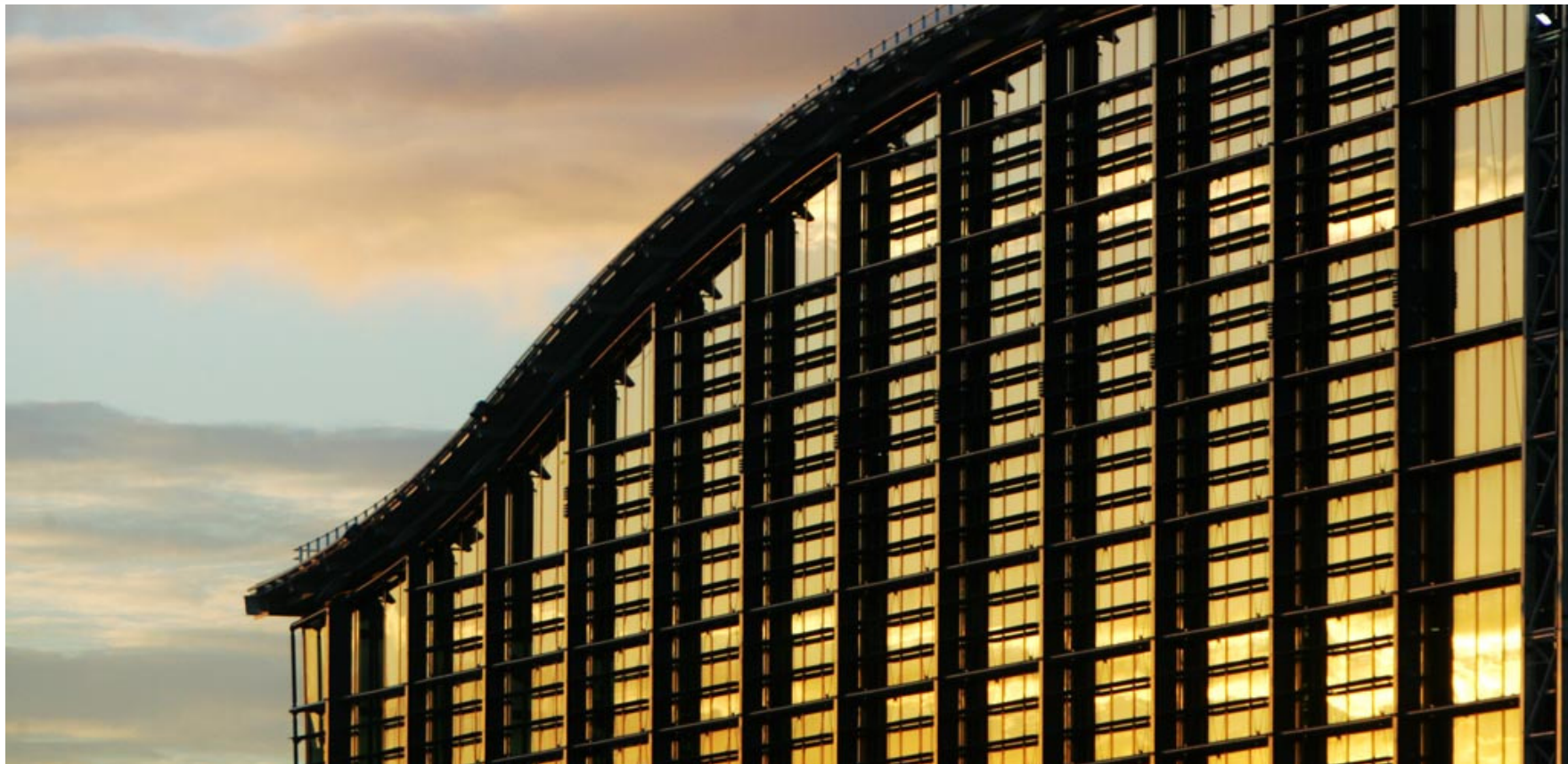




**BAA (SP) Limited**  
**Results for three months ended 31 March 2009**

Investor Presentation

May 2009



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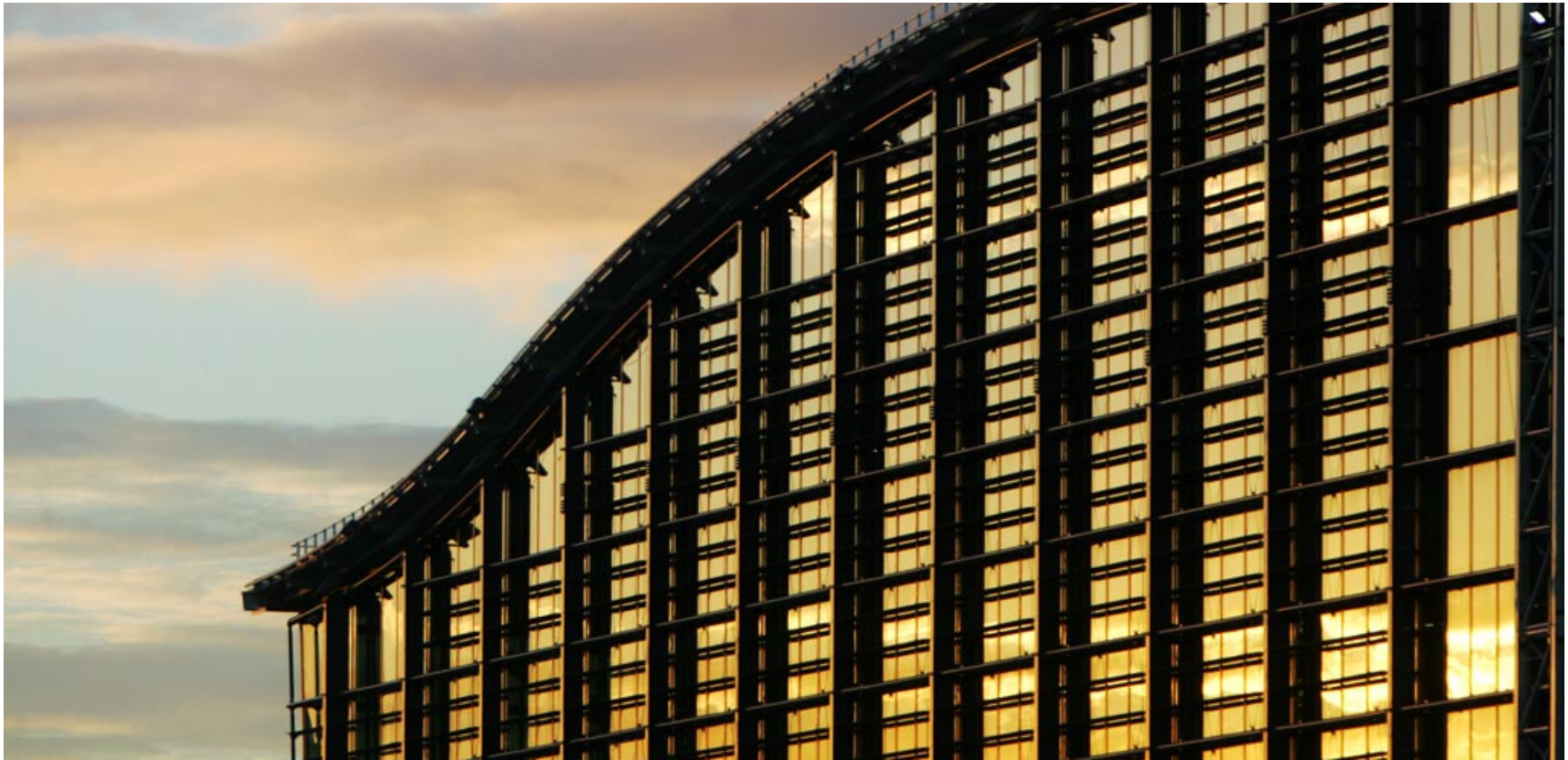


- 1. Summary**
- 2. Key business developments**
- 3. Financial review**
- 4. Outlook and conclusion**

## **Appendices**

- 1. Nominal net debt at 31 March 2009 and interest payable and interest paid reconciliation**

# Summary



# Overview



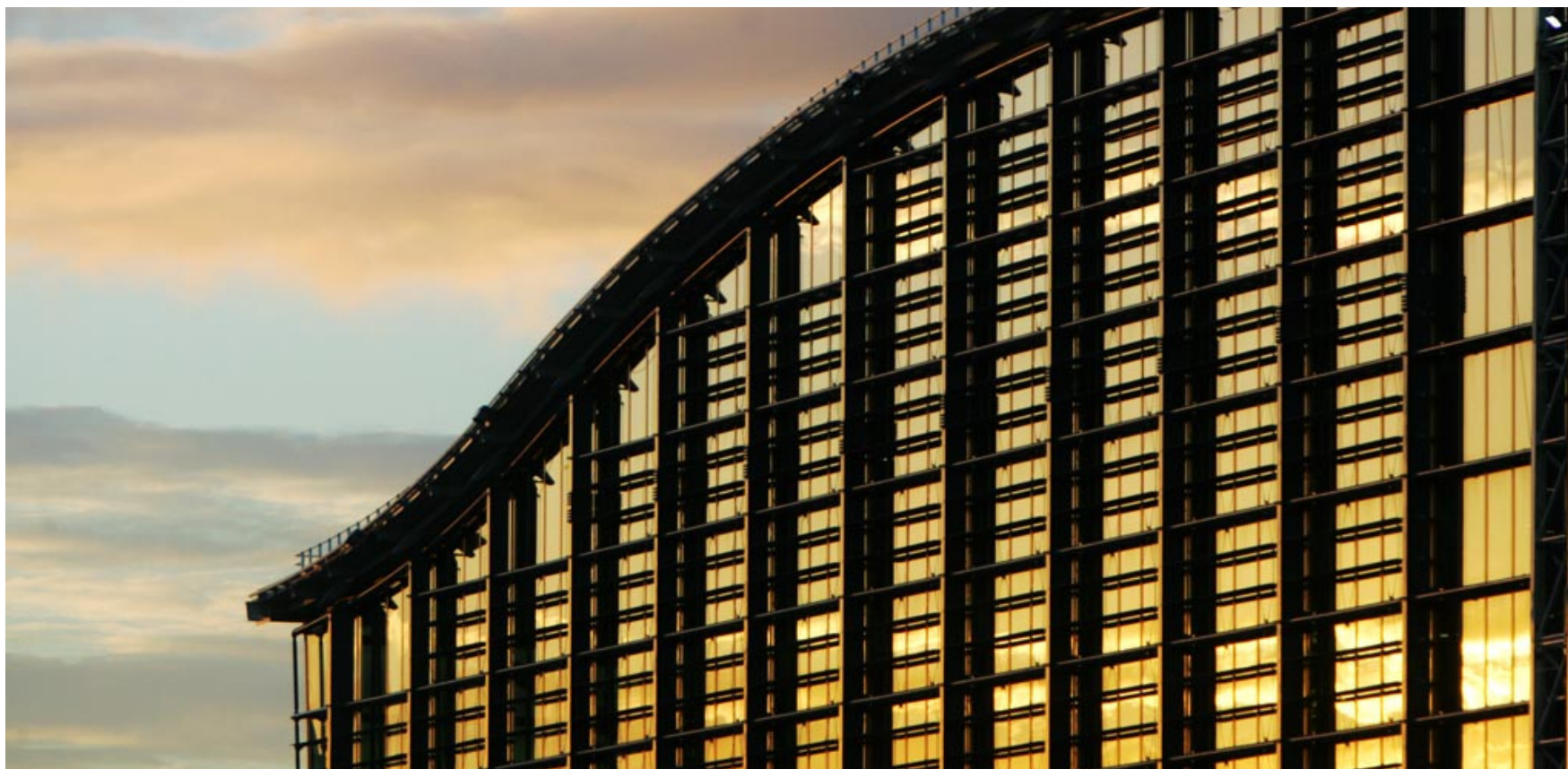
- ▶ Improving operational performance
- ▶ Solid financial performance in challenging macroeconomic conditions
  - ▶ excellent retail results
  - ▶ cost efficiency
- ▶ Strengthened organisational and management structure
- ▶ Resilience based on Heathrow
  - ▶ underlines value of global hub status
  - ▶ most resilient traffic
  - ▶ best retail performance
- ▶ 2009 Adjusted EBITDA<sup>(1)</sup> outlook remains consistent with previous guidance

| Q1 2009 highlights <sup>(2)</sup> |                   |
|-----------------------------------|-------------------|
| Revenue <sup>(3)</sup>            | <b>+15.5%</b>     |
| Adjusted EBITDA <sup>(1)(3)</sup> | <b>+27.9%</b>     |
| Passenger traffic                 | <b>-10.0%</b>     |
| NRI <sup>(4)</sup> per passenger  | <b>+8.8%</b>      |
| Capital expenditure               | <b>£253.7m</b>    |
| Net debt <sup>(5)</sup>           | <b>£9,552.5m</b>  |
| RAB <sup>(4)</sup>                | <b>£12,549.7m</b> |

- 1) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
- 2) Percentage changes are relative to Q1 2008
- 3) Assumes consolidation of Heathrow Express Operating Company Limited in 2008 and 2009 although acquisition happened on 7 August 2008
- 4) NRI: net retail income; RAB: Regulatory Asset Base
- 5) Nominal net debt excluding intra-BAA group loans



## Key business developments



# Q1 2009 passenger traffic



- ▶ Passenger traffic down 10.0% to 24.8 million (2008: 27.6 million)
- ▶ Impacted by macroeconomic environment and one-off factors
  - ▶ leap year and Easter timing
  - ▶ severe winter weather
- ▶ After adjusting for one-offs, Heathrow underlying decline estimated at 3.6%
- ▶ Long haul market continues to show relative resilience
- ▶ Benefits of Heathrow's global hub status clear
  - ▶ outperforming BAA's other airports
  - ▶ outperforming other European hubs
  - ▶ substantial increase in transfer traffic

## Passenger traffic (Q1 2009 v Q1 2008)

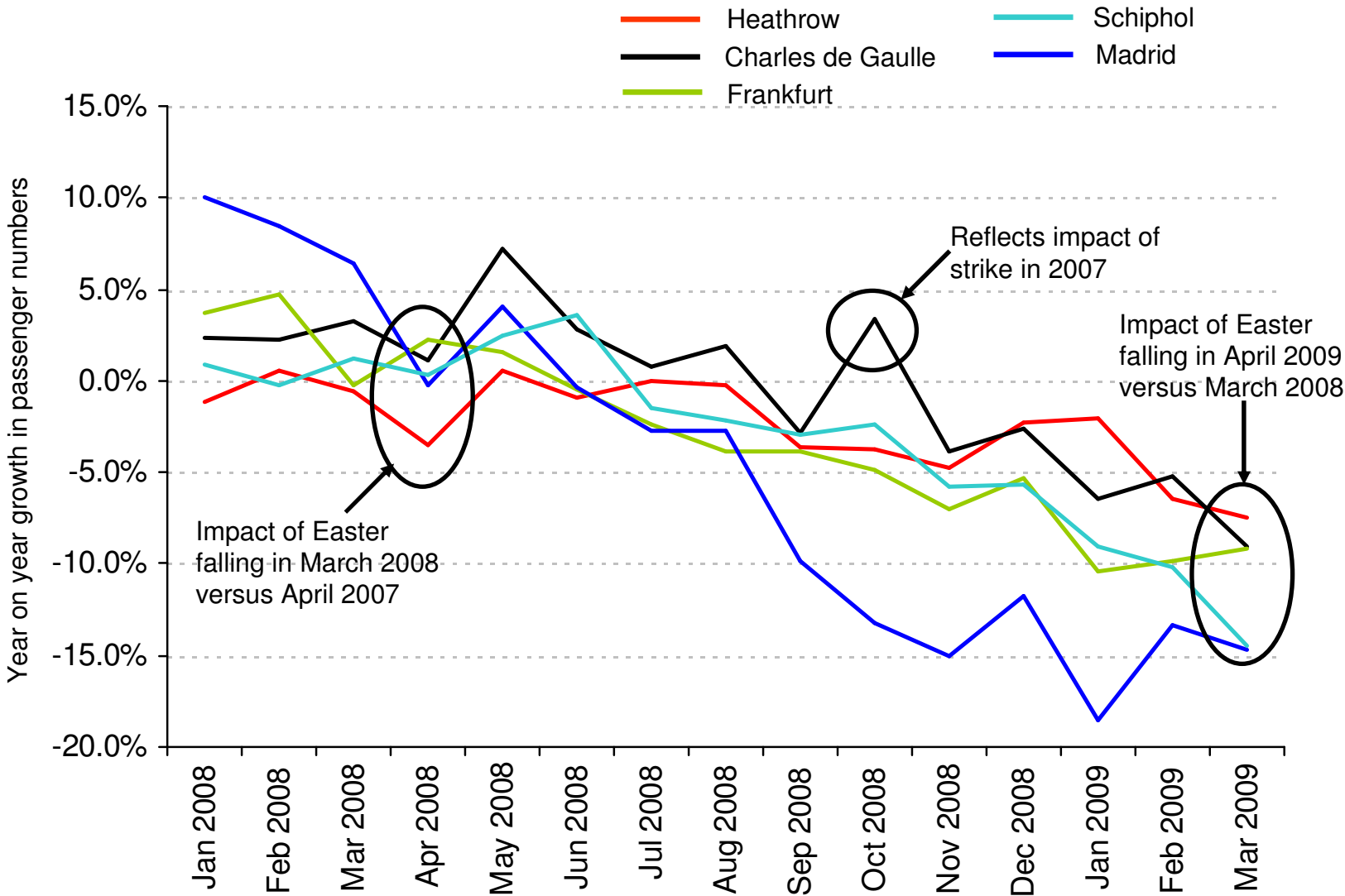
|                            | 2008<br>(m) | 2009<br>(m) | Change <sup>(1)</sup><br>Reported | Underlying <sup>(2)</sup> |
|----------------------------|-------------|-------------|-----------------------------------|---------------------------|
| <b>By airport</b>          |             |             |                                   |                           |
| Heathrow                   | 15.4        | 14.4        | -6.4%                             | -3.6%                     |
| Gatwick                    | 7.4         | 6.3         | -14.6%                            | -11.9%                    |
| Stansted                   | 4.8         | 4.1         | -14.6%                            | -11.7%                    |
| <b>Total<sup>(1)</sup></b> | <b>27.6</b> | <b>24.8</b> | <b>-10.0%</b>                     | <b>-7.2%</b>              |
| <b>By market served</b>    |             |             |                                   |                           |
| UK                         | 2.8         | 2.4         | -12.6%                            | n/a                       |
| Europe <sup>(3)</sup>      | 14.6        | 13.0        | -10.9%                            | n/a                       |
| Long haul                  | 10.3        | 9.4         | -8.0%                             | n/a                       |
| <b>Total<sup>(1)</sup></b> | <b>27.6</b> | <b>24.8</b> | <b>-10.0%</b>                     | <b>-7.2%</b>              |

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

2) Underlying change adjusts actual change for estimated effects of leap year, change in timing of Easter and severe winter weather

3) Includes North African charter traffic

# Heathrow passenger trends versus competitors



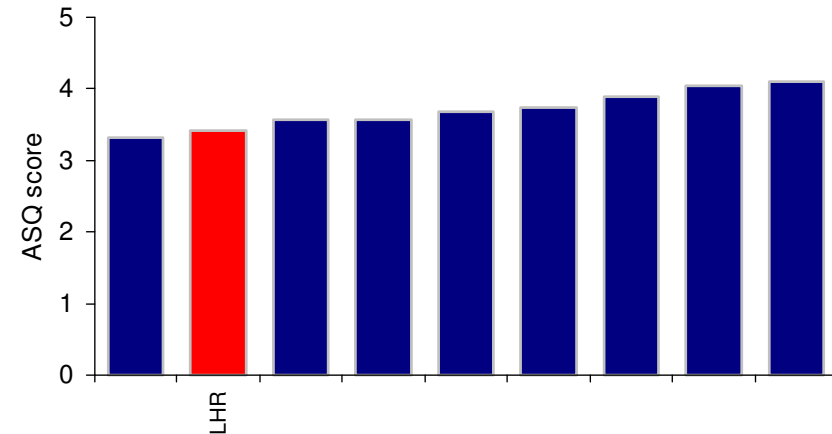
1) Figures for February 2008 and 2009 adjusted for effect of leap year in 2008

# Enhancing passenger experience

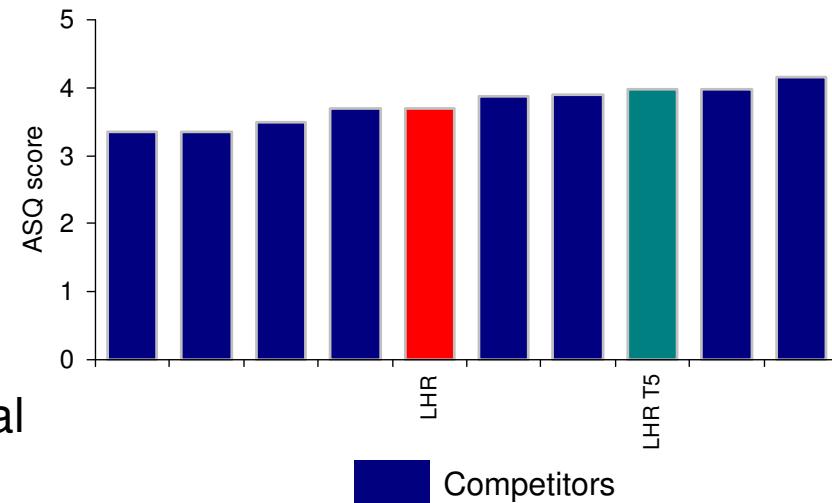


- ▶ Consistently high service standards are strategic priority
- ▶ Substantial progress made in last year
  - ▶ lower payments under Heathrow and Gatwick service quality rebate schemes
  - ▶ Heathrow security queuing (<5 minutes):
    - ▶ Q1 2009: 98.7%; Q1 2008: 87.1%
    - ▶ Heathrow departure punctuality
      - ▶ Q1 2009: 78%; Q1 2008: 61%
- ▶ Raising standards key to delivering cost efficiencies
- ▶ Independent surveys underline improvements at Heathrow
- ▶ Ambition to compete effectively with European hubs, making Heathrow natural choice for passengers

Overall passenger satisfaction Q4 2007



Overall passenger satisfaction Q4 2008

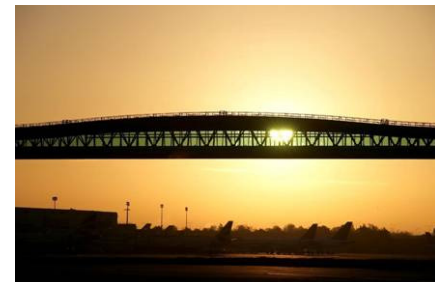


Source: Airport Service Quality ('ASQ') surveys by Airports Council International



# Continued substantial investment

- ▶ Good progress on capital investment programme
  - ▶ over £250 million spent in Q1 2009
  - ▶ airline constructive engagement working well
  - ▶ smart investment to reduce operating costs
  - ▶ some deferral of Heathrow Q5 capital investment programme
- ▶ Heathrow (£208.0 million spent)
  - ▶ Terminal 2A/2B and Terminal 5C
  - ▶ integrated baggage system
- ▶ Gatwick (£26.0 million spent)
- ▶ Stansted (£19.7 million spent)



# Key regulatory and strategic developments



## Department for Transport ('DfT') regulatory review

- ▶ Support objectives to improve customer service, incentivise appropriate investment and address aviation's environmental impact
- ▶ New 'duty to finance' supports investment
- ▶ DfT keen to engage with BAA creditors and implement appropriate new regime

## Heathrow runway 3

- ▶ Government decision to proceed in January 2009 with strict environmental conditions
- ▶ Maintains UK's essential connections enabling Heathrow to become world class hub airport
- ▶ Next step is to prepare planning application

## Airport ownership

- ▶ Competition Commission requires sale of Gatwick and Stansted to different purchasers
- ▶ BAA still considering appeal
- ▶ Gatwick disposal in final stages

# Key priorities



## Making every journey better

- ▶ Enhance end to end passenger experience
- ▶ Continue raising service standards, helping unlock further cost efficiencies
- ▶ Deliver world class infrastructure

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## Importance of Heathrow

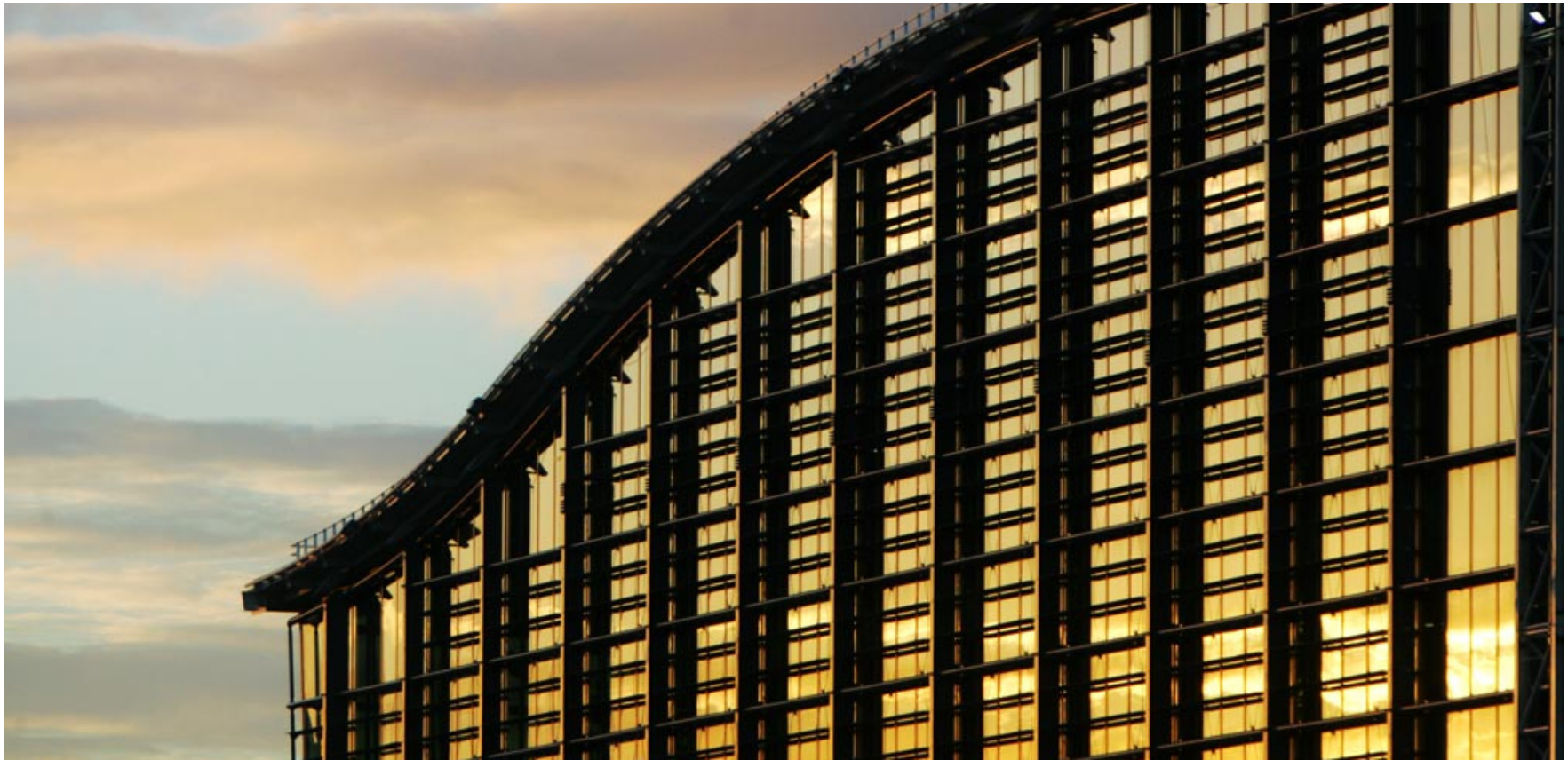
- ▶ Extend improvements in operational and financial performance
- ▶ Focus on enhancing competitive position
- ▶ Continue transformation programme

---

## Address policy and regulatory issues

- ▶ Complete Gatwick disposal
- ▶ Remain fully engaged in DfT review
- ▶ Focus on delivering capacity expansions

## Financial review



# Overview



- ▶ Solid financial performance in challenging macroeconomic conditions
  - ▶ excellent retail results
  - ▶ cost efficiency
  - ▶ consistent with expectations
- ▶ Higher depreciation due to Terminal 5
- ▶ Increased net interest payable primarily reflects
  - ▶ £140.7 million non-cash fair value losses on financial instruments
  - ▶ £63.0 million less capitalised interest
- ▶ Net interest paid includes £63.4 million paid on intra-group loan
- ▶ Lower capital expenditure due to Terminal 5 in 2008 and re-phasing of current investment programmes

## Q1 2009 BAA (SP) Limited consolidated financial highlights

|                                | 2008 <sup>(1)</sup> | 2009           | Change         |
|--------------------------------|---------------------|----------------|----------------|
| Revenue                        | 452.0               | <b>522.0</b>   | <b>15.5%</b>   |
| Staff costs <sup>(2)</sup>     | (109.6)             | <b>(96.9)</b>  | <b>(11.6%)</b> |
| Non-staff costs <sup>(2)</sup> | (197.1)             | <b>(239.3)</b> | <b>21.4%</b>   |
| Adjusted EBITDA <sup>(3)</sup> | 145.3               | 185.8          | <b>27.9%</b>   |
| Depreciation <sup>(4)</sup>    | (74.4)              | <b>(122.8)</b> | <b>65.1%</b>   |
| Adjusted EBIT                  | 70.9                | <b>63.0</b>    | <b>(11.1%)</b> |
| Net interest payable           | (80.7)              | <b>(327.2)</b> | <b>305.5%</b>  |
| Post-tax loss                  | (37.8)              | <b>(228.8)</b> | <b>n/a</b>     |
| Cash flow from operations      | 140.1               | <b>223.7</b>   | <b>59.7%</b>   |
| Net interest paid              | 0.9                 | <b>142.6</b>   | <b>n/a</b>     |
| Capital expenditure            | 262.5               | <b>253.7</b>   | <b>(3.4%)</b>  |
| Net debt <sup>(5)</sup>        | 9,384.2             | <b>9,552.5</b> | <b>1.8%</b>    |

1) Profit and loss account figures assume consolidation of Heathrow Express Operating Company Limited which was not acquired until 7 August 2008

2) Excluding depreciation and exceptional items

3) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items

4) Excluding accelerated depreciation

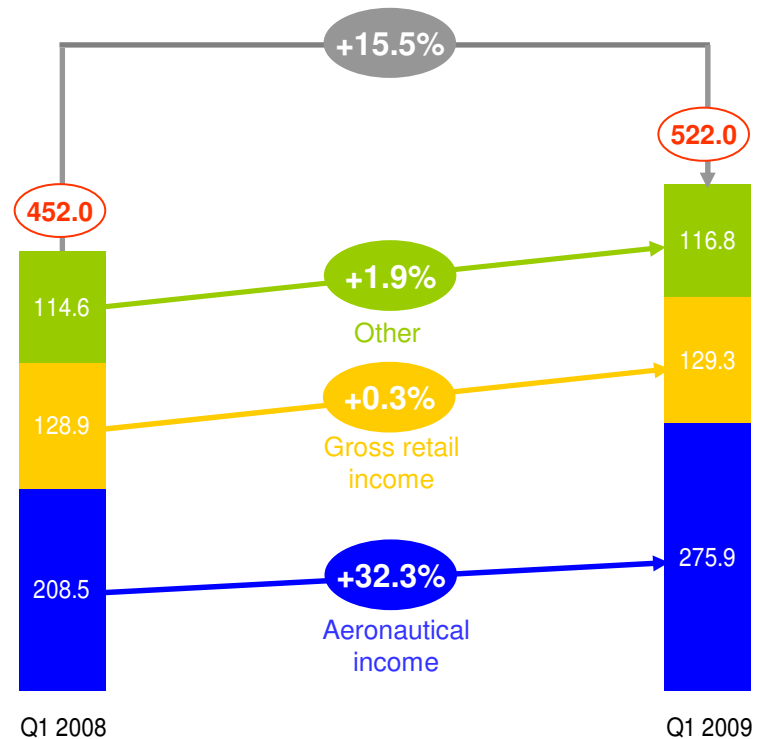
5) Nominal debt excluding intra-group loans and index-linked accretion of £42 million at 31 December 2008 and £17 million at 31 March 2009



# Revenues



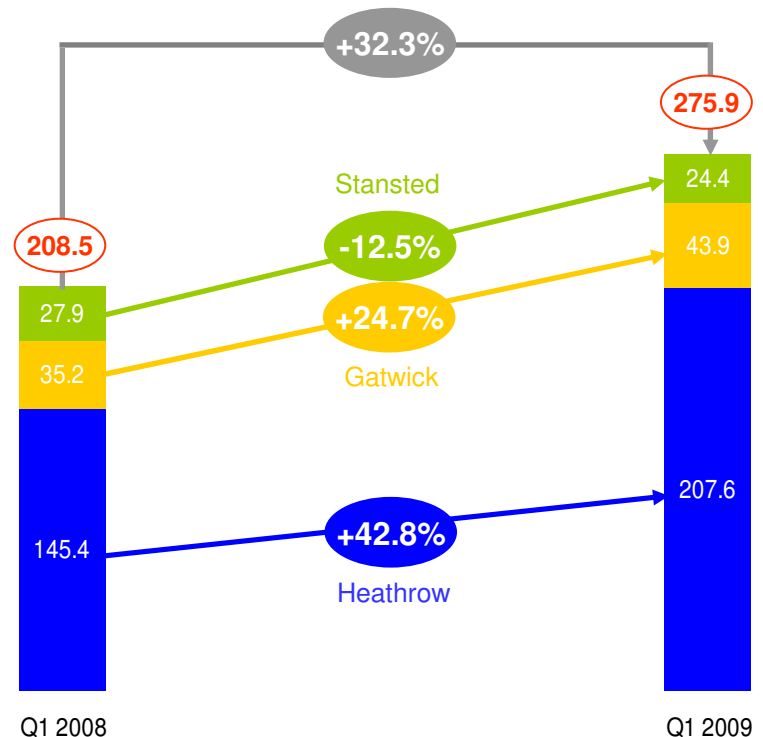
- ▶ Revenue growth substantially ahead of passenger trends
  - ▶ +15.5% reported
  - ▶ +6.0% underlying
- ▶ New tariffs deliver higher aeronautical income at Heathrow and Gatwick
- ▶ Strong retail performance
  - ▶ Heathrow and in-terminal activities
- ▶ Increase in other revenues
  - ▶ property rental
  - ▶ rail
  - ▶ PRM services



# Revenues – Aeronautical income



- ▶ Increased aeronautical income supports substantial investment
  - ▶ 32.3% reported
  - ▶ 14.9% underlying<sup>(1)</sup>
- ▶ Impact of new Heathrow/Gatwick tariffs
- ▶ Q1 2009 included
  - ▶ £22.8 million in charges for NATS' aerodrome navigation services
  - ▶ £13.6 million related to phasing of first year tariff increases
- ▶ Stansted performance reflects flat tariffs and passenger traffic



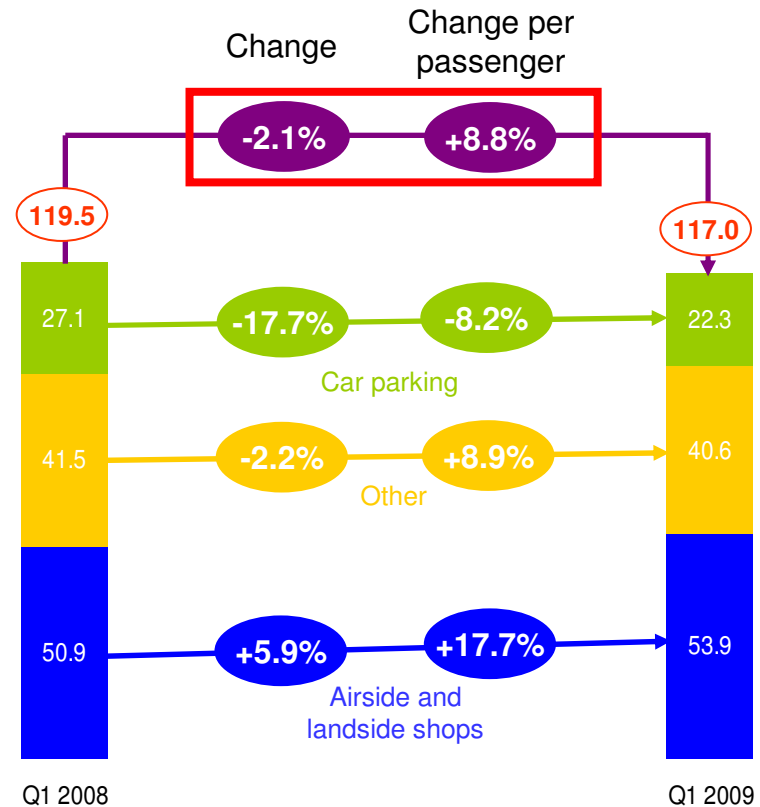
1) After adjusting for NATS and phasing of tariff increases in first year of new regulatory period

# Revenues – Retail income



- ▶ Strong retail performance given decline in passenger traffic
- ▶ 8.8% increase in net retail income ('NRI') per passenger to £4.71 (2008: £4.33)
  - ▶ Heathrow: +12.7%
  - ▶ Gatwick: +5.0%
  - ▶ Stansted: -3.8%
- ▶ Adjusting for non-recurring income, Heathrow NRI per passenger up 8.3%
- ▶ Airside and landside shops and other in-terminal activities driving performance
- ▶ Car parking reflects higher transfer traffic, lower domestic traffic and transport mode switches

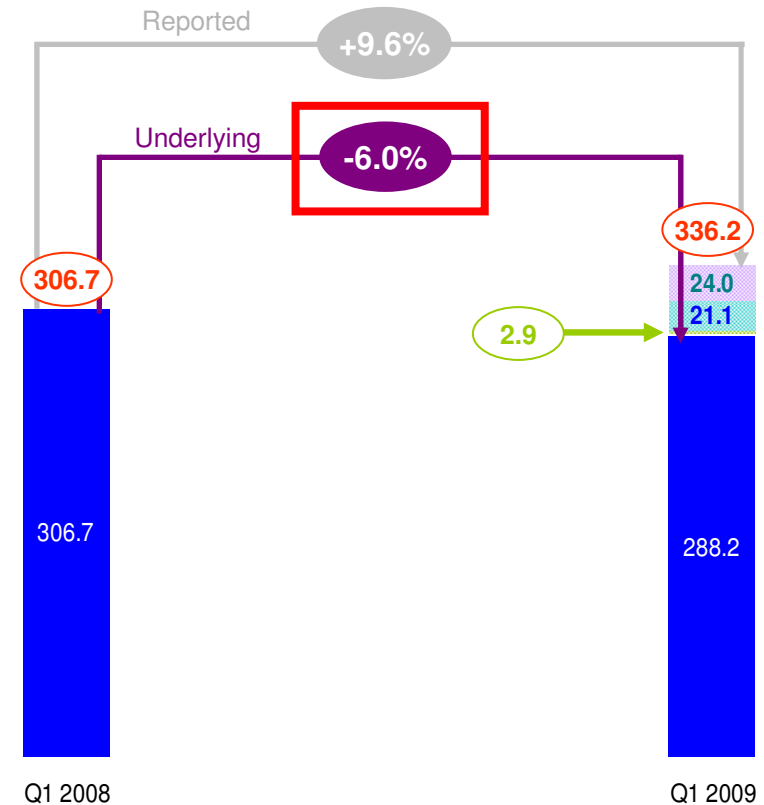
Analysis of net retail income



# Operating costs<sup>(1)</sup>



- ▶ Substantial efficiency improvements
- ▶ Adjustments to reported costs to provide like for like comparison with 2008
  - ▶ £24.0 million in NATS and PRM costs
  - ▶ £21.1 million incremental Terminal 5 costs
  - ▶ £2.9 million in other costs
- ▶ 6.0% underlying cost reduction
  - ▶ 15% lower staff costs
  - ▶ 20% lower general expenses
  - ▶ lower intra-group charges due to 15% lower central overheads reducing payments under shared service agreement



1) Excluding depreciation and exceptional items

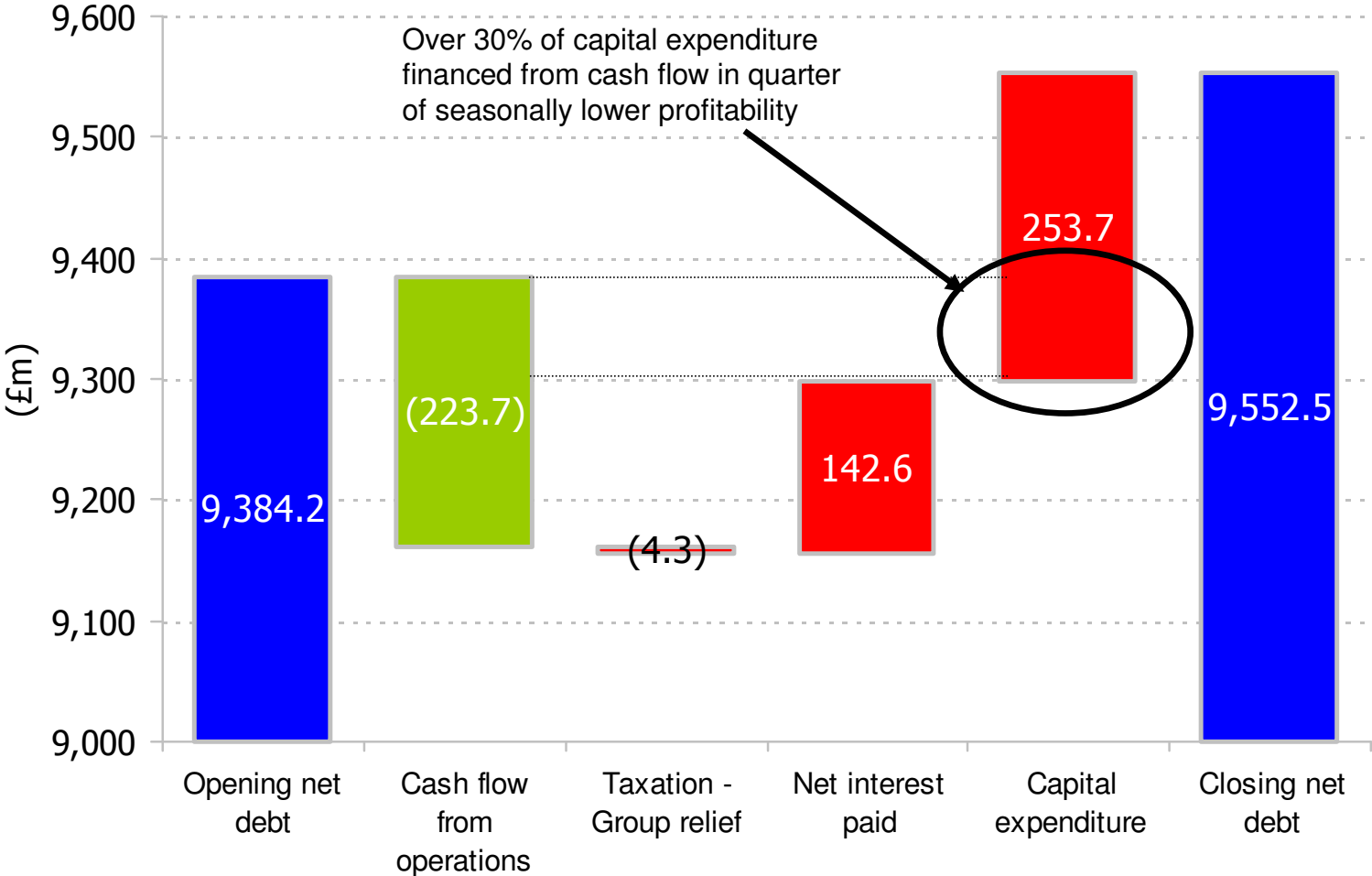
# Debt and interest

|   | Nominal debt      | Accounting debt   | Interest payable (P&L)  | Interest paid (cash flow) |
|---|-------------------|-------------------|---|---------------------------|
| Bonds                                   | £4,498.9m         | £4,781.7m         | <b>Figures in BAA (SP) Limited's financial statements</b>         |                           |
| Refinancing facility                    | £4,400.0m         | £4,341.4m         |   |                           |
| Capex/EIB facilities                    | £709.7m           | £707.3m           | <b>Figures relevant to BAA (SP) Limited external debt holders</b> |                           |
| Cash                                    | £(56.1)m          | £(56.1)m          |   |                           |
| <b>Net debt (external to BAA group)</b> | <b>£9,552.5m</b>  | <b>£9,774.3m</b>  | <b>£301.0m<sup>(1)</sup></b>                                      | <b>£79.2m</b>             |
| SP debenture                            | £1,565.8m         | £1,565.8m         | £26.2m  | £63.4m                    |
| <b>Net debt</b>                         | <b>£11,118.3m</b> | <b>£11,340.1m</b> | <b>£327.2m</b>  | <b>£142.6m</b>            |

1) Includes £140.7 million in fair value loss on financial instruments



# Net debt movement

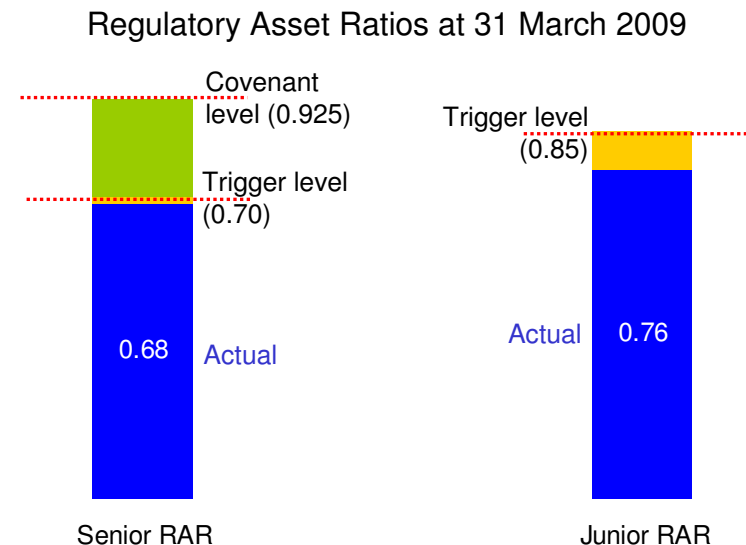
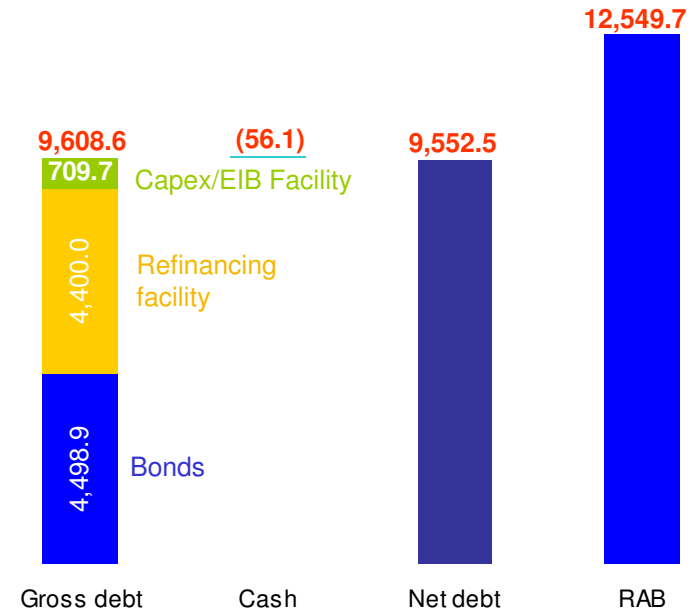


# Debt, RAB and Regulatory Asset Ratio

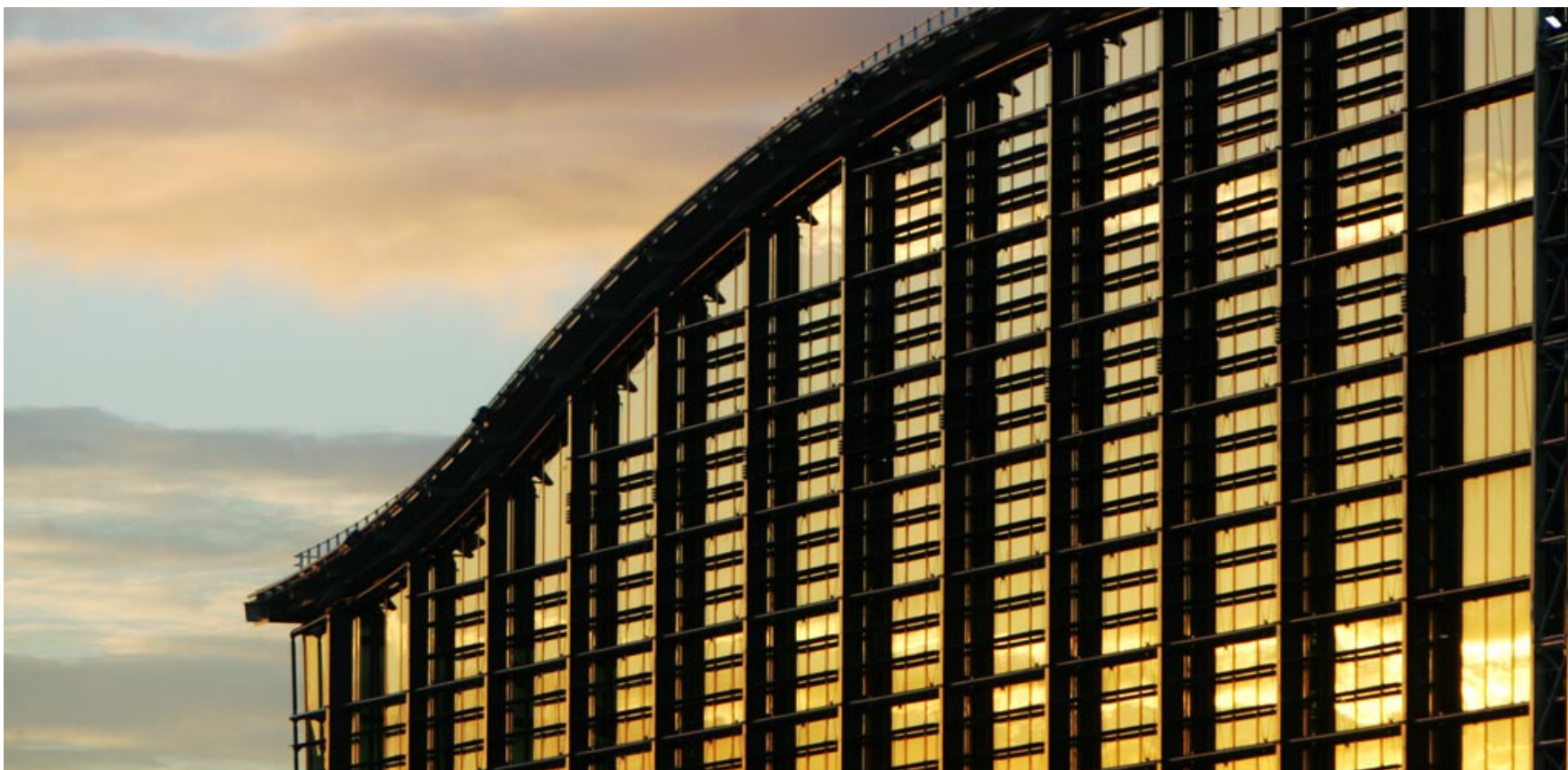


Debt and RAB at 31 March 2009 (£m)

- ▶ Net debt at 31 March 2009
    - ▶ accounting: £9,774.3 million
    - ▶ nominal: £9,552.5 million
  - ▶ Nominal net debt up £168.2 million since 31 December 2008
  - ▶ 6.33% average cost of debt at 31 March 2009, post hedging
  - ▶ Inflation trends impacted evolution in RAB
  - ▶ Comfortably complying with RAR ratios
    - ▶ flexibility to switch up to £300 million of current borrowings to Class B/Junior Debt
  - ▶ Substantial liquidity with £2.5 billion in cash and undrawn facilities
- 1) Debt figures are nominal values unless otherwise stated and exclude intra-BAA group loans
  - 2) To calculate RAR ratios, index-linked accretion (£17 million at 31 March 2009) is added to nominal net debt
  - 3) See Appendix for more detailed debt information



## Outlook and conclusion

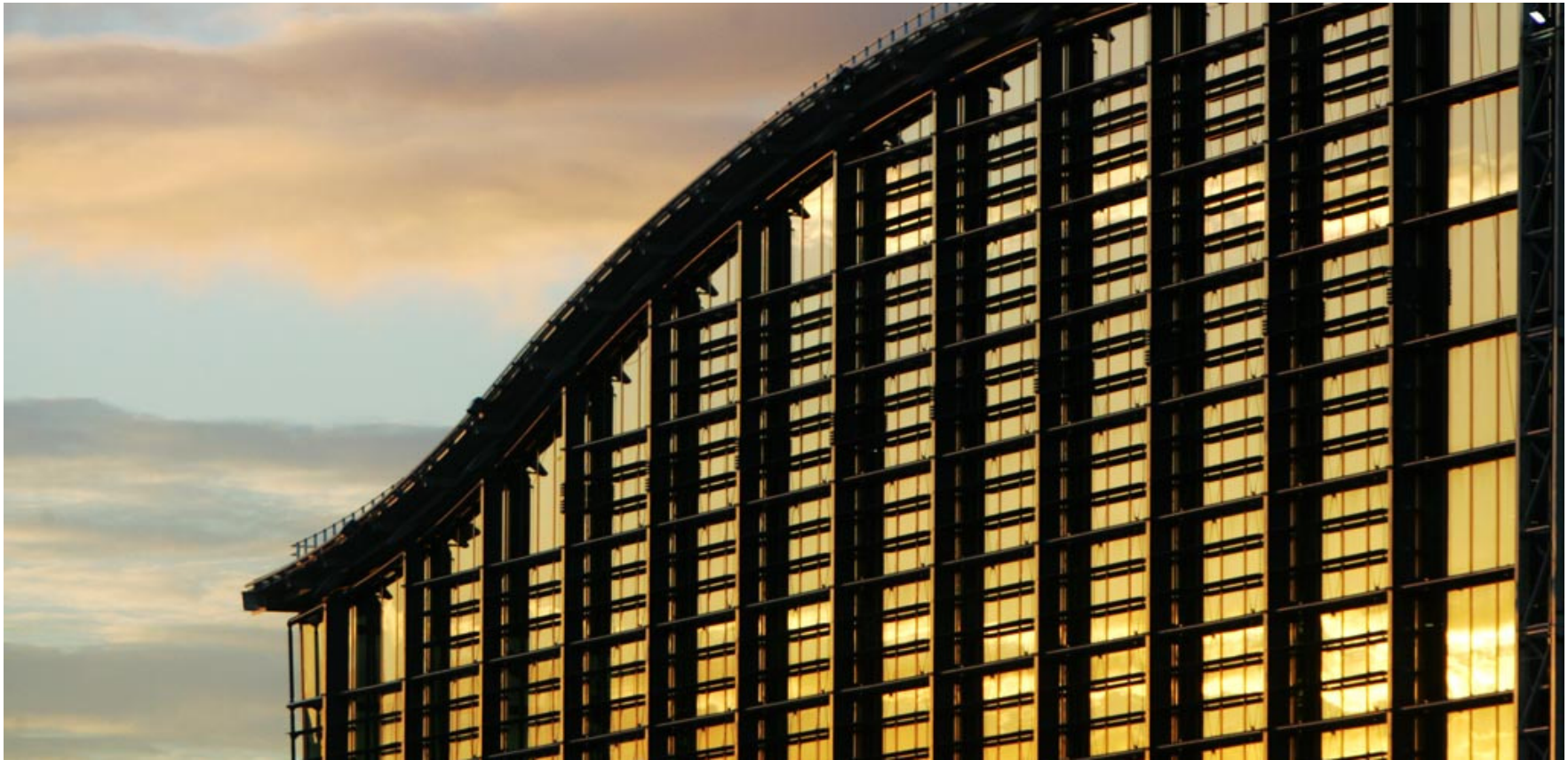


# Outlook and conclusion



- ▶ Solid performance delivered in challenging macroeconomic conditions
- ▶ Heathrow's global hub status drives superior performance
- ▶ Delivered against October 2008 forecast for year to 31 March 2009
  - ▶ actual Adjusted EBITDA consistent with forecast despite adverse passenger variance
- ▶ Traffic declines stabilising with comparatives easing as 2009 progresses
  
- ▶ 2009 Adjusted EBITDA outlook remains consistent with previous guidance
  - ▶ slightly lower traffic
  - ▶ stronger retail
  - ▶ greater cost efficiency
  
- ▶ Focus on key strategic priorities
  - ▶ making every journey better
  - ▶ importance of Heathrow
  - ▶ address policy and regulatory issues

# Appendix





# Nominal net debt at 31 March 2009



|                          |                          | Debt outstanding at 31 March 2009 |              | Amount and features of available facilities |                  |          |         |
|--------------------------|--------------------------|-----------------------------------|--------------|---|------------------|----------|---------|
|                          |                          | Amount                            | Cost         | Local currency                              | S&P/Fitch Rating | Maturity |         |
|                          |                          | (£m)                              |              | (m)   | (£m)             |          |         |
| <b>Senior (Class A)</b>  |                          |                                   |              |   |                  |          |         |
| Bonds                    |                          | 680.2                             |              | €1,000                                      | 680.2            | A-/A-    | 2012/14 |
|                          |                          | 396.4                             |              | £396  | 396.4            | A-/A-    | 2013/15 |
|                          |                          | 512.9                             |              | €750  | 512.9            | A-/A-    | 2014/16 |
|                          |                          | 299.9                             |              | £300  | 299.9            | A-/A-    | 2016/18 |
|                          |                          | 510.2                             |              | €750  | 510.2            | A-/A-    | 2018/20 |
|                          |                          | 249.8                             |              | £250  | 249.8            | A-/A-    | 2021/23 |
|                          |                          | 749.6                             |              | £750  | 749.6            | A-/A-    | 2023/25 |
|                          |                          | 199.9                             |              | £200  | 199.9            | A-/A-    | 2028/30 |
|                          |                          | 900.0                             |              | £900  | 900.0            | A-/A-    | 2031/33 |
| <b>Total bonds</b>       |                          | <b>4,498.9</b>                    | <b>6.43%</b> |   | <b>4,498.9</b>   |          |         |
| Bank debt                | Refinancing Facility     | 3,400.0                           |              | £3,400                                      | 3,400.0          | A-/A-    | 2010/13 |
|                          | EIB Facility             | 406.7                             |              | £407  | 406.7            | A-/A-    | 2010/22 |
|                          | Capex Facility           | 303.0                             |              | £2,300                                      | 2,300.0          | n/a      | 2013    |
|                          | Working Capital Facility | 0.0                               |              | £50   | 50.0             | n/a      | 2013    |
| <b>Total bank debt</b>   |                          | <b>4,109.7</b>                    | <b>6.34%</b> |   | <b>6,156.7</b>   |          |         |
| <b>Total senior debt</b> |                          | <b>8,608.6</b>                    | <b>6.39%</b> |   | <b>10,655.6</b>  |          |         |
| <b>Junior (Class B)</b>  |                          |                                   |              |   |                  |          |         |
| Bank debt                | Refinancing Facility     | 1,000.0                           |              | £1,000                                      | 1,000.0          | BBB/BBB  | 2010/13 |
|                          | Capex Facility           | 0.0                               |              | £400  | 400.0            | n/a      | 2013    |
| <b>Total junior debt</b> |                          | <b>1,000.0</b>                    | <b>5.77%</b> |   | <b>1,400.0</b>   |          |         |
| <b>Gross debt</b>        |                          | <b>9,608.6</b>                    | <b>6.33%</b> |   | <b>12,055.6</b>  |          |         |
| <b>Cash</b>              |                          | <b>(56.1)</b>                     |              |   |                  |          |         |
| <b>Net debt</b>          |                          | <b>9,552.5</b>                    |              |   |                  |          |         |

- 1) External debt of the Security Group excluding intra-BAA group loans
- 2) Data reflects nominal value of debt before index-linked accretion of £17 million

## Interest payable and interest paid reconciliation



|   | SP debenture  | External debt  | Total          |
|---|---------------|----------------|----------------|
| Interest receivable   | 0.0           | 38.8           | 38.8           |
| Interest payable and similar charges                        | (26.2)        | (204.6)        | (230.8)        |
| Fair value loss on financial instruments                    | 0.0           | (140.7)        | (140.7)        |
| Interest capitalised  | 0.0           | 5.5            | 5.5            |
| <b>Total net interest payable (profit and loss account)</b> | <b>(26.2)</b> | <b>(301.0)</b> | <b>(327.2)</b> |
| Non-cash adjustments  |               |                |                |
| Fair value loss on financial instruments                    | 0.0           | 140.7          | 140.7          |
| Interest capitalised  | 0.0           | (5.5)          | (5.5)          |
| Derivative prepayment interest amortisation                 | 0.0           | 37.1           | 37.1           |
| Amortisation of fees and bond fair value adjustment         | 0.0           | 27.5           | 27.5           |
| Movement in interest accruals                               | (37.2)        | 20.1           | (17.1)         |
| Other   | 0.0           | 1.9            | 1.9            |
| <b>Net interest paid (cash flow statement)</b>              | <b>(63.4)</b> | <b>(79.2)</b>  | <b>(142.6)</b> |

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