



Update on BAA's London airports

Presentation to Knight Libertas
'Credit Opportunities Conference'

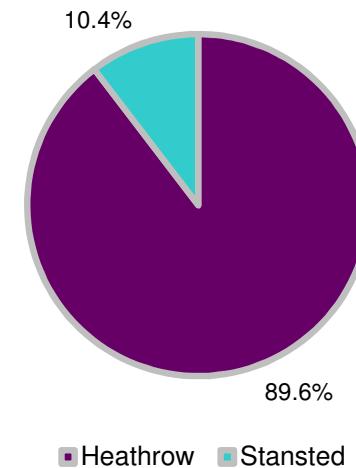
7 April 2011



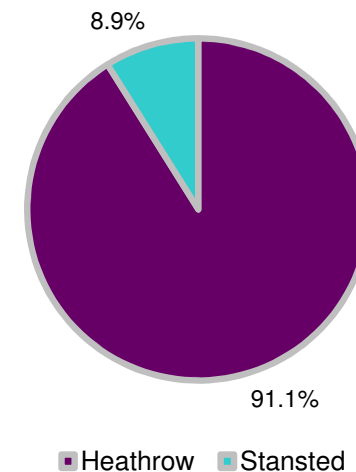
Introduction to BAA group

- BAA owns six UK airports
 - London airports Heathrow and Stansted
 - Heathrow dominates the group
 - BAA also owns Edinburgh, Glasgow, Aberdeen and Southampton airports
- Acquired in 2006 by consortium
 - Ferrovial: 55.87%
 - CDPQ: 26.48%
 - GIC: 17.65%
- BAA handled nearly 1 million flights and 104 million passengers in 2010
- London airports separately financed increasingly by debt capital markets

Split of RAB between Heathrow and Stansted
(as at 31 December 2010)



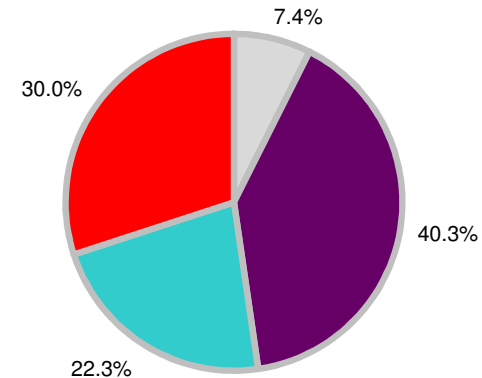
Split of Adjusted EBITDA between Heathrow and Stansted
(for year ended 31 December 2010)



Credit strength centred on Heathrow

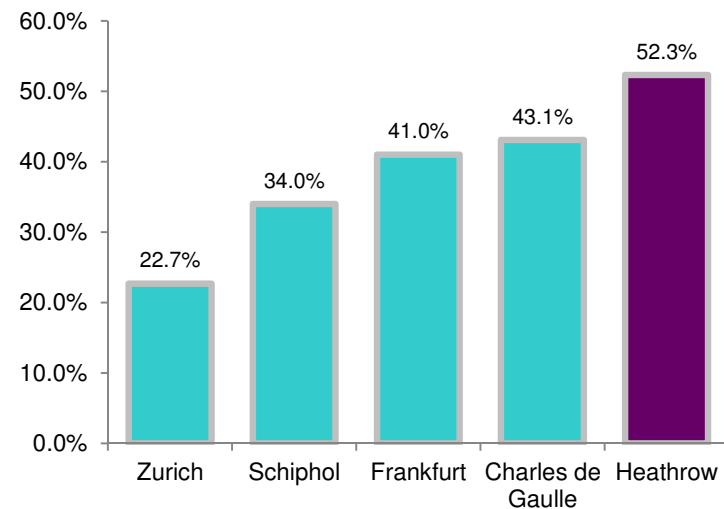
- Key global hub airport
 - world’s busiest international airport
 - strength of London catchment area
- Passenger and airline diversity
 - balance of business and leisure traffic
 - >50% non-UK resident passengers
 - **oneworld** accounts for 49% of traffic
 - Frankfurt: 74% Star Alliance
 - Schiphol: 65% Sky Team
 - Aeroports de Paris: 57% Sky Team
- Unique traffic resilience
 - operating close to full capacity
 - strength in high growth long haul
 - countercyclical transfer traffic

Heathrow passenger traffic by origin/destination in year ended 31 December 2010



Legend: Domestic (grey), European (purple), North Atlantic (cyan), Other long haul (red)

Proportion of long haul traffic (2010)

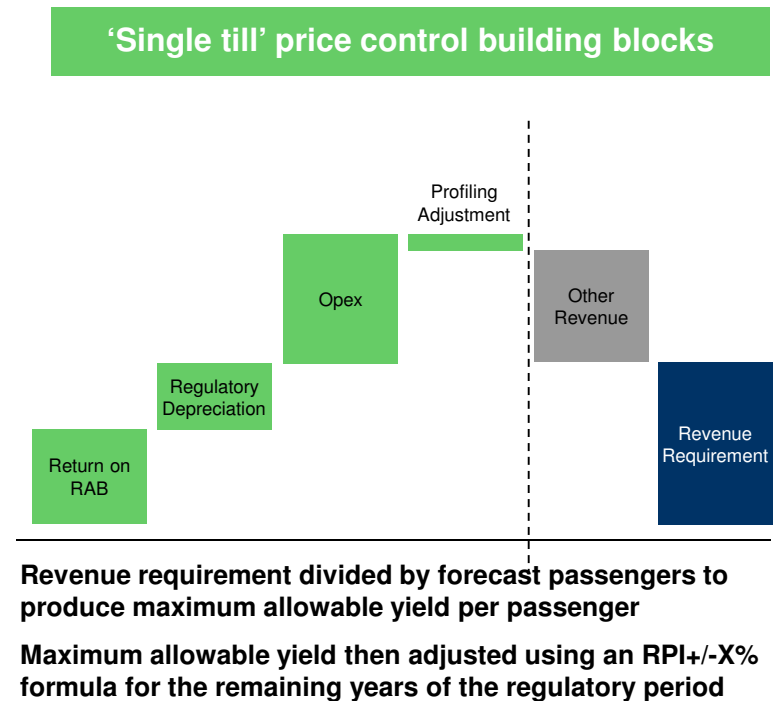


Strategy

- Focused on developing Heathrow's position as
 - world's busiest international airport
 - Europe's hub airport of choice
 - the UK's gateway to the world
- Support and develop Heathrow's role as a hub by
 - investing in further capacity
 - upgrading surface access
 - enhancing operational flexibility and resilience
 - improving passenger experience and service standards
 - lowering airline operating costs

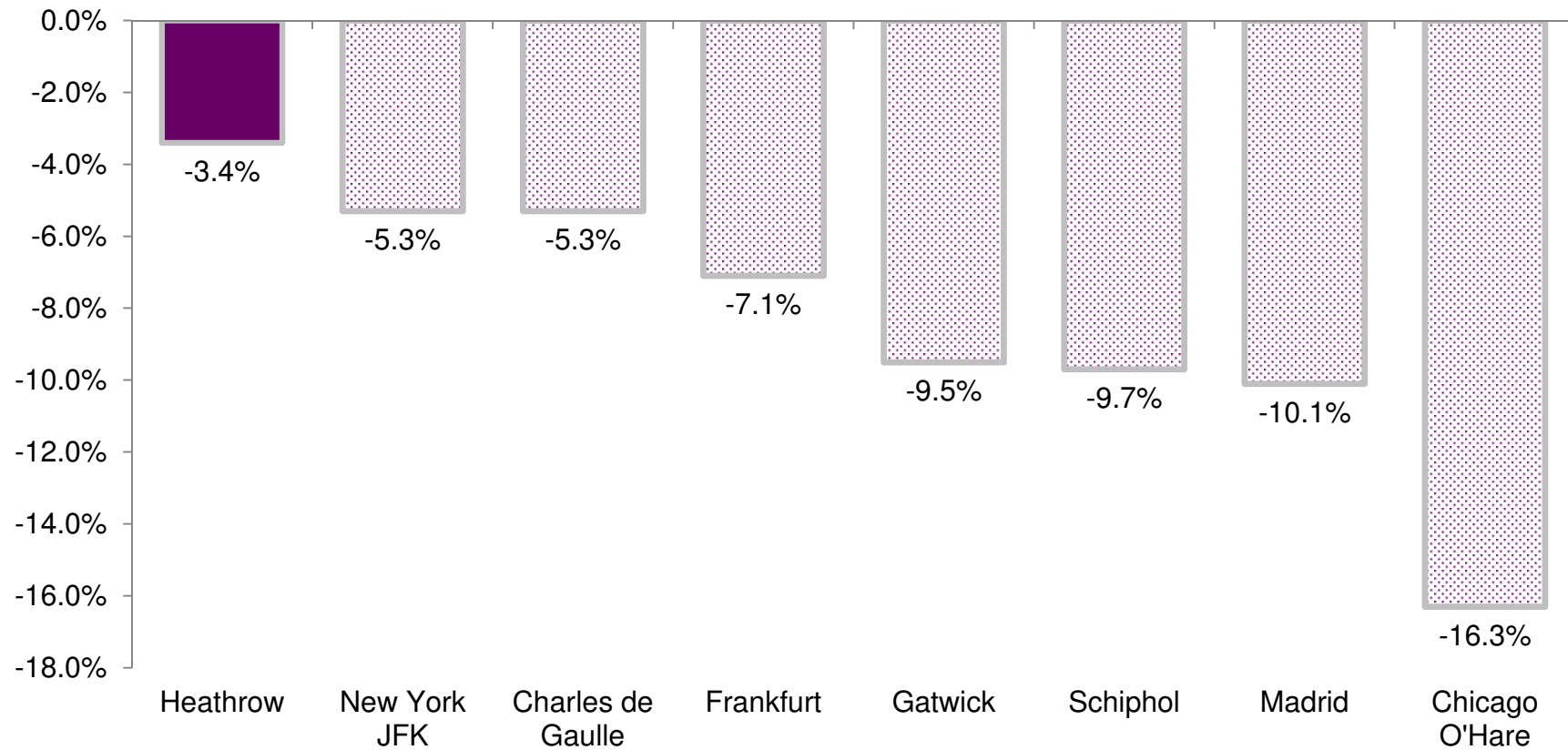
Stable regulatory environment further supports resilience

- ‘Single till’ price regulation similar to other UK regulated utilities
- Regulatory periods (usually 5 years) limit market risk
 - current periods to March 2014 (following recent one year extension for Heathrow)
- Tariffs designed to allow recovery of capital investment, cost of capital and operating expenses
 - tariffs increase at RPI + 7.5% at Heathrow and RPI + 1.63% at Stansted
 - from 1 April 2011 reflect + 4.7% RPI
- Positive outcome to recent review of economic regulation

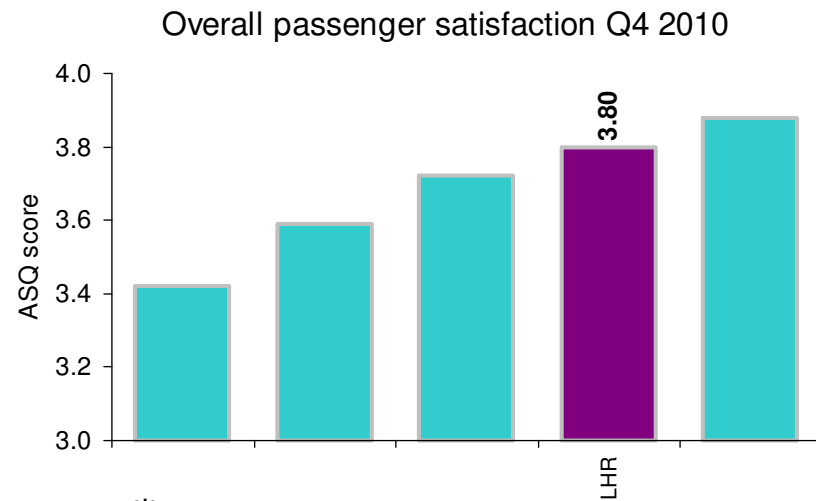
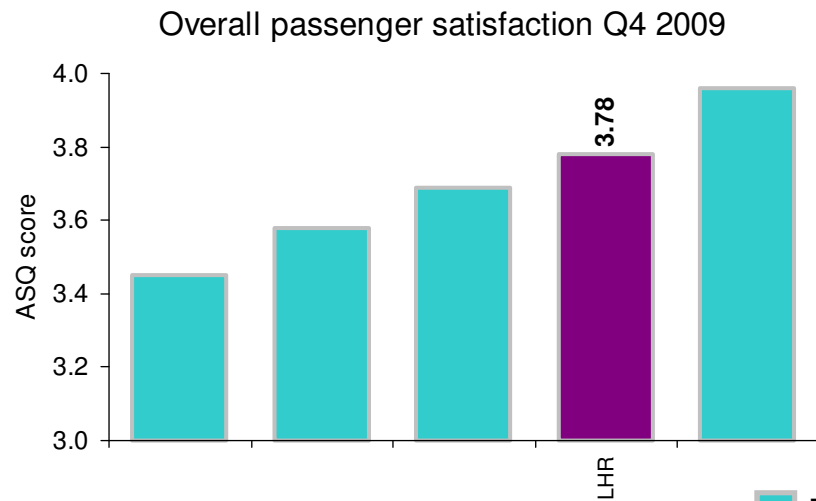
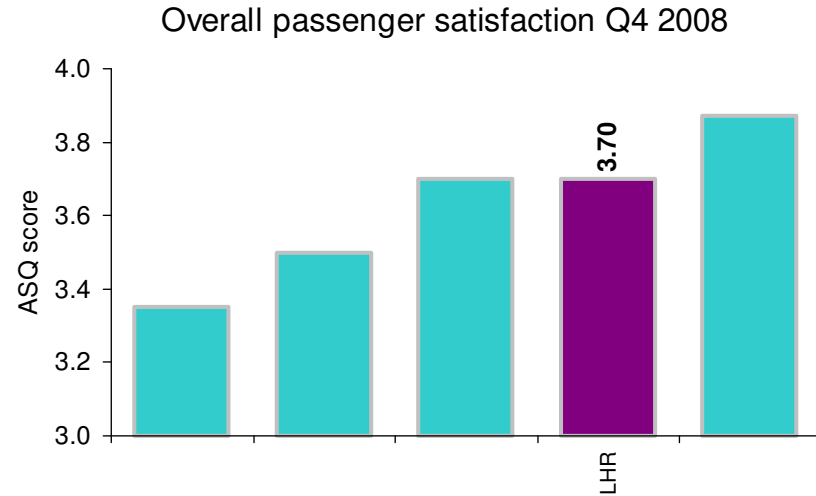
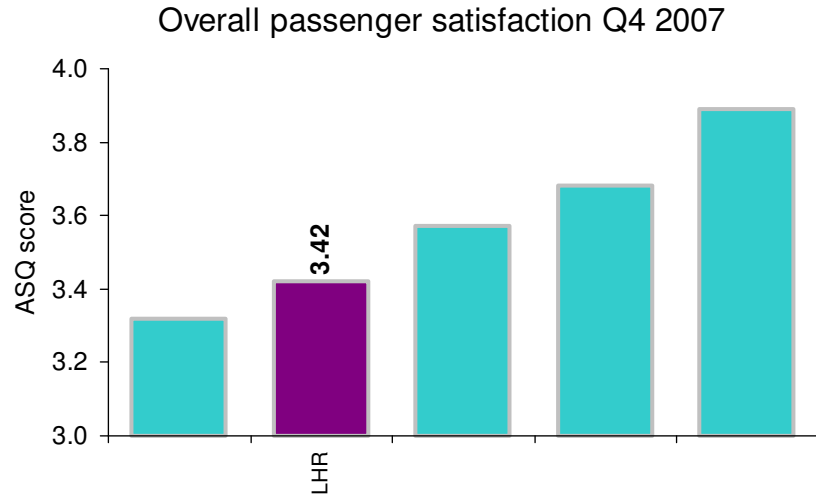


Heathrow's traffic most resilient of major airports in Europe and North America in recent downturn

Change in annual passenger traffic in recent downturn between previous peak annual traffic and subsequent trough traffic



Focus on service standards has driven passenger satisfaction towards top of European peer group



European competitors

Transforming infrastructure will enhance competitive position

- Heathrow's £1 billion per annum investment programme to 2014
 - new Terminal 2
 - total cost of £2.2 billion
 - Star Alliance base opening in 2014
 - Terminal 5C construction complete
 - operational readiness trials underway
 - fully operational in next few months
 - significant spend on baggage systems
 - by 2014
 - 70% of passengers using new terminals and 30% significantly refurbished terminals
 - airline alliances operating from 'mini hubs'
 - newest major European airport infrastructure



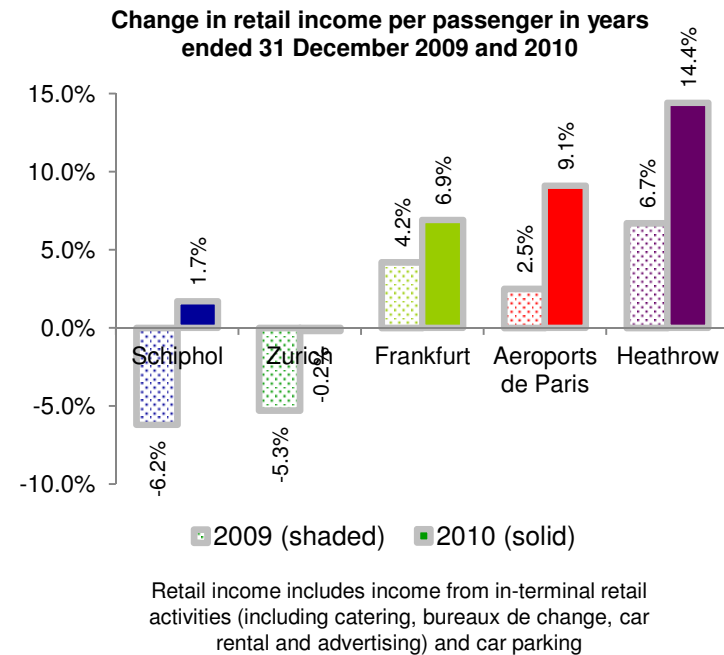
New Terminal 2 site – January 2011



Terminal 5C – March 2011

Award winning retail operations outperforming the market

- Primary sources of retail income
 - concessions, particularly for specialist airside shops and tax and duty free
 - direct car parking income
- Retail income part of single till
- Recent structural shift in spend
 - 22% like-for-like increase in 2 years
 - new leading edge retail facilities
 - more intra-terminal transfer passengers
- Other recent growth drivers
 - increased origin and destination traffic
 - active marketing and mix management
- Business Traveller and Skytrax global airport retail awards



Recent passenger traffic trends

	Year ended 31 December			Change ⁽¹⁾ in 3 months ended				
	2009 (m)	2010	Change ⁽¹⁾	31 March 2010	30 June 2010	30 Sept 2010	31 Dec 2010	28 Feb 2011
By airport								
Heathrow	65.9	65.7	-0.2%	+1.6%	-7.9%	+4.4%	+0.7%	-1.8%
Stansted	20.0	18.6	-7.0%	-4.7%	-10.1%	-6.0%	-6.8%	-7.8%
Total⁽¹⁾	85.9	84.3	-1.8%	+0.2%	-8.4%	+1.8%	-0.9%	-3.0%
By market served								
UK	7.2	6.6	-8.1%	-7.6%	-18.7%	+0.1%	-6.6%	-8.5%
Europe ⁽²⁾	43.5	42.8	-1.8%	+0.3%	-8.3%	+2.3%	-1.6%	-4.1%
Long haul	35.2	35.0	-0.5%	+1.7%	-6.3%	+1.5%	+1.0%	-0.8%
Total⁽¹⁾	85.9	84.3	-1.8%	+0.2%	-8.4%	+1.8%	-0.9%	-3.0%

1) Totals and percentage change calculated using un-rounded numbers

2) Includes North African charter traffic

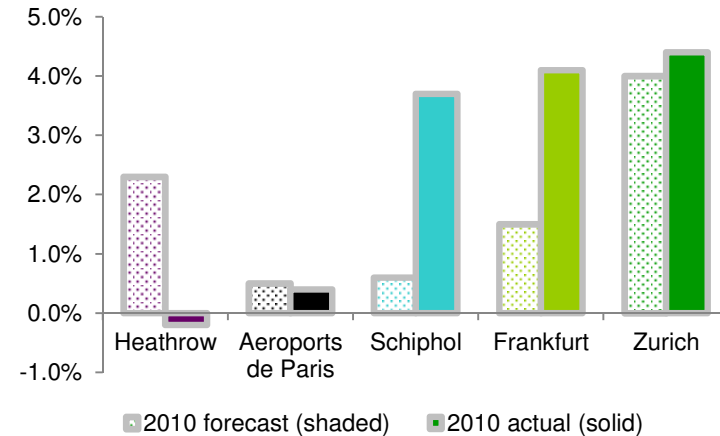
Strong 2010 financial performance given external challenges

(figures in £m)	2009	2010	Change
Turnover	1,977.6	2,074.3	+4.9%
Adjusted operating costs	1,092.4	1,107.4	+1.4%
Adjusted EBITDA	885.2	966.9	+9.2%
Underlying Adjusted EBITDA	844.9	1,019.2	+20.6%
Consolidated net debt (BAA (SP))	8,579.0	9,921.2	+15.6%
Consolidated net debt (BAA (SH))	10,143.4	10,401.1	+2.5%
RAB (Regulatory Asset Base)	11,730.5	12,776.0	+8.9%

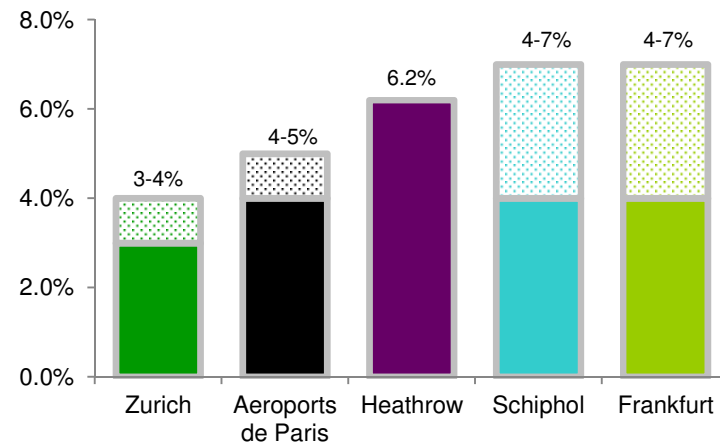
2010 was a good year for European airports despite external challenges with further growth forecast for 2011

- In 2010, European airports generally performed well relative to forecasts
 - despite significant external disruptions – particularly volcanic ash and weather
 - Heathrow had additional impact of British Airways strikes and severity of weather
 - long haul traffic drove growth at Schiphol, ADP, Frankfurt and Zurich
 - European traffic drove Heathrow growth
- 2011 traffic forecasts further growth
 - reversal of 2010 disruptions
 - continued economic recovery

Actual and forecast change in passenger traffic in twelve months ended 31 December 2010



Forecast change in passenger traffic in twelve months ended 31 December 2011



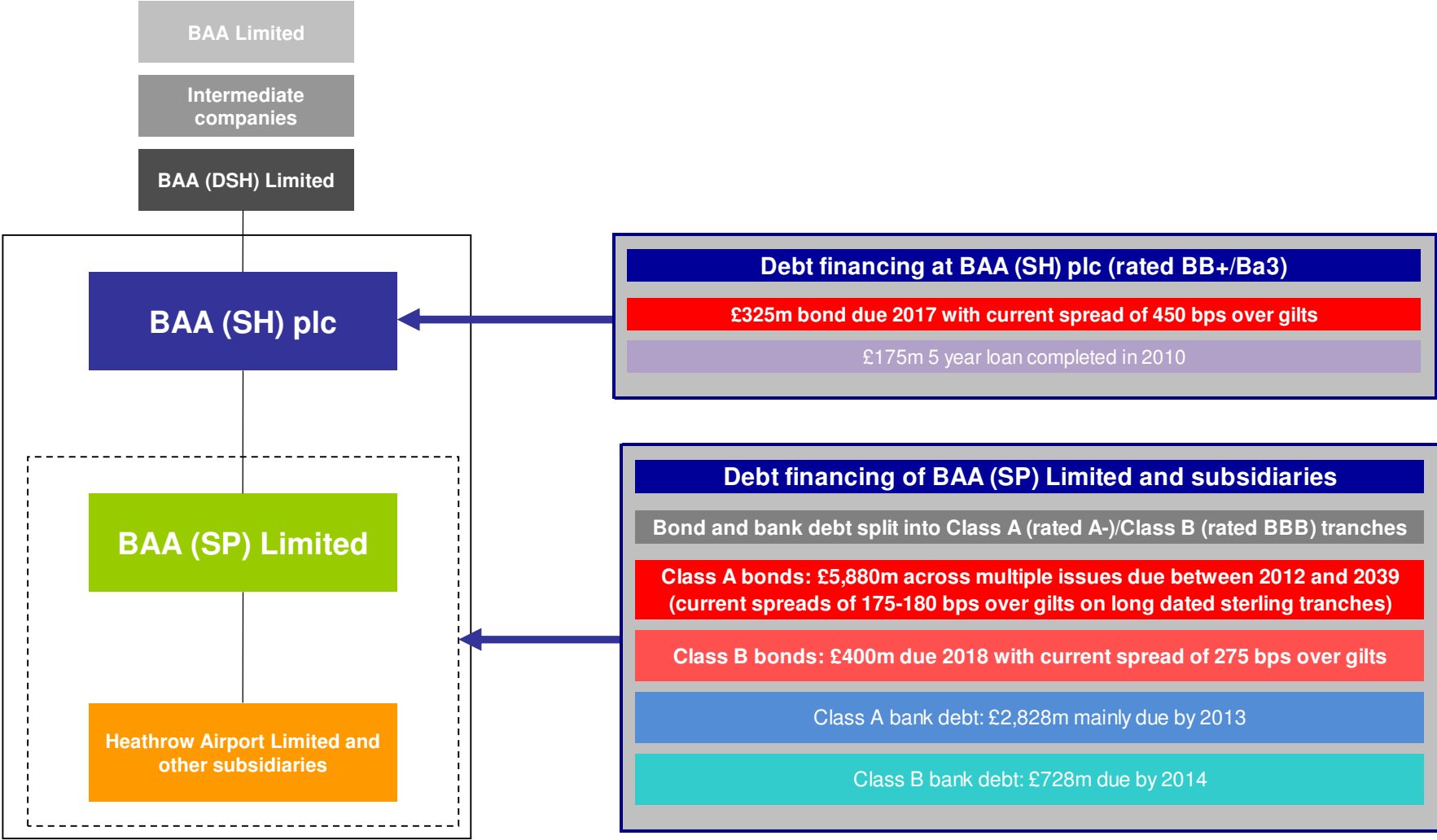
2011 financial outlook for BAA's London airports

- 2011 revenue growth forecast at approximately 10%
- Increased operating costs reflecting one-off projects, inflation and new infrastructure becoming operational
- Adjusted EBITDA growth forecast at approximately 15%
- Gearing forecast to decline about 2 percentage points
 - RAB increasing by over £1 billion
 - nominal net debt increasing by over £600 million

Significant progress towards long term funding platform

- Approximately £2 billion in new financings implemented in 2010
 - £625 million Class B loan
 - £400 million Class B bond
 - €500 million Class A bond
 - £175 million subordinated loan
 - £325 million subordinated bond
- BAA named IFR 'Corporate Issuer of the Year' for 2010
- Continue transition to long term funding platform in 2011
 - refinance 2012 maturities in the debt capital markets
 - refresh undrawn balance of revolving credit facility
 - access markets in range of currencies

Investment opportunities at three levels in capital structure



Summarised corporate structure

Debt figures are as at 31 December 2010



A closer look at the BAA (SH) bond issue

- Debt service (both interest and principal) can be funded through distributions from BAA (SP)
- BAA (SP) prevented from agreeing tighter distribution restrictions
- £400 million liquidity buffer for BAA (SH) creditors
 - distribution lock-up at BAA (SH) when BAA (SP) gearing exceeds 82% compared to lock-up at BAA (SP) when gearing exceeds 85%
- Nearly £1 billion current headroom to BAA (SP) gearing lock-up
- Pledge over BAA (SP) shares
- BAA (SH)'s previous £1.6 billion debt comfortably serviced through worst downturn since dawn of civil aviation industry
- Expanding asset class with subsequent issues by Anglian Water and Thames Water holding companies

Any questions?

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