

Fitch: Volcano Disruption Has No Immediate Impact on BAA Funding Ltd's Notes

Fitch Ratings-London-21 April 2010: Fitch Ratings says today that there has been no immediate rating impact on the notes issued by BAA Funding Limited (BAA) as a result of the closure of Heathrow and Stansted Airports following the eruption of the Eyjafjallajokull volcano in Iceland.

BAA Limited stated on 20 April that it currently expects the maximum daily impact of the closure of all its UK airports on adjusted EBITDA and cash flow to be approximately GBP5m-6m, excluding any recovery of lost income once the airports reopen.

Fitch believes the impact on cash flow that BAA has experienced to date can be readily absorbed by the company without impacting the ratings on its outstanding notes. Based on the company's estimate of lost revenue and given the cash and undrawn facilities of over GBP2.2bn available for Heathrow and Stansted Airports, it would take several weeks of airport closures to cause BAA to approach the bond documentation triggers.

Fitch understands that UK air traffic control providers have now sanctioned the full reopening of UK airspace. However, if Iceland's volcanoes remain active for a prolonged period of time and there are regular occurrences of disruption to flights due to volcanic ash, this would likely condition people's behaviour towards air travel, particularly for leisure purposes, and could therefore subdue passenger volumes. This possible longer-lasting effect could have rating implications for BAA.

The agency currently rates the class A bonds 'A-'/Stable and class B bonds 'BBB'/'Stable'.

Contacts: Nicolas Painvin, Paris, Tel: +33 1 44 29 91 28, Saavan Gatfield, London, +44 (0) 20 7681 7426; Radim Radkovsky +44 (0) 20 7682 7260.

Additional information is available on www.fitchratings.com.