BAA's regulated airports

Investor Report

Issued on 9 June 2011

BAA

Important notice

This Investor Report (other than Appendix 5) is being distributed by BAA Airports Limited (as ‘Security Group Agent’) on behalf of Heathrow 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. Appendix 5 is being distributed by BAA (SH) plc pursuant to the terms of its facilities agreement and its bond issue due 2017.

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 Investor Report (other than Appendix 5) is being distributed pursuant to the terms of the Common Terms Agreement (‘CTA’). Appendix 5 is being distributed by BAA (SH) plc pursuant to the terms of its facilities agreement and its bond issue due 2017.

Investor Reports relate to the performance of the Security Group which includes Heathrow and Stansted airports. This Investor Report comments on the historic financial performance of the Security Group for the period up to 31 March 2011 and its historic passenger traffic for the period up to 30 April 2011. It also contains forecast financial information for the whole of 2011 derived from current management forecasts for the Security Group for the year.

Defined terms used in this document (other than in Appendix 5) have the same meanings as set out in the Master Definitions Agreement unless otherwise stated. Defined terms in Appendix 5 have the same meanings as set out either in the Master Definitions Agreement or in BAA (SH) plc’s facilities agreement and bond terms and conditions.

Contents of report

1. Introduction

This Investor Report covers a range of financial and operational developments at BAA's Designated Airports during 2010 and 2011. In particular it provides historic and forecast financial information for 2010 and 2011 including financial ratios (RAR and ICR) for the Designated Airports for those years.

Latest management forecasts for 2011 for BAA (SP) Limited indicate Adjusted EBITDA[1] for the year ending 31 December 2011 will be £1,124 million, £4 million above the original budget and 16.2% growth versus 2010 actuals

This performance reflects the following highlights:

- passenger traffic of 86.9 million with Heathrow, although below budget, forecast to achieve all time annual record
- revenue growth of 10.5% versus 2010 actuals to £2,293 million reflecting primarily increased passenger numbers at Heathrow airport, aeronautical tariffs and stronger than budgeted growth in retail income per passenger and rail revenue

Heathrow expects to invest £1.0 billion on its capital programme during 2011 due to accelerating activity on construction of the new Terminal 2.

In the years to 31 December 2010 and 2011, all financial ratios either complied or are forecast to comply with relevant Trigger Event ratio levels.

	Actual/forecast ratio level	Trigger level
Regulatory asset ratio (RAR)[1]		
Senior ratios		
At 31 December 2010[2]	**68.8%**	**70.0%**
At 31 December 2011[2]	**66.6%**	**70.0%**
Junior ratios		
At 31 December 2010	**77.7%**	**85.0%**
At 31 December 2011	**76.1%**	**85.0%**
Interest cover ratio (ICR)[3]		
Senior ratios		
For year to 31 December 2010[4]	**2.08x**	**1.40x**
For year to 31 December 2011	**2.73x**	**1.40x**
Junior ratios		
For year to 31 December 2010[4]	**1.85x**	**1.20x**
For year to 31 December 2011	**2.36x**	**1.20x**

1) RAR is Regulatory Asset Ratio which is defined on page 20
2) Senior RAR does not take into account ability to reduce senior debt using £400 million undrawn junior debt under capital expenditure facility
3) ICR is Interest Cover Ratio which is defined on page 18
4) 2010 ICRs include swap interest prepayments of £36.7 million made in January 2010

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

2. Significant business developments – service standards

Consistent delivery of high service standards is a strategic priority, being a key enabler to delivering cost efficiencies and strengthening the competitive position of the Obligors' airports.

Heathrow has maintained its position towards the top of the five major European hub airports for overall passenger satisfaction, according to the most recent Airports Council International Airport Service Quality survey. This reflects the strong focus in recent years on improving service standards such as departure punctuality, baggage misconnect rates and security queuing times. It also reflects the benefit of new and refurbished infrastructure. The improvement in Heathrow's performance in the last year is illustrated in the charts opposite. Its score for Q1 2011 was the second highest it has ever achieved.

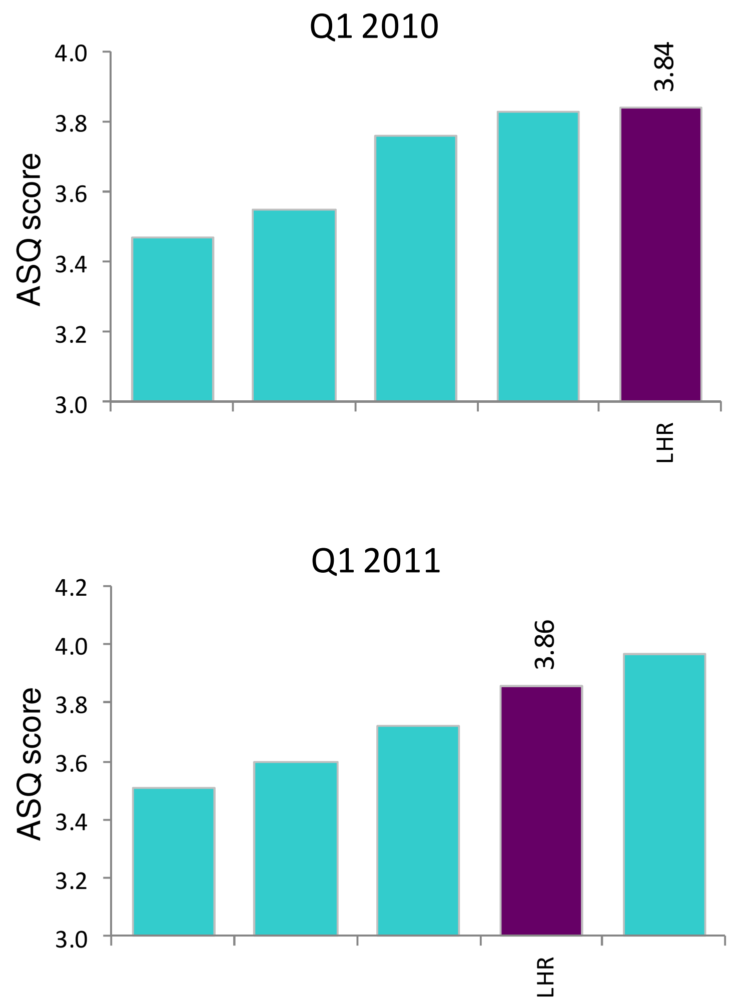
In the three months ended 31 March 2011, the proportion of aircraft departing within 15 minutes of schedule was 82% (2010: 72%) at Heathrow and 89% (2010: 79%) at Stansted. Improved year on year results partly reflect no recurrence of severe winter weather experienced in January 2010.

At Heathrow, in the three months ended 31 March 2011, the proportion of baggage not accompanying passengers on their journeys improved to 15 per 1,000 passengers (2010: 21 per 1,000 passengers). Heathrow delivered its best ever monthly baggage misconnect performance in February 2011.

In the first three months of 2011, passengers passed through central security within periods prescribed under service quality rebate ('SQR') schemes 97.4% (Heathrow) and 98.8% (Stansted) of the time, compared with 95.0% service standards in both cases.

In the year ended 31 March 2011, Heathrow incurred £0.7 million of payments under its service quality rebate scheme (2010: £3.3 million) and Stansted incurred £0.3 million (2010: £0.6 million).

Overall passenger satisfaction for top 5 European airports



2. Significant business developments – passenger traffic[1]

In the four months ended 30 April 2011, combined passenger traffic at Heathrow and Stansted increased 7.6% to 26.1 million (2010: 24.2 million), with Heathrow up 9.2% and Stansted up 1.3%. Year on year comparisons were particularly affected by airline industrial action at Heathrow in March 2010 and disruption caused by volcanic ash (that closed or disrupted the airports for around a week primarily in April 2010). Adjusting for these factors it is estimated that Heathrow's traffic increased 2.0% whilst Stansted's declined 4.8%. The impact of severe winter weather in January 2010 was broadly offset by the effects of political unrest in the Middle East and North Africa during the early months of 2011.

Quarterly passenger traffic trends from Q1 2008 to Q1 2011 are set out in Appendix 1.

Passenger traffic

	4 months ended 30 April		
	2010 (m)	2011 (m)	Change [2]
By airport			
Heathrow	19.1	20.9	9.2%
Stansted	5.2	5.2	1.3%
Total [2]	**24.2**	**26.1**	**7.6%**
By market served			
UK	1.9	2.0	3.2%
Europe [3]	12.0	12.9	8.2%
Long haul	10.3	11.1	7.7%
Total [2]	**24.2**	**26.1**	**7.6%**

1) Monthly passenger traffic data for all BAA's airports is published at www.baa.com
2) Percentage change and totals calculated using un-rounded passenger numbers
3) Includes both scheduled and charter traffic and includes North African charter traffic

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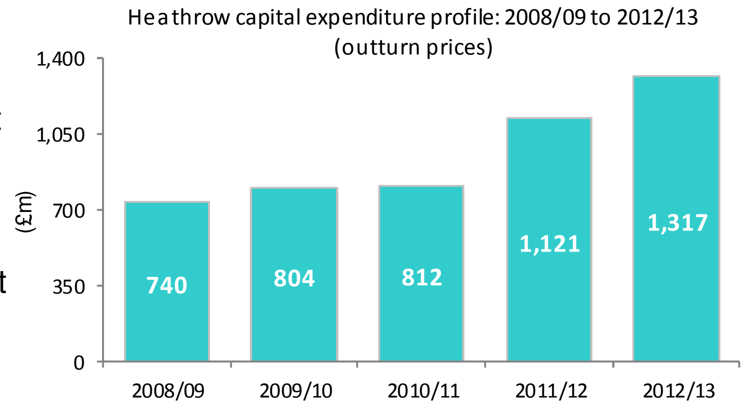
2. Significant business developments – capital investment

Heathrow's current capital investment plan shows forecast outturn cost over the six years to 31 March 2014 of £5.6 billion. One significant change to the plan since that reflected in the investor report distributed on 24 June 2010 is removal of over £300 million of expenditure originally allocated to the Project for the Sustainable Development of Heathrow ('PSDH') related to the possible development of a third runway and additional terminal capacity. This reflects UK government opposition to development of a third runway at Heathrow. Of the remaining PSDH spend, over £200 million has been re-allocated to other capacity enhancing projects whilst the residual amount has been spent on third runway related activities or may also be re-allocated to other projects.



The other major development in the last year has been the extension of Heathrow's current regulatory period including the agreement of a cap on capital investment in that year of £735 million (in 2007/08 prices) that will include £435 million relating to projects started in earlier periods and £90 million on the first tranche of Heathrow's contribution to the Crossrail project.

The key investment at Heathrow in the next few years is the construction of a new Terminal 2. The previous terminal closed in late 2009 with demolition work and site clearance completed by summer 2010. Currently the steel superstructure, roof and façade of the main terminal building are being constructed with the building due to be weather tight by early 2012. In 2012, activities are expected to focus on the fit out of the terminal and in 2013 commissioning and operational readiness activities will occur. The new Terminal 2 will be home to the Star Alliance airlines at Heathrow when it becomes operational in 2014.

Other major projects in the current regulatory period include construction of Terminal 5C that has just become operational. In addition, as part of the development of an integrated baggage system across Heathrow, the baggage tunnel and associated systems between Terminals 3 and 5 are expected to become operational in 2012.

By April 2011, eleven of the 24 capital investment trigger projects during the current regulatory period were complete. Based on forecast completion dates for these projects as at April 2011, a £44 million (in 2007/08 prices) adjustment to aeronautical income is forecast over the regulatory period (around 1% of the CAA's forecast of aeronautical income in this period).

At Stansted, investment on modernising the airport's existing infrastructure over the five year period to 31 March 2014 is forecast to be approximately £90 million.

3. Significant regulatory/governmental developments

Modernisation of economic regulation of UK airports and extension of Heathrow's current regulatory period

In March 2011, the Government confirmed its intention to implement reforms to the framework for the economic regulation of UK airports, as set out in its July 2010 statement, which largely build on proposals published by the Department for Transport in December 2009. The proposals are expected to be enacted into law in the proposed new Airport Economic Regulation bill in the 2012 parliamentary session.

Reflecting a desire that the terms of Heathrow's next regulatory settlement are negotiated using the new regulatory framework, following consultation with Heathrow and its airline community, in March 2011 the Civil Aviation Authority announced the extension of Heathrow's current regulatory period by one year from 31 March 2013 to 31 March 2014. During the one year extension, Heathrow's aeronautical tariffs will continue to be determined using the existing RPI + 7.5% formula. In addition, Heathrow has agreed with its airline community a cap on its capital programme for the extension year of £735 million (in 2007/08 prices).

Competition Commission inquiry into the supply of UK airport services by BAA

In March 2009, the Competition Commission ('CC') published its final decision in relation to its investigation into the supply of UK airport services by BAA . The key structural remedy called for the disposal of Stansted. Following previous appeals by both BAA and the CC, in February 2011 BAA was refused permission to appeal to the Supreme Court.

In parallel, in November 2010 the CC noted that there might have been material changes in circumstances since it published its decision in March 2009 that might lead to it amending the scope of the remedies requiring that BAA divest Stansted (as well as either Edinburgh or Glasgow airport). Following consultation, in March 2011, the CC provisionally concluded there had not been any such change, and confirmed its previous requirement that BAA sell the relevant airports and that there was no reason to change the original timescale for, or order of, the required disposals with Stansted to be sold first. BAA continues to believe that there have been material changes in circumstances which make the requirement to sell Stansted inappropriate. BAA has submitted comments to the CC accordingly. The CC is expected to publish its final decision in June 2011.

4. Historic financial performance[1] (A)

Turnover

In the three months ended 31 March 2011, turnover increased 5.6% to £481.5 million (2010: £456.1 million). This reflects increases of 5.8% in aeronautical income, 7.4% in gross retail income and 3.5% in other income.

There was a 7.3% increase in aeronautical income at Heathrow and a 6.6% reduction at Stansted. Heathrow's increase primarily reflects passenger traffic trends as well as the 6.2% headline increase in tariffs applicable from 1 April 2010. At Stansted, the decline primarily reflects reduced passenger numbers.

The retail business has continued to perform very well. This is evident from the 7.0% increase in net retail income per passenger in the three months ended 31 March 2011 to £5.51 (2010: £5.15).

This reflects gross retail income increasing 7.4% to £110.7 million (2010: £103.1 million) and net retail income increasing 7.6% to £102.9 million (2010: £95.6 million). This performance was led by duty and tax-free, airside specialist shops, catering and car parking. Strength in duty and tax-free shopping was supported by a new walk through area in the World Duty Free store in Heathrow Terminal 3 and extension of the store in Heathrow Terminal 5. In airside specialist shops, the recent exceptionally strong trading in the luxury segment continued. Strength in car parking reflected increased usage, tariff increases and strength in premium business usage.

Operating costs[2]

In the three months ended 31 March 2011, operating costs declined 0.5% to £280.6 million (2010: £282.0 million). This reflects reductions in maintenance costs (due to no recurrence of costs that arose due to severe winter weather in January 2010), lower utility costs due to lower gas prices and electricity consumption and reductions across a range of general expenses. Operating costs were lower than expected in the first three months of the year which partially reflects the fact that costs associated with one-off projects, such as the recently announced IT outsourcing contract, are expected to fall later in the year than previously envisaged

Adjusted EBITDA[3]

Adjusted EBITDA for the three months ended 31 March 2011 increased 15.4% to £200.9 million (2010: £174.1 million). The improvement in Adjusted EBITDA from the comparable period of 2010 reflects the increases in all the Group's main revenue streams combined with achieving a modest year on year reduction in operating costs.

1) For more detail, see results for three months ended 31 March 2011 issued on 27 April 2011
2) Total operating costs excluding depreciation and exceptional items
3) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items

4. Historic financial performance[1] (B)

Interest payable

In the three months ended 31 March 2011, net interest payable (excluding fair value losses on financial instruments) was £191.7 million (2010: £181.0 million). Underlying net interest payable was £186.4 million (2010: £173.2 million) excluding £7.1 million (2010: £4.7 million) in capitalised interest and £12.4 million (2010: £12.5 million) in non-cash amortisation of financing fees and bond fair value adjustments. Within interest payable is also recorded a non-cash net fair value loss on financial instruments of £115.4 million (2010: £15.0 million) that reflects principally the impact on the valuation of index-linked swaps of the increase between 31 December 2010 and 31 March 2011 in implied future inflation rates.

Interest paid

Net interest paid in the three months ended 31 March 2011 was £93.5 million (2010: £103.0 million), consisting of £76.3 million (2010: £85.1 million) paid in relation to external debt and £17.2 million (2010: £17.9 million) under the debenture between BAA (SP) Limited and BAA (SH) plc. The reduction in external interest paid is primarily due to the cancellation of interest rate swaps in 2010. Interest paid on the debenture in 2011 reflects funding of initial interest payments on BAA (SH) plc's new bond issue and loan facility and payment of interest that had accrued on the debenture prior to completion of BAA (SH) plc's refinancing in November 2010.

Net interest paid was lower than underlying net interest payable primarily due to an amortisation charge of £19.8 million (2010: £35.8 million) relating to prepayments of derivative interest and a £63.3 million non-cash charge (2010: £32.8 million) relating to accretion on index-linked instruments.

Net debt (excluding debenture between BAA (SP) Limited and BAA (SH) plc)

At 31 March 2011, the Group had £6,283.1 million of nominal debt outstanding under various bond issues. There was also £3,507.3 million outstanding under various bank debt facilities and index-linked derivative accretion of £177.5 million. With cash and cash equivalents of £39.4 million, nominal net debt was £9,928.5 million. The average cost of the external debt at 31 March 2011 was 4.35% after all hedging, including the real rate cost of index-linked hedges.

Capital expenditure and Regulatory Asset Base (RAB)

Cash flow capital expenditure at Heathrow was £204.7 million in three months ended 31 March 2011 and £5.4 million at Stansted. The combined RAB of Heathrow and Stansted was £13,121.9 million at 31 March 2011, comprising £11,773.0 million and £1,348.9 million for Heathrow and Stansted respectively.

Financial ratios

At 31 March 2011, senior and junior gearing ratios (net debt to RAB) were 67.1% and 75.7% respectively compared with trigger levels of 70.0% and 85.0%.

1) For more detail, see results for three months ended 31 March 2011 issued on 27 April 2011

5. 2011 and long-term traffic forecasts

The most recent management forecast for traffic across Heathrow and Stansted for the year ending 31 December 2011 is 86.9 million, made up of 69.3 million at Heathrow and 17.6 million at Stansted. This reflects growth of 5.5% in traffic at Heathrow but a decline of 5.1% at Stansted versus 2010.

The latest 2011 traffic forecast for Heathrow compares with original expectations for the year of 70.4 million. The more cautious outlook for the year reflects an expectation of somewhat lower traffic than previously projected over the peak summer season. Nevertheless, Heathrow is still expected to achieve an all time annual traffic record in 2011.

As part of its planning processes, Heathrow is considering its long-term passenger forecast. Two factors merit particular attention – the sustained divergence of actual growth from forecasts in recent regulatory settlements and the impact of indefinite capacity constraints with no current prospect of a third runway. In addition, Heathrow has considered long-term trends affecting the aviation industry and airline opinions.

Trends currently particularly relevant include a slower shift to large aircraft and a stronger focus on more spacious premium cabins than volume growth in economy class. The review also incorporates the effects of sustained higher oil prices and aviation taxation.

The review's preliminary conclusion is that although passenger traffic will continue growing at Heathrow over the coming years, it will do so at a more modest pace than previously assumed. This view is consistent with recent airline feedback but remains subject to further consultation with Heathrow’s airline community.

Heathrow continues to deliver resilient financial performance whilst operating below the passenger forecasts used for its current regulatory settlement. Further, under its regulatory framework, slower traffic growth should not materially affect the returns generated by the airport in the long term.

6. 2010 actual and 2011 forecast financial information

BAA (SP) Limited 2010 actual and 2011 forecast financial information are set out opposite (more detail is in Appendices 2 and 3). Highlights include:

- **forecast 2011 Adjusted EBITDA up 16.2% on 2010 actuals to £1,124 million driven by higher Heathrow aeronautical and retail income**
- **strengthened financial ratios with lower gearing and increased interest cover ratios**

The forecast growth in Heathrow aeronautical income reflects increased tariffs from 1 April 2011 supported by higher passenger traffic (as discussed on page 11).

Retail income is forecast to grow 8.8% in 2011 with net retail income per passenger up 6.1%. This is despite the fact that no additional structural benefits that have recently benefited retail income (such as an increased proportion of intra-terminal transfer passengers) are expected in 2011 and that retail space in Terminal 3 at Heathrow is being refurbished during the year.

2011 operating costs (excluding depreciation and exceptional items) are forecast at £1,169 million (2010: £1,107 million) primarily reflecting (a) the one-off cost of various IT, operational and commercial initiatives that are expected to deliver benefits beyond 2011, (b) the impact of inflation and contractual terms on employment, third party contracts and rates costs and (c) new infrastructure such as Terminal 5C becoming operational.

The combined RAB of Heathrow and Stansted is forecast to increase in line with the £1.1 billion of forecast capital expenditure with increasing operating cash flow funding well over half of this spend.

All forecast financial ratios comply with Trigger Event ratios.

Financials	2010	2011	Change[1]
(figures in £m unless otherwise stated)			
Revenue	2,074	2,293	10.5%
Adjusted EBITDA	967	1,124	16.2%
Cash flow from operations	919	1,078	17.3%
Cash flow for ICR calculation	672	800	19.0%
Capital expenditure	841	1,060	26.0%
Total RAB	12,776	13,929	9.0%
Nominal net debt			
Senior net debt	8,793	9,278	5.5%
Junior debt	1,128	1,325	17.5%
Total nominal net debt	9,921	10,603	6.9%
Interest paid			
Senior interest paid	323	293	-9.3%
Junior interest paid	40	46	14.4%
Total interest paid	363	339	-6.7%

Ratios[2]	2010	2011	Trigger level
Senior RAR	68.8%	66.6%	70.0%
Junior RAR	77.7%	76.1%	85.0%
Senior ICR	2.08x	2.73x	1.40x
Junior ICR	1.85x	2.36x	1.20x

1) Percentage changes calculated using un-rounded figures
2) See Appendices 2 and 3 for the definition of ratios (RAR and ICR) and their calculations

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7. Acquisitions, disposals, joint ventures and outsourcing

Acquisitions, disposals and joint ventures

There have been no developments related to acquisitions, disposals and joint ventures involving any Obligor since the previous Investor Report was distributed on 16 December 2010.

Outsourcing

Since the previous Investor Report was distributed on 16 December 2010, IT services have been outsourced to be managed by Capgemini UK plc under a five year contract that commenced in May 2011.

8. Significant board/management changes

In December 2010, Lord Stevens resigned as a non-executive director of BAA Limited.

In December 2010, Nick Barton was confirmed as the new managing director of Stansted and appointed as a director of Stansted Airport Limited.

In January 2011, Benjamin Harding was appointed as a non-executive director of Heathrow Express Operating Company Limited.

From July 2011, Clare Harbord will join BAA as Corporate Affairs Director and member of the Executive Committee. She was previously Director of Communications at the Ministry of Justice and was responsible for all external and internal communications. Before that she was Head of Communications for the UK business of German-owned energy company, E.ON.

Other than as outlined above, there have been no board or relevant management changes related to the Obligors or BAA Limited since the previous Investor Report was distributed on 16 December 2010.

9. Financing matters

Bond issues

Since the previous Investor Report was distributed on 16 December 2010, BAA Funding Limited has completed two bond issues. These were a £750 million 30 year Class A issue with a scheduled redemption date of 13 May 2041 and a £140 million tap (including accretion since the date of the original issue in December 2009) of the existing 2039 Class A Index Linked issue with a scheduled redemption date of 9 December 2039.

Drawings and repayments under loan facilities

Prepayment of the Refinancing Facility totalling £529.7 million has been made since the previous Investor Report was distributed on 16 December 2010. As a result, the amount outstanding under the Refinancing Facility is currently £768.6 million. This prepayment reflects use of part of the proceeds from the £750 million Class A bond issues referred to above.

The £768.6 million remaining amount of the Refinancing Facility is due on 31 March 2013 (£665.6 million Class A and £103.0 million Class B).

Between 30 September 2010 and 31 March 2011, Heathrow Airport Limited made a net drawdown under the capital expenditure facility of £115 million. Since 31 March 2011, drawings under the capital expenditure have reduced primarily reflecting the use of £284.1 million of the proceeds from the two bond issues as referred to above.

Since the previous Investor Report was distributed on 16 December 2010, Heathrow Airport Limited has made scheduled EIB loan repayments of approximately £9 million.

Restricted Payments

Since the previous Investor Report was distributed on 16 December 2010, Restricted Payments totalling £17.2 million were made in March 2011 to BAA (SH) plc to pay interest that had accrued under the debenture between BAA (SP) Limited and BAA (SH) plc since September 2010.

Hedging

At 31 March 2011, at least 76% and 53% of interest rate risk exposure on the Obligors' and BAA Funding Limited's existing debt is hedged for the regulatory periods ending on 31 March 2014 and 31 March 2019 respectively, consistent with the requirement to hedge at least 75% and 50% of interest rate risk exposure over those periods. In addition, all foreign currency denominated debt instruments are hedged using currency swaps. Since the previous Investor Report was distributed on 16 December 2010, £700 million notional value of interest rate swaps have been terminated following the two bond issues in May 2011.

Liquidity

The Security Group has a strong liquidity position with a committed revolving capital expenditure and working capital facility of £2,750 million, of which £1,490 million was undrawn at 31 March 2011. Since 31 March 2011, and particularly reflecting the use of £284.1 million of the proceeds from the bond issues referred to above, the combined undrawn commitments under the Group's capital expenditure and working capital facilities were £1,730 million as at 31 May 2011. The Group expects this headroom to be sufficient, when combined with its expected operating cash flows, to meet all its liquidity requirements, including refinancing maturing bond and bank debt, until at least the end of 2012.

10. Confirmation

9 June 2011

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

We confirm that each of the Ratios set out on page 12 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

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

Appendix 1 – Quarterly passenger traffic trends (Q1 2008 to Q1 2011)

	Heathrow (m)	Period on period growth[1]	Stansted (m)	Period on period growth[1]	Total[1] (m)	Period on period growth[1]
Q1 2008	15.4	0.6%	4.8	-4.3%	20.2	-0.6%
Q2 2008	17.1	-1.3%	6.0	-4.9%	23.0	-2.2%
Q3 2008	18.6	-1.2%	6.8	-4.9%	25.4	-2.2%
Q4 2008	15.9	-3.6%	4.7	-10.4%	20.6	-5.2%
Q1 2009	14.4	-6.4%	4.1	-14.6%	18.5	-8.3%
Q2 2009	16.8	-1.5%	5.1	-14.2%	21.9	-4.8%
Q3 2009	18.6	0.3%	6.3	-8.3%	24.9	-2.0%
Q4 2009	16.0	1.1%	4.5	-5.7%	20.5	-0.5%
Q1 2010	14.6	1.6%	3.9	-4.7%	18.6	0.2%
Q2 2010	15.5	-7.9%	4.6	-10.1%	20.1	-8.4%
Q3 2010	19.5	4.4%	5.9	-6.0%	25.4	1.8%
Q4 2010	16.1	0.7%	4.2	-6.8%	20.3	-0.9%
Q1 2011	15.0	2.5%	3.7	-6.6%	18.7	0.6%

(1) Total passenger numbers and period on period changes calculated using un-rounded passenger numbers

Appendix 2 – Computation of Interest Cover Ratios[1] ('ICR') – calculation of ratios

(See important notice on page 2 of this document)	Trigger level	Year to 31 December 2010[1]	Year to 31 December 2011[1]
		£m	£m
Cashflow from Operations[2]		919	1,078
Add back: Cash one-off, non-recurring extraordinary or exceptional items		9	0
Cashflow from Operations (before exceptional items)		927	1,078
Less: corporation tax paid		0	0
Less: 2 per cent of Total RAB		(256)	(279)
Cash Flow (A)		**672**	**800**
Interest and equivalent recurring charges paid on Senior Debt[3][4]			
Interest paid – existing Class A bonds (excluding May 2011 issues)		345	339
Interest paid – existing Class A capex facility		11	29
Interest paid – existing Class A EIB facilities		4	4
Interest paid – other Class A debt		31	19
Interest paid/(received) on swaps[5]		(95)	(123)
Commitment fees on liquidity and Capex facilities		27	24
Total interest on Senior Debt (B)		**323**	**293**
Interest and equivalent recurring charges paid on Junior Debt[3][4]			
Class B debt		40	46
Total interest on Junior Debt (C)		**40**	**46**
Total interest (D=B+C)		**363**	**339**
Senior ICR (A/B)[6]	**1.40x**	**2.08x**	**2.73x**
Junior ICR (A/D)[6]	**1.20x**	**1.85x**	**2.36x**

(1) 2010 figures are actuals while 2011 figures are forecasts.

(2) Reconcilation of cashflow from operations with Adjusted EBITDA is set out on page 19

(3) Reconciliation of interest paid with interest payable is set out on page 19

(4) Excludes interest on debenture between BAA (SP) Limited and BAA (SH) plc as this is not included in ratios under the Common Terms Agreement

(5) Interest paid/(received) on swaps in 2010 and 2011 includes swap interest prepayments of £36.7 million and £nil million respectively

(6) Interest Cover Ratio is cash flow from operations (excluding items of a one-off, non-recurring, extraordinary or exceptional nature) less 2% of RAB and corporation tax paid to HMRC divided by net interest paid

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Appendix 2 – Computation of Interest Cover Ratios – reconciling income statement to cash flow

(See important notice on page 2 of this document)	Year to 31 December 2010	Year to 31 December 2011
		£m
Income		
Aeronautical income	1,115	1,294
Non-aeronautical income - retail	476	518
Non-aeronautical income - non-retail	483	481
Total income		
Operating expenses[1]	1,107	1,169
Adjusted EBITDA	**967**	**1,124**
Working capital and cash one-off non-recurring extraordinary or exceptional items	(48)	(45)
Cashflow from operations	**919**	**1,078**

	Year to 31 December 2011[2][3]					Year to
	Income statement inc amortisation[4]	Income statement excl amortisation	Variation in accruals	Swap Cancellations	Cash flow	31 December 2010 Cash flow[6]
	£m	£m	£m		£m	£m
Interest paid – existing Class A bonds[5]	388	345	(6)	0	339	345
Interest paid – existing Class A capex facility	25	25	4	0	29	11
Interest paid – existing Class A EIB facilities	5	5	(1)	0	4	4
Interest paid – other Class A debt	68	62	(43)	0	19	31
Interest paid/(received) on swaps[6]	(41)	(57)	1	67	(123)	(95)
Commitment Fees on Liquidity and Capex Facilities	25	25	(0)	0	24	27
Interest paid - Class B debt	62	59	(13)	0	46	40
Total interest	533	464	(58)	67	339	363

(1) Operating expenses excluding depreciation and exceptional items
(2) Excludes capitalised interest
(3) Excludes interest on debenture between BAA (SP) Limited and BAA (SH) plc as this is not included in calculation of ratios under the Common Terms Agreement
(4) Includes amortisation of refinancing fees and swap prepayments but excludes accretion on Index Linked Swaps
(5) Excluding bond issues completed in May 2011
(6) Includes £36.7 million and £nil swap interest prepayments within interest paid/(received) on swaps

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Appendix 3 – Computation of Regulatory Asset Ratios[1] (‘RAR’)

(See important notice on page 2 of this document)	Trigger level	At 31 December 2010[1]	At 31 December 2011[1]
		£m	£m
Closing Regulatory Asset Base (RAB) (net of profiling adjustment)			
Heathrow		11,449	12,572
Stansted		1,327	1,357
Total forecast closing RAB (A)		**12,776**	**13,929**
Senior Debt			
Existing Class A Bonds[2]		5,880	5,889
Existing Class A EIB facilities		333	294
Other Class A debt		2,495	2,800
RPI swap accretion		132	345
Total Senior Debt (B)		**8,840**	**9,328**
Junior Debt			
Class B debt		1,128	1,325
Total Junior Debt (C)		**1,128**	**1,325**
Cash and cash equivalents (D)		**(47)**	**(50)**
Senior net debt (E=B+D)		**8,793**	**9,278**
Senior and junior net debt (F=B+C+D)		**9,921**	**10,603**
Senior RAR (E/A)[3][4]	**70.0%**	**68.8%**	**66.6%**
Junior RAR (F/A)[3]	**85.0%**	**77.7%**	**76.1%**

(1) 2010 figures are actuals while 2011 figures are forecasts.
(2) Excluding bond issues completed in May 2011
(3) Regulatory Asset Ratio is the ratio of nominal net debt (including index-linked derivative accretion) to RAB (Regulatory Asset Base)
(4) Senior RAR does not take into account ability to reduce senior debt using £400 million undrawn junior debt under capital expenditure facility

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Appendix 4 – Nominal consolidated net debt of Obligors and BAA Funding Limited at 31 March 2011

		Debt outstanding at 31 March 2011	Amount and features of available facilities			
		Amount	Local currency		S&P/Fitch Rating	Maturity
Senior (Class A)		(£m)	(m)	(£m)		
Bonds		680.2	999.9	680.2	A-/A-	2012/14
		396.4	396.4	396.4	A-/A-	2013/15
		512.9	749.9	512.9	A-/A-	2014/16
		299.9	299.9	299.9	A-/A-	2016/18
		433.8	500.0	433.8	A-/A-	2016/18
		510.2	750.0	510.2	A-/A-	2018/20
		249.8	249.8	249.8	A-/A-	2021/23
		749.6	749.6	749.6	A-/A-	2023/25
		700.0	700.0	700.0	A-/A-	2026/28
		199.9	199.9	199.9	A-/A-	2028/30
		900.0	900.0	900.0	A-/A-	2031/33
		250.4	250.4	250.4	A-/A-	2039/41
Total bonds		**5,883.1**		**5,883.1**		
Bank debt	Refinancing Facility	1,195.3	1,195.3	1,195.3	A-/A-	2012/13
	EIB Facility	324.0	324.0	324.0	n/a	2011/22
	Capex Facility	1,260.0	2,300.0	2,300.0	n/a	2013
	Working Capital Facility	0.0	50.0	50.0	n/a	2013
Total bank debt		**2,779.3**		**3,869.3**		
Total senior debt		**8,662.4**		**9,752.4**		
Junior (Class B)						
Bonds		400.0	400.0	400.0	BBB/BBB	2018
Bank debt	Refinancing Facility	103.0	103.0	103.0	BBB/BBB	2013
	Term Loan Facility	625.0	625.0	625.0	n/a	2014
	Capex Facility	0.0	400.0	400.0	n/a	2013
Total junior debt		**1,128.0**		**1,528.0**		
Gross debt		**9,790.4**		**11,280.4**		
Cash		**(39.4)**				
Index-linked derivative accretion		**177.5**				
Net debt		**9,928.5**				

Net debt is calculated on a nominal basis excluding intra-BAA group loans and including index-linked accretion

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Appendix 5 – Additional information for BAA (SH) plc creditors

The compliance certificate for BAA (SH) plc has been delivered to the Bond Trustee and Facility Agent. The calculation below provides the supporting figures for the final ratios in the compliance certificate

	Covenant/ trigger level	As at or for year to 31 December 2010 £m	As at or for year to 31 December 2011 £m
Calculation of Group ICR [(1)]			
Cash Flow (A) (see page 18)		**672**	**800**
Interest			
Paid on Senior Debt (B) (see page 18)		323	293
Paid on Junior Debt (C) (see page 18)		40	46
Paid on any Permitted Financial Indebtedness not subordinated to Senior or Junior Debt (D)		0	0
Paid on Borrowings (E) [(3)]		71	27
Received by BAA (SH) plc or any of its subsidiaries (F)		0	0
Group Interest Paid (G=B+C+D+E+F)		**434**	**366**
Group ICR (A/G)	**1.00x**	**1.55x**	**2.18x**
Calculation of Group RAR [(2)]			
Total RAB (see page 20) (H)		12,776	13,929
Net debt			
Senior Net Debt (see page 20) (I)		8,793	9,278
Junior Debt (see page 20) (J)		1,128	1,325
Borrower Net Debt (K)		480	498
Group Net Debt (L=I+J+K)		**10,401**	**11,101**
Junior RAR ((I+J)/H)	**82.0%**	**77.7%**	**76.1%**
Group RAR (L/H)	**90.0%**	**81.4%**	**79.7%**

(1) ICR or Interest Cover Ratio is defined on page 18
(2) RAR or Regulatory Asset Ratio is defined on page 20
(3) Interest paid on Borrowings in 2010 relates to interest paid on BAA (SH) plc's £1.566 billion debt facility up to completion of its refinancing in November 2010

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