Update on BAA's London airports

Presentation to Merrill Lynch conference
'What drives European credit spreads 2010?'

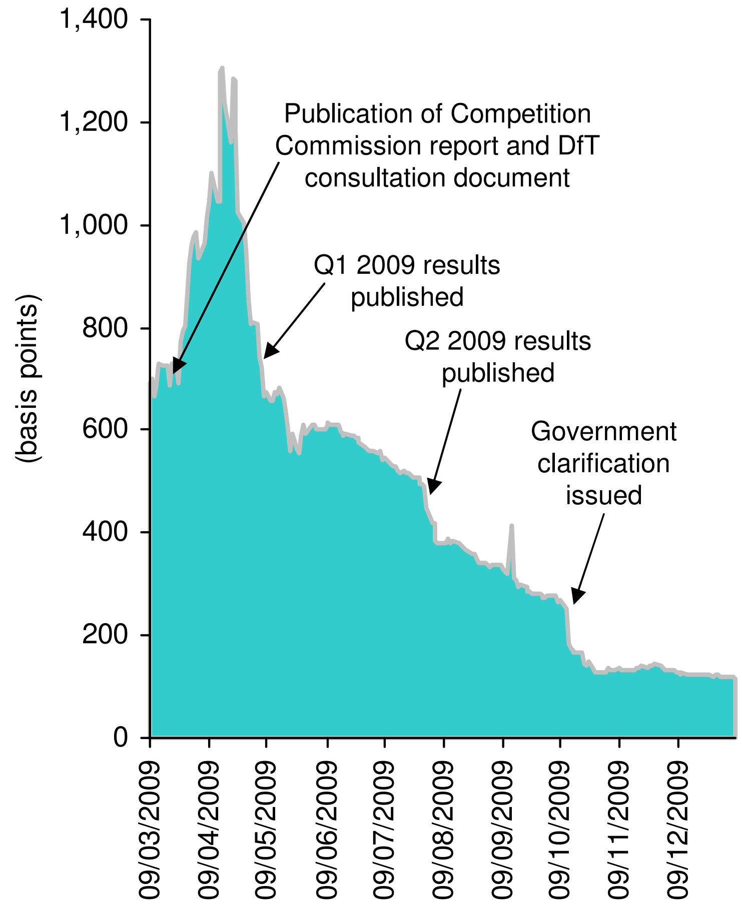
13 January 2010

BAA

Recent positive momentum

- Gatwick sale
- £500 million equity commitment
- £935 million bond issues
- Resilient traffic and financials
- UK government has addressed creditor sensitive issues

BAA 5 year CDS price
(March 2009 - January 2010)



Source: Bloomberg/BAA

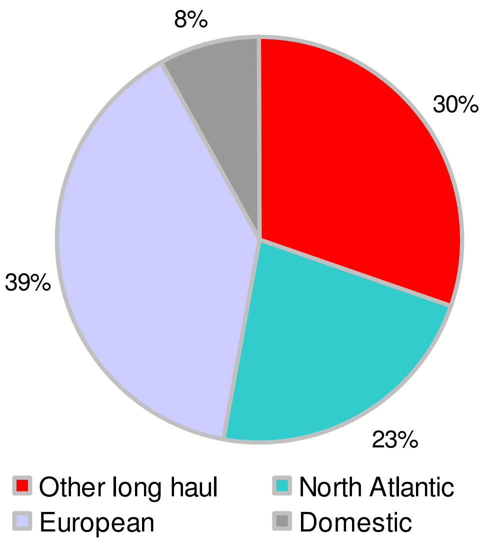
Credit profile

- Based on Heathrow
  - world's largest international airport
  - regulated revenues
  - resilient operational and financial performance
- Strong creditor protections
  - first ranking security
  - operational and financial triggers and covenants
  - regular information flow
  - significant liquidity enhancements

Heathrow – the world's largest international airport

- Ranked first in Europe and third globally in passenger numbers
- Sustained growth in emerging market long haul routes
- Diverse passenger and airline mix

Heathrow passenger traffic by origin/destination in nine months ended 30 September 2009

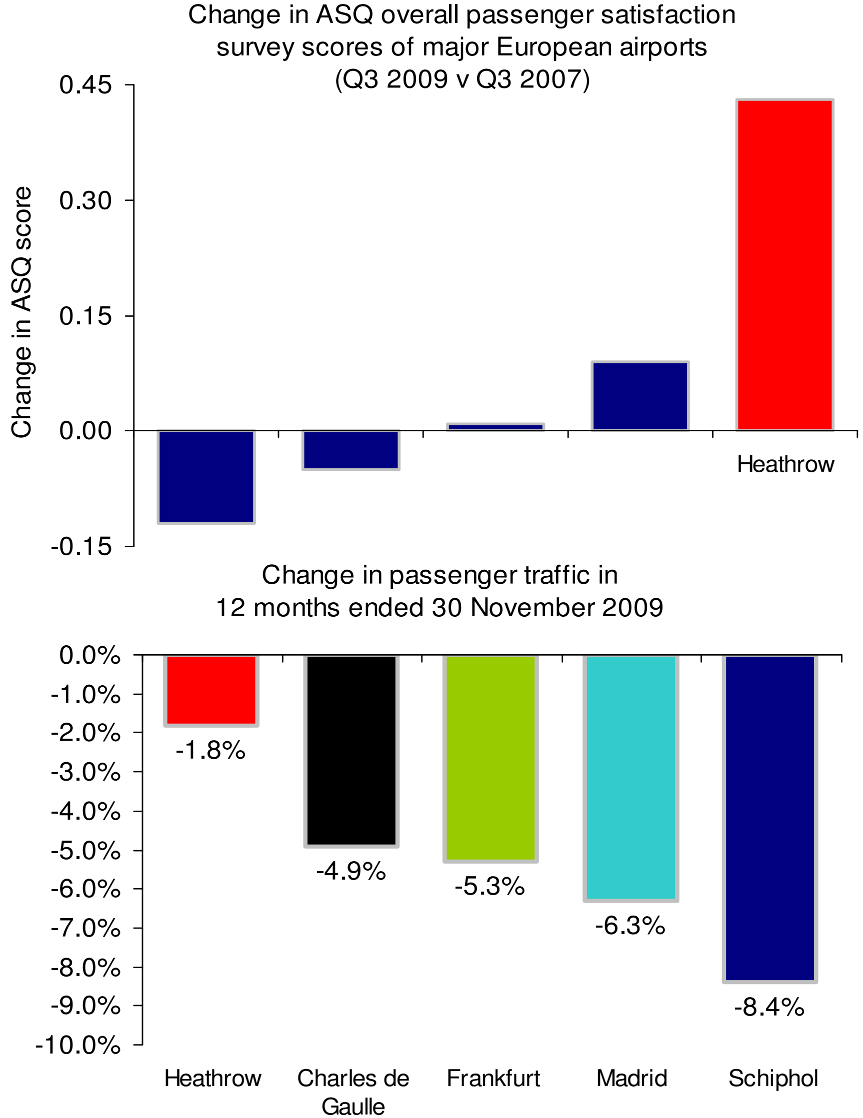


"In the current environment, it is difficult to argue we should go out and acquire these slots...having said that, it may be the only opportunity we ever get."

Willie Walsh, BA CEO quoted in "BA eyes BMI's Heathrow slots"
(Source: Financial Times, 26 May 2009)

Heathrow outperforming its competitors

- Operational focus underpinning improved performance
- Strong EBITDA growth
  - tariff profile
  - resilient passenger numbers
  - retail growth through the recession
- Continuing investment to enhance competitive position



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Continuing investment to enhance competitive position

- Approximately £600 million spent at Heathrow in first nine months of 2009
  - improving operations whilst progressing ‘brownfield’ investment
  - enabling works for new Terminal 2
  - airline moves to refurbished Terminal 4
  - integrated baggage system progresses
  - Terminal 5C on track to open early 2011

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Growing Heathrow's capacity

- Current constraint is in runway rather than terminal capacity
- Scope to grow capacity towards 90 million passengers per annum even before third runway including through
  - increased load factors and capacity utilisation
    - average 2009 load factor was 73.5% - each percentage point increase would add 0.9 million passengers per annum
    - as load factors improve, utilisation of 4% unused slots could add further 3 million passenger per annum
  - increased use of larger aircraft
    - A380 alone should add 2-3 million passengers annually over next 5-7 years
- Longer term, third runway could increase annual capacity to around 130 million passengers

Recent passenger traffic trends suggest the worst is over

Recent trends in passenger traffic

	3 months ended				
	31 March 2009	**30 June 2009**	**30 September 2009**	**31 December 2009**	**Year ended 31 December 2009**
By airport					
Heathrow	**-6.4%**	**-1.5%**	**0.3%**	**1.1%**	**-1.5%**
Stansted	**-14.6%**	**-14.2%**	**-8.3%**	**-5.7%**	**-10.7%**
Total	**-8.3%**	**-4.8%**	**-2.0%**	**-0.5%**	**-3.8%**
By market served					
UK	**-12.5%**	**-9.1%**	**-8.9%**	**-7.8%**	**-9.6%**
Europe	**-11.7%**	**-6.6%**	**-3.9%**	**-0.4%**	**-5.6%**
Long haul	**-3.0%**	**-1.4%**	**2.2%**	**1.1%**	**-0.2%**
Total	**-8.3%**	**-4.8%**	**-2.0%**	**-0.5%**	**-3.8%**

1) Percentage changes are relative to same period in 2008

2) European traffic includes North African charter traffic

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Resilient recent financial performance

(figures in £m and include Gatwick unless otherwise stated)	2008	**2009**	**Change**
Turnover	1,715.5	**1,846.0**	7.6%
Operating costs	1,029.3	**1,041.4**	1.2%
Adjusted operating costs	1,029.3	**993.4**	-3.5%
Adjusted EBITDA	686.2	**804.6**	17.3%
Net debt	9,426.0	**9,771.0**	3.7%
RAB (Regulatory Asset Base)	12,470.2	**13,155.7**	5.5%

1) Based on consolidated financial results of BAA (SP) Limited for nine months ended 30 September 2009
2) Operating costs exclude exceptional items and depreciation and, in addition, adjusted operating costs calculated on a like for like basis
3) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
4) Net debt reflects nominal debt excluding intra-BAA group loans and including index-linked derivative accretion
5) 2008 net debt and RAB figures are as at 31 December 2008

Revenue growth led by revised tariffs and retail

(figures in £m and include Gatwick unless otherwise stated)	2008	**2009**	**Change**
Aeronautical income	894.8	**1,013.3**	13.2%
Aeronautical income (Heathrow)	603.1	**723.7**	20.0%
Gross retail income	449.8	**457.4**	1.7%
Net retail income	419.9	**421.1**	0.3%
NRI per passenger	£4.37	**£4.64**	6.1%
NRI per passenger (Heathrow)	£4.52	**£4.92**	8.8%

1) Based on consolidated financial results of BAA (SP) Limited for nine months ended 30 September 2009
2) NRI is net retail income which is gross retail income less retail expenditure

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Strengthened liquidity position

- Proceeds from Gatwick sale and recent bond issues used to prepay bank refinancing facility maturities
  - 2010 maturity in full
  - majority of 2011 maturity
  - part of 2013 maturity
- Substantial liquidity with £2.3 billion in cash/undrawn facilities at September 2009
- Additional £600 million in standby liquidity facilities (to be reduced shortly to reflect Gatwick sale)
- Business strongly cash generative with over £375 million of post-interest cash flow in first nine months of 2009

2010 traffic outlook

- Forecast 86.8 million passengers at Heathrow and Stansted in 2010, 1% up on 85.9 million 2009 outturn
- At Heathrow, recent traffic recovery expected to continue
  – origin and destination traffic replacing transfer traffic as driver of growth
  – emerging market long haul routes (e.g. India, China and South America) continuing to outperform
- At Stansted, expecting growth from second half

2010 financial outlook

- 2010 revenue forecast to increase 6% to £2,087 million
  - aeronautical income per passenger: +4% at Heathrow; -1% at Stansted
  - net retail income per passenger: +8%
- Operating costs +3% (headline) or -1% (underlying)
  - adjusting for higher pension costs and central costs reallocated from Gatwick
- Net debt forecast to increase £0.5 billion with capital expenditure of £1.0 billion

BAA (SP) Limited 2010 forecast compared with 2009 latest estimate

	2010	2009[1]	Change
Revenue	**2,087**	1,962	**6%**
Adjusted Operating Costs	**(1,131)**	(1,099)	**(3%)**
Adjusted EBITDA	**956**	863	**11%**
Net debt	**9,103**	8,633	**5%**
Regulatory Asset Base	**12,475**	11,572	**8%**
Gearing ratio (total)	**0.730**	0.746	**n/a**
Gearing ratio (senior)	**0.683**	0.689	**n/a**
Cashflow from operations	**655**	782	**(16%)**
Net interest paid	**366**	486	**(25%)**
Interest cover ratio (total)	**1.79**	1.61	**n/a**
Interest cover ratio (senior)	**2.07**	1.75	**n/a**

1) 2009 figures exclude Gatwick except for cashflow from operations, net interest paid and interest cover ratios
2) Figures in £m other than gearing and interest cover ratios

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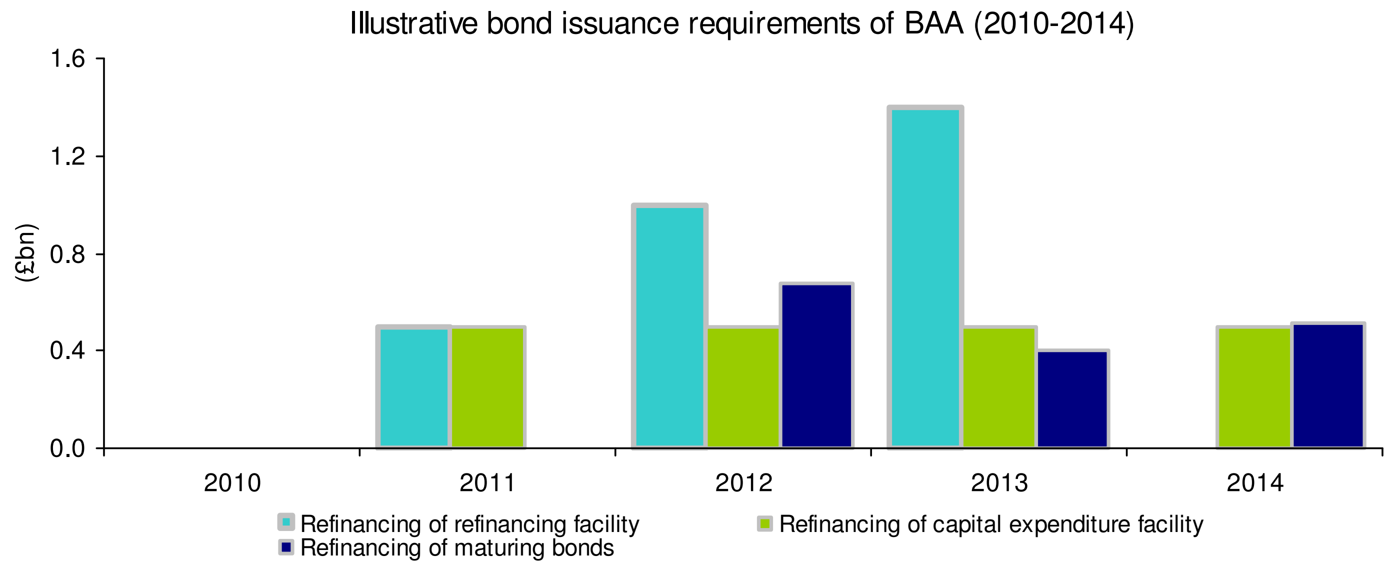
Financing strategy

- Ongoing refinancing of bank debt
- Capital markets issuance likely to focus initially on £/€ conventional bonds and £ index-linked
- Refinancing of holding company subordinated debt



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