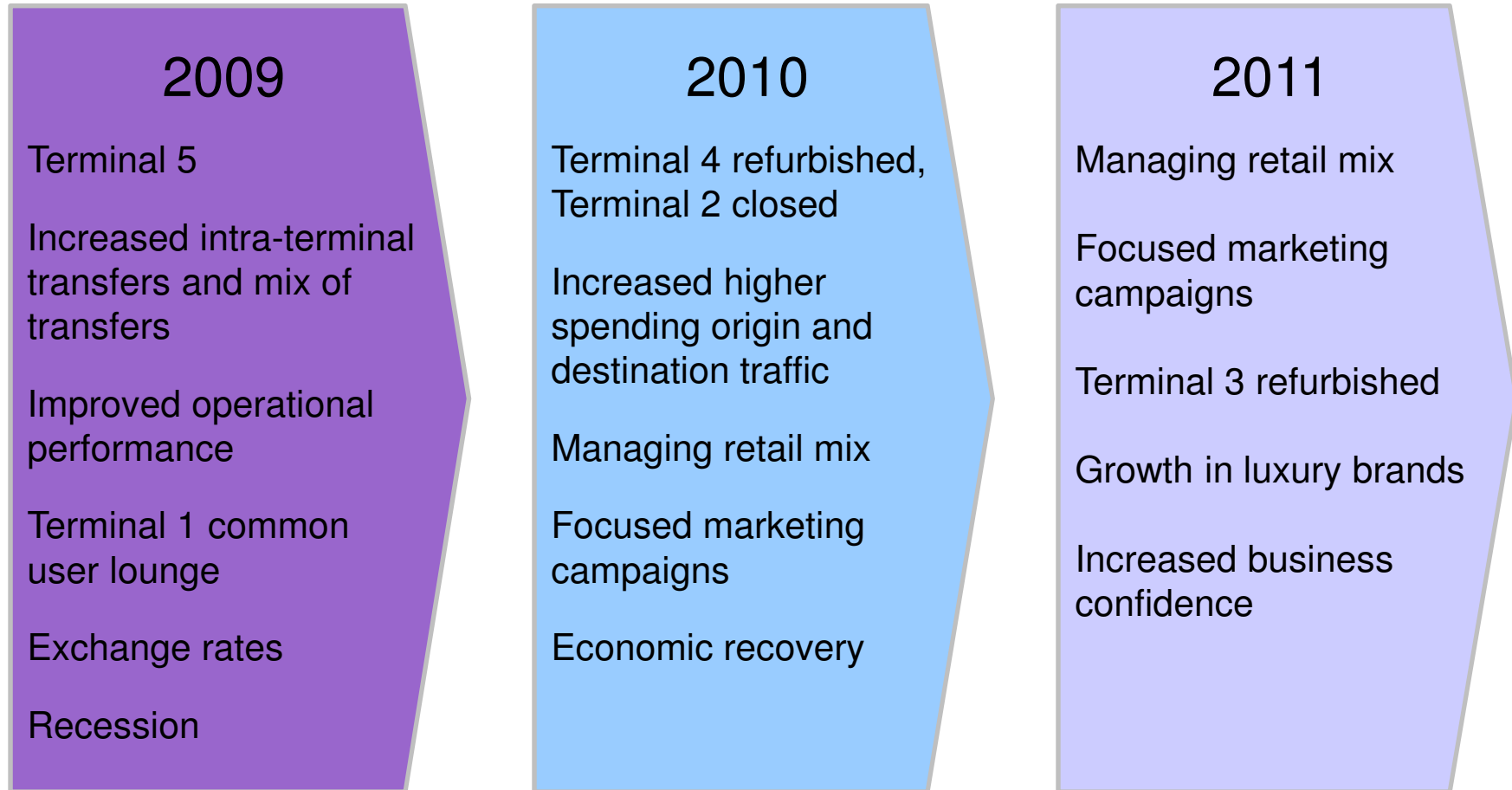
Development of Heathrow's net retail income per passenger
(1988 - 2010)



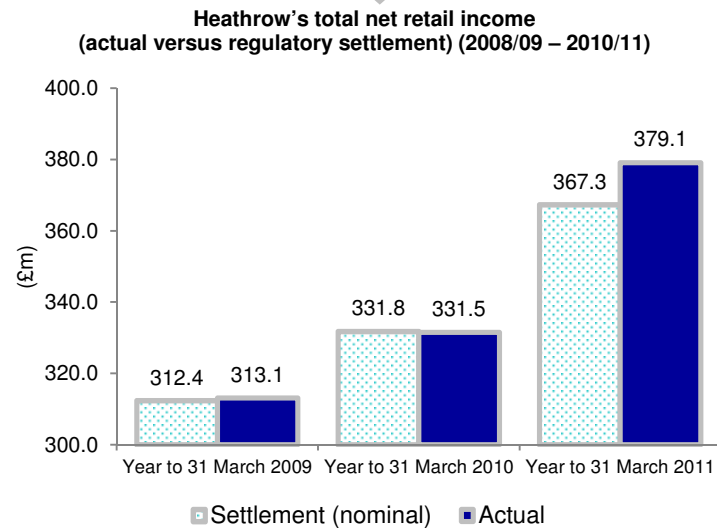
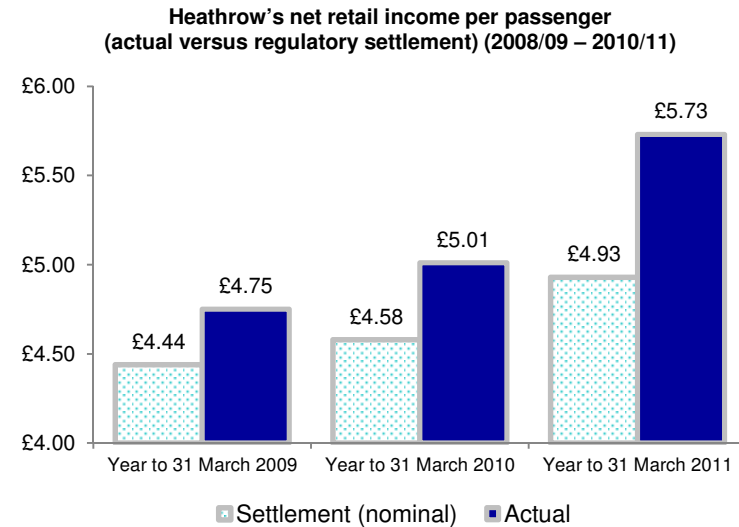
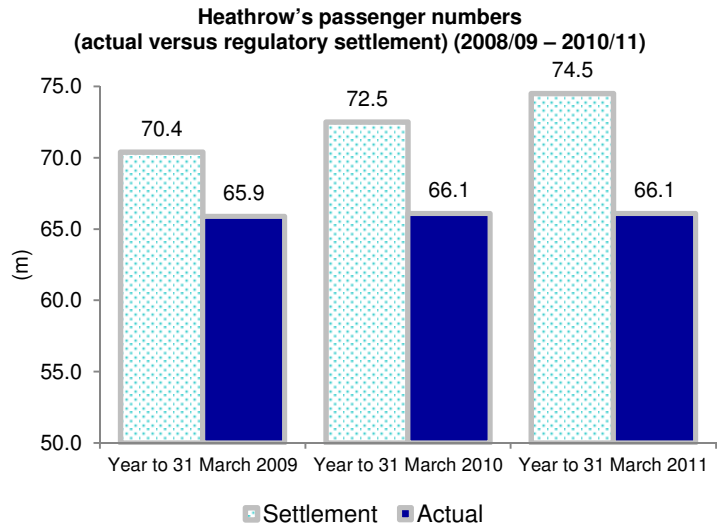
Significant recent growth led by airside specialist shops and duty and tax-free



Recent retail performance drivers



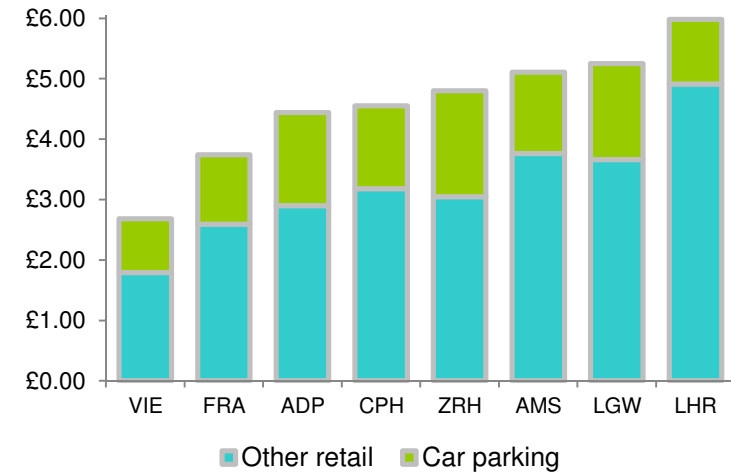
Strong income per passenger has driven performance ahead of regulatory settlement despite fewer passengers



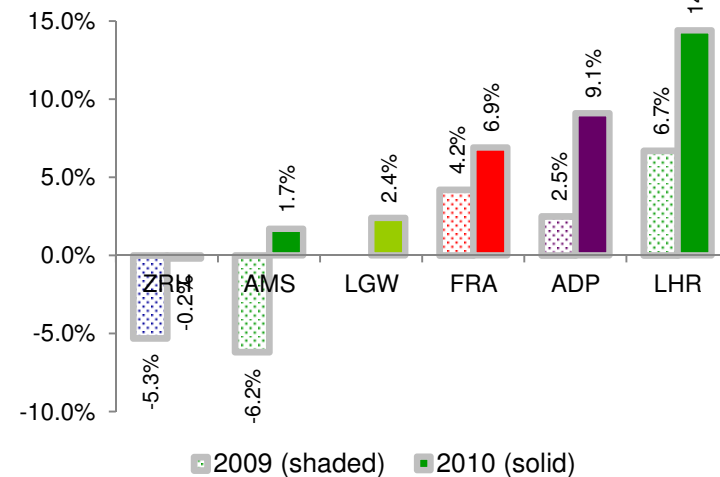
World class airport retail performance

- Heathrow has some of most productive retail space globally
 - gross retail revenue per passenger highest of major European airports
- Regular winner of major global airport retail awards
 - Business Traveller (2010)
 - Skytrax (2010 & 2011)

Retail income per passenger of selected European airports (2010)



Change in retail income per passenger in years ended 31 December 2009 and 2010





Recent & future retail developments

Consolidation of car parking management suppliers

- Previously three companies managed BAA car parks at Heathrow
- In 2009 launched tender to consolidate car park management
- Tender objectives
 - service optimisation and consistency
 - improved customer experience
 - flow and CO₂ reduction
 - simplification of accountabilities
- Outcome was award of 5 year contract to APCOA which delivered planned £4 million annual improvement in Adjusted EBITDA

Product development and marketing initiatives

Product development

Marketing initiatives

15 minute menu
Good food - fast!

Shop & Collect
Buy now, pick up on return.

Reserve & Collect
Shop at home, pick up at the airport.

'West End for less' campaign



If this email is not displaying properly or you have problems reading it, please [click here](#).

Heathrow *Making every journey better.*

Dear **##Name##** **La cName##**

With only days before you fly out of Heathrow, let's see how we can help you with our easy to print menu and our security information. The Spring/Summer women's collections are full of energy, innovation and most of all, bring the fun back to fashion. While over in menswear, we've teamed up with without losing our edge.

Finally don't forget to check out which terminal your flight is leaving from.

[Reserve and Collect](#)
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3 days left before your flight

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Fashion for him

Oliver Coat
West End Price £225
Heathrow Price £195.83

Walton stripe Slim fit shirt, Blue/Navy
West End Price £90
Heathrow Price £74.17

Bally Envor-F
West End Price £300
Heathrow Price £25.83

[Reserve and Collect](#)

Fashion for her

Angelica Coat
West End Price £265
Heathrow Price £223.83

Ferragamo crocodile bag
West End Price £8,795.04
Heathrow Price £7,329.20

Lupin Belt
West End Price £59
Heathrow Price £49.17

[Reserve and Collect](#)

Bell & Ross Ladies Watch
Bell & Ross Ladies Ceramic Quartz Phantom Black Watch with White Analog Dial
West End Price £2,499
Heathrow Price £2,041.67

[Reserve and Collect](#)

Bell & Ross Gents Watch
Bell & Ross Gents Stainless Steel Automatic SPED Rubber Strap Watch with Black Analog Dial
West End Price £2,795
Heathrow Price £2,331.00

[Reserve and Collect](#)

Things to know

Checking in
Find out all you need to know about checking in at Heathrow. From where to go to how early to arrive.

[Find out more](#)

Security
Find out the latest requirements from liquids to your hand luggage.

[Find out more](#)

Terminal maps
To find out what shops and services are at your terminal, check out our terminal maps.

[Find out more](#)

WorldPoints

To celebrate the New Season collection, we have an exciting offer of up to 3000 extra WorldPoints when you buy fashion or accessories of selected stores.

[Join today](#)

The Heathrow App



Portfolio management and innovation

New 2012 Olympics store – Terminal 5



Chanel pop-up store – Terminal 5



Burberry store – Terminal 5



Vertu pop-up store – Terminal 5



2011 refurbishment of Terminal 3's retail facilities

- Refit of approximately 70% of airside retail units
- New retailers and stores
 - 10 new retailers to Terminal 3
 - 5 new retailers to Heathrow (including Miu Miu and Zara)
- Programme running from October 2010 to December 2011
- Intended to deliver growth in retail income from 2012

New Terminal 3 departure lounge scheme design



Terminal 3 new store opening – Paul Smith



Opening of new Terminal 2

- New Terminal 2 operational in 2014
- Home to Star Alliance airlines
 - biggest airlines are British Midland, Lufthansa, United and Air Canada
- Further increase proportion of intra-terminal transfers
- High proportion of domestic and European passengers
- Significant improvement in passenger experience
- Full retail potential realised once Terminal 2 phase 2 operational

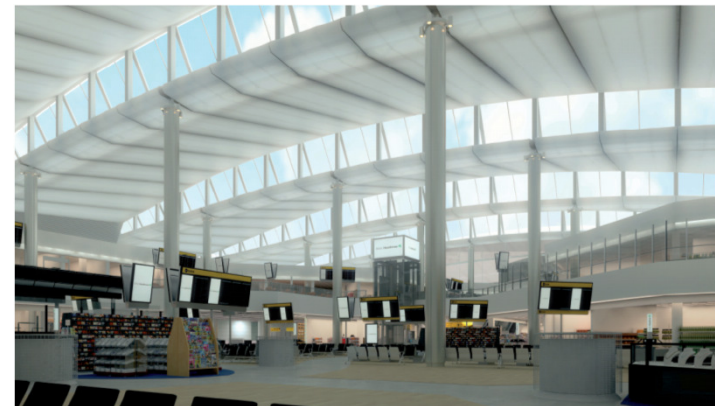
Key features of Terminal 2 retail

Nearly 12,000m² total retail space with over 9,000m² airside

60 retail units

Integrated covered short stay car park

New Terminal 2 departure lounge scheme design





Future strategy

Key elements of future retail strategy

- Improve passenger experience
- New and refurbished infrastructure
- Optimising space, mix and contracts
- Segmentation
- Ecommerce and CRM
- Competitive pricing

BAA 

BAA 

Notes and defined terms

- Page 5
 - Source : PROFILER: Gatroom survey of departing passengers, exclude Bureau, Vending & Amusements 2010 (undertaken by BAA Market Research)
- Page 14
 - Intra-EU duty free sales were abolished with effect from June 1999 significantly reducing the proportion of passengers able to benefit from duty free sales; the EU enlargement in May 2004 added a number of Eastern European countries to the EU, further reducing proportion of passengers able to benefit from duty free sales; and the new security regime implemented in August 2006 caused disruption to passenger journeys and uncertainty regarding items that could be taken on board aircraft
 - Data up to 2007 is in respect of the years to 31 March and from 2007 is in respect of the years to 31 December
- Page 15
 - Source : BAA quarterly results press releases, Heathrow annual reports
- Page 17
 - Heathrow's regulatory settlement retail income figures (in 2007/08 prices) taken from table 7-3 on page 84 of the CAA regulatory settlement document entitled 'Economic Regulation of Heathrow and Gatwick Airports 2008–2013' and dated 11 March 2008
 - Regulatory settlement retail income figures converted from 2007/08 prices into nominal terms using average inflation (RPI) of approximately 3.0% in the year ended 31 March 2009, 0.5% in the year ended 31 March 2010 and 5.0% in the year ended 31 March 2011
- Page 18
 - Airport codes as follows: VIE: Vienna, FRA: Frankfurt, ADP: Aeroports de Paris, CPH: Copenhagen, ZRH: Zurich, AMS: Schiphol (Amsterdam), LGW: Gatwick and LHR: Heathrow
 - Retail income includes income from in-terminal retail activities (including catering, bureaux de change, car rental and advertising) and car parking
 - Figures for airports other than Heathrow derived from information on company websites
 - Figures are for years to 31 December except for Gatwick that are for years to 30 September
 - Top chart compares gross retail income per passenger to make comparisons between airports easier as it is not possible to identify retail expenditure for other airports to determine net retail income per passenger on the basis calculated for BAA's airports
 - Figures for non-UK airports in top chart translated into sterling using 2010 average exchange rates
 - Bottom chart compares net retail income per passenger for Heathrow and Gatwick and gross retail income for other airports
 - Growth rates in bottom chart based on local currency figures

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