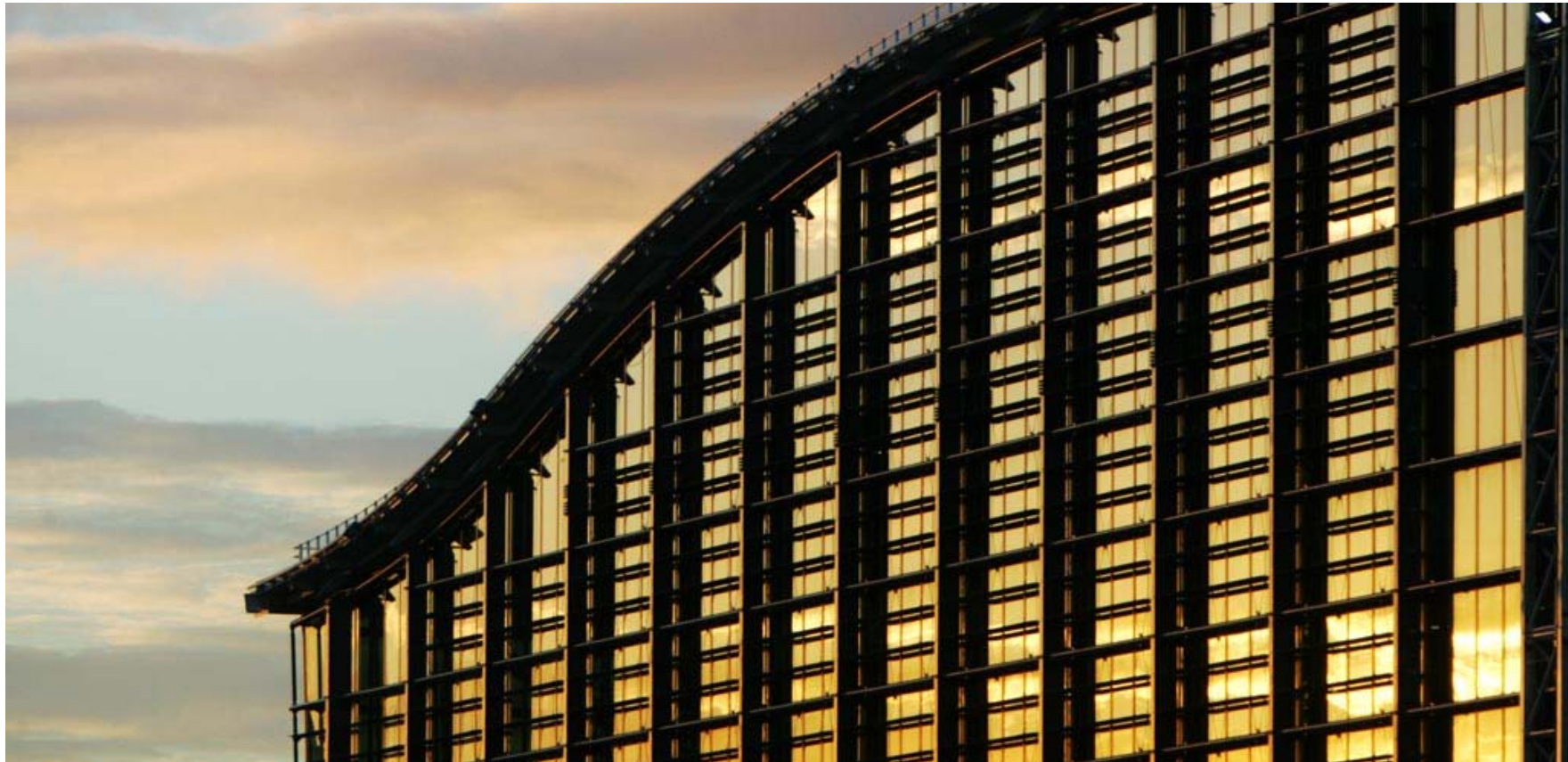


BAA's regulated airports



Investor Report prepared on behalf of the Obligors under the Common Terms Agreement
Issued on 24 December 2008



Important notice



This Investor Report is being distributed by BAA Airports Limited (as 'Security Group Agent') on behalf of Heathrow Airport Limited, Gatwick Airport Limited, Stansted Airport Limited, Heathrow Express Operating Company Limited, BAA (AH) Limited and BAA (SP) Limited (together the 'Obligors') pursuant to the Common Terms Agreement.

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each of the Obligor's assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

Basis of preparation



This is the first Investor Report being distributed pursuant to the terms of the Common Terms Agreement ('CTA') entered into by the Obligors⁽¹⁾ on 18 August 2008.

Investor Reports relate to the performance of BAA (SP) Limited and its subsidiaries (see Appendix 1 for corporate structure), specifically the Designated Airports (Heathrow, Gatwick and Stansted), and normally accompany distribution of **consolidated** financial statements of BAA (SP) Limited produced under UK GAAP.

As such financial statements are not required to be produced under the terms of the CTA prior to the year ending 31 December 2008⁽²⁾, historical financial information included in this document is based on the unaudited **combined** results and financial position of HAL, GAL and STAL⁽³⁾ produced under UK GAAP⁽⁴⁾.

This is not the same as full consolidated financial statements for BAA (SP) Limited but is consistent with the basis of preparation of financial information included in the base prospectus dated 14 July 2008 and prospectus supplement dated 1 October 2008 (together, the 'Prospectus').

As financial information has already been published on a combined basis for the nine months to 30 September 2008, that is the historic financial information on which this report focuses with commentary beyond September 2008 where appropriate.

The CTA requires Investor Reports produced by December each year normally to accompany unaudited financial statements to the prior 30 June and therefore in future such reports may not comment on matters beyond that date.

The forecast financial information for 2009 included in this report is derived from forecast **consolidated** financial results for BAA (SP) Limited.

Defined terms used in this document have the same meanings as set out in the Prospectus unless otherwise stated.

- 1) The Obligors are HAL, GAL, STAL, Heathrow Express Operating Company Limited, BAA (AH) Limited and BAA (SP) Limited
- 2) As no consolidated financial information had been prepared previously
- 3) HAL: Heathrow Airports Limited; GAL: Gatwick Airport Limited; and STAL: Stansted Airport Limited
- 4) For more information on the basis of preparation of the combined financial information, please see note 1 of Appendix 1 of the press release dated 18 November 2008 relating to the results of the Designated Airports

Contents of report



	Page
1. Introduction	5
2. Significant business developments	6
3. Significant regulatory/governmental developments	9
4. Historical financial performance	12
5. Forecast financial performance and ratios	13
6. Acquisitions, disposals, joint ventures and outsourcing	14
7. Significant board/management changes	15
8. Financing matters	16
9. Confirmation	17
Appendices	
1. Corporate structure of BAA (SP) Limited and its subsidiaries	18
2. Quarterly passenger traffic trends (Q1 2007 to date)	19
3. Net debt of Obligors and BAA Funding Limited at 30 September 2008	20
4. Computation of forecast Interest Cover Ratios	21
5. Computation of forecast Regulatory Asset Ratios	23

1. Introduction



This Investor Report covers all of the areas required pursuant to the Obligors' financing documentation and goes beyond these requirements in some areas in seeking to provide additional information to investors.

It reports on a range of financial and operational developments at BAA's Designated Airports (Heathrow, Gatwick and Stansted) during 2008, in some cases up to November 2008.

It also provides forecasts of the key financial ratios used in the Common Terms Agreement (RAR and ICR) to monitor the financial performance of the Designated Airports in relation to the years to 31 December 2008 and 2009.

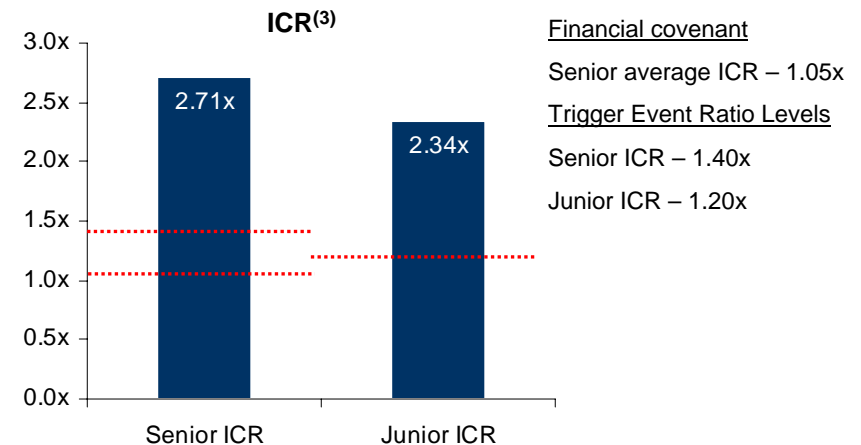
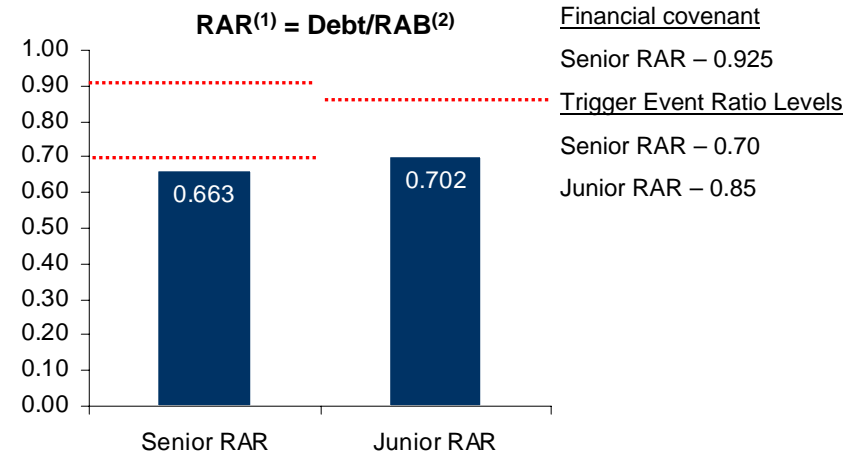
The ratios for 2009 are based on the budget for 2009 which reflects in particular the current economic environment and the assumed sale of Gatwick effective 1 July 2009. The budget for the Designated Airports for 2009 shows:

- ▶ continuing business⁽¹⁾ revenue up 10% to £1,980 million
- ▶ reported revenue of £2,203 million
- ▶ continuing business Adjusted EBITDA⁽²⁾ up 21% to £895 million
- ▶ reported Adjusted EBITDA up 8% to £974 million

In the year to 31 December 2009, all financial ratios are forecast to be in excess of relevant Trigger Event Ratio Levels as illustrated in the charts opposite.

- 1) Continuing business basis excludes Gatwick for both 2008 and 2009
- 2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation before exceptional costs

Forecast RAR and ICR ratios at 31 December 2009



- 1) RAR means Regulatory Asset Ratio
- 2) RAB means Regulatory Asset Base
- 3) ICR means Interest Cover Ratio which is cash flow from operations less 2% of RAB, net interest paid and corporation tax paid (no corporation tax is projected to be payable to HMRC during 2009)

2. Significant business developments



Airport developments

The most significant development in 2008 in BAA's current airport transformation programme has been the opening of Heathrow Terminal 5 (T5) in March 2008 with all British Airways moves into the terminal completed by October. Although there were well publicised difficulties around the opening of the facilities, Terminal 5 is now providing a world-class service and achieved comparable ratings to the best hub airport in Europe in the independent Airport Service Quality Q3 2008 survey produced by Airports Council International.

Transformation continues across the rest of Heathrow. Developments have included investment in T5's second satellite building (T5C) due to open in 2011, redevelopment of Terminal 1 with the introduction of the common user lounge concept and opening of new check-in facilities. Terminal 3 and 4's development programmes continue with extensive refurbishment works. Preparations for constructing T2A (previously called Heathrow East Terminal) continue with major service diversions complete and facilities relocated from The Queen's Building prior to demolition. Next to Terminal 1, construction has started on T2's first satellite building, Phase 1 of T2B (previously called mid-field pier) that is expected to be completed in 2010.

At Gatwick the upgrade of the inter-terminal transit system is underway and Gatwick's South Terminal departure lounge has been redesigned to improve the passenger experience. Finally at Stansted the main development has been the extension of the international arrivals area to provide increased passenger processing capacity and an improved retail layout.

Service quality and performance penalties

There has been continued investment in improving service quality during 2008 targeted particularly at improving security queuing times, maintenance and cleaning. In addition, strengthened service quality rebate (or performance penalty) schemes were introduced at Heathrow and Gatwick from 1 April 2008 that include (a) new elements such as security queuing for transfer passengers and airline employees, (b) higher standards for many existing elements of the schemes, (c) increased penalties for not reaching standards and (d) bonuses for consistent outperformance across an airport.

In the six months to 30 September 2008, i.e. the period since the enhanced schemes were introduced, rebates of £7.3 million have been paid. However, service standards are improving and rebates declined from £4.8 million in the quarter to June 2008 to £2.5 million in the following quarter. Rebate levels have continued to decline since September 2008. At Terminal 5, service quality improved rapidly after its opening in March 2008.

As noted above, the rebate schemes provide scope to earn bonuses and whilst the amounts earned in the nine months to 30 September 2008 were modest, the Designated Airports are targeting to increase these in future years.

2. Significant business developments



Passenger traffic trends⁽¹⁾

By Airport

By Market

Nine months to 30 September 2008

	2007 (m)	2008 (m)	Change		2007 (m)	2008 (m)	Change
Total traffic	97.3	96.0	-1.3%	Total traffic	97.3	96.0	-1.3%
Heathrow	51.4	51.1	-0.7%	Long haul	33.2	33.1	-0.2%
Gatwick	27.4	27.3	-0.1%	Domestic ⁽²⁾	13.7	13.2	-3.6%
Stansted	18.5	17.6	-4.7%	European ⁽³⁾	50.4	49.7	-1.4%

Eleven months to 30 November 2008

Total traffic	117.4	114.7	-2.3%	Total traffic	117.4	114.7	-2.3%
Heathrow	62.5	61.7	-1.3%	Long haul	40.3	39.8	-1.2%
Gatwick	32.7	32.1	-2.0%	Domestic ⁽²⁾	16.7	16.1	-4.1%
Stansted	22.1	20.9	-5.5%	European ⁽³⁾	60.4	58.8	-2.5%

Traffic levels have softened particularly in the more recent months as the global economic outlook has deteriorated, with passenger traffic at Heathrow, Gatwick and Stansted declining 1.3% to 96.0 million passengers in the nine months to 30 September 2008 and 2.3% to 114.7 million passengers in the eleven months to 30 November 2008.

By airport, Heathrow has demonstrated greatest resilience reflecting its passenger profile and the EU-US Open Skies agreement has resulted in certain carriers migrating from Gatwick. By market served, long haul traffic has been relatively robust with weakness across domestic and European routes. Quarterly passenger traffic from Q1 2007 is set out in Appendix 2.

- 1) Monthly passenger traffic data for all BAA's airports is published at www.baa.com
- 2) Includes traffic to Eire
- 3) Includes both scheduled and charter traffic

2. Significant business developments



Capital investment plans⁽¹⁾

There is a £4.7 billion capital investment programme for the London airports over the period to 31 March 2013 which is predominantly at Heathrow which accounts for £4.1 billion. This is £1.6 billion lower than estimates earlier in 2008 reflecting (a) reductions due to Gatwick’s assumed disposal on 1 July 2009, (b) the CAA’s decision to defer inclusion of Stansted’s SG2 project in the price controls pending further discussion (with the CAA indicating that it can be revisited later in quinquennium) and (c) rephasing of Heathrow spend following reappraisal post T5 opening. Average annual capital investment is currently expected to be £940 million to 2013.

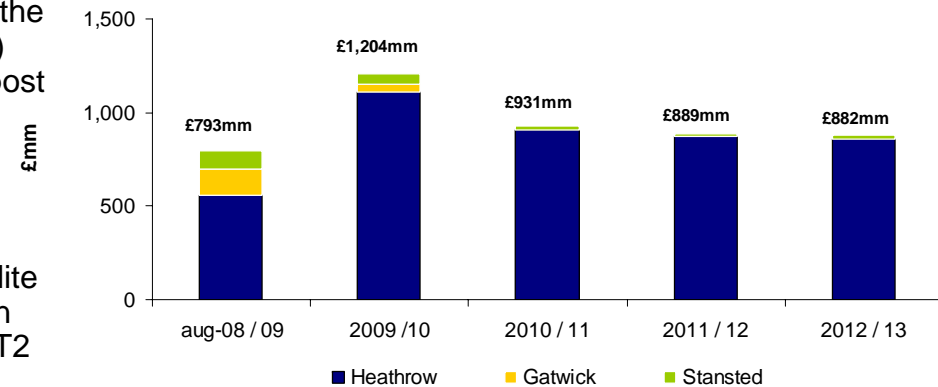
At Heathrow, work has commenced on T5’s second satellite building (T5C) and, with the steel frame erected, it is due for completion in 2011. Work has also started on T2’s first satellite building, Phase 1 of T2B, that is expected to be completed in 2010. The largest element of Heathrow’s programme is the T2 replacement terminal building, now called T2A. Design is progressing well and enabling works are on programme for demolition of The Queen’s Building and existing Terminal 2.

Developing Heathrow’s baggage handling infrastructure is also attracting significant investment including the T5-T3-T1 transfer baggage automated facility connecting the 3 terminals via tunnels below the airport. Tunnelling works start early in 2009.

Any expenditure on the development of schemes for a third runway at Heathrow will be subject to Government decision, currently expected early in 2009.

1) All figures in 2007/08 prices

Capital Expenditure Profile: Aug-08/09 – 2012/13 (2007/08 prices)



3. Significant regulatory/governmental developments



Civil Aviation Authority ('CAA') price controls for Heathrow, Gatwick and Stansted

Heathrow and Gatwick price controls

On 11 March 2008, the CAA published its price control review for Heathrow and Gatwick for the five year period to 31 March 2013. The review established the following maximum aeronautical charges:

- ▶ Heathrow: £12.80 per passenger for 2008/09 with subsequent annual increases of up to RPI+7.5%
- ▶ Gatwick: £6.79 per passenger for 2008/09 with subsequent annual increases of up to RPI+2.0%

There was a significant increase in aeronautical charges from the previous five year period which partly reflected recovery of increased airport security costs. It also partly reflected a rebasing of the tariffs to reflect changes in the way a number of existing airport services are charged to airlines. Charges that NATS previously made directly to airlines for providing aerodrome navigation services are now charged to BAA and recovered through the aeronautical charges. There was also a change in the way baggage infrastructure and fuel levy charges are made to airlines. In aggregate, these changes led to increases in the opening yield per passenger for the current five year regulatory period of £1.08 per passenger at Heathrow and £0.70 per passenger at Gatwick.

Proposed Stansted price controls

On 9 December 2008, following Competition Commission recommendations, the CAA issued final proposals on aeronautical charges to apply at Stansted for the five years from 1 April 2009. These proposals are subject to a further round of consultation with the final price control regime expected to be announced in the first half of March 2009. Key features of the CAA's final proposals include:

- ▶ a permitted 7.1% real pre-tax return on capital
- ▶ maximum aeronautical charges remaining flat at £6.05 per passenger (in 2007/08 prices) for 2 years
- ▶ subsequent tariffs increasing at RPI+1.63% per annum after 2010/11
- ▶ a capital plan of approximately £130 million, in 2007/08 prices, primarily on Stansted's existing facilities

The 2009 budget, on which the ratios set out on page 13 are based, takes into account the CAA proposals.

3. Significant regulatory/governmental developments



Competition Commission investigation into BAA's ownership of UK airports

Following the publication of its Provisional Findings in August 2008, on 17 December 2008, the Competition Commission ('CC') issued its provisional decision on remedies in relation to its investigation of BAA's ownership of UK airports that commenced in April 2007. Its provisional decision on remedies covered both structural and behavioural remedies as well as recommendations relating to regulation and policy.

Structural remedies

- ▶ the disposal of Gatwick and Stansted to different purchasers
- ▶ further consultation on the timing of the Stansted disposal particularly in relation to the imminent planning application process for a second runway
- ▶ the sale of Edinburgh rather than Glasgow, subject to further consultation

Behavioural remedies

- ▶ introducing a rebate scheme to incentivise investment in Aberdeen airport
- ▶ strengthening consultation processes and provisions on non-discrimination and quality of service at Heathrow

Regulation and policy recommendations

- ▶ adoption of a licence-based regime of economic regulation
- ▶ amend legislation to allow terminals to be separately owned and operated from runways

Next steps

The CC is expected to publish its final report, and the appropriate remedies, in late February or early March 2009. BAA will have two months from then to appeal.

Gatwick disposal

Given that the Provisional Findings in August 2008 already called for airport disposals, in September 2008 BAA announced its intention to sell Gatwick. This process is making good progress (for further information see page 14).

3. Significant regulatory/governmental developments



Department for Transport ('DfT') review of UK airports' economic regulation

In April 2008, the DfT announced a review of UK airports' economic regulation. In September 2008, the DfT submission to the Competition Commission confirmed that the 2003 Air Transport White Paper would not be reviewed.

The DfT has indicated that key policy objectives of its review will include improving passenger experience, providing incentives for appropriate and timely investment in additional capacity and addressing the wider environmental impacts of aviation and airport development.

The expected future milestones for the review are as follows:

- ▶ March 2009 – DfT to issue consultation on new regulatory proposals
- ▶ Mid 2010 – proposed legislation

The DfT has made clear that price controls for the current five year periods at Heathrow and Gatwick and that starting in April 2009 at Stansted will not be re-opened.

4. Historical financial performance



Revenue

In the nine months to 30 September 2008, the combined revenues of HAL⁽¹⁾, GAL and STAL increased 16.0% to £1,721.3 million (2007: £1,484.5 million). This increase reflects a 1.3% reduction in passenger traffic that was offset by a 26.5% increase in aeronautical income and a 4.4% increase in gross retail income. There were 27.5% and 29.1% increases in aeronautical income at Heathrow and Gatwick respectively, primarily reflecting increases in tariff applying for the five year regulatory period commencing on 1 April 2008. In addition, the ending of tariff discounts in April 2007 drove an 18.2% increase in aeronautical income at Stansted. The increase in gross retail income partly reflects a change in the contractual charging structure for car parks. Underlying net retail income increased 1.3% driven by performance at Gatwick with Heathrow recording a flat year on year performance.

Operating expenses

In the nine months to 30 September 2008, the combined operating expenses⁽²⁾ of HAL⁽¹⁾, GAL and STAL increased 30.4% to £1,032.3 million (2007: £791.5 million). The most significant drivers of growth in expenses were (a) costs associated with operating Terminal 5, (b) new charging arrangements for NATS services and (c) costs incurred to drive enhancement of service standards.

Adjusted EBITDA

In the nine months to 30 September 2008, Adjusted EBITDA⁽³⁾ was marginally down at £689.0 million (2007: £693.0 million). However, Adjusted EBITDA improved strongly as the year progressed and Adjusted EBITDA margin has increased more strongly through the year than in 2007 as the benefits of the new price controls begin to be reflected.

Debt and liquidity

At 30 September 2008, nominal consolidated net debt of the Obligors and BAA Funding Limited was £9.4 billion – for more detail see Appendix 3. At that date, the Obligors retained significant liquidity as a result of approximately £2.7 billion of undrawn capex and working capital facilities.

- 1) HAL includes Heathrow Express Operating Company Limited
- 2) Total operating expenses excluding depreciation and exceptional items
- 3) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation before exceptional costs

5. Forecast financial performance and ratios



Budget for 2009

The consolidated budget for BAA (SP) Limited for the year to 31 December 2009 has been completed in December 2008 and developed giving due consideration to the following key operational assumptions

- ▶ challenging economic outlook reducing passenger traffic to 119.8 million⁽¹⁾ (2008 latest estimate: 124.8 million⁽²⁾)
- ▶ aeronautical charges at Heathrow and Gatwick based on Civil Aviation Authority's (CAA) March 2008 price controls
- ▶ aeronautical charges at Stansted taking into account CAA's price control proposals published on 9 December 2008
- ▶ disposal of Gatwick effective on 1 July 2009 with assumed net proceeds of approximately 1.1x RAB⁽³⁾⁽⁴⁾
- ▶ £1.2 billion capital expenditure during 2009⁽⁵⁾
- ▶ average RPI in calendar 2009 of -1%

The resulting budget for 2009 shows annual reported revenue of £2,203 million and an increase in continuing business⁽⁶⁾ revenue of 10% to £1,980 million. Reported Adjusted EBITDA for the Designated Airports shows growth of 8% to £974 million with an increase in continuing business⁽⁶⁾ Adjusted EBITDA of 21% to £895 million. Net debt is forecast to decline from £9.5 billion at 31 December 2008 to £8.3 billion at 31 December 2009 with operating cash flow and proceeds from the assumed sale of Gatwick more than offsetting capital expenditure.

Forecast ratios⁽⁷⁾

	Senior debt ratio		Junior debt ratio	
	Forecast	Trigger Event Ratio Level	Forecast	Trigger Event Ratio Level
RAR at 31 December 2008	0.679	0.700	0.759	0.850
RAR at 31 December 2009	0.663	0.700	0.702	0.850
ICR for year to 31 December 2009	2.71x	1.40x	2.34x	1.20x

- 1) 102.8 million after taking account of disposal of Gatwick effective on 1 July 2009
- 2) Latest estimate for 2008 prepared in September 2008 and including actual results up to August 2008
- 3) This figure is not in any way indicative of the expected sale price but is only produced for budgeting purposes
- 4) After transaction costs, directly related restructuring costs, cost of termination of derivatives and payments into defined benefit pension scheme
- 5) Reflects disposal of Gatwick effective 1 July 2009
- 6) Gatwick excluded from both 2008 and 2009 results
- 7) See Appendices 4 and 5 for details of calculations of forecast ratios

6. Acquisitions, disposals, joint ventures and outsourcing



Acquisitions and disposals

There have been no acquisitions or disposals entered into by any Obligor since the Common Terms Agreement was entered into on 18 August 2008.

However, on 17 September 2008 BAA announced its intention to sell Gatwick airport. The sale process is progressing according to plan and a detailed information memorandum was circulated to relevant parties in early December 2008. The sale process is expected to be completed in the first half of 2009.

Net proceeds⁽¹⁾ from the sale will be applied in repayment of the Refinancing Facility, with the first £1 billion of such proceeds repaying in full the amount due in March 2010.

Joint ventures

There have been no developments related to Joint Ventures involving any Obligor since the Common Terms Agreement was entered into on 18 August 2008.

Outsourcing

The Shared Services Agreement⁽²⁾ was put in place on 18 August 2008. There have been no other significant outsourcing developments related to any Obligor since 30 June 2008.

- 1) After transaction costs, directly related restructuring costs, cost of termination of derivatives and payments into defined benefit pension scheme
- 2) An agreement entered into between BAA Airports Limited, Deutsche Trustee Limited, Heathrow Airport Limited, Gatwick Airport Limited, Stansted Airport Limited and Heathrow Express Operating Company Limited

7. Significant board/management changes



BAA Limited

As earlier announced, in September 2008 Mike Brown joined BAA as Chief Operating Officer for Heathrow. He joined from London Underground Limited where he was also Chief Operating Officer having worked there since 1990.

In September 2008, Philip Langsdale joined BAA as Chief Information Officer, with responsibility for developing IT across BAA. He comes to BAA with a strong background in senior IT roles for major companies such as Asda, Cable and Wireless, Midland Bank and the BBC.

In October 2008, Andrew Wolstenholme, BAA's previous Capital Projects Director left the business. He has been replaced temporarily by Rob Stewart who has been at BAA for 18 years, including being commercial director on Terminal 5 and Construction Director, and has over 20 years of construction and project management experience.

Individual Obligors

Stansted Airport Limited

Mark Pendlington, Public Affairs & Communications Director, Stansted left the business in November 2008 with Ashleigh Riley being an internal interim appointment as his replacement.

Gatwick Airport Limited

Andrew McCullum joined GAL as Communications Director in September 2008, joining from Centrica. Stuart Birrell was appointed as interim Chief Information Officer of GAL in November 2008. His previous experience includes working at PepsiCo. Andrew Hill was appointed as GAL's Head of Supply Chain in September 2008, moving from BAA's corporate supply chain team.

Other than as outlined above, there have been no board or management changes related to the Obligors or BAA Limited since the common Terms Agreement was entered into on 18 August 2008.

8. Financing matters



Drawings and repayments under financing arrangements

Since the Common Terms Agreement ('CTA') was entered into on 18 August 2008, Heathrow Airport Limited has made scheduled EIB loan repayments of £6.7 million in September 2008 and also made a net drawdown under the Capex Facility of £50 million in September 2008. Details of the Obligors' and BAA Funding Limited's total external debt financing at 30 September 2008 are set out in Appendix 3.

Margins

From 6 October 2008, following exercise of margin flex rights by lenders, margins under the Refinancing Facility were increased by 0.25% for Class A (Senior Debt) and by 0.50% for Class B (Junior Debt). Similarly, margins under the Capex Facility were increased by 0.25% for the Class B (Junior Debt) element only.

Inclusion of BAA Funding Limited bonds in Merrill Lynch indices

Following a review of its eligibility criteria, from 1 January 2009 BAA Funding Limited's bonds qualify for inclusion in the Merrill Lynch Global Broad Market Collateralised Index and all associated sub indices.

Restricted Payments

No Restricted Payments have been made by any Obligor since the CTA was entered into on 18 August 2008. However, Restricted Payments of £63 million are due to be made to BAA (SH) Limited by 12 January 2009 to fund interest that has accrued under BAA (SH) Limited's (see corporate structure in Appendix 1) subordinated debt facility since 18 August 2008.

Hedging

The Obligors and BAA Funding Limited are required to hedge at least 75% and 50% of their interest rate risk exposure during the regulatory periods ending on 31 March 2013 and 31 March 2018 respectively. This can be achieved by using fixed interest rate or inflation-linked instruments. At 30 September 2008, 78% and 51% respectively of average interest rate risk exposure on existing debt was hedged for these periods.

All foreign currency denominated debt instruments are hedged using currency swaps. At 30 September 2008, the total notional value of such instruments was £1,703 million. The Obligors' internal policy is to hedge at least 70% of transaction foreign exchange risk exposures between £1 million and £50 million for 3 years. Most of these exposures relate to capital expenditure contracts. At 30 September 2008, the aggregate outstanding amount of such hedging was £10 million.

9. Confirmation



24 December 2008

To the Borrower Security Trustee, the Bond Trustee, each Rating Agency, the Paying Agents, each Financial Guarantor and each other Issuer Secured Creditor

We confirm that each of the Ratios set out on page 13 has been calculated in respect of the Relevant Period(s) or as at the Relevant Dates for which it is required to be calculated under the Common Terms Agreement.

We confirm that all forward-looking financial ratio calculations and projections:

- ▶ have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;
- ▶ are consistent and updated by reference to the most recently available financial information required to be produced by the Obligors under Schedule 2 (Covenants) of the Common Terms Agreement; and
- ▶ are consistent with the Applicable Accounting Principles (insofar as such Applicable Accounting Principles reasonably apply to such calculations and projections).

We also confirm that

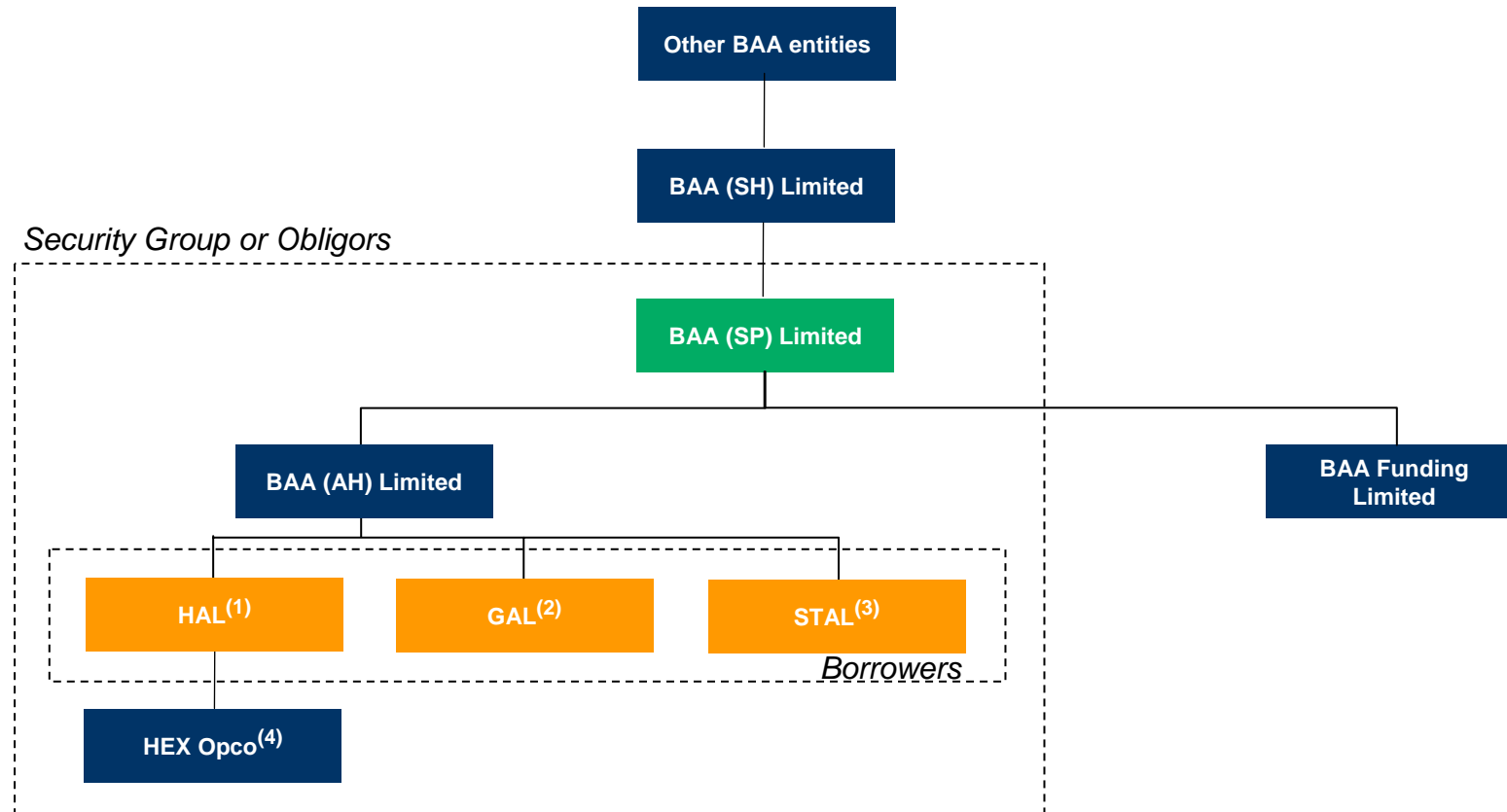
- ▶ no Default or Trigger Event has occurred and is continuing;
- ▶ the Group is in compliance with the Hedging Policy; and
- ▶ this Investor Report is accurate in all material respects.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jose Leo', is written over a light grey rectangular background.

Jose Leo
Chief Financial Officer
For and on behalf of BAA Airports Limited (formerly BAA Limited) as Security Group Agent

Appendix 1 – Corporate structure of BAA (SP) Limited and its subsidiaries



- 1) HAL = Heathrow Airport Limited
- 2) GAL = Gatwick Airport Limited
- 3) STAL = Stansted Airport Limited
- 4) HEX Opco = Heathrow Express Operating Company Limited

Appendix 2 – Quarterly passenger traffic trends (Q1 2007 to date)



	Heathrow (m)	Period on period growth	Gatwick (m)	Period on period growth	Stansted (m)	Period on period growth	Total (m)	Period on period growth
Q1 2007	15.3	-0.2%	7.0	4.8%	5.0	3.3%	27.3	1.7%
Q2 2007	17.3	-2.0%	9.1	1.5%	6.3	-2.2%	32.7	-1.1%
Q3 2007	18.8	2.2%	11.3	3.2%	7.2	4.0%	37.3	2.8%
Q4 2007	16.4	3.2%	7.8	4.6%	5.3	-4.0%	29.5	2.2%
Q1 2008	15.4	0.6%	7.4	5.7%	4.8	-4.3%	27.6	1.0%
Q2 2008	17.1	-1.3%	9.0	-1.3%	6.0	-4.9%	32.1	-2.0%
Q3 2008	18.6	-1.2%	10.9	-3.2%	6.8	-4.9%	36.4	-2.5%

Appendix 3 – Net debt of Obligors and BAA Funding Limited at 30 September 2008



	Available facilities (local currency m)	Available facilities (£m)	Maturity	Borrower ⁽¹⁾	Nominal debt (£m)
Senior (Class A) - Bonds	€1,000	680	2012/14	Funding	680
	£396	396	2013/15	Funding	396
	€750	513	2014/16	Funding	513
	£300	300	2016/18	Funding	300
	€750	510	2018/20	Funding	510
	£250	250	2021/23	Funding	250
	£750	750	2023/25	Funding	750
	£200	200	2028/30	Funding	200
	£900	900	2031/33	Funding	900
Senior (Class A) - Bank debt					
Refinancing Facility	£2,250	2,250	2010/13	HAL	2,250
	£650	650	2010	GAL	650
	£500	500	2011	STAL	500
EIB Facility	£428	428	2010/22	HAL	428
Capex Facility	£2,300	2,300	2013	HAL	50
W/Capital Facility	£50	50	2013	n/a	0
Total senior debt (Y)	n/a	10,677	n/a		8,377
Junior (Class B)					
Refinancing Facility	£500	500	2011/12	HAL	500
	£400	400	2010/13	GAL	400
	£100	100	2010	STAL	100
Capex Facility	£400	400	2013	n/a	0
Total junior debt (Z)		1,400	n/a		1,000
TOTAL (Y + Z)		12,077			9,377
					Less cash at 30 September 2008 (27)
					Net debt at 30 September 2008 (nominal) 9,351
					Reconciliation between nominal and accounting values⁽²⁾ (265)
					Net debt at 30 September 2008 (accounting) 9,086

- 1) Funding: BAA Funding Limited; HAL: Heathrow Airport Limited; GAL: Gatwick Airport Limited; STAL: Stansted Airport Limited
 2) The reconciliation between nominal and accounting debt relates primarily to the unamortised element of refinancing fees, the unamortised element of fair value adjustments on novation of bonds to BAA Funding Limited and foreign exchange changes

Appendix 4 – Computation of forecast Interest Cover Ratios ('ICR') – calculation of ratios



(See important notice at the front of the document)	Trigger level	Year to 31 December 2009
		£m
Cashflow from Operations ⁽¹⁾		971
One-off, non-recurring extraordinary or exceptional items		0
Cashflow from Operations (adjusted)		971
Less: corporation tax paid		0
Less: 2 per cent of Total RAB		(252)
Cash Flow (A)		719
Interest and equivalent recurring charges paid on Senior Debt ⁽²⁾		
Interest paid – existing Class A bonds		227
Interest paid – existing Class A capex facility		16
Interest paid – existing Class A EIB facilities		12
Interest paid – other Class A debt		99
Interest received on swaps		(115)
Commitment fees on liquidity and Capex facilities		27
Total interest on Senior Debt (B)		266
Interest and equivalent recurring charges paid on Junior Debt ⁽²⁾		
Interest paid - existing Class B bank facilities		33
Interest paid on swaps		9
Total interest on Junior Debt (C)		42
Total interest (D=B+C)		308
Senior ICR (A/B)	1.40	2.71
Junior ICR (A/D)	1.20	2.34

(1) Reconciliation of cashflow from operations with EBITDA set out on page 22

(2) Reconciliation of interest paid with interest payable set out on page 22

Appendix 4 – Computation of forecast Interest Cover Ratios – reconciling income statement to cash flow



	Year to 31 December 2009 ⁽¹⁾
	£m
<i>(See important notice at the front of the document)</i>	
Income	
Aeronautical income	1,210
Non-aeronautical income - retail	514
Non-aeronautical income - non-retail	480
Total income	2,203
Operating expenses ⁽¹⁾	(1,230)
EBITDA	974
Working capital	(3)
Cashflow from operations	971

(1) Operating expenses excluding depreciation

	Year to 31 December 2009 ⁽¹⁾⁽²⁾			
	Income statement inc amortisation ⁽³⁾	Income statement excl amortisation	Variation in accruals	Cash flow
Interest paid – existing Class A bonds ⁽⁴⁾	307	269	(42)	227
Interest paid – existing Class A Capex facilities	34	16	0	16
Interest paid – existing Class A EIB facilities	11	11	0	12
Interest paid – other Class A debt	159	114	(15)	99
Interest paid/(received) on Class A swaps ⁽⁵⁾	28	(111)	(4)	(115)
Commitment Fees on Liquidity and Capex Facilities	27	27	0	27
Interest paid - existing Class B bank facilities	47	37	(4)	33
Interest paid/(received) on Class B swaps	9	9	0	9
Total interest	621	371	(63)	308

(1) Rounded whole numbers based on unrounded data

(2) Before capitalised interest of £86.9 million

(3) Amortisation of refinancing fees and swap prepayments

(4) Variation in accruals due to interest accrued on certain bonds being paid on 18 August 2008 with normal annual interest payment date in February

(5) Includes unwinding of prepayment made on refinancing of interest on certain interest rate derivatives

Appendix 5 – Computation of forecast Regulatory Asset Ratios ('RAR')



(See important notice at the front of the document)	Trigger level	From March 2008 to December 2008	At 31 December 2008	From December 2008 to December 2009	At 31 December 2009
		£m	£m	£m	£m
Opening Regulatory Asset Base (RAB) ⁽¹⁾					
Heathrow		9,232			
Gatwick		1,560			
Stansted		1,185			
Total opening RAB (net of profiling adjustment)		11,977		12,461	
Capital expenditure		700		1,176	
Indexation		26		25	
Regulatory depreciation		(415)		(498)	
Adjustment for Gatwick RAB on disposal		n/a		(1,624)	
Variance in profiling adjustment		173		235	
Forecast closing RAB (A)		12,461	12,461	11,775	11,775
Senior Debt					
Existing Class A bonds			4,499		4,499
Class A capex facility			250		811
Class A EIB facilities			417		373
Other Class A debt			3,400		2,178
RPI swap accretion			33		13
Total Senior Debt (B)			8,599		7,874
Junior Debt					
Class B bank facilities			1,000		462
Total Junior Debt (C)			1,000		462
Cash and cash equivalents (D)			(139)		(72)
Senior net debt (E=B+D)			8,460		7,802
Senior and junior net debt (F=B+C+D)			9,460		8,264
Senior RAR (E/A)	0.70		0.679		0.663
Junior RAR (F/A)	0.85		0.759		0.702

(1) Figures taken from regulatory accounts for the year to 31 March 2008 for Heathrow Airport Limited, Gatwick Airport Limited and Stansted Airport Limited