BAA's London airports

Holding company debt

BNP Paribas High Yield and Leveraged Finance Conference

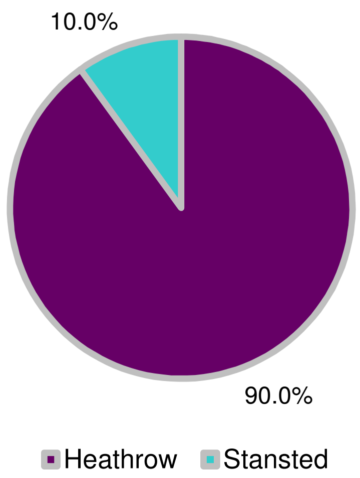
10 January 2012

BAA

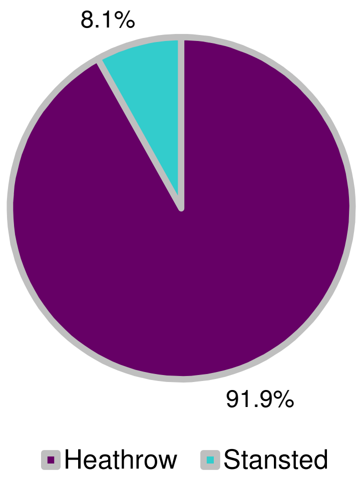
Introduction to BAA group

- BAA owns six UK airports
  - Heathrow, Stansted, Edinburgh, Glasgow, Aberdeen and Southampton
  - Heathrow dominates the group
- BAA's shareholders
  - Alinda 6%; CDPQ: 26%; Ferrovial: 49.9%; GIC: 18%
- BAA's London airports (Heathrow and Stansted)
  - nationally critical infrastructure
  - independent regulation mitigates revenue and cost risks
  - ring-fenced from rest of BAA and separately financed
  - strong security package for creditors

Split of RAB between Heathrow and Stansted
(as at 30 September 2011)



Split of Adjusted EBITDA between Heathrow and Stansted
(for year ended 30 September 2011)



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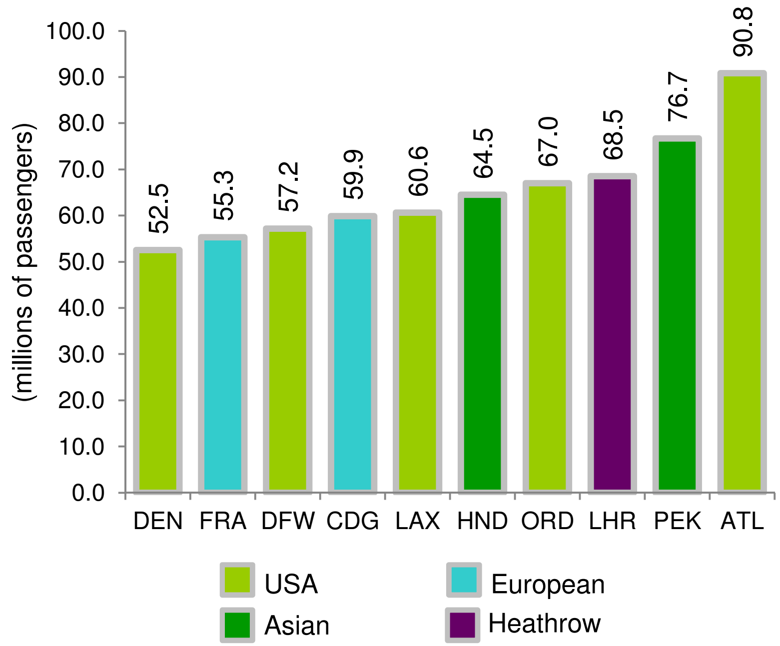
See pages 24-25 for sources, notes and defined terms

Heathrow – critical infrastructure provides strong resilience

- London is the world's leading financial and commercial centre
- Europe's busiest airport and busiest airport globally for international traffic
- Heathrow has 8 of the global top 10 intercontinental long haul routes
- 75% of UK scheduled long haul traffic

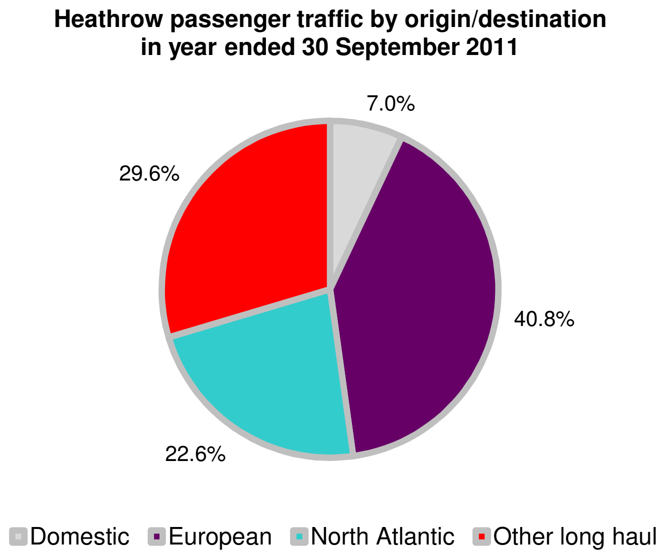
Top 10 busiest global airports (year to June 2011)

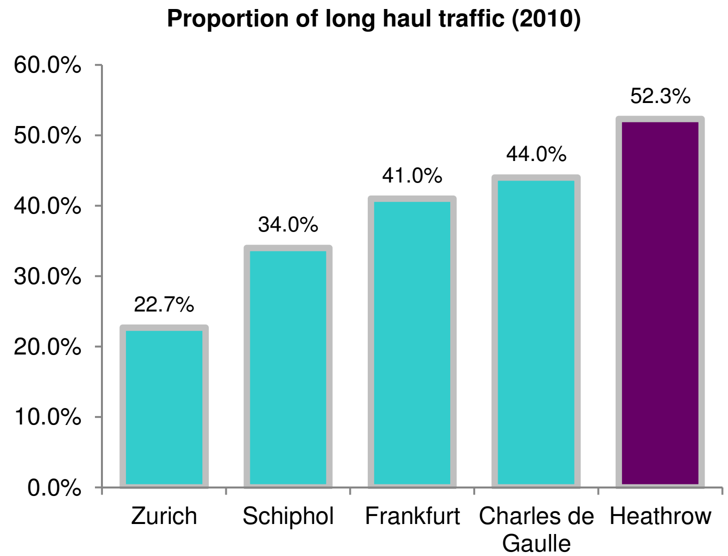


See pages 24-25 for sources, notes and defined terms

Heathrow's resilience and diversity

- Unique traffic resilience
  - operating close to full capacity
  - strength in high growth long haul
  - countercyclical transfer traffic
- Dominant pricing power
  - Heathrow has charged to its full price cap through the recession
- Passenger and airline diversity
  - balance of business and leisure traffic
  - >50% non-UK resident passengers
  - **one**world accounts for 49% of traffic
    - Frankfurt: 75% Star Alliance
    - Schiphol: 61% Sky Team
    - Aeroports de Paris: 56% Sky Team

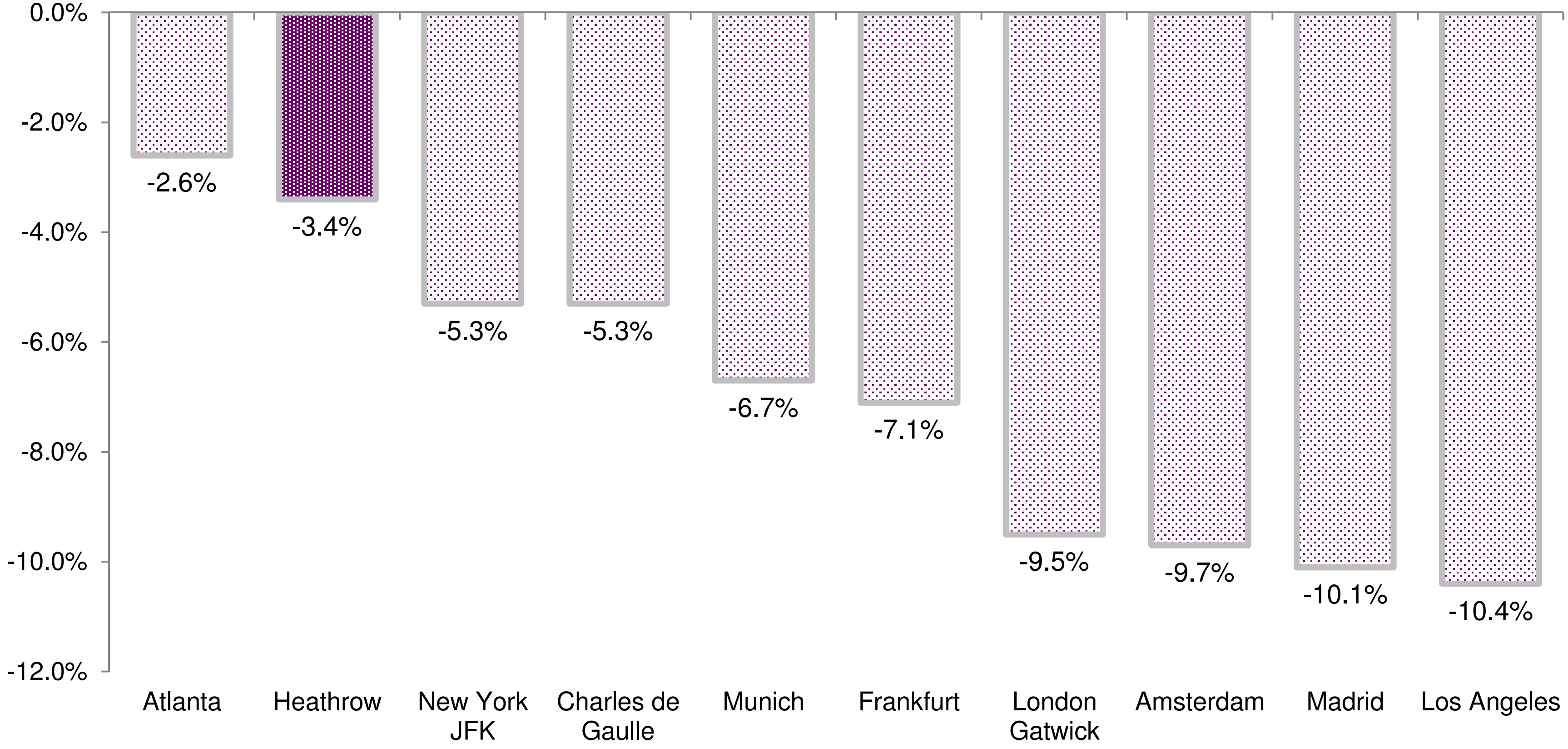




See pages 24-25 for sources, notes and defined terms

Heathrow's exceptional traffic resilience in recent downturn

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



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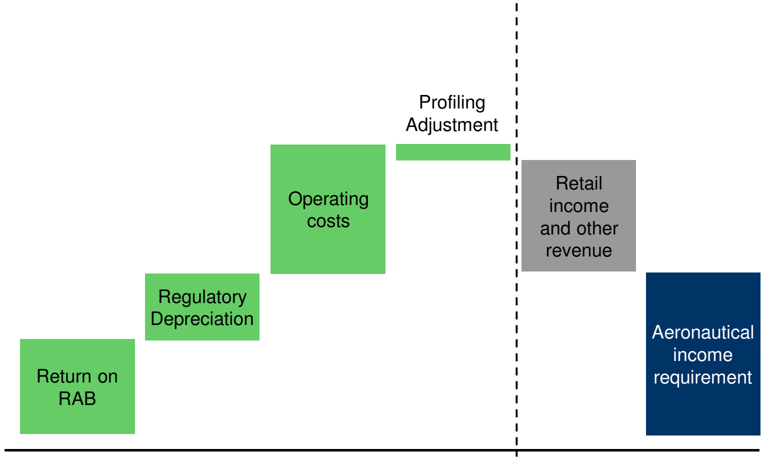
See pages 24-25 for sources, notes and defined terms

Stable regulatory framework provides cash flow predictability and mitigates market risk

- Tariffs allow recovery of cost of capital, operating costs and capital investment
  - tariffs increasing at RPI + 7.5% at Heathrow and RPI + 1.63% at Stansted
  - current regulatory periods run to March 2014
- Tariffs reset usually every five years
  - protects against cost and revenue volatility
  - consistent methodology for setting tariffs since 1987
- Independent regulator (Civil Aviation Authority) with role defined by UK law
  - new legislation expected to further strengthen creditor protections
- ‘Single till’ price regulation similar to other UK regulated utilities

‘Single till’ price control building blocks



Aeronautical income requirement divided by forecast passengers to produce maximum allowable yield per passenger

Maximum allowable yield then adjusted using an RPI+/-X% formula for the remaining years of the regulatory period

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Resulting in stable, predictable, rapidly improving financial performance even in downturn

(figures in £m)	Forecast	**Actual**	Variance
2009 Adjusted EBITDA	895	**885**	-1%
		+9.2%	
2010 Adjusted EBITDA	965	**967**	0%
		+16.7%	
2011 Adjusted EBITDA	1,120	**1,128**	1%

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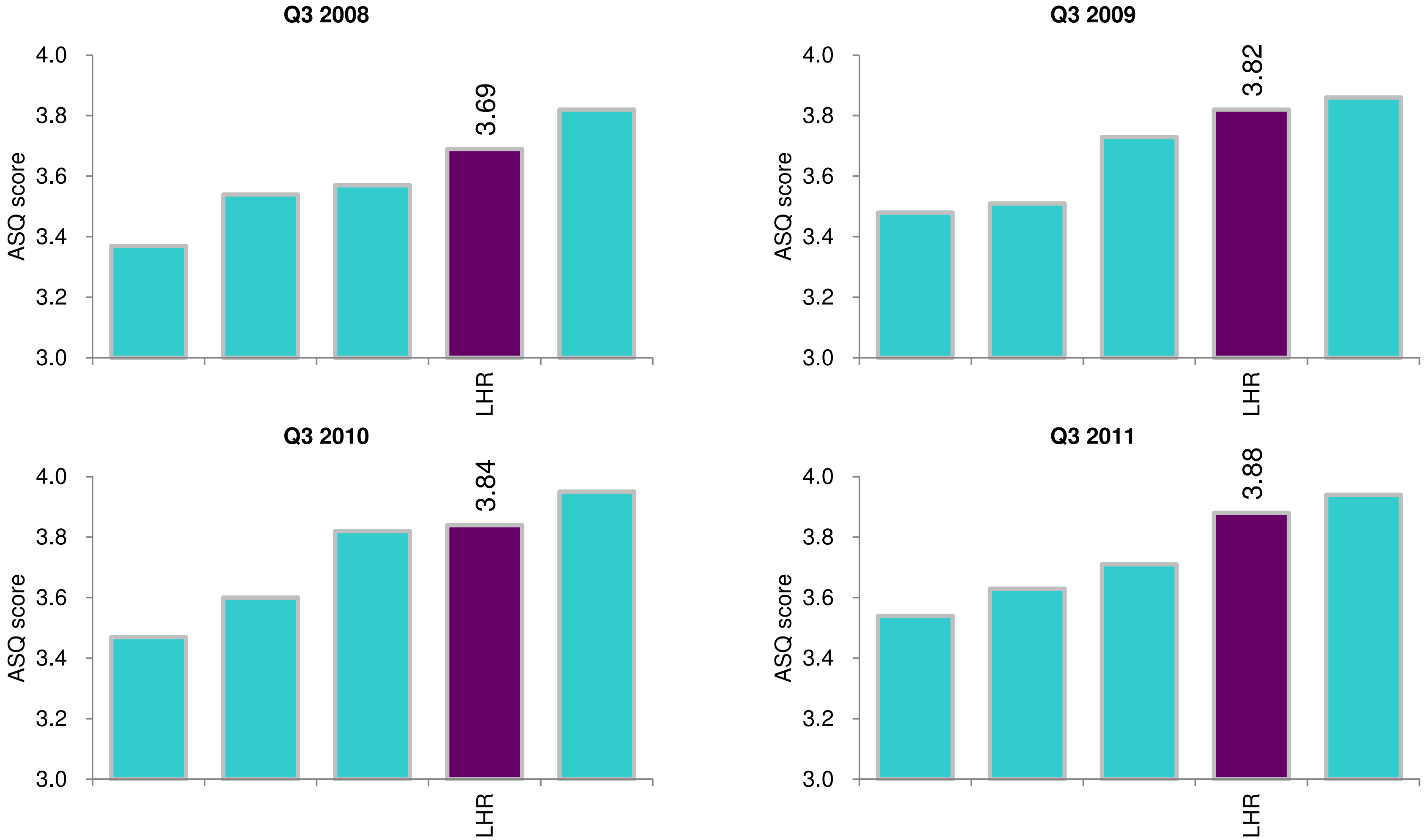
See pages 24-25 for sources, notes and defined terms

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

Overall passenger satisfaction for top 5 European airports



See pages 24-25 for sources, notes and defined terms

Transforming infrastructure to enhance competitive position

- Investing about £1 billion per annum
  - agreed in advance with airlines and regulator
- Terminal 5
  - opened in 2008
  - worldwide hub of British Airways
  - up to 35 million passengers per annum
- Terminal 4 significantly refurbished
- New Terminal 2 under construction
  - >£2.2 billion cost and due to open in 2014
  - co-location of Star Alliance airlines
  - 20 million passengers per annum initially
- World's biggest integrated baggage systems

Terminal 5 – 2011

Terminal 2 site – September 2011

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Strong Heathrow traffic growth achieved in 2011

- Record Heathrow traffic every month between April and September
- Reported performance partly reflects reversal of 2010 disruptions
- Underlying performance to November
  - total: +0.3%
  - Heathrow: +1.8%
  - Stansted: -4.7%
- Good December for Heathrow
- Recent Heathrow strength reflects increased momentum in North Atlantic traffic
- Record Stansted load factors suggest gradually more positive demand dynamics

Passenger traffic

	11 months ended 30 November		
	2010 (m)	2011 (m)	Change
By airport			
Heathrow	60.9	63.9	4.8%
Stansted	17.3	16.9	-2.8%
Total	**78.3**	**80.7**	**3.1%**
By market served			
UK	6.2	5.7	-7.6%
Europe	39.9	41.3	3.5%
Long haul	32.2	33.8	4.8%
Total	**78.3**	**80.7**	**3.1%**

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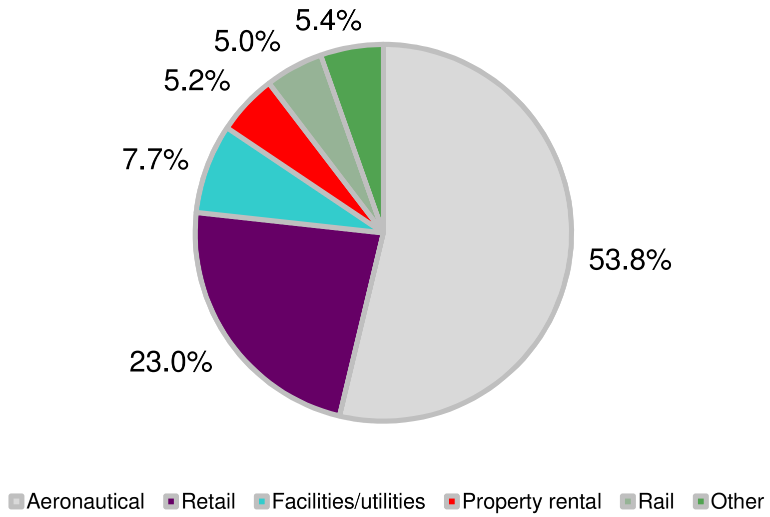
See pages 24-25 for sources, notes and defined terms

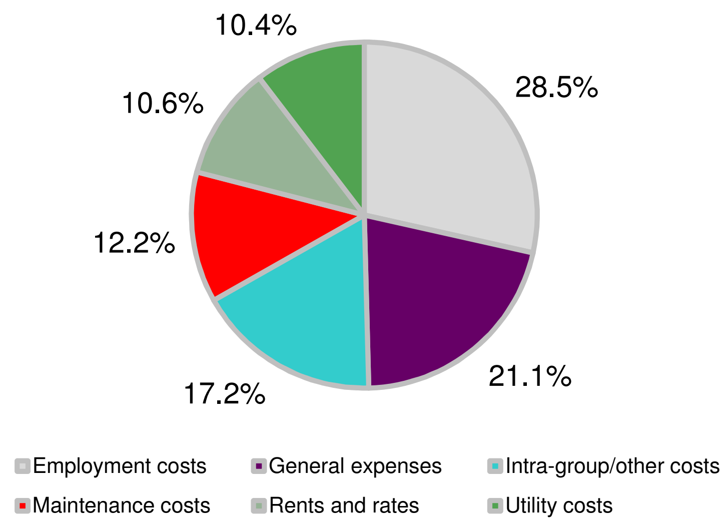
Turnover and cost structure

- Turnover
  - aeronautical income charged to airlines
    - tariff increasing by inflation +7.5%
  - retail income primarily from concessions
  - operational facilities and utilities charged to airlines and other airport users
  - rail income from Heathrow Express
- Operating costs
  - stable cost structure
    - up only 3.5% between 2008 and 2010
  - costs of increased security imposed by government can be passed onto airlines

BAA London airports' total revenue – 2010



BAA London airports' total adjusted operating costs – 2010



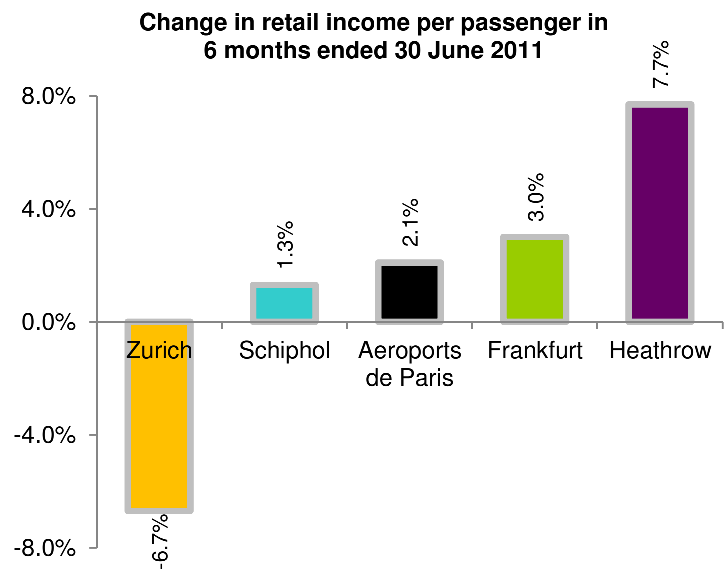
See pages 24-25 for sources, notes and defined terms

Strong financial performance through 2011

(figures in £m)	Sep YTD 2010	**Sep YTD 2011**	Change
Turnover	1,545.5	**1,703.3**	+10.2%
Adjusted operating costs	826.5	**861.1**	+4.2%
Adjusted EBITDA	719.0	**842.2**	+17.1%
Consolidated net debt (BAA (SP))	9,921.2	**10,351.0**	+4.3%
Consolidated net debt (BAA (SH))	10,401.1	**10,850.5**	+4.3%
RAB (Regulatory Asset Base)	12,776.0	**13,633.4**	+6.7%

2011 performance drivers

- 12.2% increase in Heathrow headline tariff from 1 April 2011 – further 12.7% increase from 1 April 2012
- Tariffs combined with growth in traffic drove 14.2% growth in aeronautical income in first nine months of 2011
- Growth in net retail income per passenger continues to outperform European airports



Expected 2011 outturn and outlook for 2012

(figures in £m unless otherwise stated)	2011	**2012**	Change
Passengers (m)	87.6	**88.1**	+0.6%
Turnover	2,293	**2,516**	+9.7%
Adjusted EBITDA	1,128	**1,283**	+13.7%
Consolidated net debt (BAA (SP))	10,393	**11,619**	+11.8%
Consolidated net debt (BAA (SH))	10,941	**12,169**	+11.2%
RAB (Regulatory Asset Base)	13,783	**14,718**	+6.8%

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See pages 24-25 for sources, notes and defined terms

Potential sale of Stansted

- In July 2011, the UK Competition Commission confirmed its requirement for Stansted sale
- BAA has challenged the Commission's decision
- Result of court hearing expected in Q1 2012
- Any possible future sale of Stansted unlikely to have a material impact on credit
  - Stansted represents only around 10% of Adjusted EBITDA and RAB

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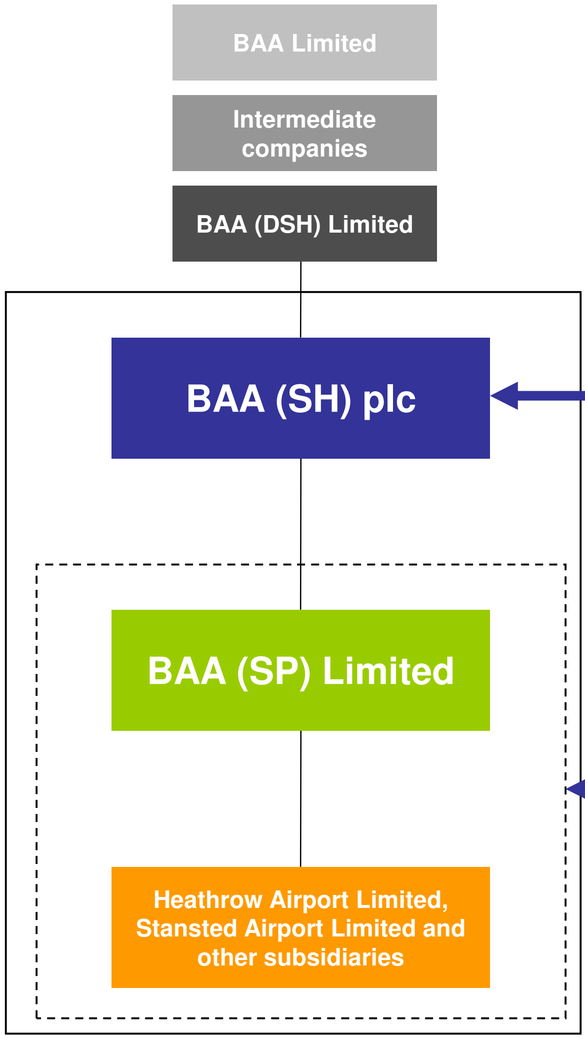
London airports' debt financing structure



Summarised corporate structure

Debt financing at BAA (SH) plc (rated BB+/Ba3)

- **£325m bond due 2017**
- £225m loan facilities due 2015 and 2019

Debt financing of BAA (SP) Limited (£10,393m net debt)

- **Class A (A-/A-) bonds: £7,393m across multiple issues due between 2012 and 2041**
- **Class B (BBB/BBB) bonds: £400m due 2018**
- Class A bank debt: £1,628m mainly due by 2013
- Class B bank debt: £625m due by 2014

Debt figures are forecasts as at 31 December 2011

Recent financing developments

BAA Group

- Around £4.5 billion in new financings implemented since 2009
- Debut US$ bond issue completed in June 2011
  - Active platforms in £, € and $. CHF and CAD issues planned for 2012.
- Completed transition to capital markets platform with bank refinancing facility fully repaid in September 2011
- Sufficient liquidity to meet all maturities until 2013

BAA (SH)

- Refinancing of acquisition debt at BAA (SH) plc completed in 2010
  - £175 million loan and £325 million bond replaced £1.6 billion loan
- New £50 million 8 year loan facility signed in December 2011

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Significant headroom maintained against financial ratios

Gearing ratios (RAR)	Trigger/covenant levels	31 Dec 2009 (actual)	31 Dec 2010 (actual)	31 Dec 2011 (forecast)	31 Dec 2012 (forecast)
BAA (SP) Senior RAR	70.0%	67.5%	68.8%	68.0%	67.9%
BAA (SP) Junior RAR	85.0%	73.1%	77.7%	75.4%	78.9%
BAA (SH) Group RAR	90.0%	86.5%	81.4%	79.4%	82.7%

Interest cover ratios (ICR)	Trigger/covenant levels	Year ended 31 December 2010 (actual)	2011 (forecast)	2012 (forecast)
BAA (SP) Senior ICR	1.40x	2.08x	2.63x	2.71x
BAA (SP) Junior ICR	1.20x	1.85x	2.24x	2.24x
BAA (SH) Group ICR	1.00x	1.55x	2.07x	2.04x

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See pages 24-25 for sources, notes and defined terms

Expected evolution of capital structure and financial ratios

- Expected evolution of gearing ratios
  - Class A (BAA (SP)): close to 70% trigger level
  - Class B (BAA (SP)): meaningful buffer to 85% trigger level
    - buffer likely to be around 5% of RAB
  - BAA (SH): meaningful buffer to 90% covenant level
    - buffer likely to be around 5% of RAB
- Continuing reduction in net debt/EBITDA multiples
  - 2010 actual: Class A: 9.1x; Class B: 10.3x; BAA (SH): 10.8x
  - 2011 forecast: Class A: 8.3x; Class B: 9.2x; BAA (SH): 9.7x
  - 2012 forecast: Class A: 7.8x; Class B: 9.1x; BAA (SH): 9.5x
  - headline tariff increases of RPI + 7.5% to 2014 including 12.7% in April 2012
  - next regulatory settlement should adjust for current lower than forecast traffic

A closer look at the BAA (SH) financing

- Debt service (both interest and principal) funded through distributions from BAA (SP)
- £400 million liquidity buffer for BAA (SH) creditors
  - distribution lock-up at BAA (SH) when BAA (SP) gearing exceeds 82% compared to lock-up at BAA (SP) when gearing exceeds 85%
- Over £1 billion current headroom below BAA (SP) gearing lock-up level
- BAA (SP) cannot agree tighter distribution restrictions without the consent of BAA (SH) creditors
- BAA (SH)'s previous £1.6 billion debt comfortably serviced through worst downturn since dawn of civil aviation industry
- Pledge over BAA (SP) shares
- Issuer acts solely as holding company for Heathrow and Stansted
- Cross-acceleration with BAA (SP) debt
- Benefit of extensive suite of BAA (SP) covenants

New BAA (SH) loan facility

- New £50 million 8 year loan facility signed in December 2011
- Facility arranged and largely provided by AMP Capital
- Ability to increase facility size up to £150 million
- Institutional loan market appears to currently provide attractive financing relative to bond market at ‘BB’ ratings level
- Intend to maintain mix of bond and institutional loan funding at BAA (SH) level of capital structure with spread of maturities

Investment highlights

- Stability and resilience of critical UK transport infrastructure
- Continued improvement in operational performance
- Resilient and growing cash flow post debt service underpinned by regulatory tariff profile
- Opportunity to invest in a resilient infrastructure business that owns globally strategic airport assets

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Any questions?

Notes, sources and defined terms (1)

- Page 2
  - RAB: Regulatory Asset Base
- Page 3
  - Sources: relevant airport websites other than Haneda; data for Haneda from Airports Council International
  - Annual traffic data for Haneda is for year ended 28 February 2011
  - Number of top 10 intercontinental routes involving Heathrow sourced from OAG based available seats on non stop flights over 2,800 nautical miles for week commencing 20 June 2011
  - Proportion of UK scheduled long haul traffic derived from CAA data for year ended 31 December 2010
- Page 4
  - Proportion of passenger traffic from largest 5 airlines data is for 2010 and at Heathrow is based on data from BAA, for Frankfurt is taken from page 75 of its 'Air Traffic Statistics 2010' document, for Schiphol is taken from page 23 of its 'Traffic Review 2010' document and for Aéroports de Paris is taken from page 32 of its '2010 Registration Document'
  - Proportion of long haul traffic data taken or derived from data on relevant airport websites
- Page 5
  - Figures derived from traffic statistics taken from relevant airport websites
  - For European airports decline is in respect of the period up to the disruption from volcanic ash in April 2010 by which time these airports had started growing traffic again
- Page 7
  - Forecast Adjusted EBITDA figures taken from Investor Reports issued in December 2008, 2009 and 2010
  - Actual Adjusted EBITDA figure for 2011 is a forecast contained in Investor Report issued on 19 December 2011
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Figures for 2009 are in respect of continuing operations only (i.e. exclude Gatwick)
- Page 8
  - Source: Quarterly Airport Service Quality ('ASQ') surveys by Airports Council International. Peer group is Heathrow and next four largest European airports by passenger traffic volumes
- Page 10
  - Totals and percentage change calculated using un-rounded passenger numbers
  - European traffic includes North African charter traffic
- Page 11
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
- Page 12
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Consolidated net debt is calculated on a nominal basis excluding intra-BAA group loans and including inflation-linked accretion
  - Percentage changes are relative to same period of 2010 except for net debt and RAB which are relative to 31 December 2010

Notes, sources and defined terms (2)

- Page 13
  - Retail income includes income from in-terminal retail activities (including catering, bureaux de change, car rental and advertising) and car parking. Sources: BAA, derived from other airports' press releases
- Page 14
  - Figures taken from Investor Report issued on 19 December 2011
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
  - Consolidated net debt is calculated on a nominal basis excluding intra-BAA group loans and including inflation-linked accretion
  - Percentage changes are relative to same period of or date in 2010
- Page 18
  - Gearing ratio or RAR is the ratio of nominal net debt (including index-linked accretion) to RAB. Net debt at 31 December 2009 excludes £143 million restricted cash from the Gatwick disposal held to meet potential pension payments. Forecast RARs as at 31 December 2011 and 2012 taken from investor report issued on 19 December 2011
  - Interest cover ratio or ICR is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid
  - Forecast ICRs for the years ended 31 December 2011 and 2012 taken from investor report issued on 19 December 2011

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