DFW RETAIL STUDY

Summer 2006

EXECUTIVE SUMMARY

Airport retail is an attractive revenue source; at DFW, retail is a profitable venture(1)

- **Revenue potential upside exists at DFW compared to the domestic competitive set**

Several elements seem to drive DFW concessions sales underperformance

- **DFW has less space allocated to retail and lower number of retail outlets for given pax volume**
- **DFW sales trail top performers in all retail categories (food/beverage, specialty retail and newsstands) -- biggest gap is in specialty retail**
- **High specialty retail spend appears to be main driver of PIT sales, a domestic best in class**
  - **PIT specialty retail has more variety and more high-end offerings, despite fewer outlets**
- **DFW retail sales average could be reduced down by food/beverage**
  - **food/beverage comprises majority of DFW concessions sales, and has relatively low sales per pax**
    - **1/5 of outlets have sit-down format, which have lower $/sq ft than average food/beverage across DFW**

(1) profit assessment based on 62% operating profit margin in 2005

EXECUTIVE SUMMARY

DFW sales performance per pax also vary by terminal

- **T-A is the highest, followed by T-D; T-B is the lowest**
- **T-A performance is driven by highest sales per pax in food/beverage**
  - **T-A has lowest share of sit-down format in food/beverage**
- **T-D performance is driven by highest sales per pax in specialty retail**
  - **T-D has more variety and high-end offerings in specialty retail**

AGENDA

Airport retail overview

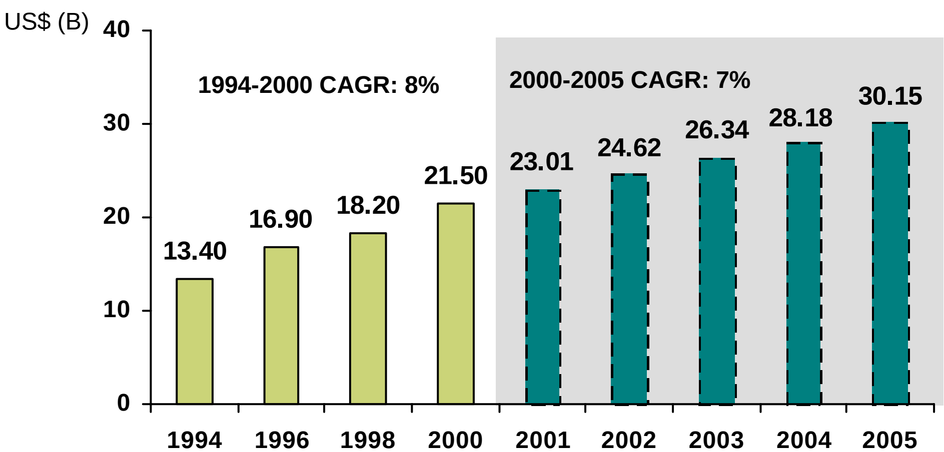
Best-in-class airport retail characteristics

DFW performance overview

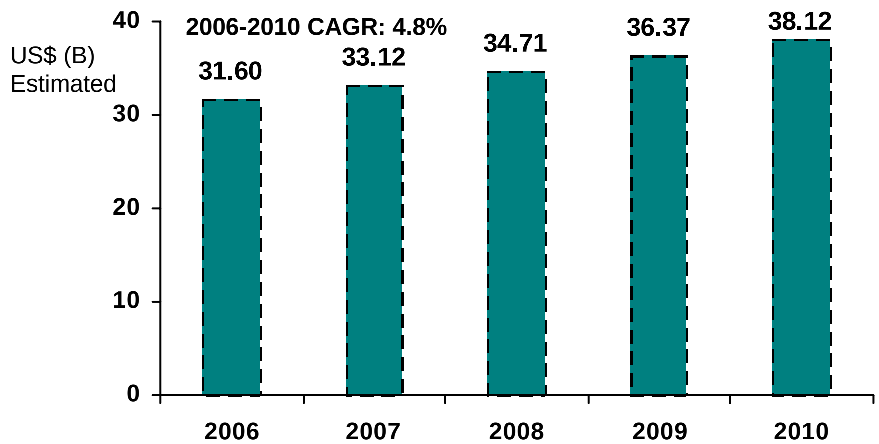
Opportunities for AMR

GLOBAL AIRPORT RETAIL SALES APPEAR TO BE GROWING STEADILY

Historic growth for global airport retail sales has been strong(1)

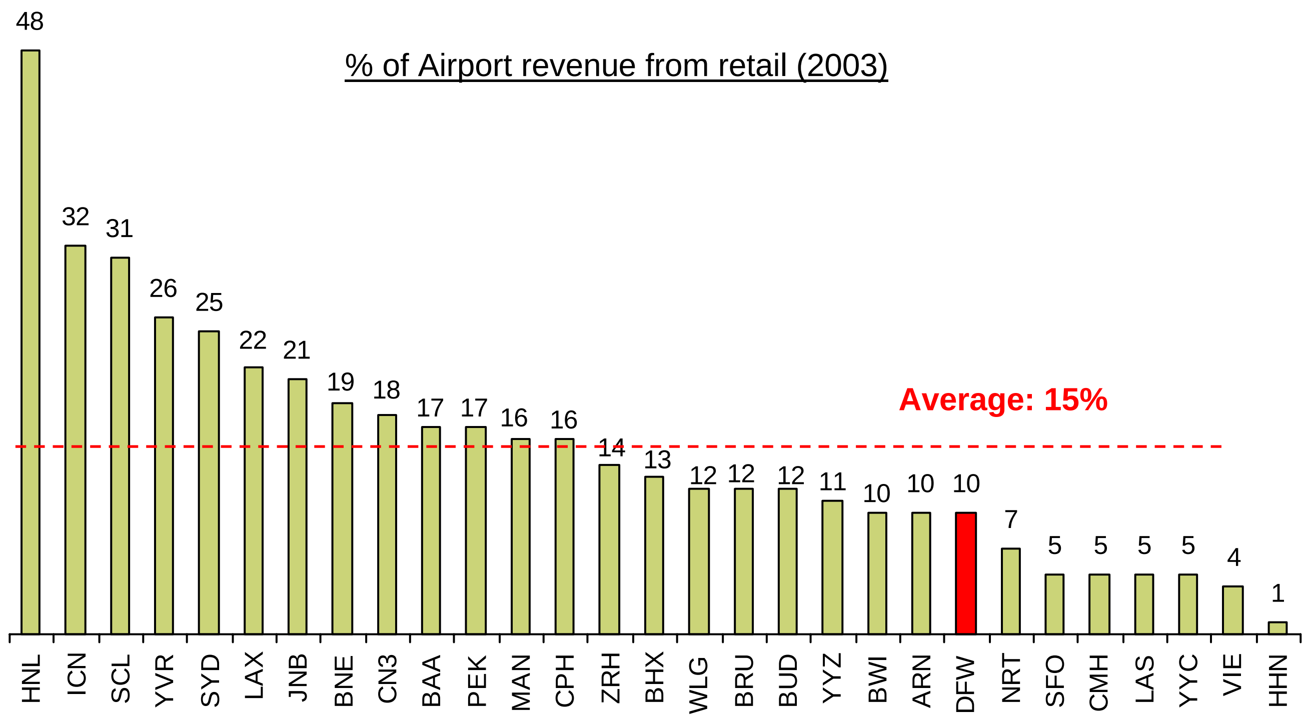


Global airport retail sales growth projected to continue



(1) Applied global Duty-free sales 2000-2005 CAGR of 7% to global airport sales
(2) Applied global Duty-free sales forecast 2006-2010 CAGR of 4.8% to estimated 2005 global airport sales
Source: Datamonitor Global Airport Retailing Outlook 2000; Airport Travel Retail Overview 2006, ACI Europe Airport Trading Conference

AIRPORT RETAIL CAN MAKE UP A SIZABLE SHARE OF AIRPORT REVENUE



Source:URS Australia Airport Retail Study, 2003

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AIRPORTS WITH TOP REVENUE PERFORMANCE HAVE SEVERAL CHARACTERISTICS

LHR, LGW, FRA, and PIT are best-in-class performers in retail performance

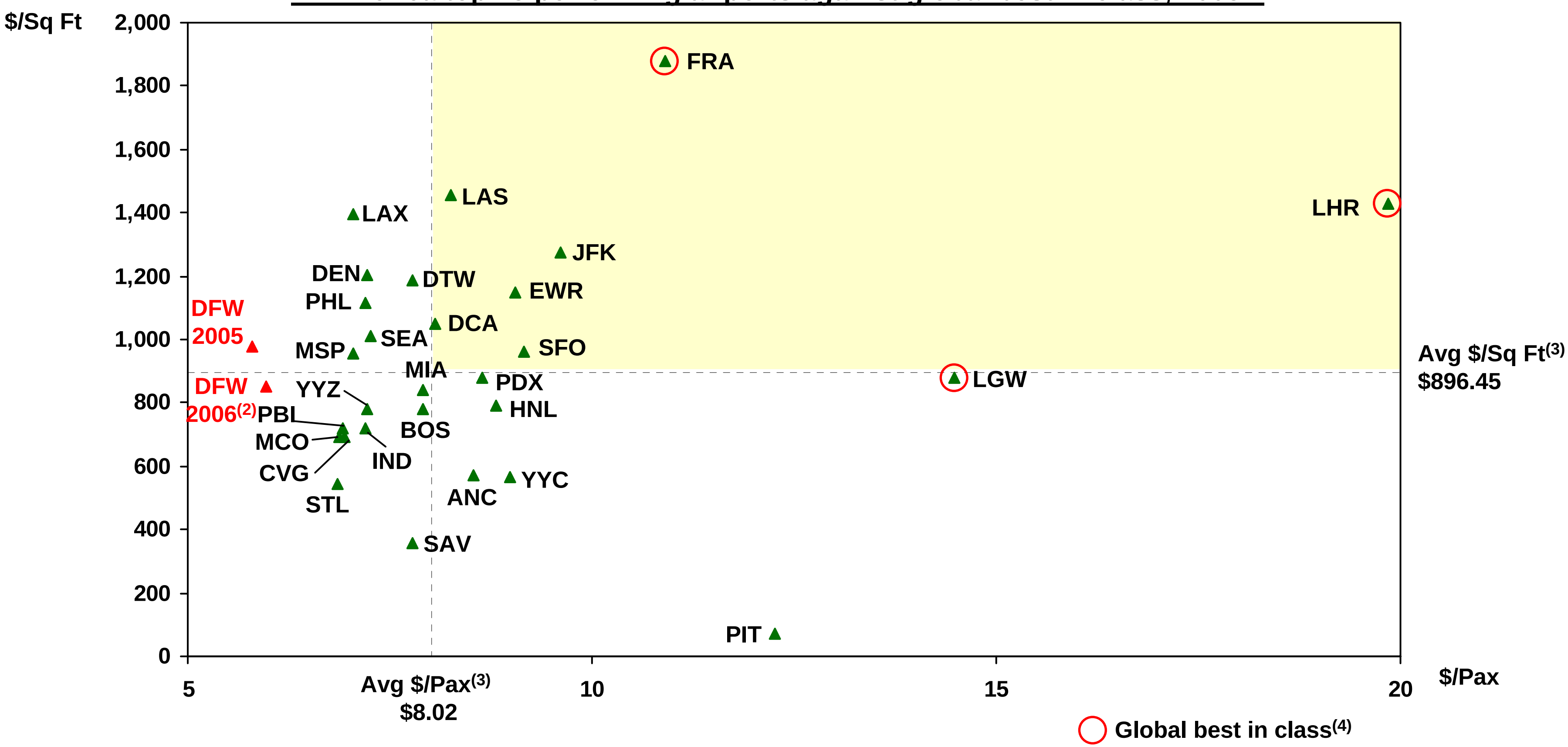
We've identified several factors that seem to drive best-in-class airport retail performance

- **Prevalent, dedicated retail space**
- **Majority of retail outlets in centralized area**
- **Passenger flow directed through retail areas**
- **Diverse outlet mix targeted at customer needs**
- **Proactive marketing through signage, promotions and unique customer services**

LHR, LGW, FRA ARE IDENTIFIED AS GLOBAL BEST-IN-CLASS PERFORMERS AND PIT AS N. AMERICA BEST-IN-CLASS ON $/PAX

DFW Trails N. America Top 25 Performing Airports on $/Pax, Better on $/Sq Ft

N. America top 25 performing airports against global best in class, 2005(1)



(1) Duty-free and service sales excluded in all figures; pax refers to enplanements; sq ft refers to retail sq ft; top 25 performing airports measured by $/pax
(2) Data from Oct 2005 -Jun 2006; $/sq ft adjusted for full year (applied % of enplanements: actual enplanements/2006B enplanements)
(3) Used average $/pax and $/Sq Ft of North America top 25 performing airports (4) 2003 data used to calculate global best in class

Source: ARN Fact Book 2006

WE HAVE IDENTIFIED SEVERAL FACTORS THAT DRIVE AIRPORT RETAIL PERFORMANCE

Key drivers	Best practices amongst best-in-class airports
1 Retail space	• Prevalent dedicated retail space • High number of outlets
2 Outlet location	• Majority retail outlets in centralized area
3 Pax flow	• Pax flow directed through retail area
4 Outlet mix	• Variety offered through "mall-type" format • Increasing high-end offerings • Providing local products/experience
5 Marketing	• Signage • promotions • Unique customer services meeting traveler needs

Drive retail sales by
- Increasing customer awareness of retail options
- Moving customers to conversion

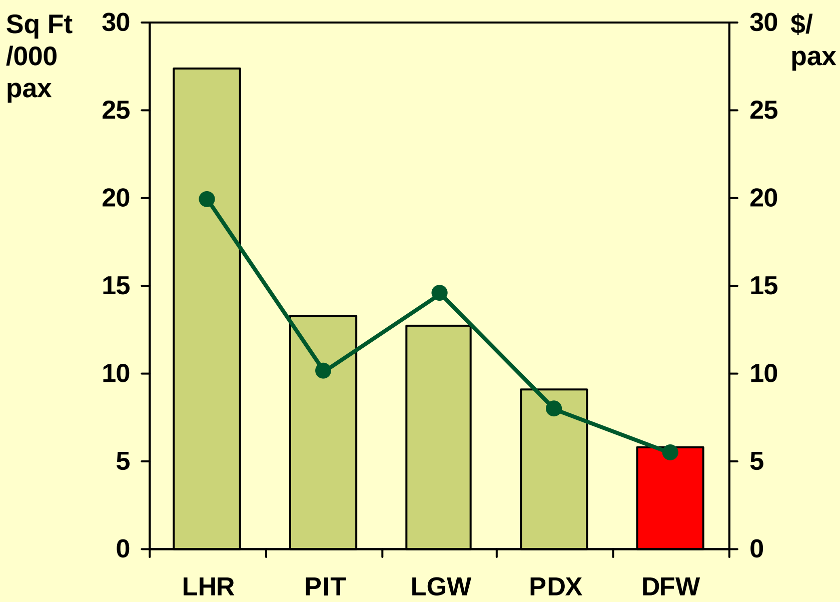
RETAIL SALES DRIVEN BY INCREASING CUSTOMER AWARENESS, PENETRATION AND CONVERSION

Evolution from Pax to Customer

Drivers	Aware	Visit	Purchase
1 Retail Space	✓	✓	
2 Outlet Location	✓	✓	
3 Pax Flow		✓	
4 Outlet Mix		✓	✓
5 Marketing	✓	✓	✓

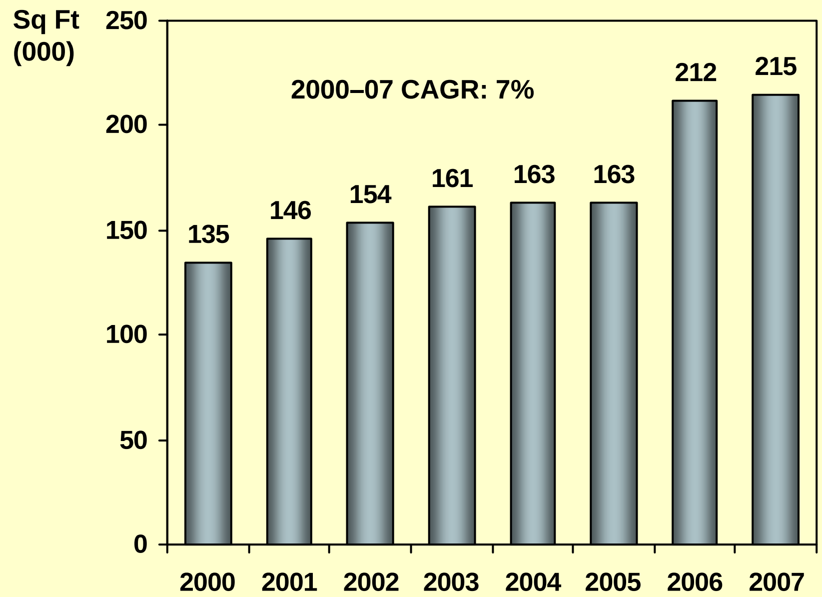
PREVALENCE OF DEDICATED RETAIL SPACE

Best-in-class airports have more retail space devoted to each pax ...



... and have been expanding total retail space

Example: FRA has been adding retail space [(1)]



(1) Mintel report, Airport Retailing Europe 2004

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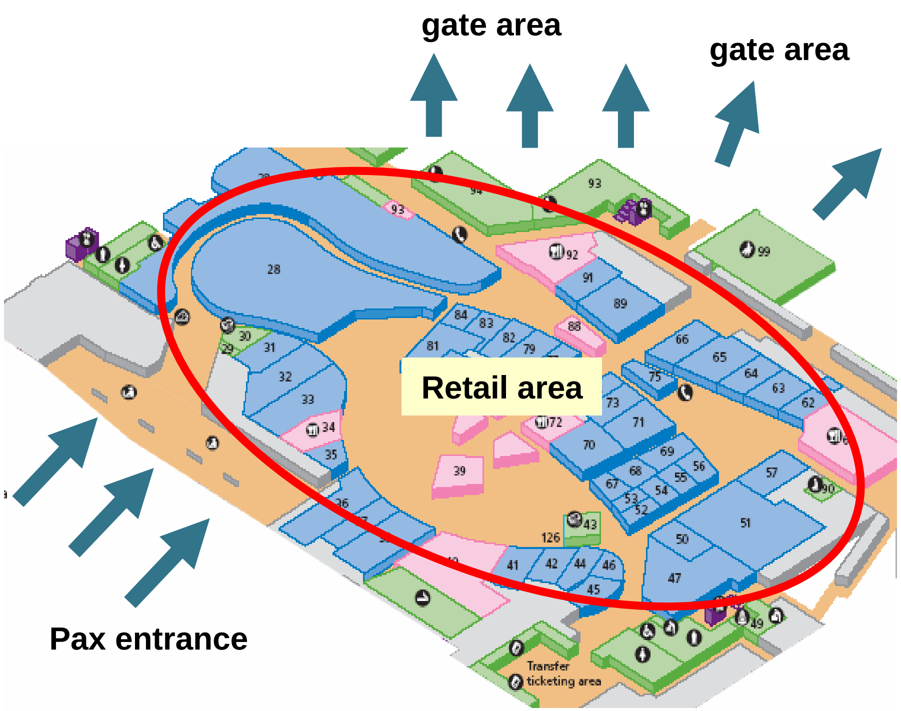
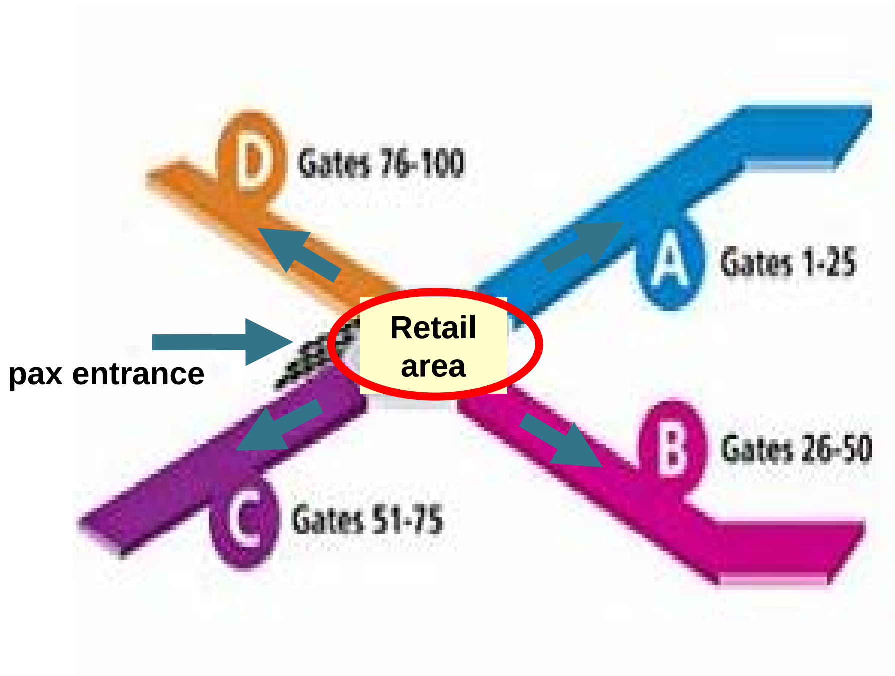
PAX FLOW DIRECTED THROUGH CENTRALIZED RETAIL AREA

Example - LHR Terminal 3: pax must pass through central retail area to reach gates



Example - PIT: pax must pass through Airmall to reach gates



Source: Airport web sites

OPTIMIZED OUTLET MIX FULLFILLS CUSTOMER NEEDS

Identified airport customer trends[1]	Best-in-class airports addressing customer needs	
Customer looking for wide range of product categories	Variety offered through "mall-type" format	• LHR has 280 outlets with over 30 product categories - *"Retail sales through LHR are greater than those through city shopping centers of Nottingham, Manchester and Birmingham"*[2] • PIT Airmall has over 98 outlets with a wide range of categories - *"...PIT Airmall, a shopping center developed for the sleek and glassy terminal, ..."*[3]
Customer looking for branded and luxury products	Increasing luxury offerings	• LHR offers Chanel, Gassan, Burberry, and Ermenegildo Zegna • SYD offers Versace, Bally, Hugo Boss and Designer Jewellers • PIT Airmall offers Swarovski, L'Occitane en Provence
Airports lack souvenirs and destination merchandise	Offer local products and experience	• PDX offers local favorites (e.g., 'Oregon market' and 'Made in Oregon,' among the highest grossing retail outlets in PDX)[4]

(1) TFWA, "European Consumers as Travel Retail Customers", 2003; (2) Airports International, November 2002
(3) New York Times, July 2003 (4) PDX press release

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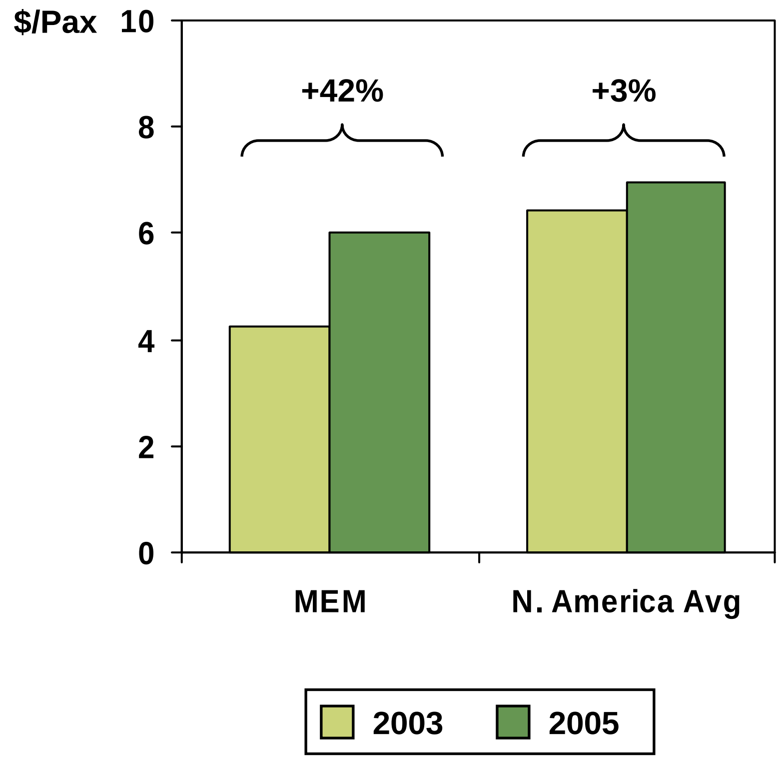
AIRPORTS ACHIEVING REVENUE LIFT THROUGH CONCESSIONS REDESIGN – MEM EXAMPLE

MEM redesigned concessions to optimize outlet mix

Based on customer survey, MEM invested $25 million in concessions redesign

New retail area offers more outlets and better mix
- **Number of outlets increased from 34 to 56**
- **Expanded product categories e.g., local favorites reflecting Memphis' music heritage**

MEM achieved significant revenue per pax growth relative to North America average



Source: Memphis International Airport website; press release; www.airportbusiness.com

EFFECTIVE MARKETING THRU SIGNAGE, PROMOTIONS AND UNIQUE CUSTOMER SERVICES

Marketing methods adopted by best-in-class airports

Good signage and directory	• PIT has mall-type directories and brochures across Airmall • LHR provides online retail directory and printable brochure
Promotions	• LHR and LGW offer accural points for retail purchases • Pax at LHR and PIT can print online coupons to receive discount on retail purchases
Unique customer services that meet travellers' needs	• Some retail outlets at LHR, LGW, FRA and PIT provide shipping services • LHR and LGW provide shopping collection services that let pax collect purchased items on return

source: websites of LHR, LGW, FRA, and PIT

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UPSIDE REVENUE POTENTIAL EXISTS IN DFW RETAIL

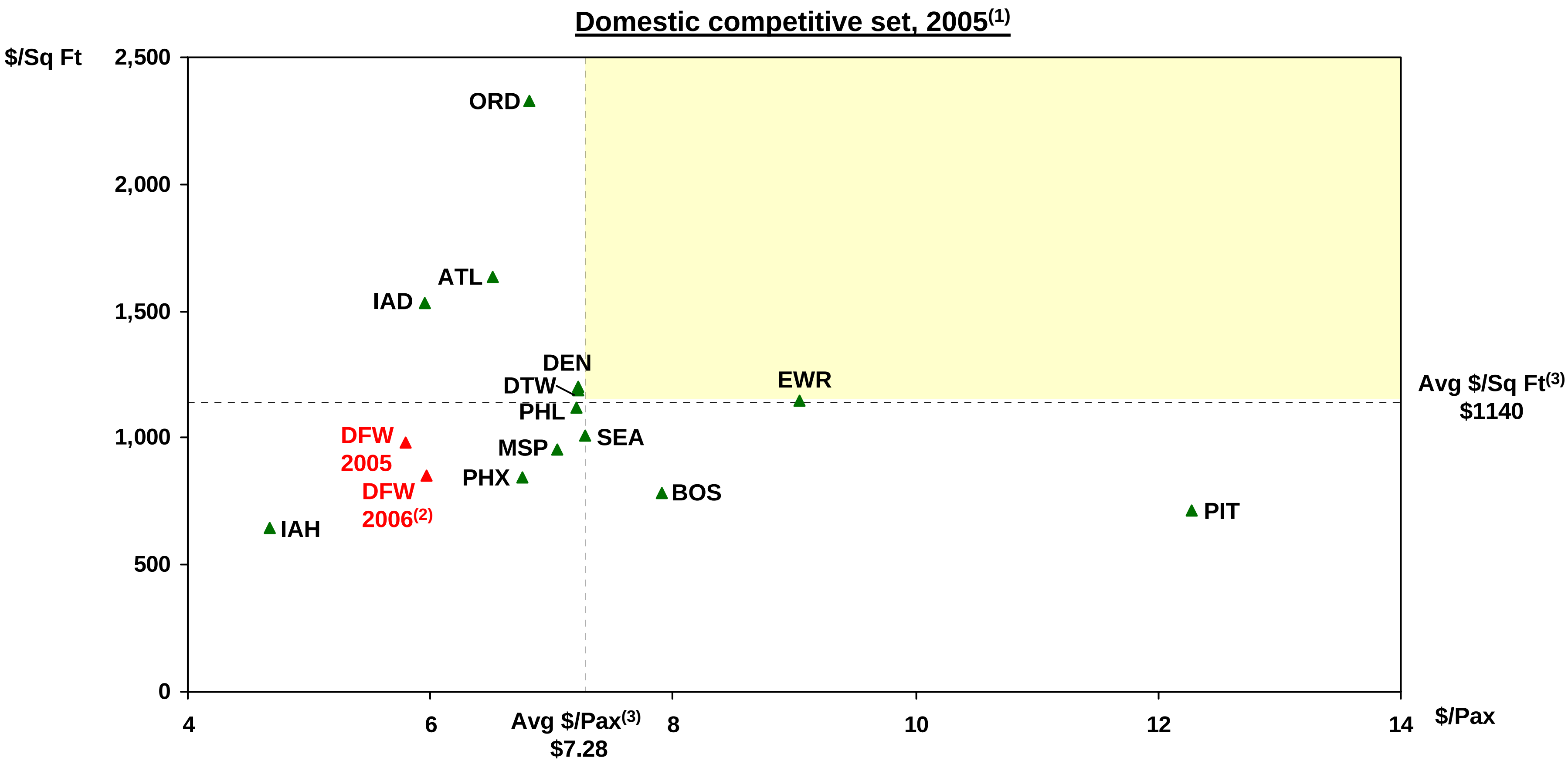
Overall DFW retail sales is outperformed by domestic competitive set

- **DFW underperforms domestic competitive set on both $/Pax and $/Sq Ft**
- **DFW pax spending trails top performers in all retail categories but has improved slightly in 2006**
- **Within DFW, T-A is best performer on pax spending and T-B is the worst**

DFW retail performance is assessed on identified key drivers

- **Top performers seem to have more space allocated to retail and direct pax flow through centralized retail areas**
- **Compared to top performers, DFW seems to have comparable format mix in food/beverage**
- **Compared to top performers, DFW seems to have less variety in specialty retail**

DOMESTIC COMPETITIVE SET OUTPERFORMS DFW RETAIL ON $/PAX AND $/SQ FT



(1) Duty-free and service sales excluded in all figures; pax refers to enplanements; sq ft refers to retail sq ft; airports in competitive set are hubs (with exception of BOS: focus city), have pax traffic over 25M in 2005 (with exception of PIT: 10.5M) and % of int'l pax under 20% (with exception of EWR: 28%)

(2) Data from Oct 2005 -Jun 2006; $/sq ft adjusted for full year (used % of enplanements: actual enplanements/2006B enplanements)

(3) Average $/pax and $/Sq Ft of competitive set

Source: ARN Fact Book 2006, BCG Analysis

COMPETITIVE SET SELECTED BASED ON PAX VOLUME, HUB STATUS, AND INTERNATIONAL TRAFFIC

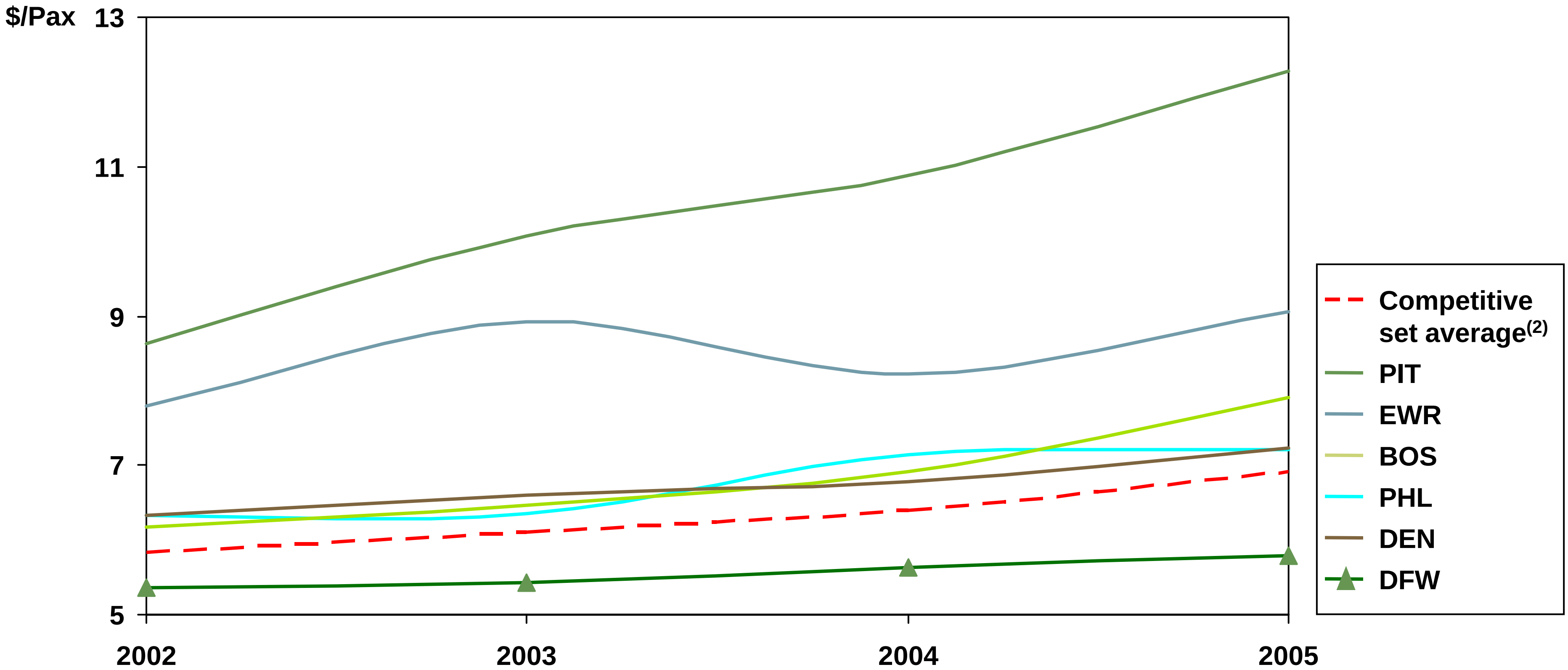
Airport	Pax volume (M)	Hub	Int'l pax (%)(1)
ATL	86	DL/FL	8
ORD	76	UA/AA	15
DFW	59	AA	9
DEN	43	UA/F9	2
PHX	41	HP	4
MSP	38	NW	7
DTW	36	NW	8
EWR	33	CO	28
PHL	32	US	13
SEA	29	AS	8
BOS	27	DL/US	16
IAD	27	UA	18
IAH	26	CO	17
PIT	11	US	2
	All above 25M except PIT, highest domestic $/pax	All hubs except BOS, a focus city	All below 20% except EWR, 2nd highest domestic $/pax

(1) Has data on number of int'l enplanements, assumed number of int'l enplanements is same as number of deplanements
Source: ARN Fact Book 2006

HISTORICALLY DFW RETAIL TRAILED TOP PERFORMING AIRPORTS IN COMPETITIVE SET BASED ON $/PAX

PIT, EWR, BOS, PHL and DEN Are Top Performers in Competitive Set(1)

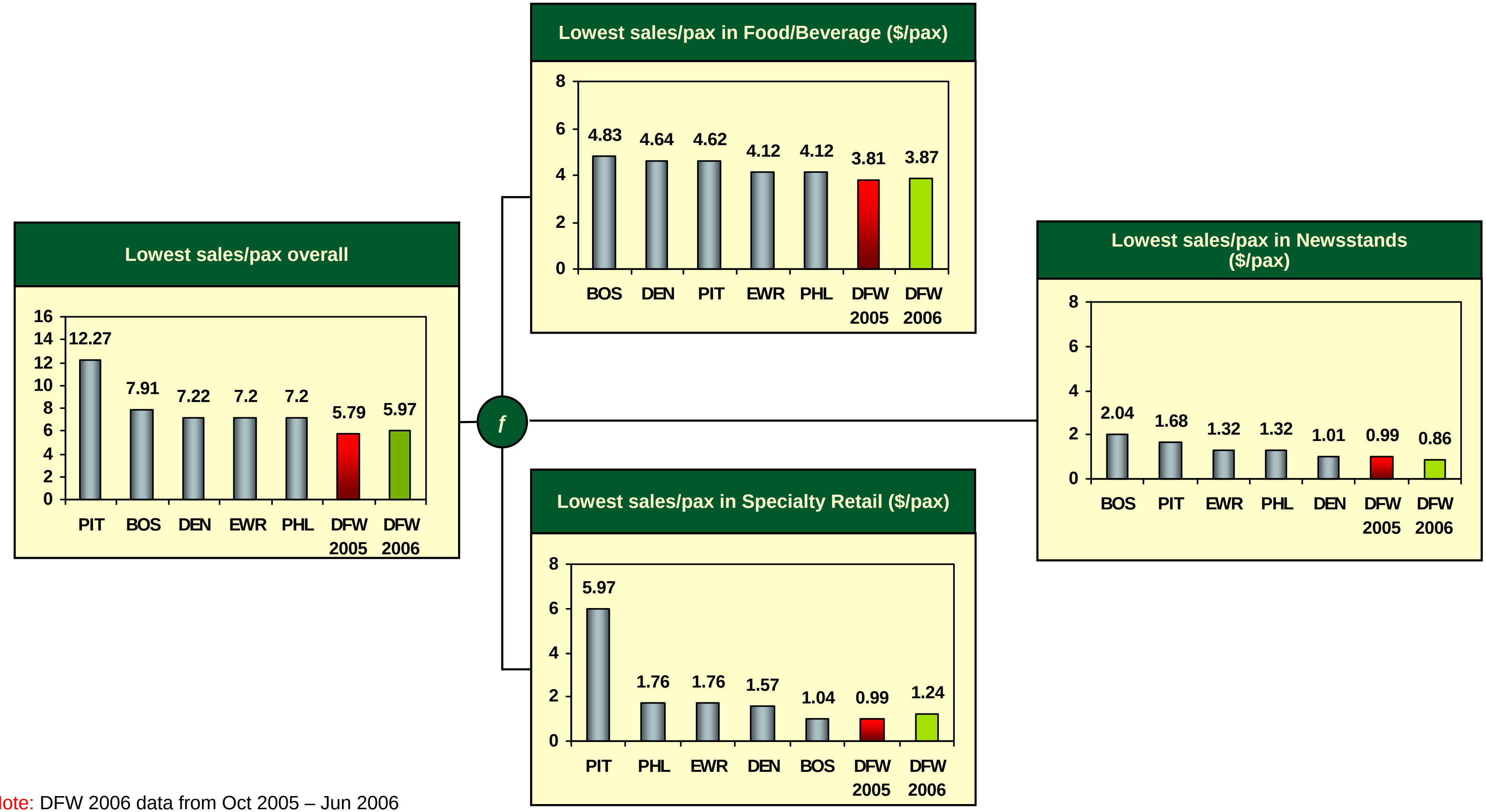
DFW vs. competitive set average and top performers on $/pax, 2002–05



(1) Competitive top performers have above average $/pax during the whole time period (2002–05)
(2) $/Pax of competitive set (PIT, EWR, DEN, PHL, PHX, BOS, MSP, SEA, ORD, DFW, TAL, IAH, IAD, and DTW) used to calculate average; Pax refers to enplanements
Source: ARN Fact Book 2003–06

DFW PAX SPENDING TRAILS TOP PERFORMING AIRPORTS IN ALL RETAIL CATEGORIES -- PERFORMANCE UP IN 2006

Pax Spending Increase Highest in Specialty Retail, Down in Newsstands



Note: DFW 2006 data from Oct 2005 – Jun 2006
Source: ARN Fact Book 2006, DFW concessions

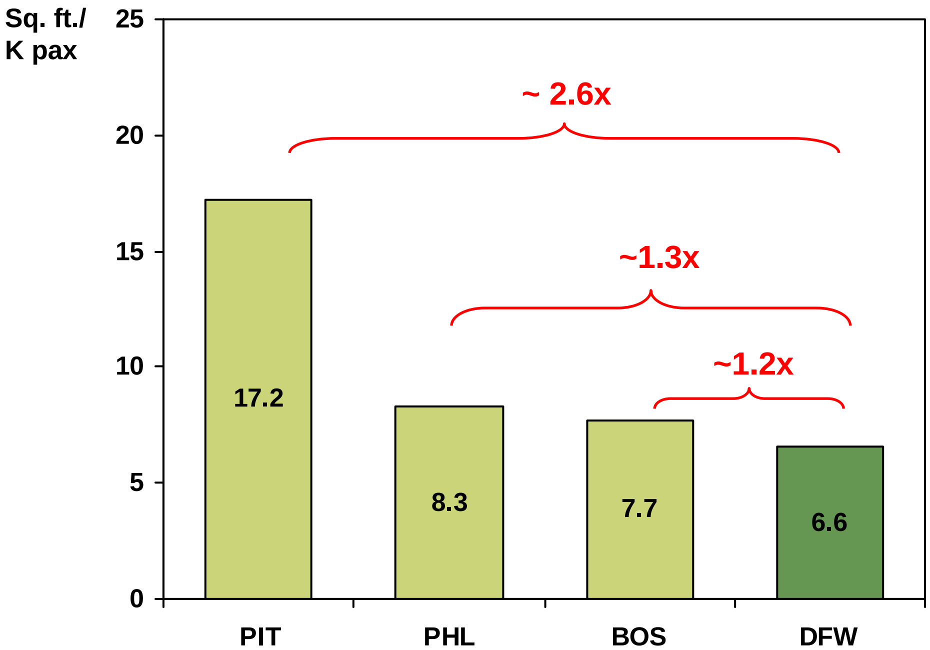
DFW RETAIL PERFORMANCE IS ASSESSED ON IDENTIFIED KEY DRIVERS RELATIVE TO COMPETITIVE TOP PERFORMERS

Key drivers	Key findings on DFW retail performance
1 Retail space	• DFW seems to have less retail space and number of outlets for given pax volume
2 Outlet location	• T-D has centralized retail areas • Other terminals have some clustered retail outlets
3 Pax flow	• T-D directs pax flow through retail area • Other terminals seem to have less optimized pax flow
4 Outlet mix	• DFW has comparable mix of sit-down vs. quick service in food/beverage • DFW has less variety in specialty retail despite high number of specialty retail outlets • DFW has less high end specialty retail offerings
5 Marketing	• DFW seems to lack of signage

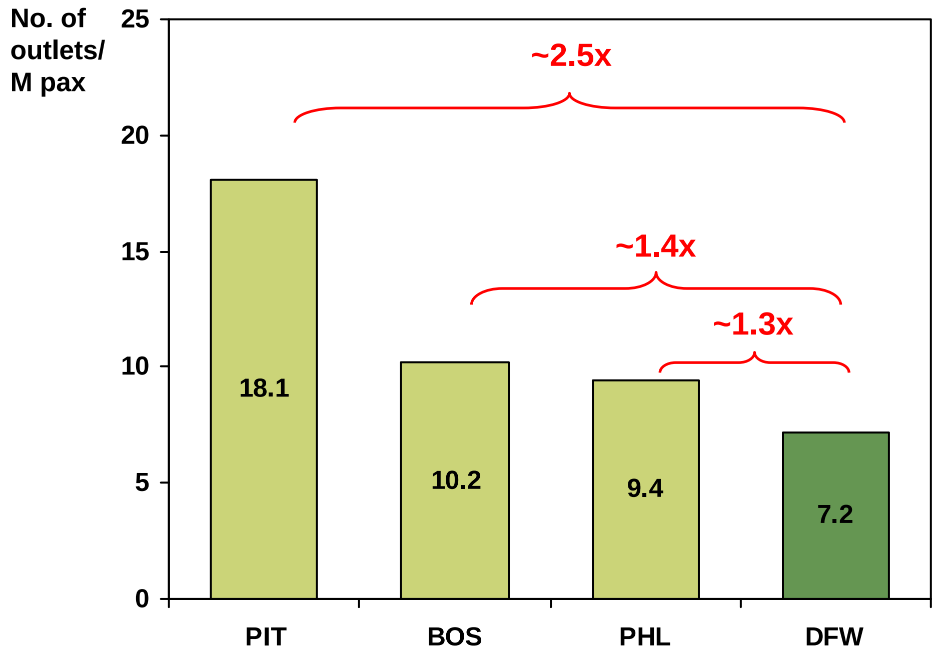
Retail space

COMPETITIVE TOP PERFORMERS SEEM TO HAVE MORE RETAIL SPACE AND NUMBER OF OUTLETS FOR GIVEN PAX VOLUME

DFW vs. competitive set top performers
(Sq Ft per 1,000 pax, 2005)



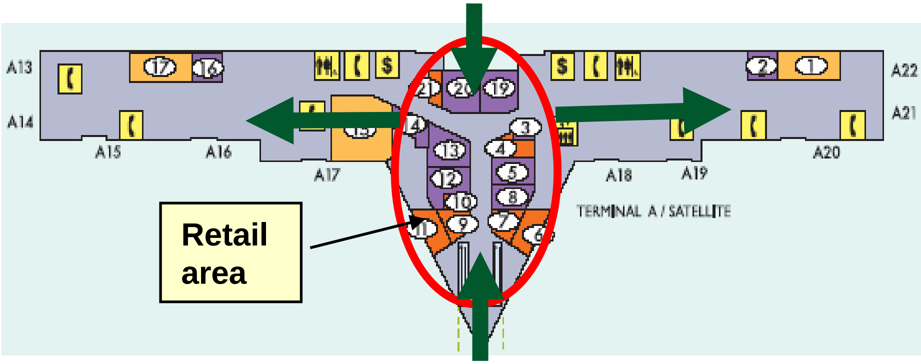
DFW vs. competitive set top performers
(No. of outlets per 1M pax, 2005)



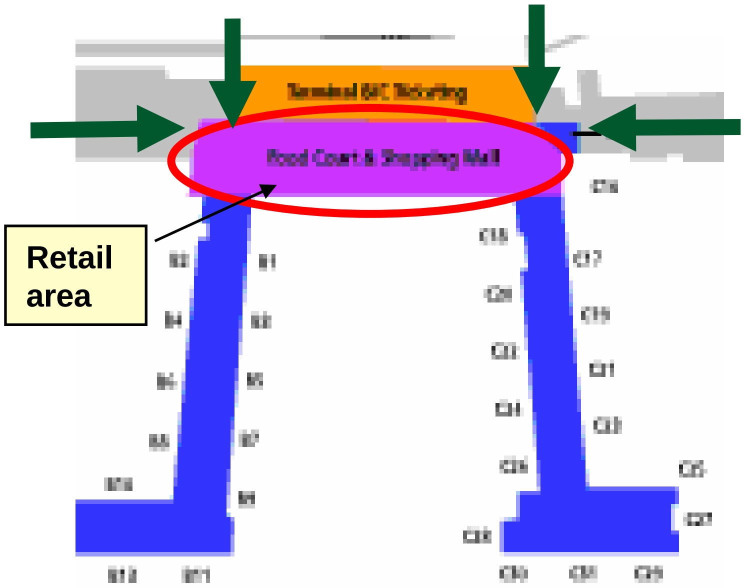
Source: ARN Fact Book 2006, DFW concessions data from Oct 2005-Jun 2006

TOP PERFORMERS SEEM TO DIRECT PAX THRU CENTRAL RETAIL AREA

Example: BOS terminal A pax have to pass central retail area before reaching gates



Example: PHL pax have to pass through central retail area before reaching terminal B and C



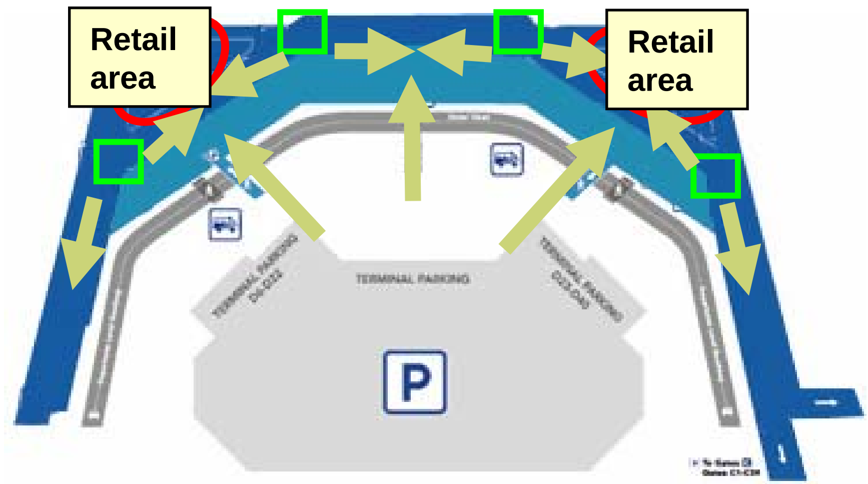
PIT: pax must pass thru Airmall to reach gates

Pax flow

DFW T-C DIRECTS PAX FLOW THRU CENTRAL RETAIL AREAS

Other Terminals Have Food Courts And Some Clustered Specialty Retail Outlets, But Less Optimized Pax Flow

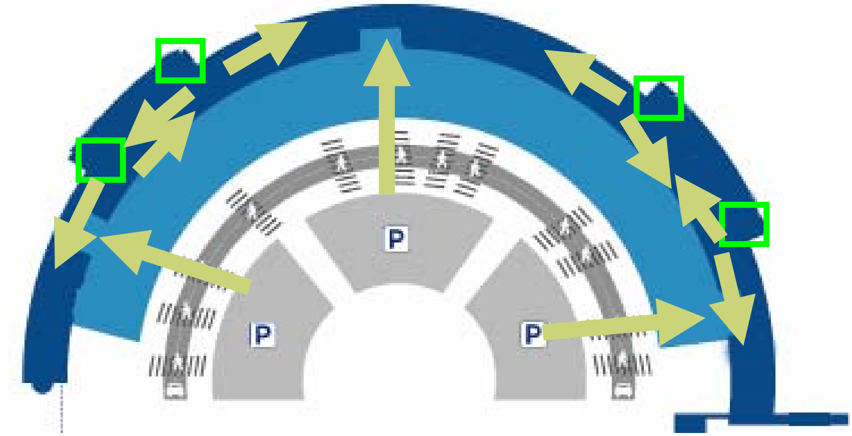
Example: T-C directs majority of pax flow thru central retail areas before reaching gates



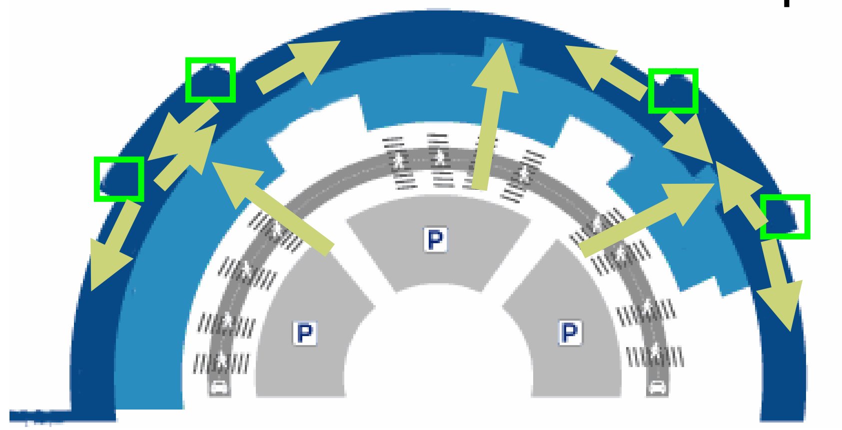
Skylink

Pax flow

Example: T-A directs majority of pax flow thru food courts and some clustered retail shops

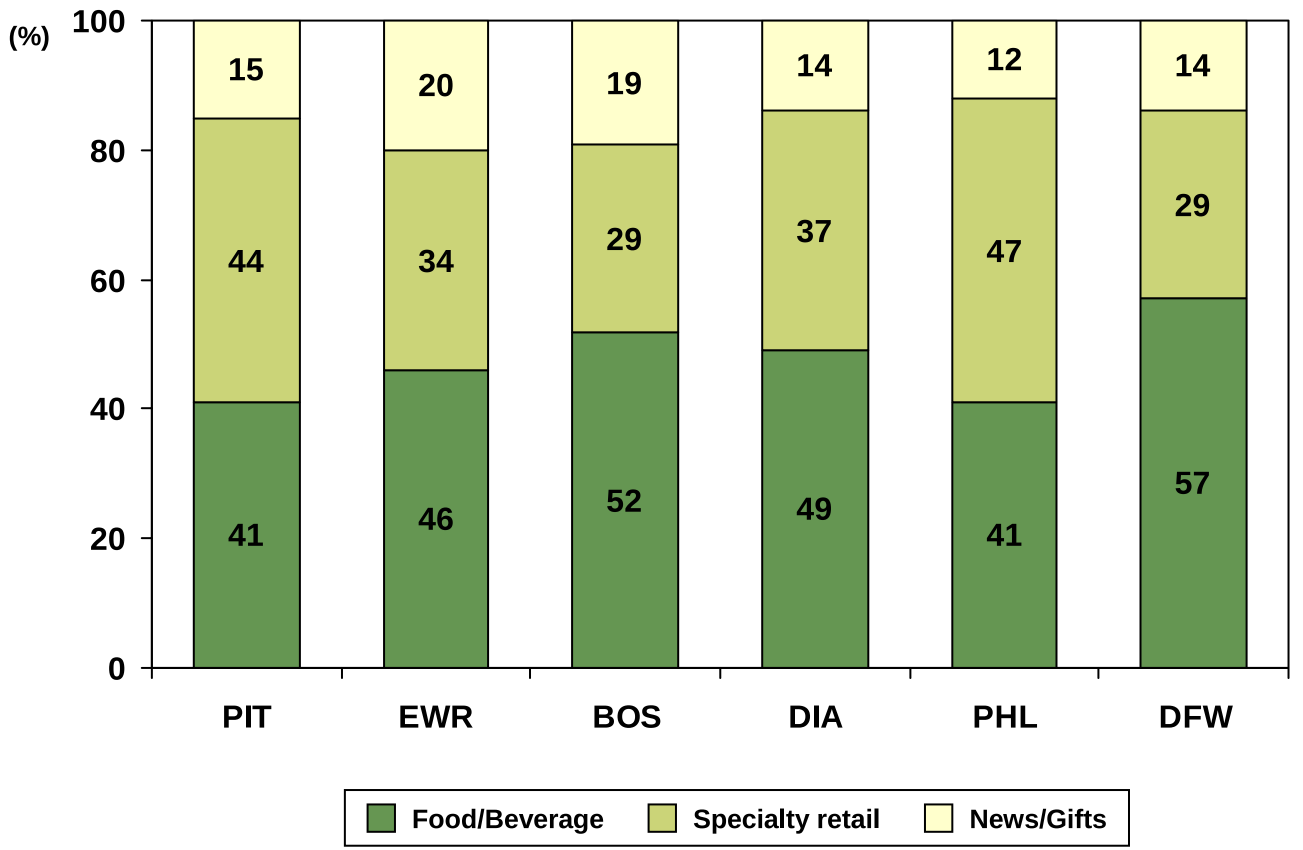


Example: T-C directs majority pax flow thru food courts and some clustered retail shops



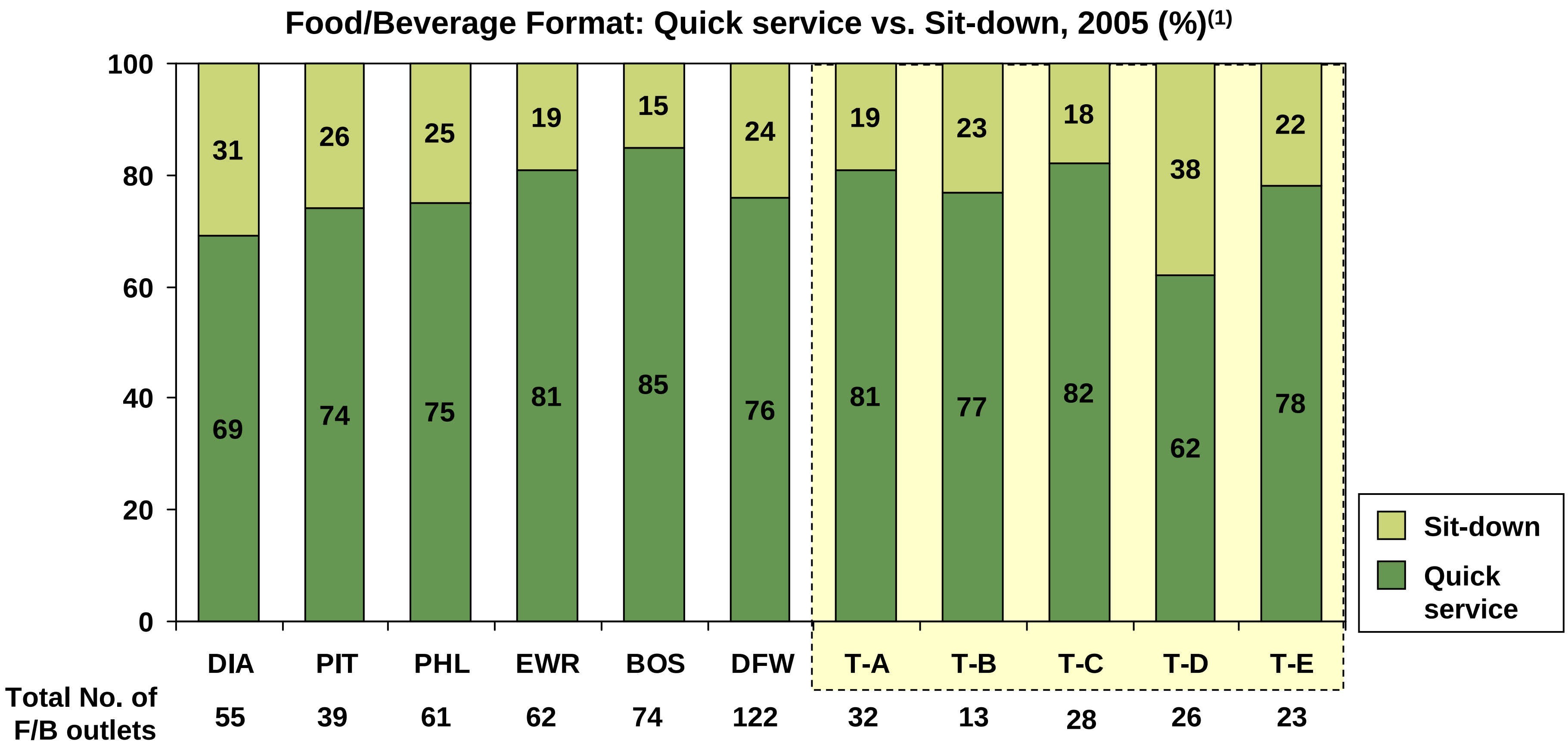
DFW HAS MORE OUTLETS ALLOCATED TO FOOD/BEVERAGE COMPARED TO COMPETITIVE TOP PERFORMERS

Outlet distribution by category, 2005 (%)[(1)]



Source: ARN Fact Book 2006

DFW'S FORMAT MIX IN FOOD/BEVERAGE COMPARABLE TO COMPETITIVE TOP PERFORMERS

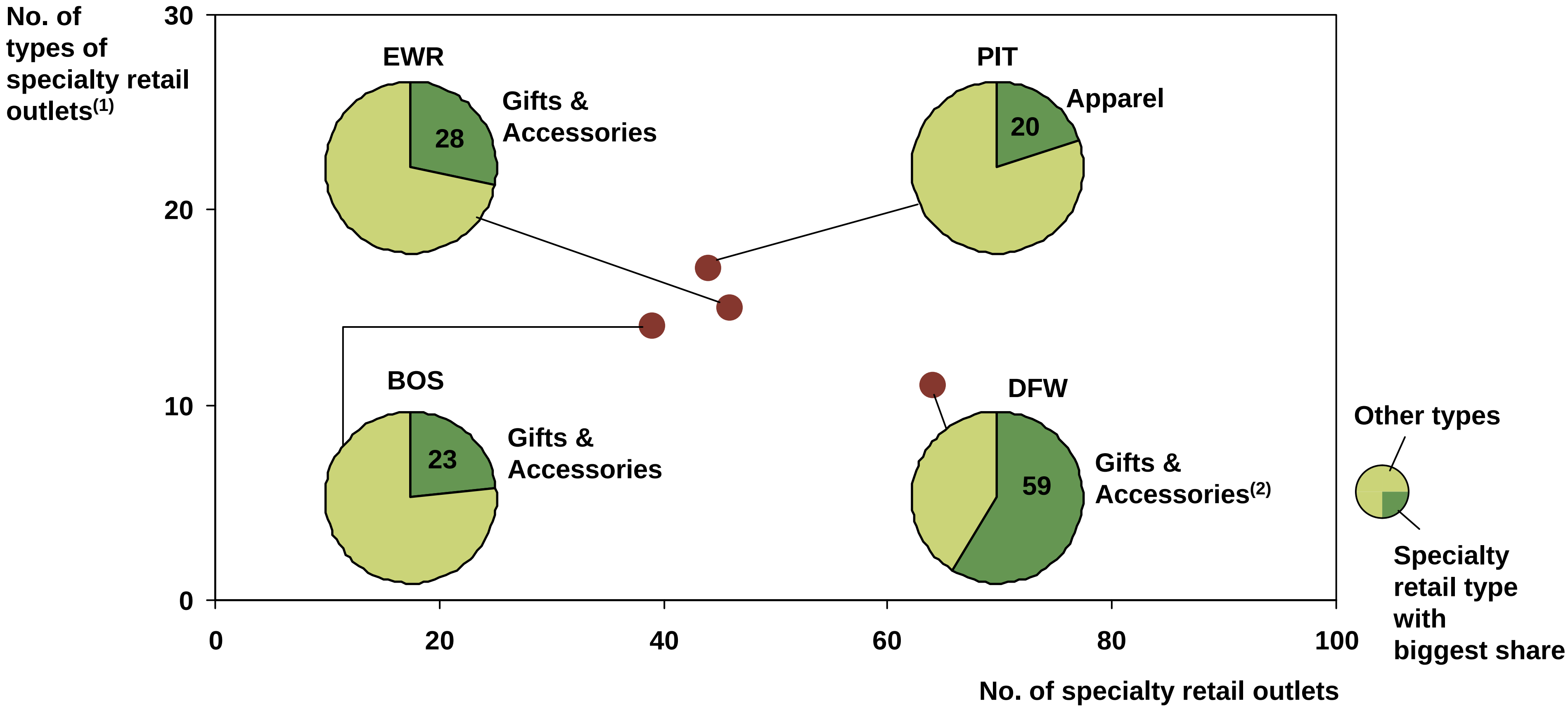


(1) Calculated number of outlets for DFW using data from DFW website; others from 2005 data
Source: ARN Fact Book 2006

DFW HAS FEWER TYPES OF OUTLETS DESPITE HIGHER NUMBER OF OUTLETS IN SPECIALTY RETAIL

DFW Has High Concentration in Gifts and Accessories

No. of types of specialty retail outlets and no. of specialty retail outlets, DFW vs. top performers

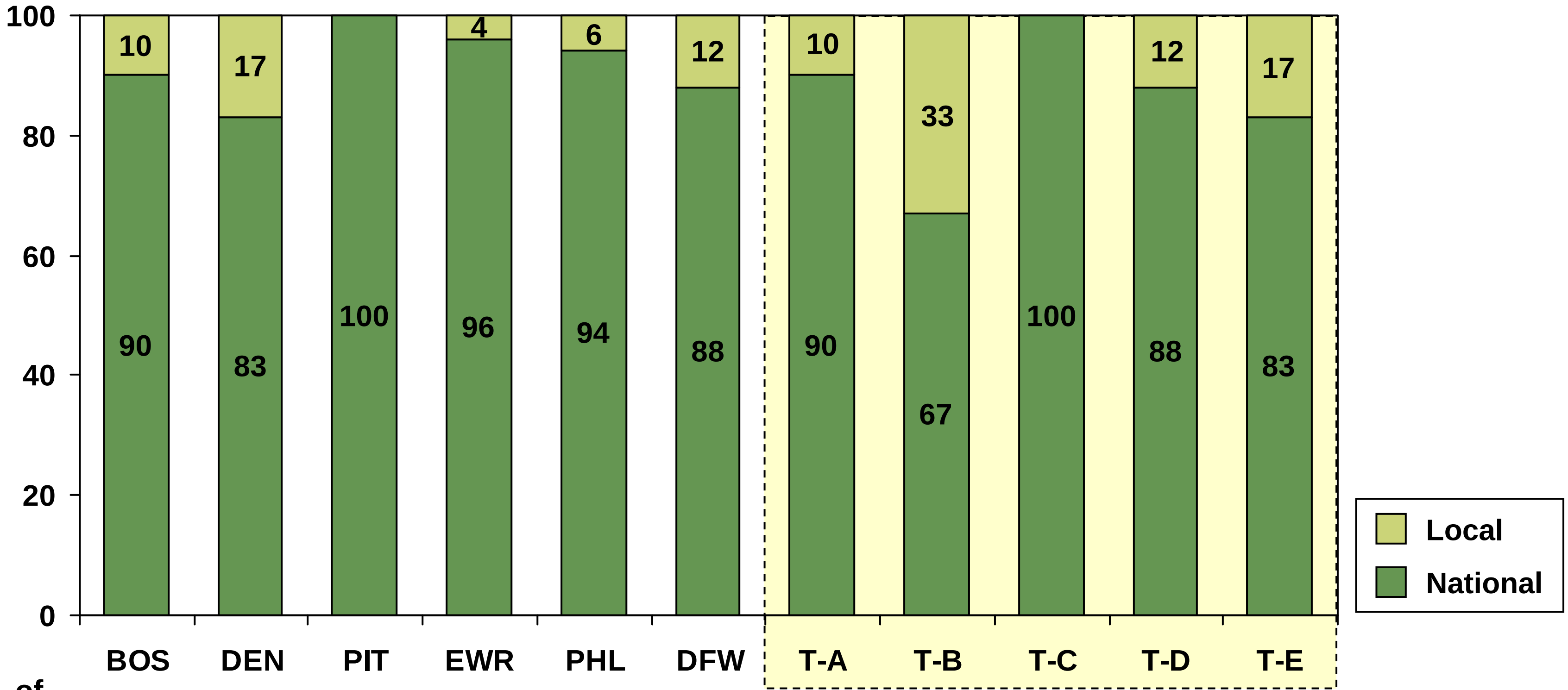


(1) Proxy for variety of specialty retail outlets, e.g., gifts & accessories, cosmetics/skin care, apparel, technology products, etc.
(2) Within Gifts and Accessories, ~60% are 'Western' themed
Source: ARN Fact Book, 2005; DFW Concessions 2006

DFW'S LOCAL PRESENCE IN SPECIALTY RETAIL COMPARABLE TO COMPETITIVE TOP PERFORMERS

T-B Has Strongest Local Presence and T-C Has No Local Outlets in Specialty Retail

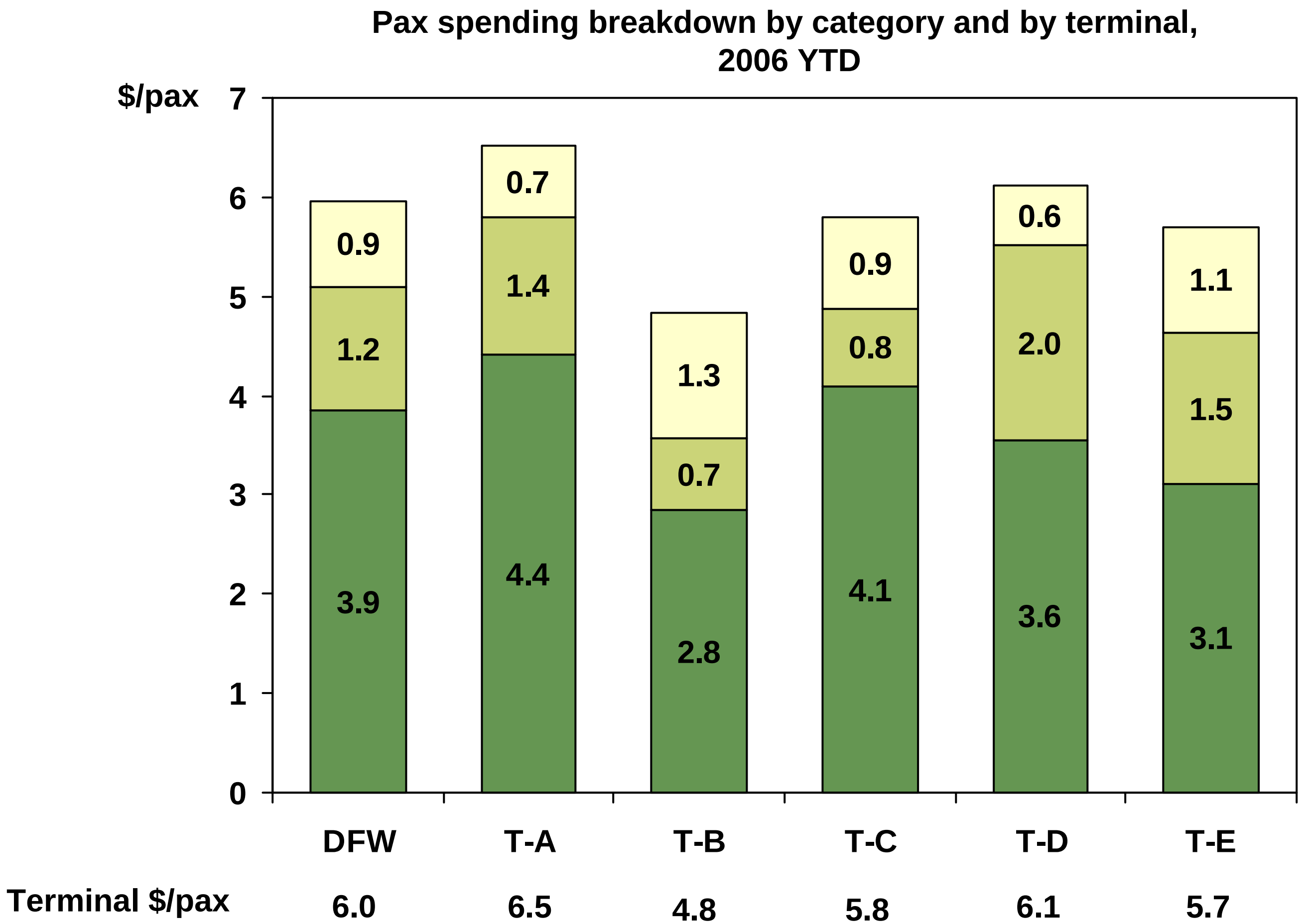
Specialty Retail Brand: National vs. Local, 2005(%)(1)



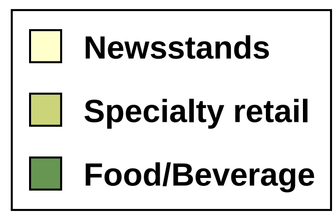
Total No. of Specialty Retail outlets	41	41	42	46	68	64	19	6	10	17	12

(1) DFW data from Oct 2005 – Jun 2006, adjusted for full year
Source: ARN Fact Book 2006, DFW concessions

WITHIN DFW, T-A IS BEST PERFORMER ON PAX SPENDING AND T-B IS THE LOWEST



Key findings
Food and Beverage sales are the majority component in DFW • Highest in T-A And Lowest in T-B Per-Pax specialty retail spending highest in T-D and lowest in T-C



Source: DFW concessions