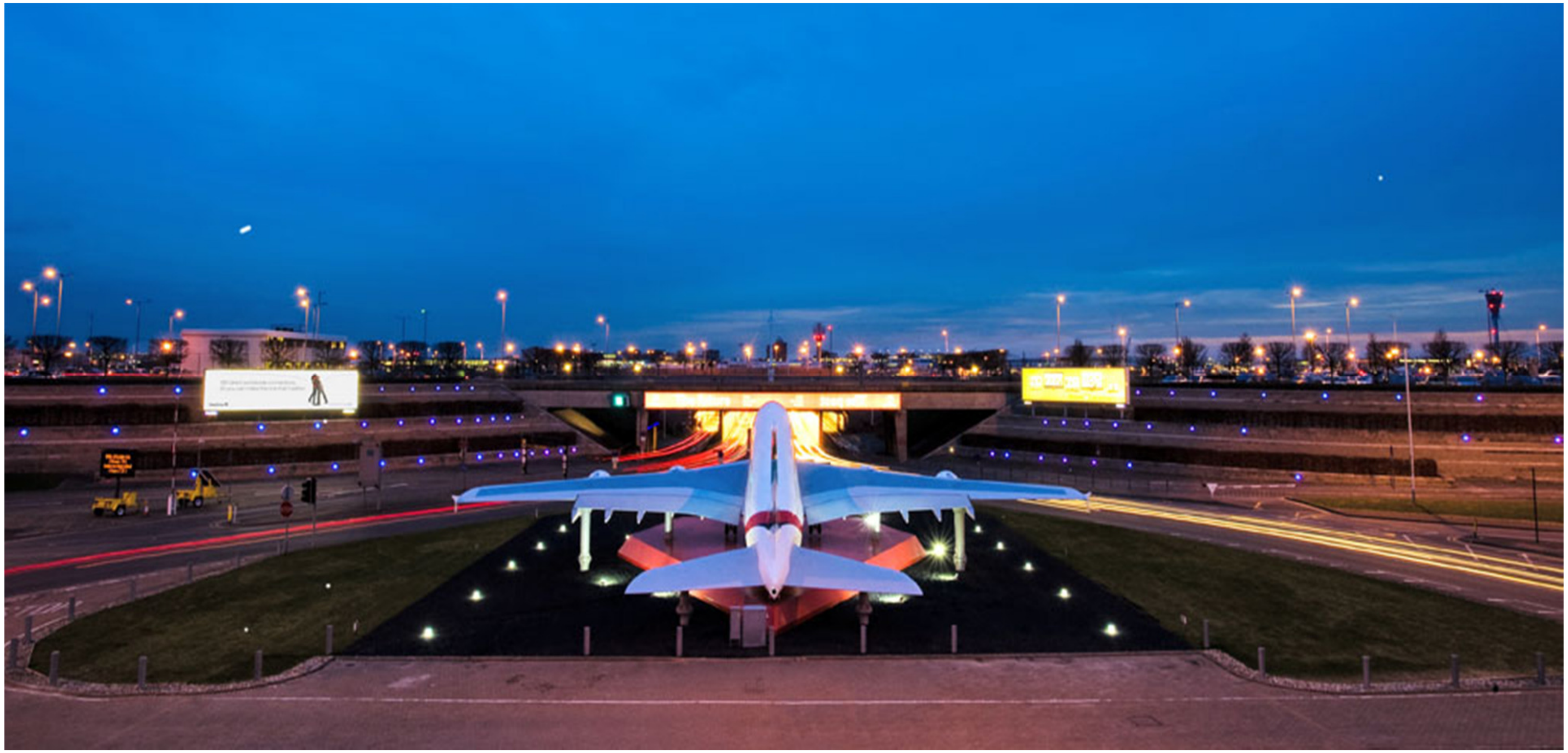

Update on BAA's London airports

Presentation to Knight Credit Opportunities Conference

29 March 2012

BAA

Agenda

1. Introduction
2. Current business priorities
3. Financial performance
4. Financing
5. Investment highlights

Introduction

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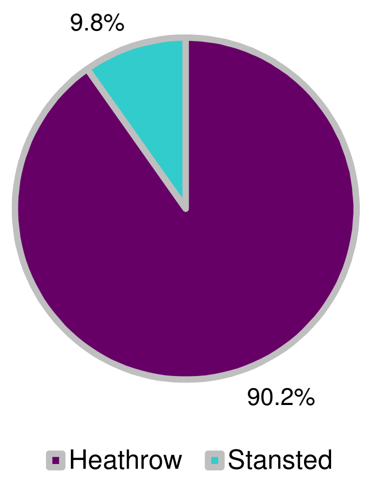
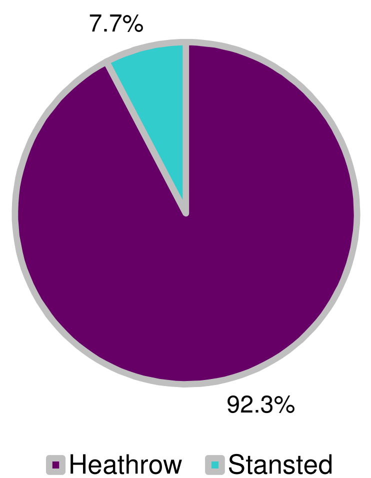
Introduction to BAA's London airports group

- BAA's shareholders
  - Alinda (5.88%), CDPQ (26.48%), Ferrovial (49.99%) and GIC (17.65%)
- BAA owns six UK airports
  - Heathrow, Stansted, Edinburgh, Glasgow, Aberdeen and Southampton
- London airports (Heathrow and Stansted) form bond issuing group
  - ring-fenced from rest of BAA and separately financed
  - Heathrow dominates the group
  - nationally critical infrastructure
  - independent regulation mitigates revenue and cost risks
  - strong security package for creditors

Split of RAB between Heathrow and Stansted
(as at 31 December 2011)



Split of Adjusted EBITDA between Heathrow and Stansted
(for year ended 31 December 2011)

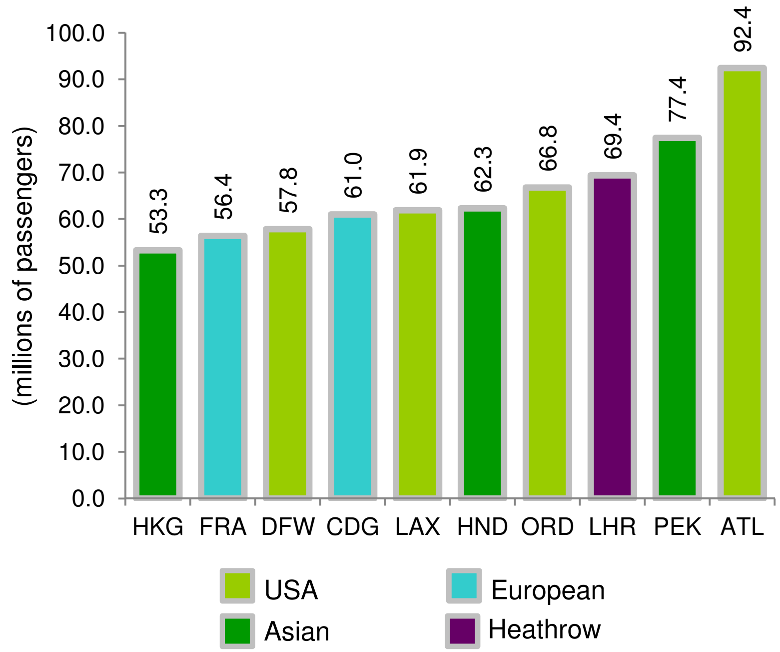


See pages 28-29 for sources, notes and defined terms

Heathrow – critical infrastructure for global aviation industry

- London is the world's leading financial and commercial centre
- Europe's busiest airport and busiest airport globally for international traffic
- Heathrow has 7 of the global top 10 intercontinental long haul routes
- 75% of UK scheduled long haul traffic

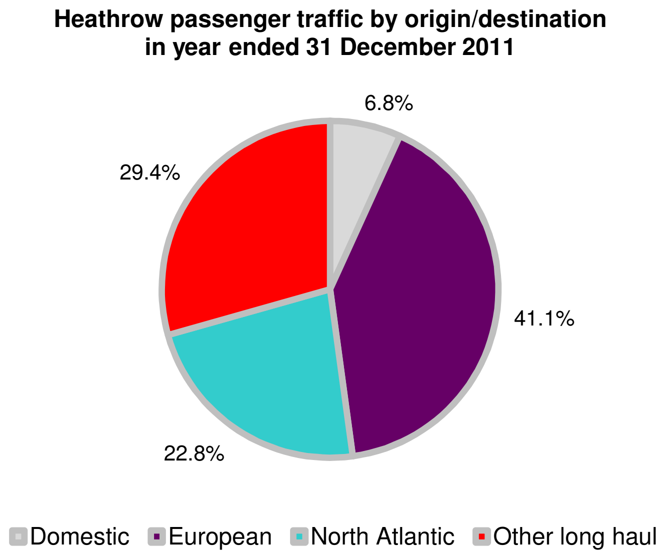
Top 10 busiest global airports (year to December 2011)

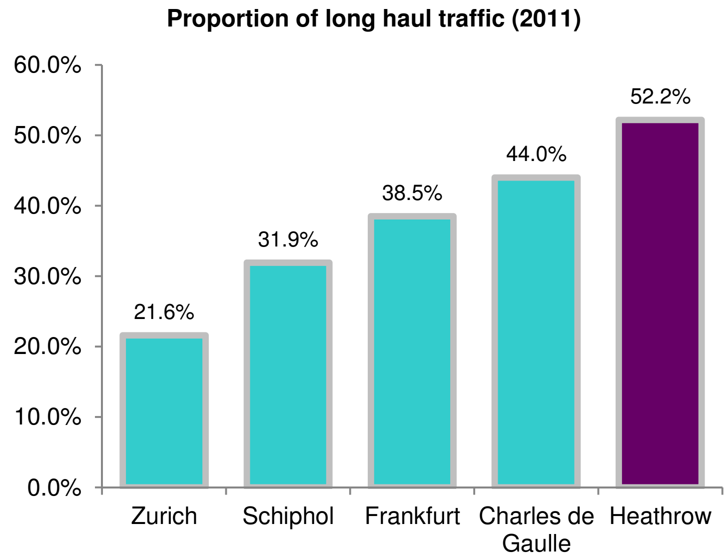


See pages 28-29 for sources, notes and defined terms

Heathrow's resilience and diversity

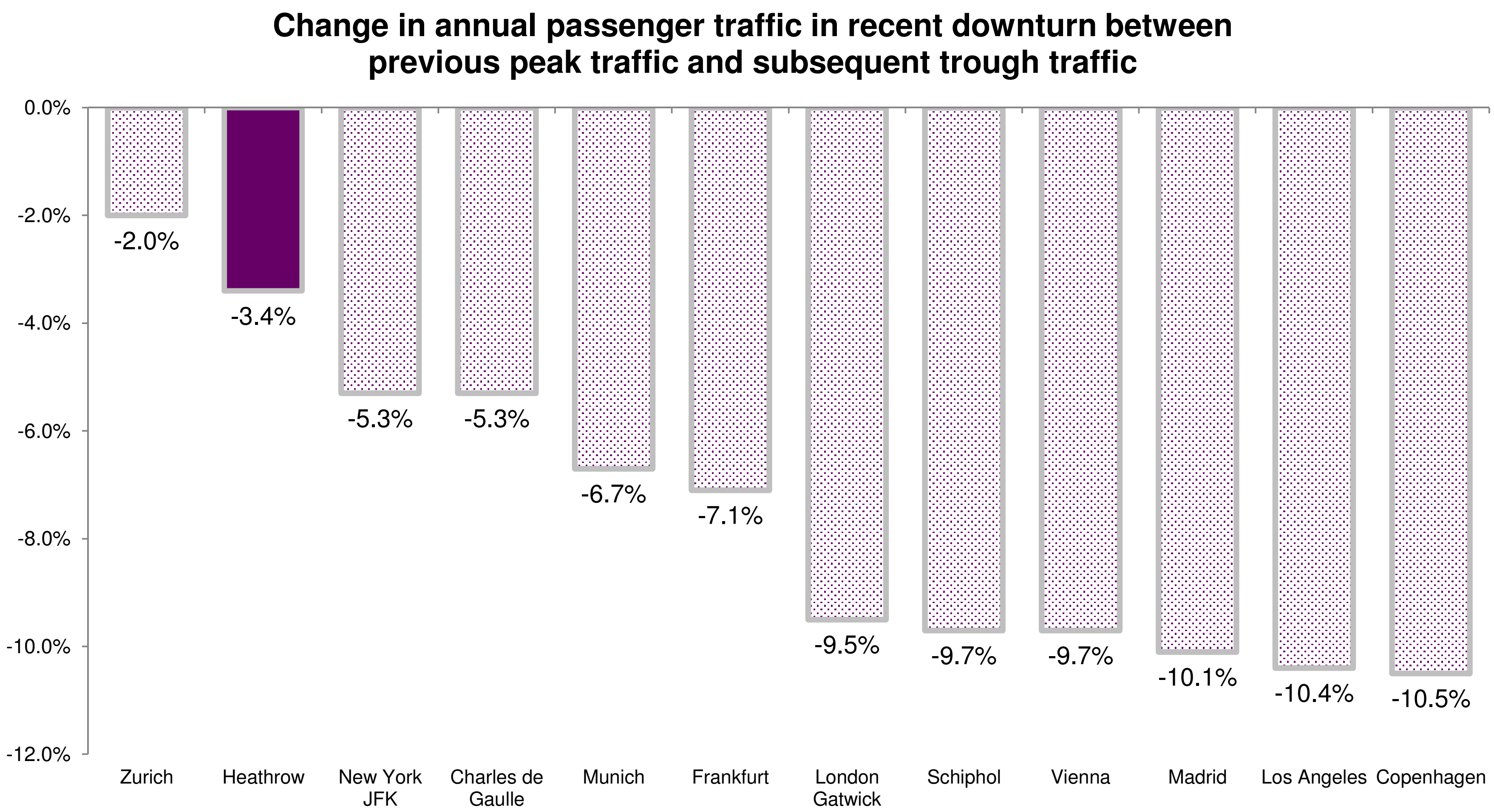
- Unique traffic resilience
  - operating close to full capacity
  - strength in high growth long haul
  - countercyclical transfer traffic
- Dominant pricing power
  - Heathrow has charged to its full price cap through the recession
- Passenger and airline diversity
  - balanced business and leisure traffic
  - >50% non-UK resident passengers
  - **one**world accounts for 49% of traffic
    - Frankfurt: 75% Star Alliance
    - Zurich: 69% Star Alliance
    - Schiphol: 61% SkyTeam
    - Aéroports de Paris: 56% SkyTeam





See pages 28-29 for sources, notes and defined terms

Exceptional traffic resilience in recent downturn



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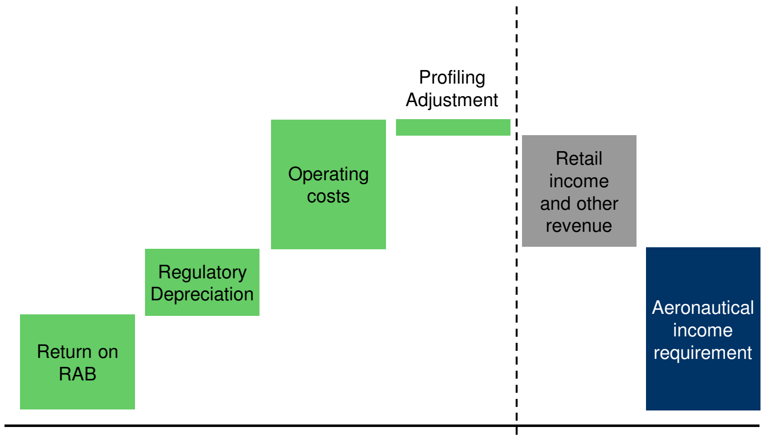
See pages 28-29 for sources, notes and defined terms

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 revenue and cost 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

Resulting in predictable rapidly improving financial performance even in downturn

(figures in £m)	Forecast	**Actual**	Variance
2011 Adjusted EBITDA	1,120	**1,132**	1%
		+17.1%	
2010 Adjusted EBITDA	965	**967**	0%
		+9.2%	
2009 Adjusted EBITDA	895	**885**	-1%

Strategy is to consolidate and develop Heathrow's leading position in UK, European and global aviation market

- Focused on developing Heathrow's position as
  - world's busiest international airport
  - Europe's hub airport of choice
  - the UK's gateway to the world

- Support and develop Heathrow's role as a global hub by
  - investing in further capacity
  - lowering airline operating costs
  - improving passenger experience and service standards
  - upgrading rail links
  - enhancing operational flexibility and resilience

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Current business priorities

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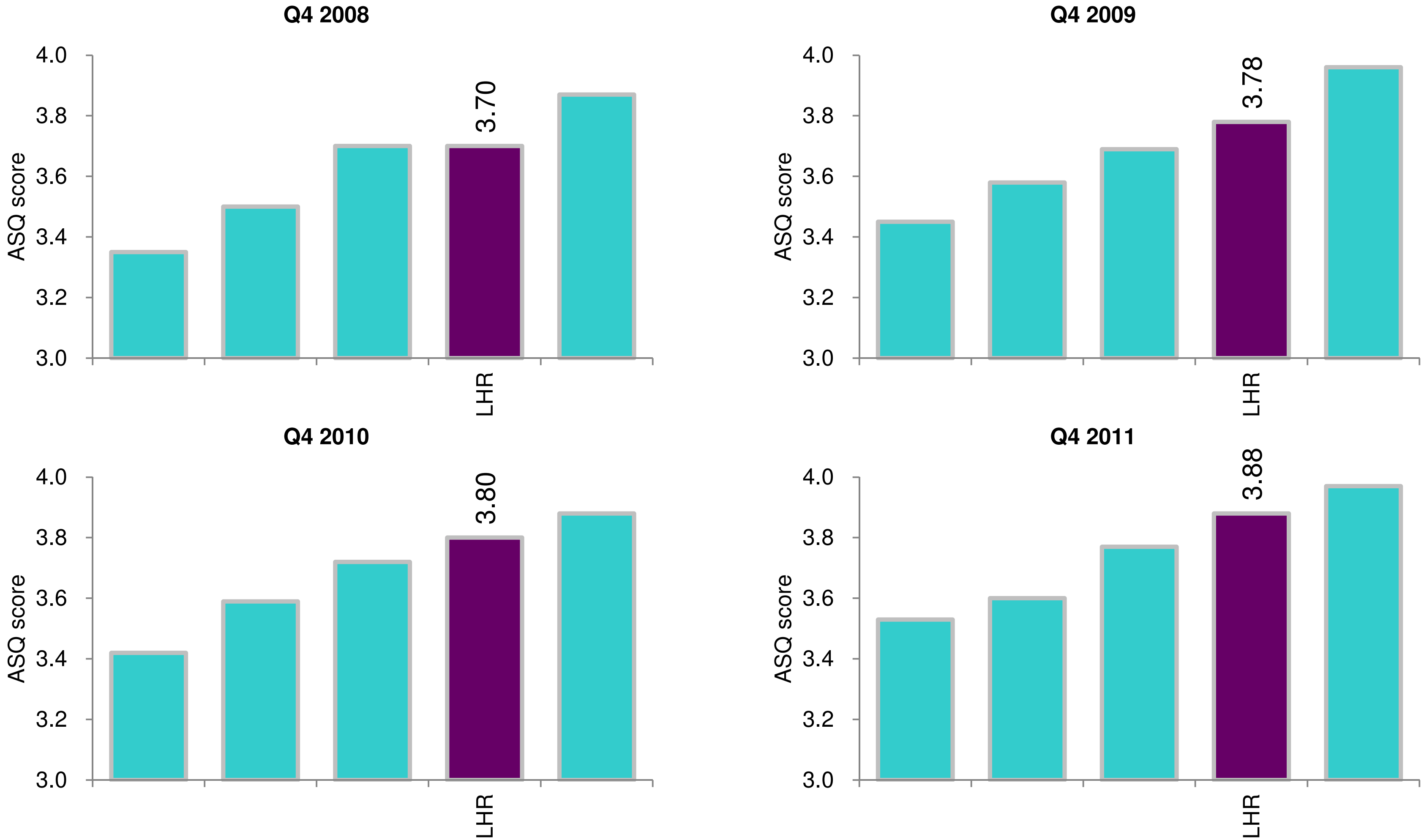
Focus on service improvements has driven passenger satisfaction towards top of European peer group

Overall passenger satisfaction for 5 largest European airports



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See pages 28-29 for sources, notes and defined terms

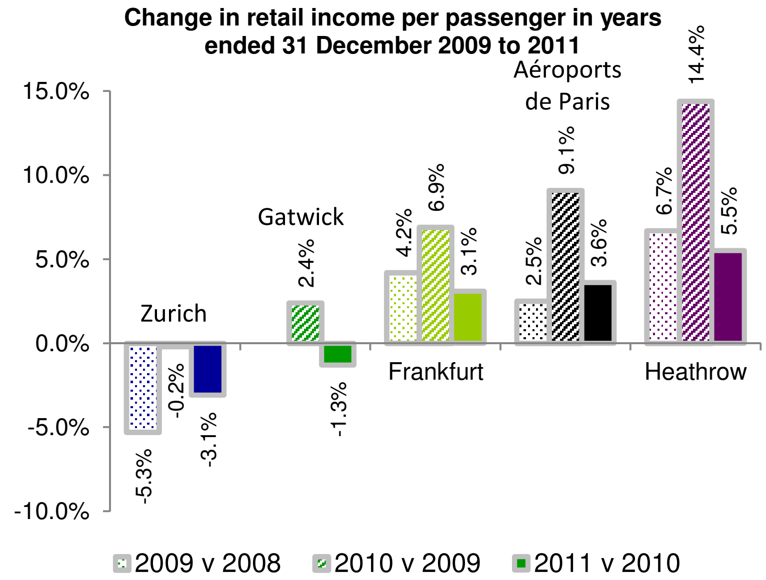
Continued investment in Heathrow's long term future

- Over £900 million invested at Heathrow in 2011; over £1 billion forecast in 2012
  - capital expenditure added to RAB which then earns regulated revenues for BAA
- Good progress on new Terminal 2
  - terminal weather-tight in February 2012
  - satellite building basement excavation complete in March 2012
  - work underway on multi-storey car park
- Terminal 5C opened in June 2011
- Baggage tunnel joining Terminals 3 and 5 operational shortly
- Major works on new Terminal 3 baggage system

Terminal 2 site – January 2012

Award winning retail operations outperforming the market

- Retail is second biggest income stream
- Amongst world's most productive airport retail space
- Main retail income source is concession fees based on percentage of sales
- Structural shift in retail income
  - Heathrow net retail income per passenger up nearly 30% between 2008 and 2011
  - new leading edge retail facilities; more intra-terminal transfer passengers
- Part of regulatory single till with opportunities for outperformance
- Long term success lowers tariffs, enhancing airport's competitive position
- Regular winner of major global awards



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See pages 28-29 for sources, notes and defined terms

Key current issues

- Hub airport capacity and aviation policy review
- Civil Aviation Bill
- Next regulatory period (‘Q6’)
- Airport sales
- Olympics

Financial performance

Record 2011 Heathrow traffic

- Record Heathrow traffic of 69.4m (previous record of 67.9m in 2007)
- Reported performance partly reflects reversal of 2010 disruptions
- Underlying performance
  - total: +0.4%
  - Heathrow: +1.9%
  - Stansted: -5.0%
- Heathrow strength particularly in European and North Atlantic traffic
- Record Stansted load factors suggest gradually more positive demand dynamics

Passenger traffic

	Year ended 31 December		
	2010 (m)	2011 (m)	Change
By airport			
Heathrow	65.7	69.4	5.5%
Stansted	18.6	18.0	-2.8%
Total	**84.3**	**87.4**	**3.7%**
By market served			
UK	6.6	6.2	-6.3%
Europe	42.8	44.5	4.0%
Long haul	35.0	36.8	5.2%
Total	**84.3**	**87.4**	**3.7%**

See pages 28-29 for sources, notes and defined terms

2012 traffic performance to date consistent with expectations

- Traffic in line with expectations at both Heathrow and Stansted with record January at Heathrow
- Performance partly reflects leap year in 2012 – underlying performance
  - total: -0.3%
  - Heathrow: +1.3%
  - Stansted: -7.4%
- North Atlantic traffic showing best growth at Heathrow, supported by European traffic
- Heathrow performance characterised by higher than expected load factors

Passenger traffic

	2 months ended February		
	2011 (m)	2012 (m)	Change
By airport			
Heathrow	9.7	10.0	3.0%
Stansted	2.3	2.2	-5.7%
Total	**12.0**	**12.1**	**1.4%**
By market served			
UK	1.0	0.9	-6.6%
Europe	5.8	5.9	1.8%
Long haul	5.3	5.4	2.4%
Total	**12.0**	**12.1**	**1.4%**

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See pages 28-29 for sources, notes and defined terms

Strong 2011 financial performance

(figures in £m)	2010	**2011**	Change
Turnover	2,074.3	**2,280.0**	+9.9%
Adjusted operating costs	1,107.4	**1,147.9**	+3.7%
Adjusted EBITDA	966.9	**1,132.1**	+17.1%
Consolidated net debt (BAA (SP))	9,921.2	**10,442.6**	+5.3%
Consolidated net debt (BAA (SH))	10,401.1	**10,992.2**	+5.7%
RAB (Regulatory Asset Base)	12,776.0	**13,849.7**	+8.4%

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See pages 28-29 for sources, notes and defined terms

Outlook for 2012 compared to 2011 outturn

(figures in £m unless otherwise stated)	2011	**2012**	Change
Passengers (m)	87.4	**88.1**	+0.8%
Turnover	2,280	**2,516**	+10.4%
Adjusted EBITDA	1,132	**1,283**	+13.3%
Consolidated net debt (BAA (SP))	10,443	**11,619**	+11.3%
Consolidated net debt (BAA (SH))	10,992	**12,169**	+10.7%
RAB (Regulatory Asset Base)	13,850	**14,718**	+6.3%

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See pages 28-29 for sources, notes and defined terms

Financing

Investment opportunities at three levels in capital structure

BAA Limited

Intermediate companies

BAA (DSH) Limited

BAA (SH) plc

BAA (SP) Limited

Heathrow Airport Limited and other subsidiaries

Summarised corporate structure

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

- £325m bond due 2017 with current spread of 600 bps over gilts
- £225m 5/8 year loans completed in 2010/2011

Debt financing of BAA (SP) Limited and subsidiaries

- Bond and bank debt split into Class A (rated A-)/Class B (rated BBB) tranches
- Class A bonds: £7,770m across multiple issues due between 2013 and 2041 (current spreads of 225-230 bps over gilts on long dated sterling tranches)
- Class B bonds: £1,400m due 2018, 2020 and 2024 with current spreads of 400 bps over gilts
- Class A bank debt: £731m mainly due by 2013
- Class B bank debt: £225m due by 2014

Debt figures are as at 31 December 2011 pro forma for subsequent and expected bond issues, bond maturities and loan repayments

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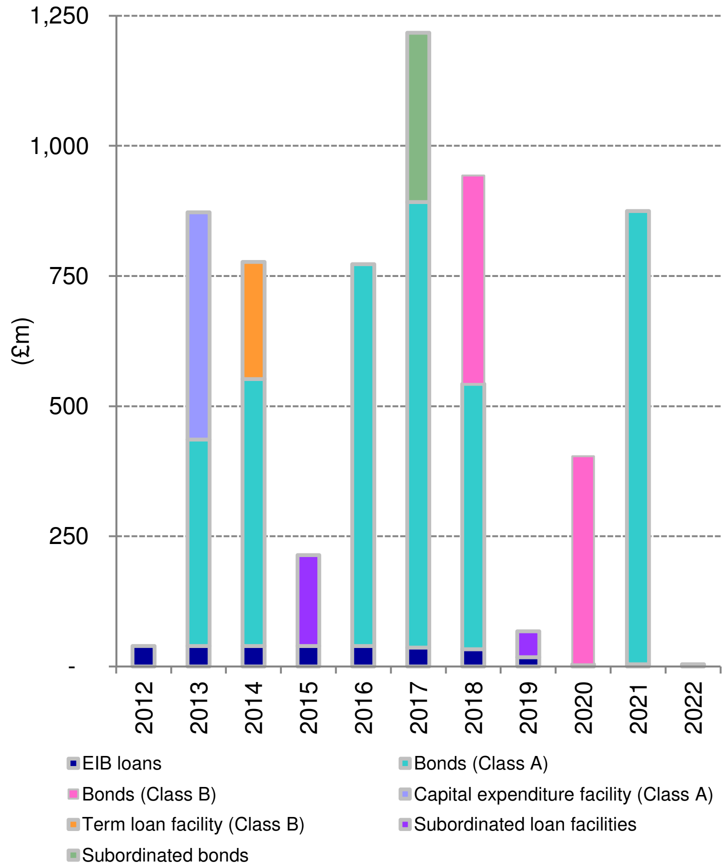
Long term funding platform now well established

- Over £3.5 billion in new financing raised in last 12 months
  - £1.6 billion during 2011
    - £750 million Class A bond; £130 million Class A index-linked bond
    - US$1 billion Class A bond
    - £50 million BAA (SH) institutional loan
  - £2.1 billion since beginning of 2012
    - CHF400 million Class A bond
    - €700 million Class A bond; 2 €50 million Class A private placement
    - £400 million and £600 million Class B bonds
    - £120 million (£95 million nominal) tap of Class A index-linked bond
- Bank refinancing facility fully repaid in September 2011
- 2012 financing priorities
  - further bond issuance and refinancing of bank capital expenditure facility
- Currently sufficient liquidity to meet debt maturities, capital expenditure, interest payments and dividends until August 2013

Strong liquidity position

- Support from wide range of credit investors
  - £6.5 billion in fresh debt financing raised since late 2009
- No significant debt maturities until August/November 2013
- Over £2 billion undrawn on revolving facility after recent bond issues
- Currently in process of refinancing revolving facility
- Overall liquidity also includes
  - operating cash flow
  - £524 million liquidity facilities

BAA London airports' term debt maturity profile (2012-2022)



See pages 28-29 for sources, notes and defined terms

A closer look at the BAA (SH) debt financing

- Current financing implemented in 2010
- Debt service (both interest and principal) can be funded through distributions from BAA (SP)
- BAA (SP) prevented from agreeing tighter distribution restrictions
- £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%
- Nearly £1 billion headroom to BAA (SH) gearing lock-up at end 2011
- Pledge over BAA (SP) shares
- BAA (SH)'s previous £1.6 billion debt comfortably serviced through worst downturn since dawn of civil aviation industry
- Recently implemented new £50 million 8 year loan facility - current focus at BAA (SH) is on increasing facility size in coming months

Investment highlights

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Investment highlights

- Stability and resilience of world's leading international hub airport
  - 7 of top 10 intercontinental long haul routes
  - number 1 airport globally for international passengers
- Resilient and growing cash flow post debt service underpinned by stable independent regulatory environment
  - regular tariff resets protect against revenue and cost volatility
- Strong security package available to senior creditors
- Continued improvement in operational performance
- Capital investment to enhance competitive position

Notes, sources and defined terms (1)

- Page 4
  - RAB: Regulatory Asset Base
  - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 5
  - Sources: relevant airport websites and 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 on available seats on non stop flights over 2,800 nautical miles for week commencing 25 June 2012
  - Proportion of UK scheduled long haul traffic derived from CAA data for year ended 31 December 2010
- Page 6
  - Proportion of passenger traffic from main airline alliance 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, for Charles de Gaulle is taken from page 32 of Aéroports de Paris' '2010 Registration Document' and for Zurich is taken from page 46 of its 'Analysts' Presentation – 2010 Financial Results' document
  - Proportion of long haul traffic data taken or derived from data on relevant airport websites with figures for Charles de Gaulle in respect of 2010
- Page 7
  - 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 9
  - Forecast Adjusted EBITDA figures taken from Investor Reports issued in December 2008, 2009 and 2010
  - 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 12
  - 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 14
  - 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

Notes, sources and defined terms (2)

- Page 17 and 18
  - Totals and percentage change calculated using un-rounded passenger numbers
  - European traffic includes North African charter traffic
- Page 19 and 20
  - 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
  - On page 20, forecast figures for 2012 taken from Investor Report issued on 19 December 2011
- Page 24
  - Debt maturity profile is as at 31 December 2011 but adjusted for €700 million and CHF400 million 5 year bond issues and €50 million private placement completed in January 2012, £600 million 12 year bond issue completed in February 2012, £400 million 8 year bond issue and £120 million (£95 million nominal) tap of existing index-linked bond issue and € 50 million private placement completed in March 2012 and €1,000 million bond issue repaid in February 2012

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