



BAA (SP) Limited
Results for year to 31 December 2008

Investor Presentation

February 2009

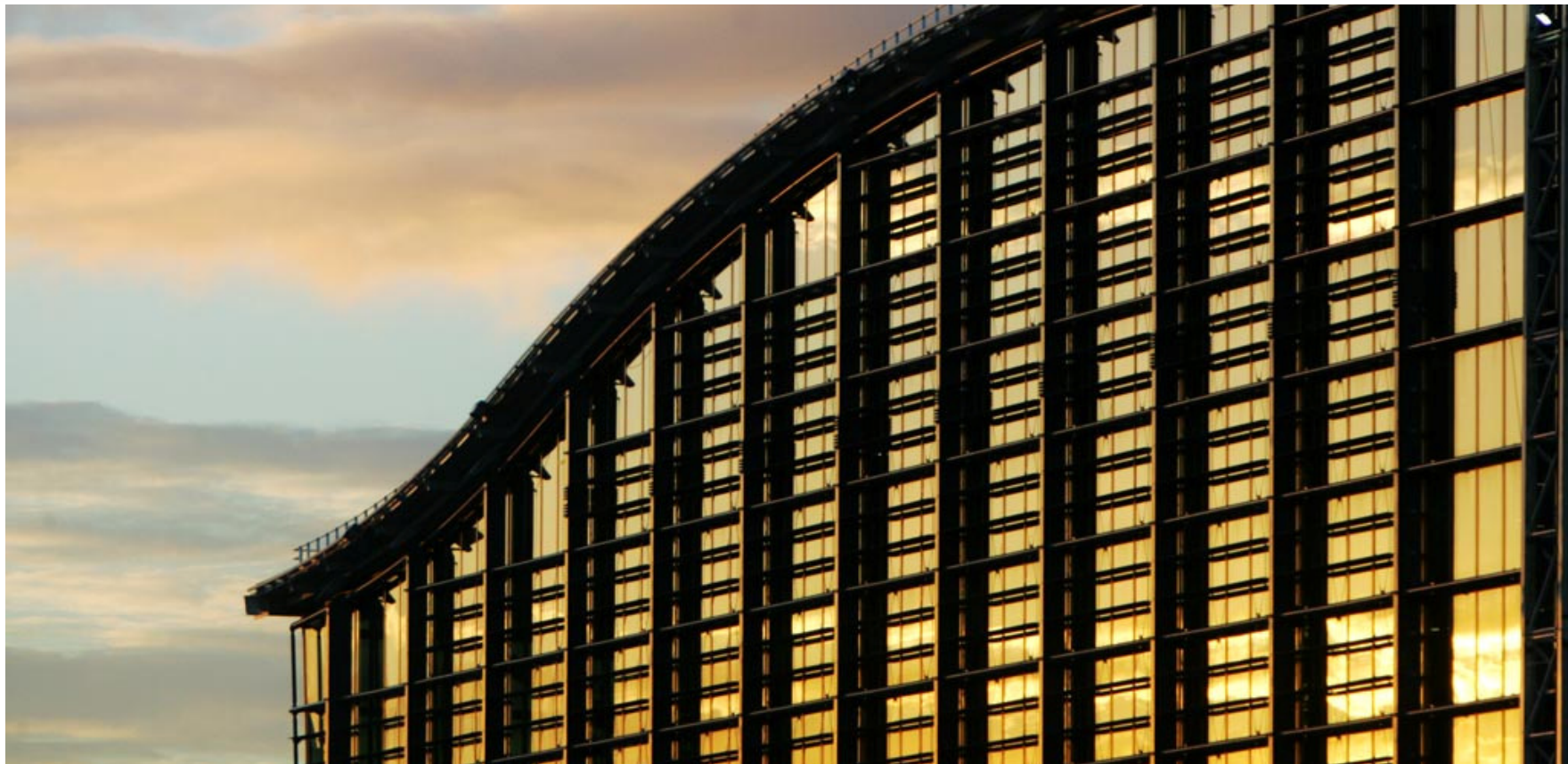


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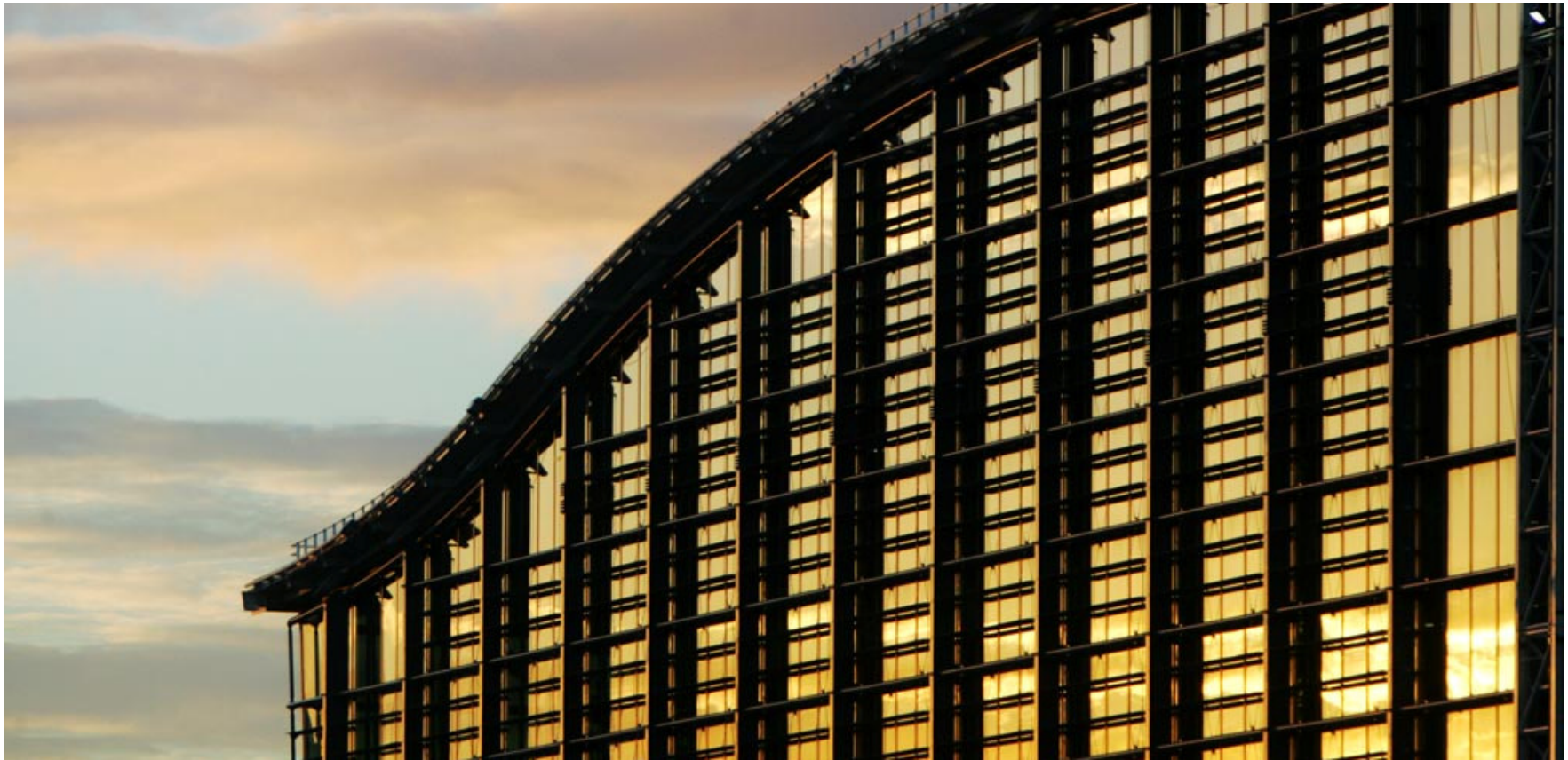


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Summary



Financial highlights



- ▶ Revenue up 16.0% to £2,292 million (2007: £1,976 million)
- ▶ Adjusted EBITDA⁽¹⁾ up 1.3% to £916 million (2007: £904 million)
- ▶ Net debt⁽²⁾ of £9.4 billion at 31 December 2008
- ▶ Cash generated from operations⁽³⁾ of £831 million (2007: £817 million)
- ▶ £1.0 billion of capital investment
- ▶ Refinancing completed in August 2008
 - ▶ repayment of previous senior acquisition financing
 - ▶ £400 million equity injection strengthens BAA's financial structure
- ▶ Senior and Junior RAR⁽⁴⁾ of 0.68 and 0.76 at 31 December 2008 (trigger levels 0.70 and 0.85)
- ▶ 2009 more challenging year but financial performance expected to improve driven particularly by structure of agreed aeronautical tariffs

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

2) Nominal debt excluding intra-group loans and before index-linked accretion of £42 million

3) Includes intercompany receivable held by group entities in accordance with Shared Services Agreement

4) RAR is the Regulatory Asset Ratio which is the ratio of net debt to the Regulatory Asset Base (or RAB)

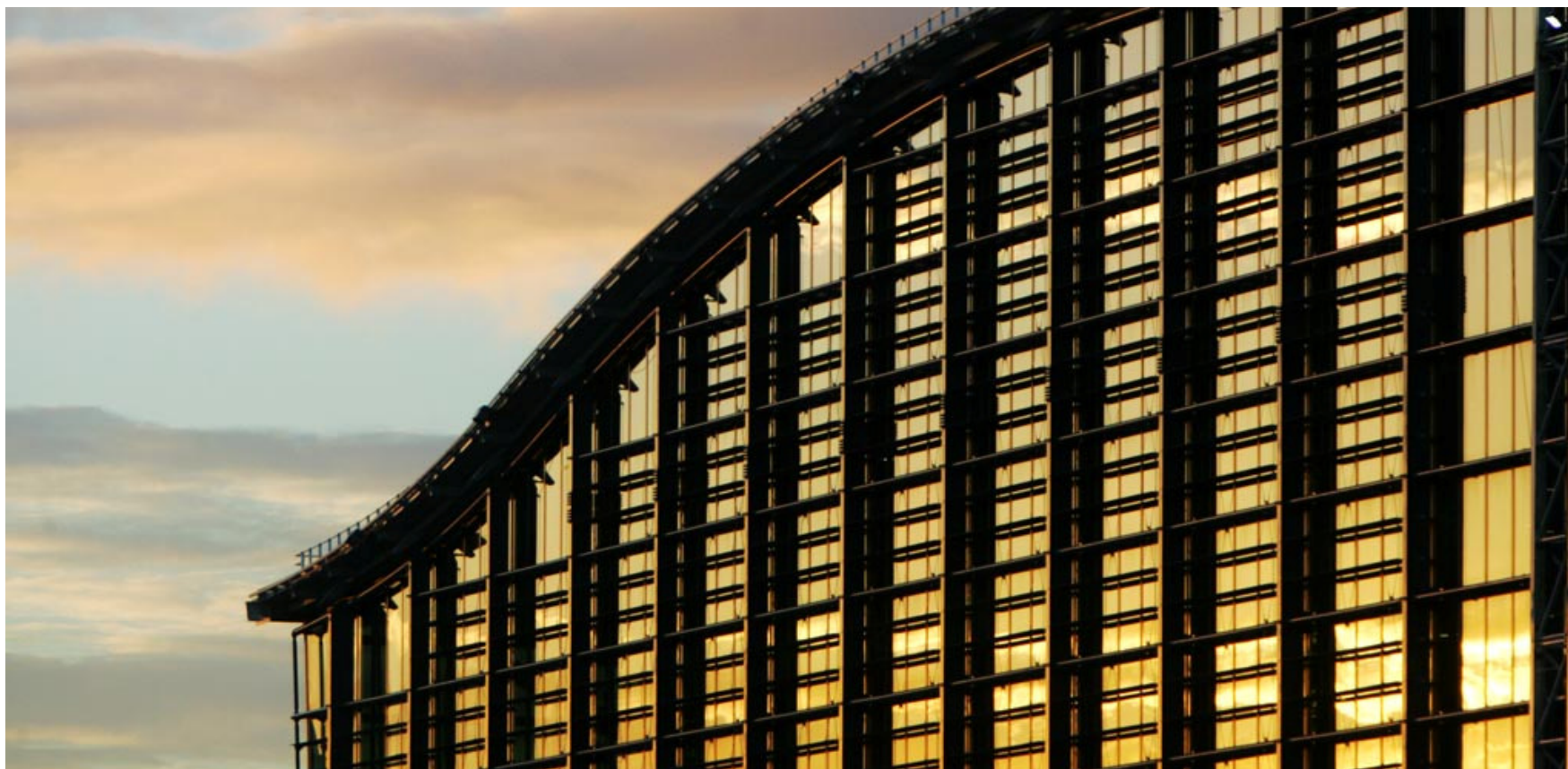
Operating highlights



- ▶ Consistent focus on modernising airport facilities and raising service standards delivering tangible benefits
 - ▶ Terminal 5 amongst top European airport facilities for passenger satisfaction⁽¹⁾
 - ▶ Heathrow and Gatwick improved passenger satisfaction relative to 2007⁽¹⁾
 - ▶ Heathrow and Gatwick improved performance under CAA service quality schemes
- ▶ Global hub status of Heathrow supported resilient passenger performance
 - ▶ passenger traffic down 2.6% to 123.4m (2007: 126.8m) across three airports
 - ▶ 3.5% growth in Heathrow long haul traffic
- ▶ Good retail performance relative to tough UK retail environment
- ▶ Planned sale of Gatwick airport announced
- ▶ Regulatory developments
 - ▶ Competition Commission enquiry on BAA UK airport ownership nearing conclusion
 - ▶ new tariffs at Heathrow and Gatwick phased in from 1 April 2008; new 5 year regulatory period commences at Stansted on 1 April 2009
 - ▶ DfT consultation on its review of UK airport economic regulation imminent

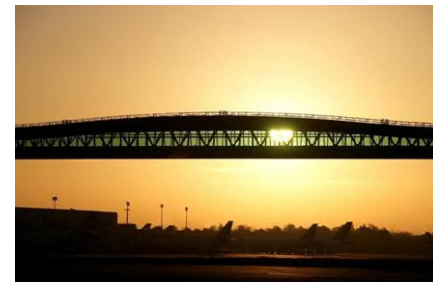
1) Source: Airport Council International's Airport Service Quality ('ASQ') survey for Q4 2008

Operating and regulatory review



Substantial investment

- ▶ Heathrow (£792 million invested)
 - ▶ commissioning of Terminal 5 and continuing work on Terminal 5C
 - ▶ preparatory work on Terminal 2A and associated infrastructure
 - ▶ significant refurbishment of Terminals 1, 3 and 4
- ▶ Gatwick (£124 million invested)
 - ▶ completed expansion of South Terminal departure lounge
 - ▶ work commenced on North Terminal expansion
 - ▶ began upgrade of inter-terminal transit system
- ▶ Stansted (£99 million invested)
 - ▶ new arrivals hall completed
 - ▶ investment for SG2



Passenger traffic trends

By Airport (for 12 months to 31 December 2008)

	2007 (m)	2008 (m)	Change ⁽¹⁾
Total traffic⁽¹⁾	126.8	123.4	-2.6%
Heathrow	67.9	66.9	-1.4%
Gatwick	35.2	34.2	-2.8%
Stansted	23.8	22.3	-6.0%

Heathrow's resilience

Over 50% of Designated Airport's traffic

By Market (for 12 months to 31 December 2008)

	2007 (m)	2008 (m)	Change ⁽¹⁾
Total traffic⁽¹⁾	126.8	123.4	-2.6%
Long haul	43.9	43.3	-1.5%
Domestic	12.3	11.7	-5.6%
European ⁽²⁾	70.5	68.5	-2.9%

Better traffic mix

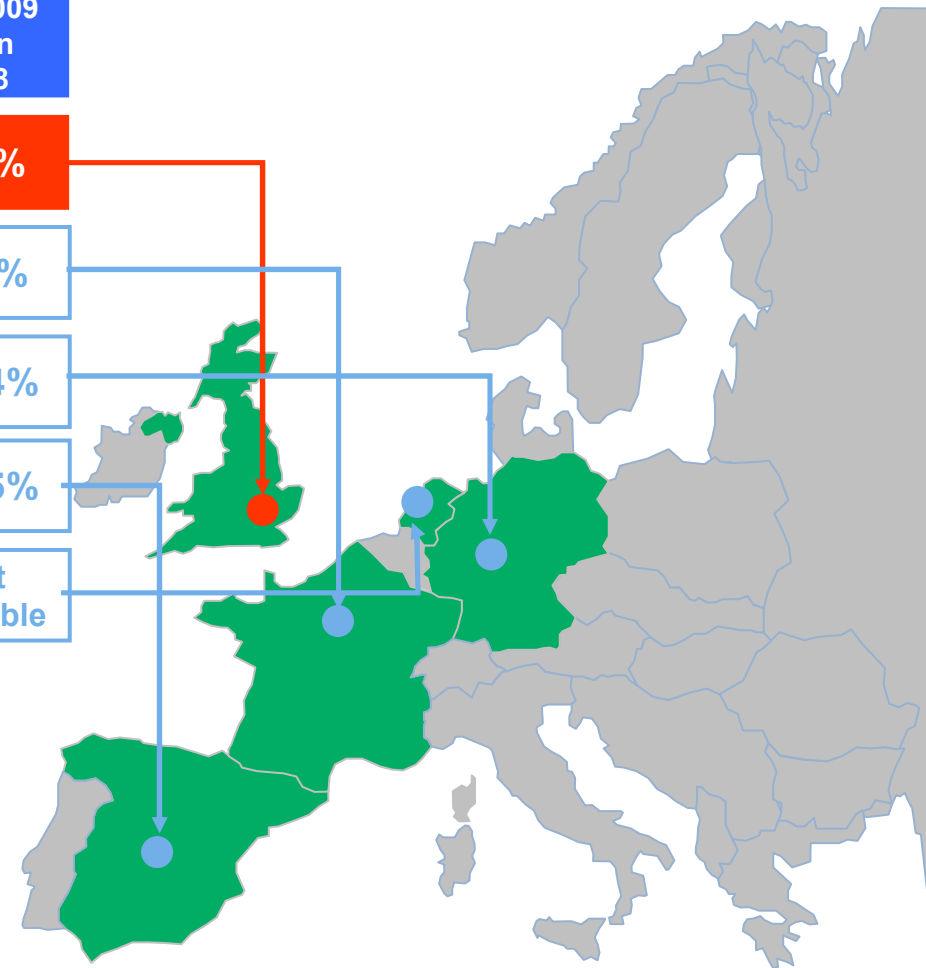
Long haul resilience

- 1) Totals and percentage change calculated on un-rounded numbers
- 2) Includes traffic to Ireland and both scheduled and charter traffic

Traffic performance in European context

	Change in passenger numbers			
	Passenger numbers ⁽¹⁾	2008 v 2007	Q4 2008 v Q4 2007	Jan 2009 v Jan 2008
Heathrow	66.9m	-1.4%	-3.6%	-2.1%
Charles de Gaulle	60.9m	+1.6%	-0.9%	-6.4%
Frankfurt	53.5m	-1.3%	-5.7%	-10.4%
Barajas	50.8m	-2.4%	-13.4%	-18.5%
Schiphol	47.4m	-0.8%	-4.5%	Not available

1) Passenger numbers are for 12 months to 31 December 2008



Enhancing passenger experience



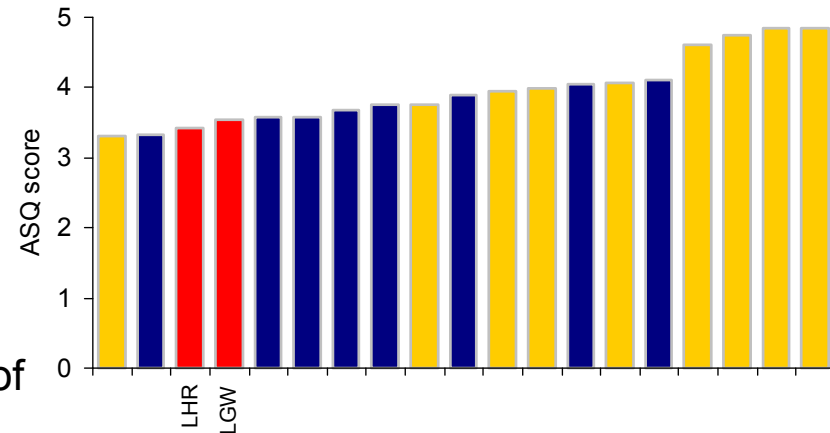
- ▶ Substantial progress made in enhancing passenger experience across London airports
- ▶ The opening of Terminal 5 was key step in transforming Heathrow experience
- ▶ Strength of progress made in last year validated by:
 - ▶ independent passenger surveys for whole of Heathrow and Gatwick and Terminal 5
 - ▶ Service Quality Rebate scheme performance

Payments under service quality rebate scheme

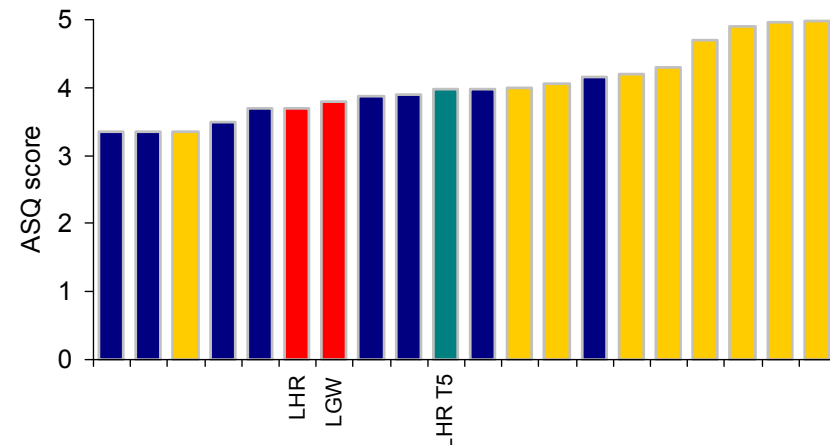
	Q2 2008 (£m)	Q3 2008 (£m)	Q4 2008 (£m)
Rebates	4.8	2.5	1.1
Bonuses	(0.1)	(0.2)	(0.3)
Net rebates	4.7	2.3	0.8

- ▶ A key part of Heathrow's strategy is to provide 'best-in-class' passenger experience amongst European peers

Overall passenger satisfaction Q4 2007



Overall passenger satisfaction Q4 2008



Competitors Comparators

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

Strengthening retail proposition

- ▶ Significant focus on enhancing retail opportunities across Heathrow, Gatwick and Stansted
 - ▶ recent major extensions and enhancements to retail space
 - ▶ 23,000m² of retail space at Heathrow Terminal 5 compared to 66,000m² at whole airport
 - ▶ common departure lounge at Heathrow Terminal 1 for domestic and international passengers
 - ▶ completion of departure lounge extension at Gatwick South Terminal
 - ▶ completion of new arrivals hall area at Stansted
- ▶ Deliver service improvements, e.g. in security queuing times, to improve passenger experience and maximise retail opportunities for passengers
- ▶ Continue to optimise both airside and landside retail offering
- ▶ Focus strategy on continued superior growth in higher spending and more profitable long haul passengers
- ▶ Favourable exchange rate movements currently providing additional support

Competition Commission ('CC') investigation into BAA's ownership of UK airports



- ▶ On 17 December 2008, the CC issued its Provisional Remedies relating to its investigation of BAA's ownership of UK airports
- ▶ Its Provisional Remedies relevant to the Security Group include:
 - ▶ structural remedies
 - ▶ Disposal of Gatwick and Stansted to different parties, subject to further consultation on Stansted disposal timing particularly in relation to imminent planning application for second runway
 - ▶ behavioural remedies
 - ▶ strengthen consultation processes and provisions on non-discrimination and service quality at Heathrow
 - ▶ regulation and policy
 - ▶ recommend that DfT consider adopting a licence based regime of economic regulation and allowing terminals to be separately owned from runways
 - ▶ DfT has final decision on regulatory and policy matters
- ▶ CC is expected to publish its final report in March 2009

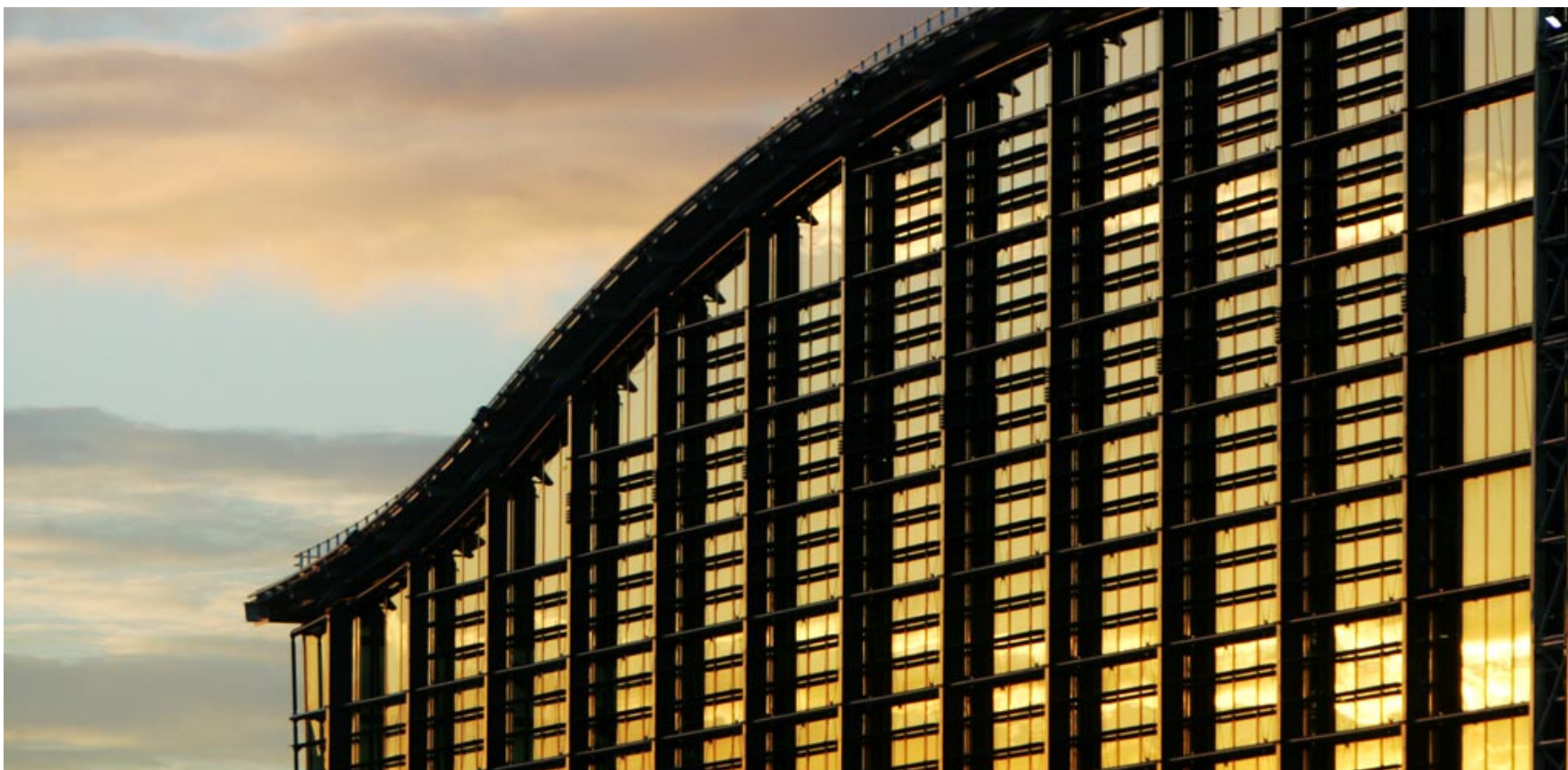
Department for Transport ('DfT') review of economic regulation of UK airports



- ▶ On 22 April 2008, the DfT announced a review of the economic regulation of all UK airports
- ▶ It has indicated that key policy objectives of the review will include:
 - ▶ improving passenger experience
 - ▶ providing incentives for appropriate and timely investment in additional capacity
 - ▶ addressing the wider environmental impacts of aviation and airport development
- ▶ DfT expected to issue consultation on new regulatory proposals shortly
- ▶ Key features of proposals submitted for consultation could include:
 - ▶ introduction of licence and special administration regimes similar to those seen in other regulated industries
 - ▶ more explicit provisions to support financial profile of airport operators
- ▶ Expected future milestones for the review are as follows:
 - ▶ Autumn 2009 – DfT to issue final decision on new regulatory proposals
 - ▶ Second half of 2010 – proposed legislation
- ▶ The DfT has made clear that current price controls at Heathrow and Gatwick for 2008-2013 and at Stansted for 2009-2014 will not be re-opened

- ▶ Regulatory price cap review – status
 - ▶ on 9 December 2008, the CAA issued its final proposals for regulation of Stansted from 1 April 2009 until 31 March 2014
 - ▶ key features of its proposals included
 - ▶ initial flat real tariffs then RPI + 1.63% after 2010/11
 - ▶ 7.1% real pre-tax cost of capital
 - ▶ £130 million capital plan
 - ▶ final determination expected to be published in first half of March 2009
- ▶ Approval for increased traffic
 - ▶ increase in annual air transport movements from 241,000 to 264,000
 - ▶ should allow annual passenger numbers to grow from 25 million to 35 million
- ▶ SG2 – Stansted’s new runway and terminal
 - ▶ first new runway in South East identified in 2003 Air Transport White Paper
 - ▶ support for investment remains strong
 - ▶ planning inquiry to commence shortly

Financial review



Highlights



- ▶ Revenue increase driven by revised aeronautical tariffs
- ▶ Improved Adjusted EBITDA reflects revenue growth offset by
 - ▶ cost of operating Terminal 5
 - ▶ investing to improve service quality
 - ▶ higher operational staff costs and lower overhead staff costs
- ▶ Growth in depreciation driven primarily by bringing Terminal 5 into use
- ▶ Higher net interest payable primarily reflects
 - ▶ £156 million less capitalised interest
 - ▶ £145 million in interest on BAA (SH) Limited debenture transferred to BAA (SP) Limited in 2008
- ▶ £201 million after tax loss

BAA (SP) Limited

2008 consolidated financial highlights

	2007	2008	Change
Revenue	1,976	2,292	16.0%
Staff costs ⁽¹⁾	(361)	(445)	23.3%
Non-staff costs ⁽¹⁾	(711)	(931)	30.9%
Adjusted EBITDA ⁽²⁾	904	916	1.3%
Depreciation ⁽³⁾	(289)	(444)	53.6%
Adjusted EBIT	615	472	(23.3%)
Net interest payable	(222)	(545)	145.5%
Profit/(loss) after taxation	372	(201)	n/a
Cash flow from operations	817	831	1.7%
Net interest paid	0	(101)	n/a
Capital expenditure	1,076	1,015	(5.7%)
Net debt ⁽⁴⁾	n/a	9,384	n/a

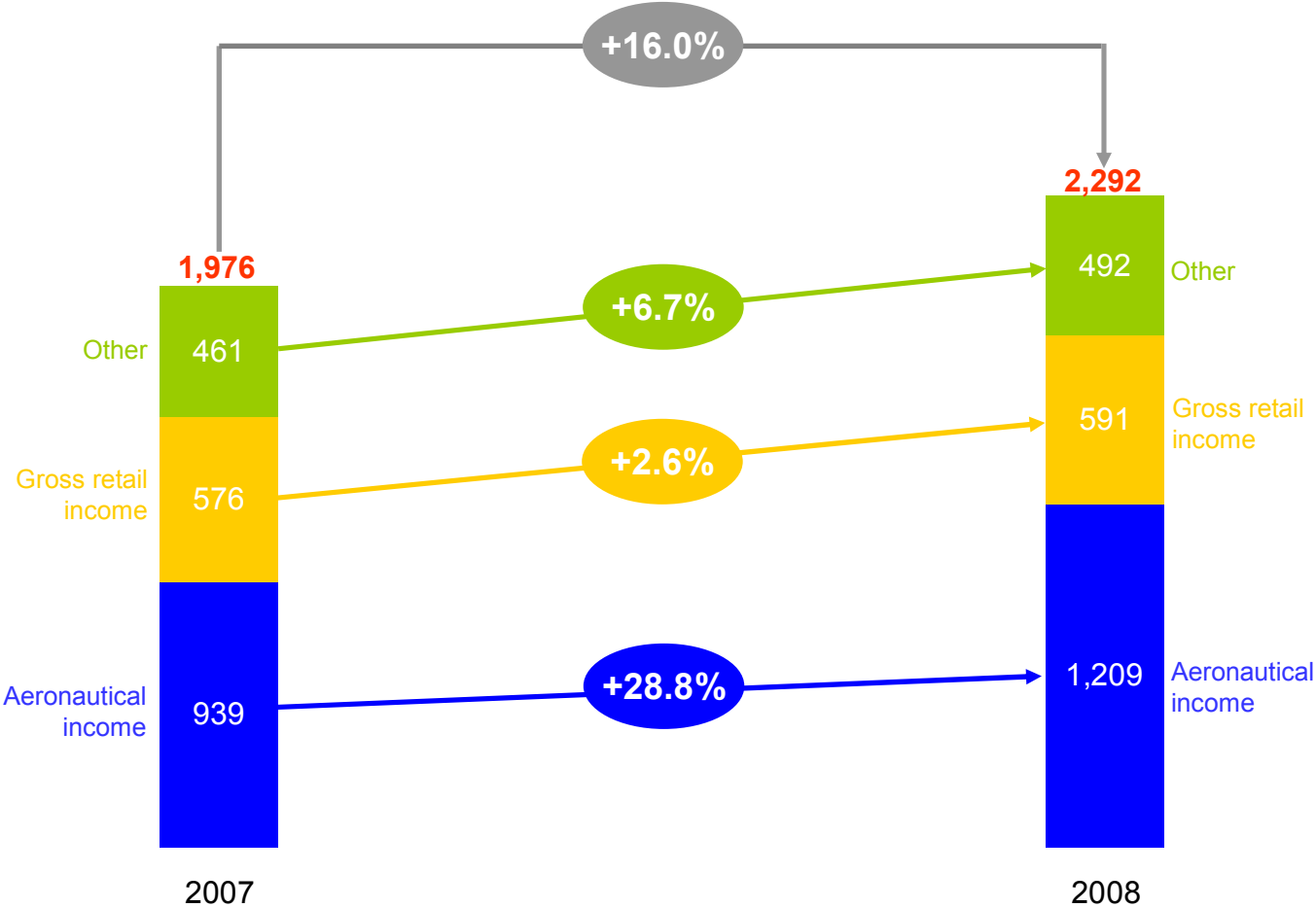
1) Excluding depreciation and exceptional items

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

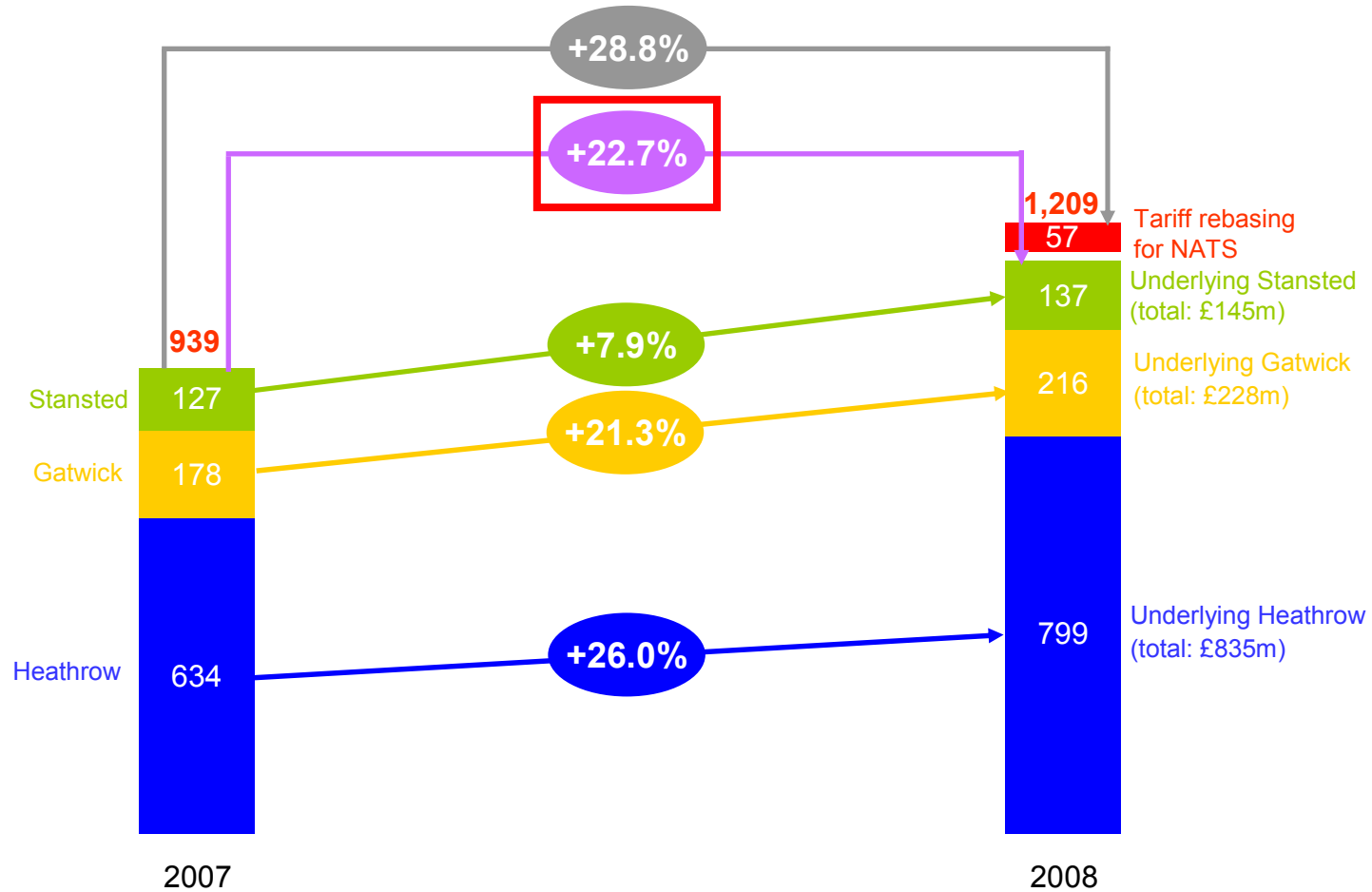
3) Excluding accelerated depreciation

4) Nominal debt excluding intra-group loans and before index-linked accretion of £42 million

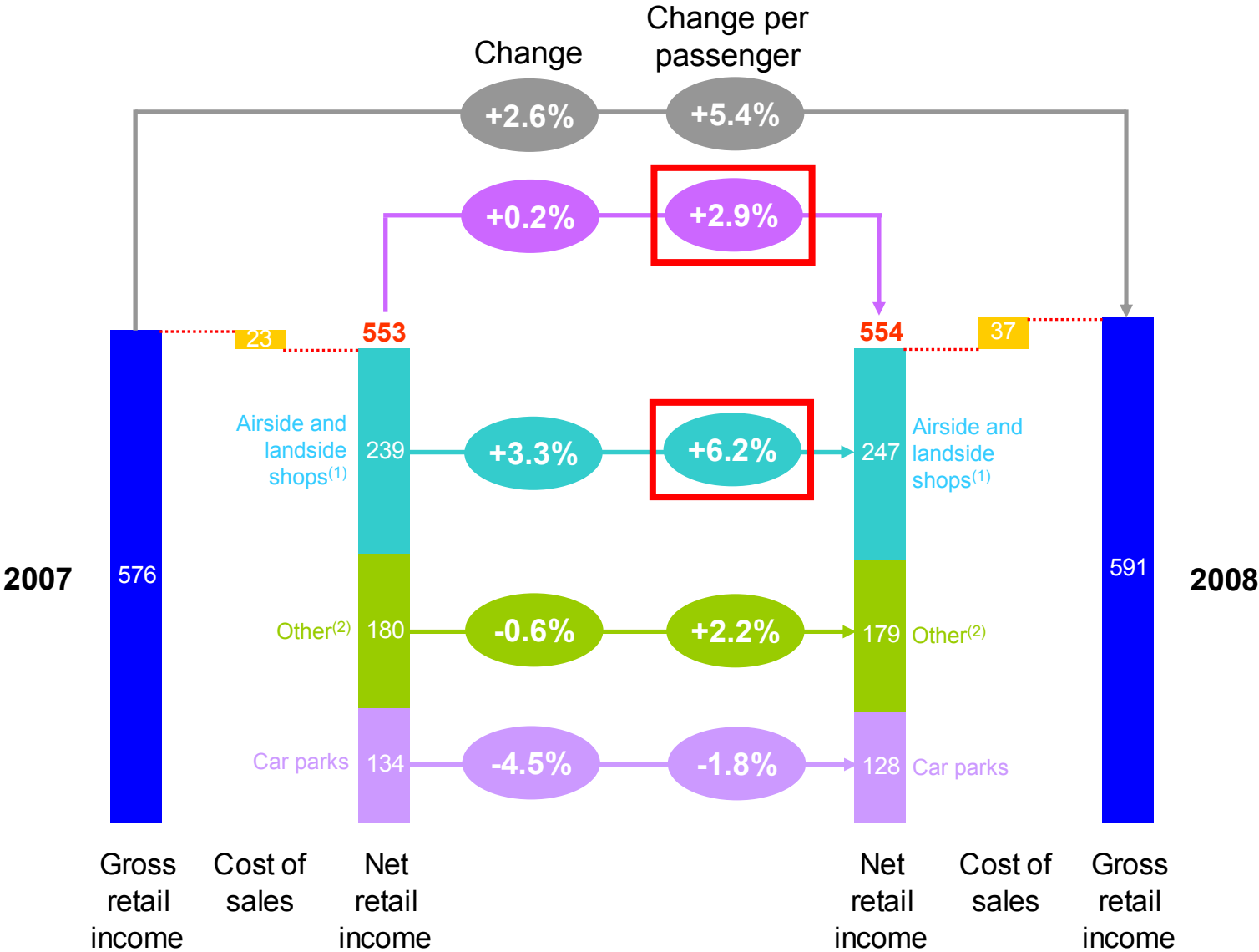
Strong revenue growth driven by new aeronautical tariffs at Heathrow and Gatwick



Aeronautical income driven by tariff increases

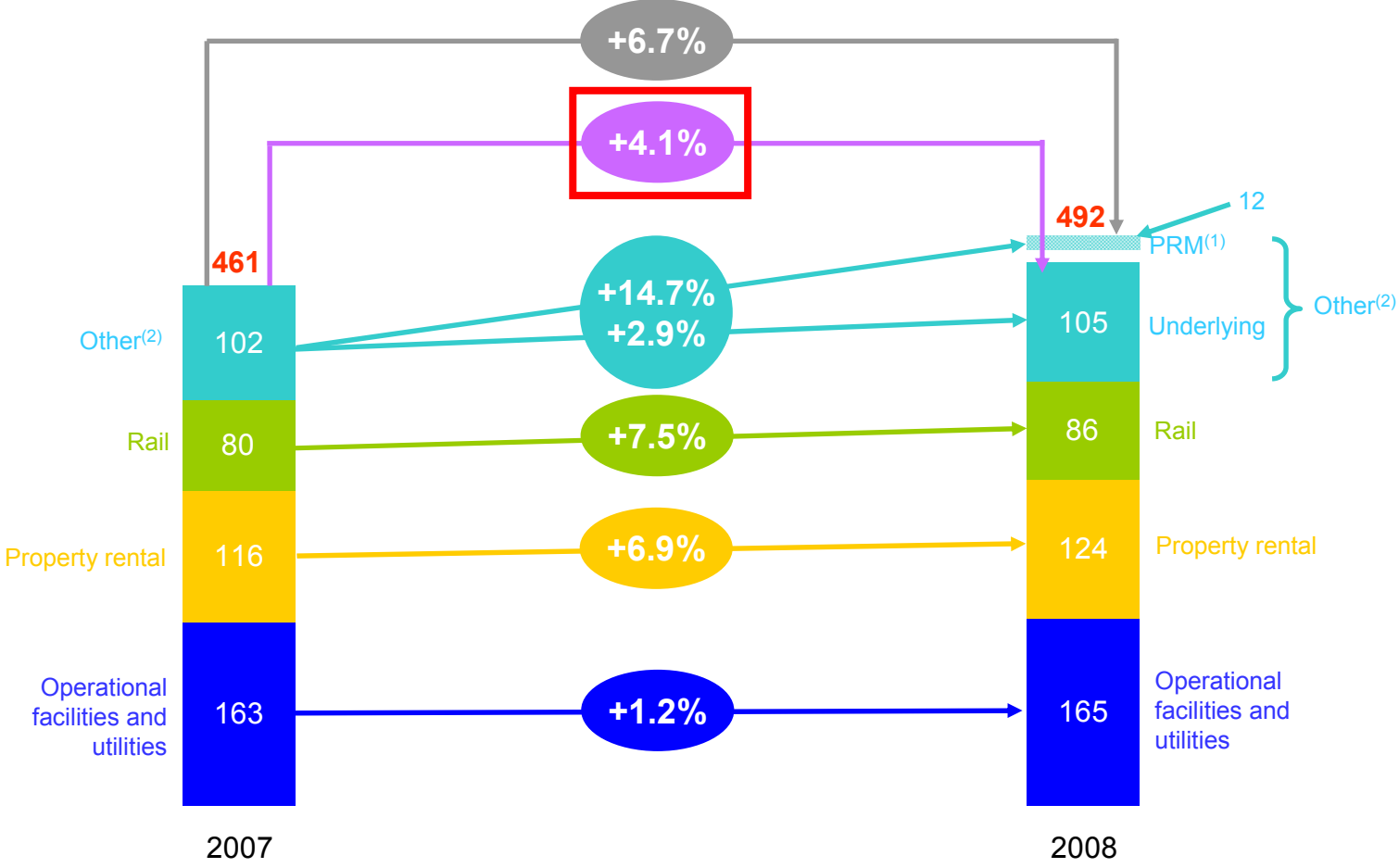


Robust retail income performance driven by airside and landside shops – NRI per passenger up 2.9%



1) Airside and landside shops includes duty free
 2) Other includes catering, bureaux de change, car rental, advertising and other retail

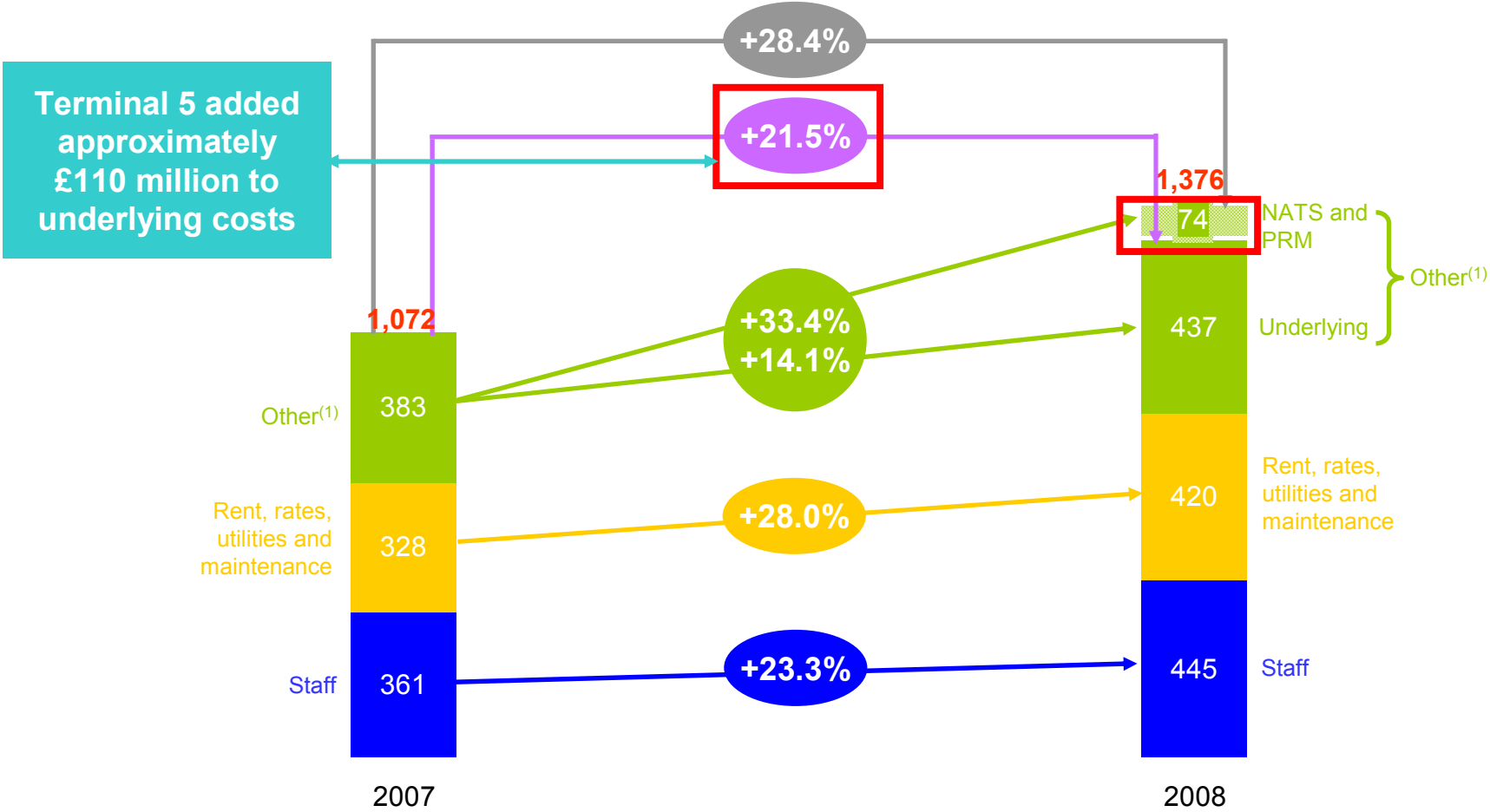
Other income increases driven by property, rail and PRM⁽¹⁾



1) PRM: Passengers with restricted mobility. Services for PRM were previously sourced directly by airlines but from 1 April 2008 BAA provides these services to airlines

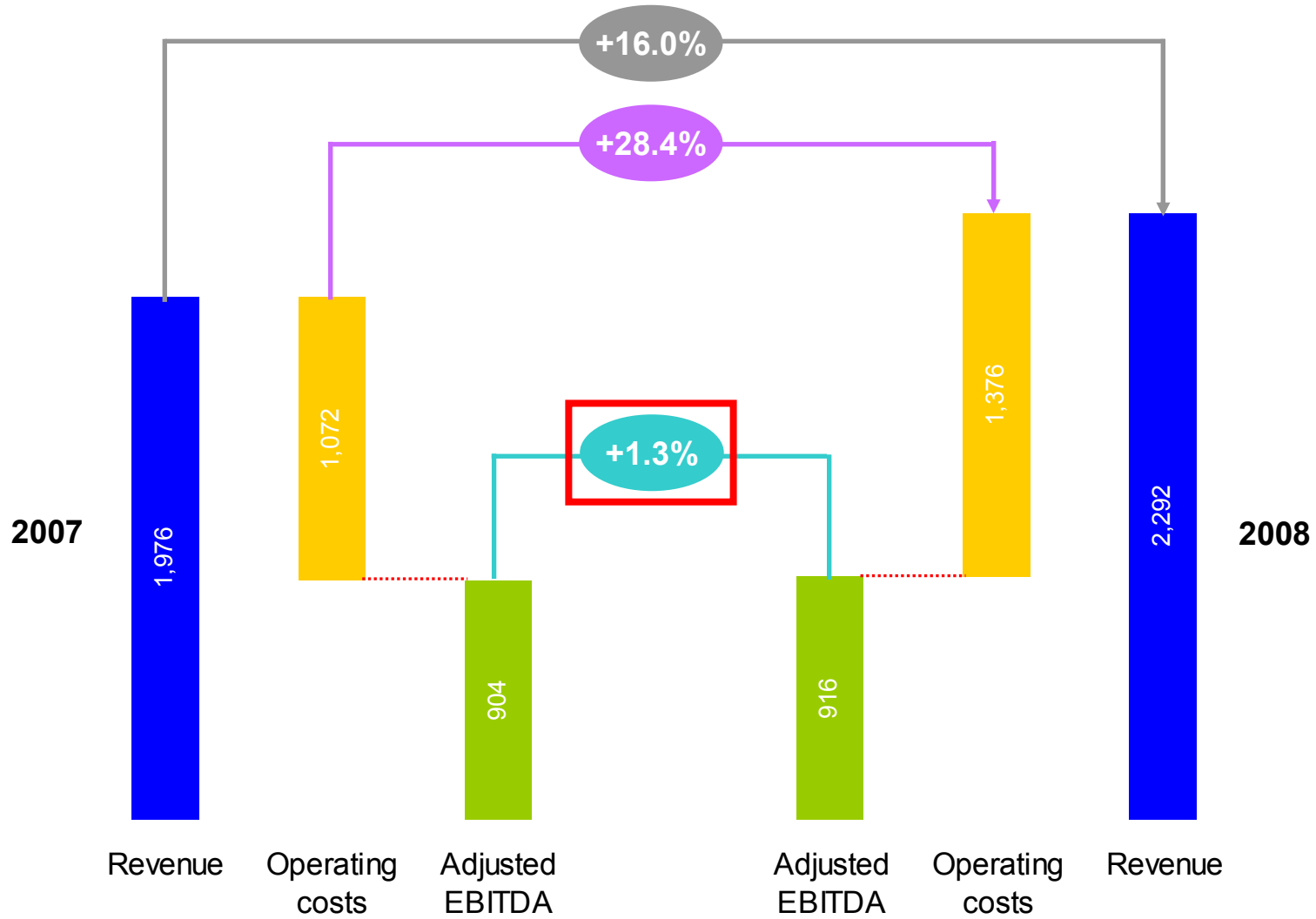
2) Other includes income received from BAA, mostly related to IT lease costs, which Heathrow charges to BAA Airports Limited that in turn is re-charged to other group companies

Operating cost⁽¹⁾ increases driven by Terminal 5, NATS/PRM, staff costs and investing in service quality



1) Excluding depreciation and exceptional items
 2) Other operating costs includes general expenses, retail cost of sales, Heathrow Express costs and intra-group charges

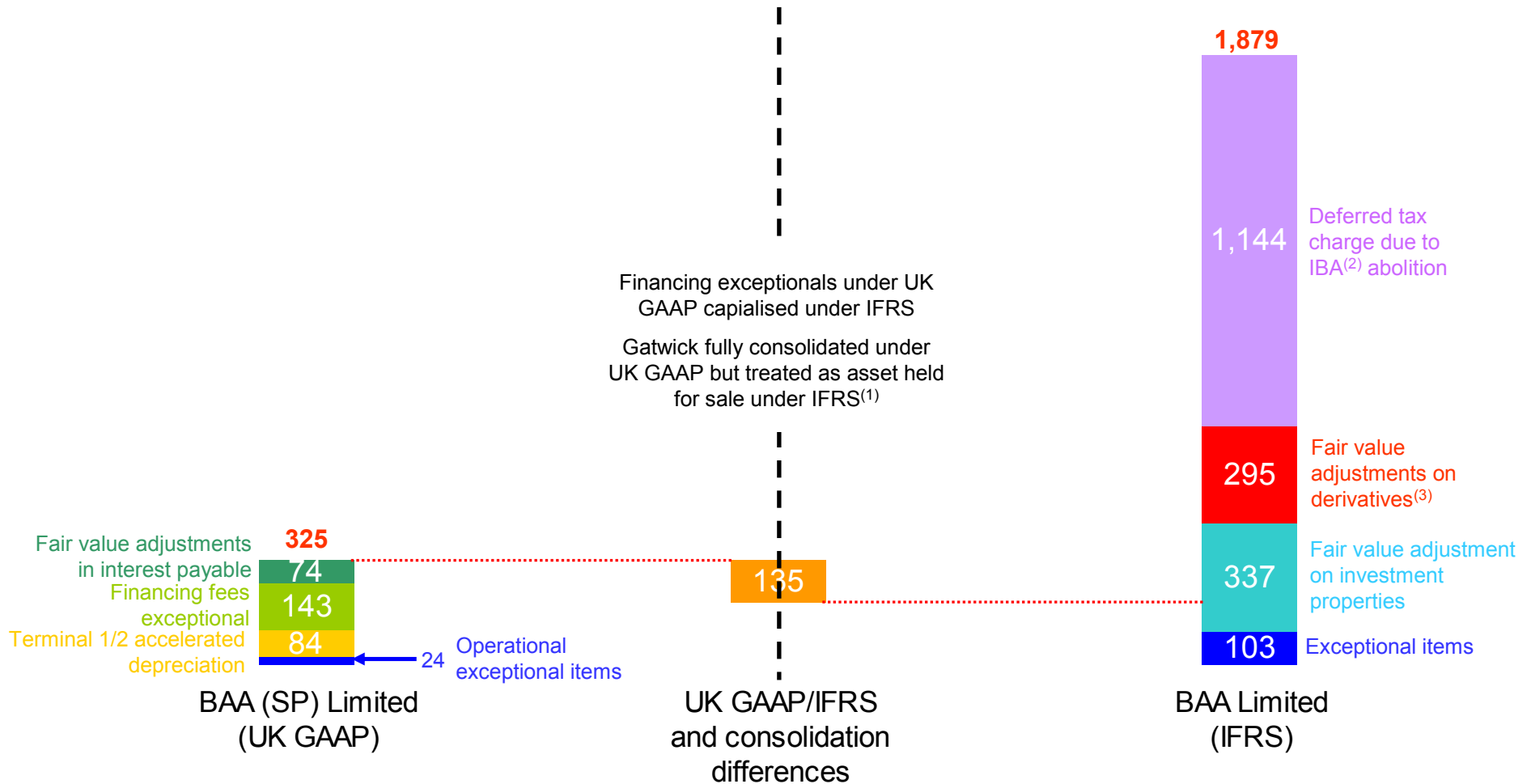
Adjusted EBITDA⁽¹⁾



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

- ▶ Cash flow from operations increased 1.7% to £831 million (2007: £817 million)
- ▶ Capital expenditure was marginally lower than prior year at £1,015 million (2007: £1,076 million)
- ▶ Interest cash outflows were £101 million (2007: nil)
 - ▶ not representative of future cash flows
 - ▶ 2007 and 2008 data largely reflect fact that this is a newly established grouping of companies within the BAA group
 - ▶ prior to refinancing, BAA (SP) Limited's subsidiaries were funded by intra-group loans
 - ▶ interest on these loans was capitalised up to the date of refinancing and then settled through intra-group balances
 - ▶ £101 million outflow in 2008 reflects interest paid on bond and bank debt and derivatives since August 2008
- ▶ Forecast interest outflow for 2009 of £308 million included in 24 December 2008 investor report
 - ▶ reflects benefit of £139 million of derivative interest prepayment

Exceptional items and certain re-measurements



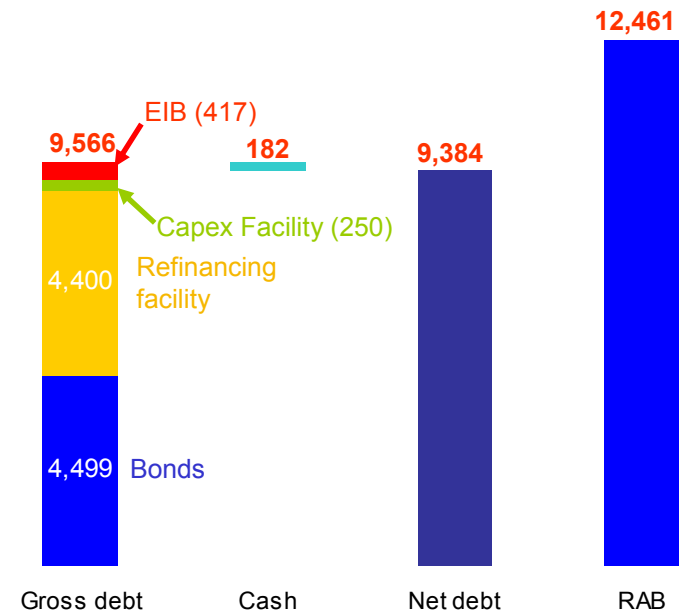
- 1) Under the BAA Limited IFRS accounts an additional £106 million deferred tax charge due to IBA abolition is included in Gatwick assets held for sale as well as exceptional credit of £9 million due to the release of prior year provision from the 'Simplifying the Organisation' restructuring programme
- 2) IBA: Industrial Building Allowance
- 3) Includes £74 million of fair value adjustment that is included in net interest payable for BAA (SP) Limited

Debt, RAB and Regulatory Asset Ratio

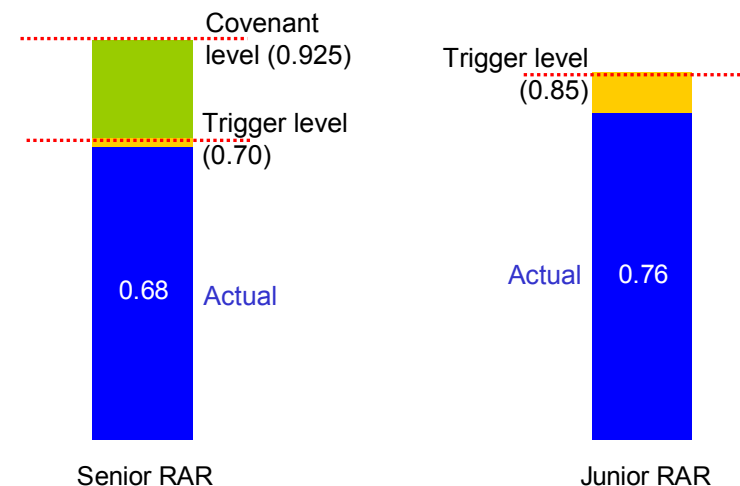


- ▶ Refinancing completed in August 2008
 - ▶ £4.5 billion bond migration to BAA Funding
 - ▶ £4.8 billion drawn bank and EIB facilities
 - ▶ £2.75 billion undrawn bank facilities
 - ▶ £400 million equity injection
- ▶ £9.4 billion nominal external net debt at end 2008 (see Appendix 1 for more detail)
 - ▶ £4.5 billion of bond outstandings
 - ▶ £4.4 billion under Refinancing Facility
 - ▶ £417 million under EIB facilities and £250 million under Capital Expenditure facility
 - ▶ £2.5 billion in undrawn facilities
 - ▶ £182 million cash and cash equivalents
- ▶ 6.52% average cost of debt at year end, post hedging
- ▶ 31 December 2008: RAB of £12.5 billion; Senior and Junior RAR of 0.68 and 0.76

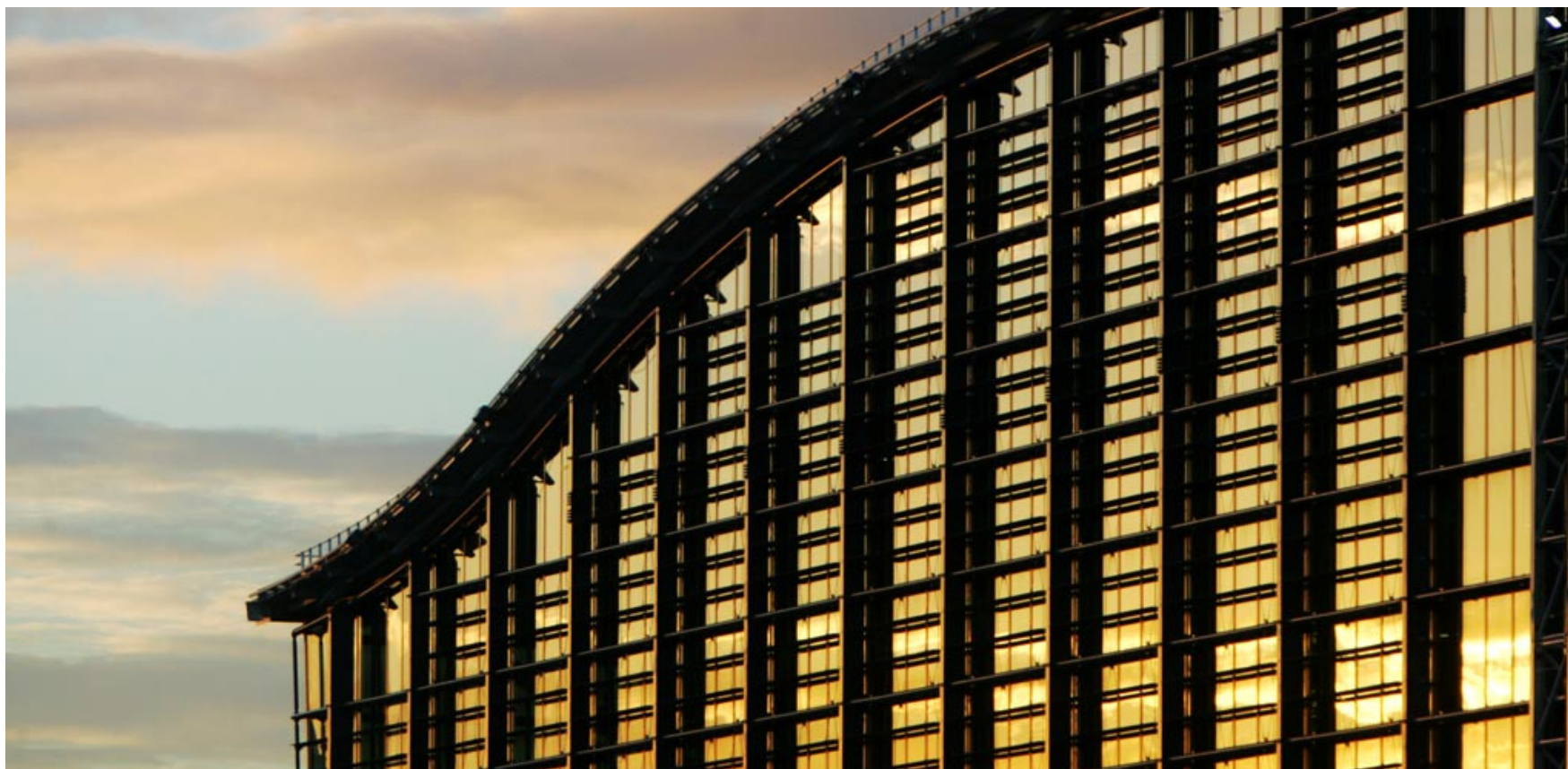
Debt and RAB at 31 December 2008 (£m)



Regulatory Asset Ratios at 31 December 2008



Strategy

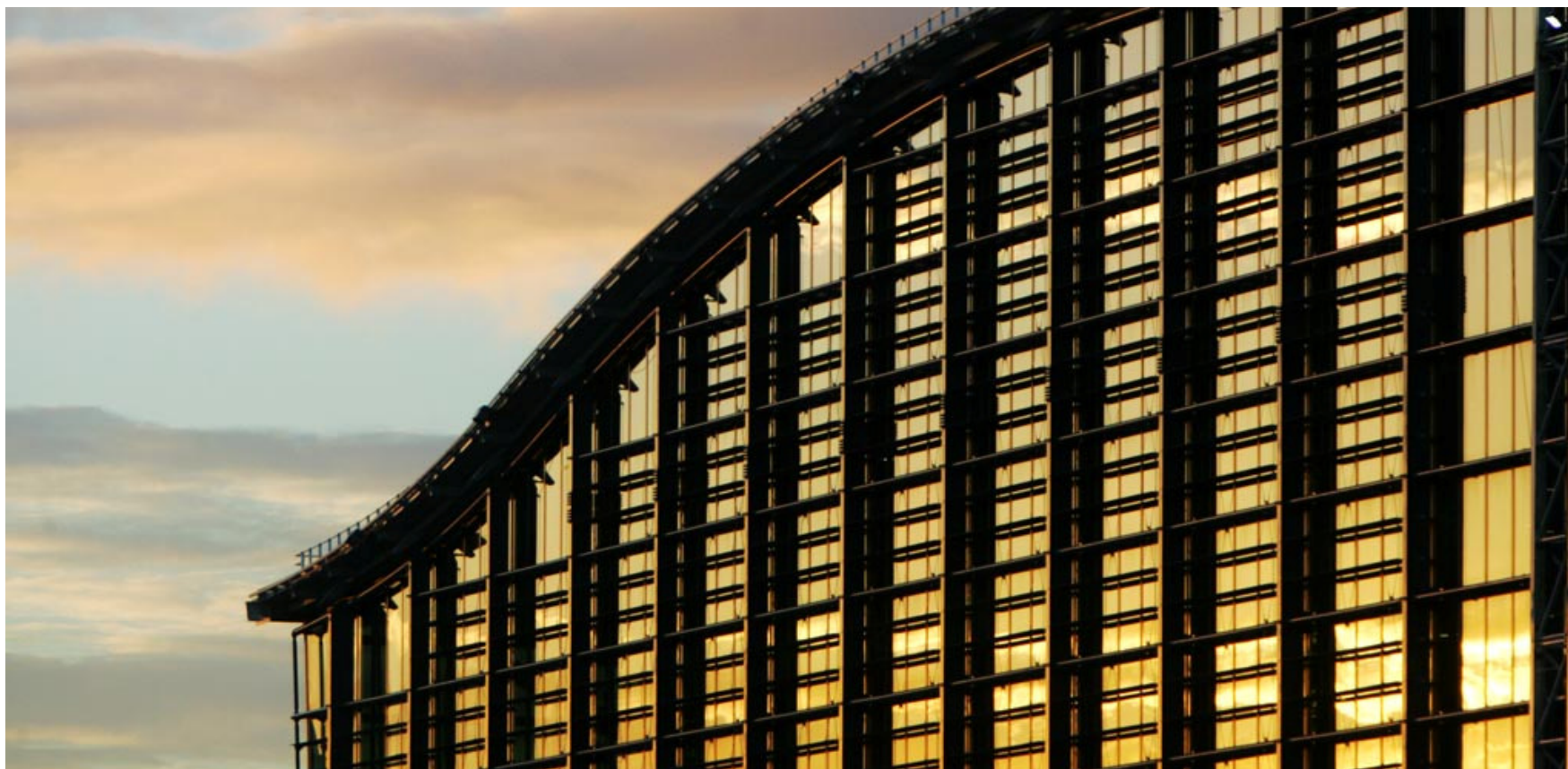


Strategy



- ▶ The Security Group's strategy is focused on enhancing Heathrow's position as the UK's only hub airport and the leading airport globally for international passengers
- ▶ Significant investment will deliver world class infrastructure across the whole airport within next 5 years
- ▶ The business is focused on enhancing the passenger experience and service quality to ensure
 - ▶ Heathrow is the preferred airport for UK and international passengers
 - ▶ airlines continue to achieve the best yields amongst major European hub airports from operating at Heathrow
 - ▶ development in retail related activities
- ▶ Enhance efficiency at the same time as delivering substantial improvements in service quality
- ▶ Recent government approval for third runway and sixth terminal strongly supports Heathrow's continued role as a key player in the airport industry

Outlook and conclusion

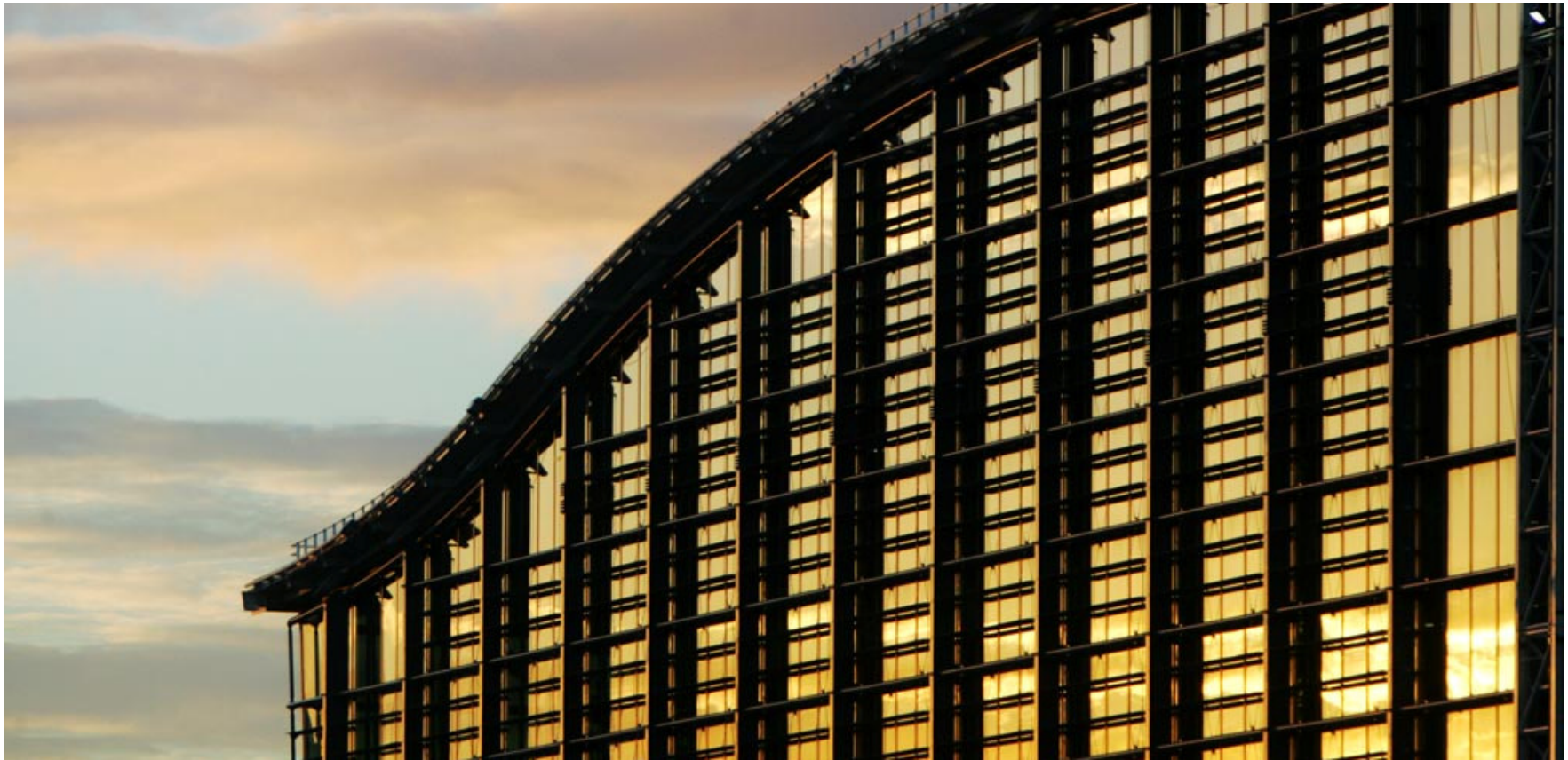


Outlook and conclusion



- ▶ Strong 2008 performance delivered against difficult economic background
- ▶ Expect improved financial performance in 2009 relative to 2008 despite continued challenging environment
 - ▶ tariff structure significantly supports medium term growth in aeronautical income
 - ▶ robust forecast financial ratios
- ▶ Planned disposal of Gatwick airport progressing on schedule
- ▶ Refinancing needs will be deferred into 2010/11 by disposal(s) but funding strategy focused on preparing for new capital raising when opportunities arise
- ▶ Confidence in long term outlook
 - ▶ London air travel market continues to demonstrate strength and resilience
 - ▶ continued focus on transforming airports and further improving service standards
 - ▶ visibility and resilience of future cash flow growth

Appendices



Appendix 1 – net debt at 31 December 2008⁽¹⁾⁽²⁾

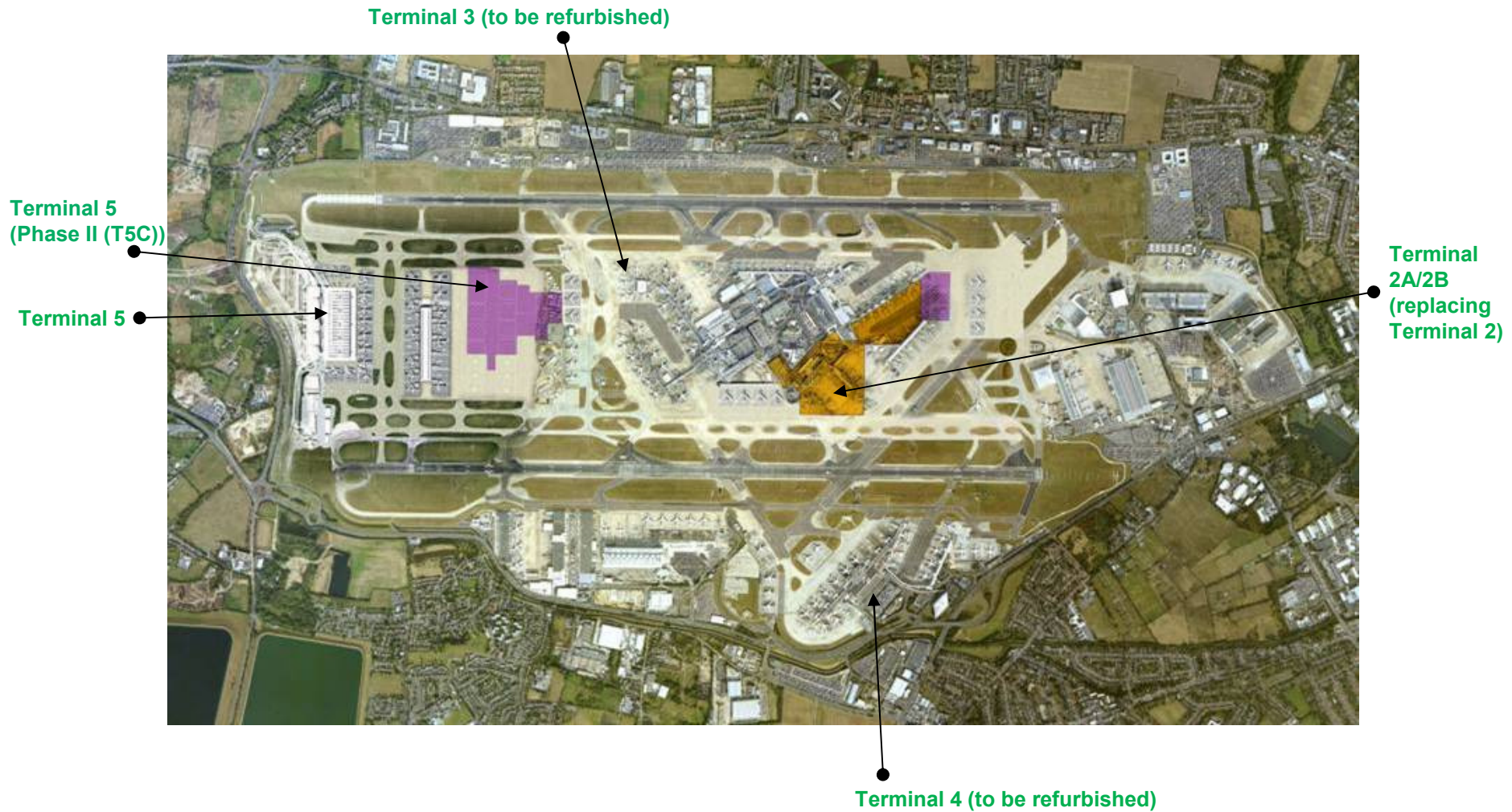


		Debt outstanding at 31 December 2008		Amount and features of available facilities			
		Amount	Cost	Local currency	S&P/Fitch Rating	Maturity	
		(£m)		(m)	(£m)		
Senior (Class A)							
Bonds		680		€1,000	680	A-/A-	2012/14
		396		£396	396	A-/A-	2013/15
		513		€750	513	A-/A-	2014/16
		300		£300	300	A-/A-	2016/18
		510		€750	510	A-/A-	2018/20
		250		£250	250	A-/A-	2021/23
		750		£750	750	A-/A-	2023/25
		200		£200	200	A-/A-	2028/30
		900		£900	900	A-/A-	2031/33
Total bonds		4,499	6.37%		4,499		
Bank debt	Refinancing Facility	3,400		£3,400	3,400	A-/A-	2010/13
	EIB Facility	417		£417	417	A-/A-	2010/22
	Capex Facility	250		£2,300	2,300	n/a	2013
	Working Capital Facility	0		£50	50	n/a	2013
Total bank debt		4,067	6.61%		6,167		
Total senior debt		8,566	6.48%		10,666		
Junior (Class B)							
Bank debt	Refinancing Facility	1,000		£1,000	1,000	BBB/BBB	2010/13
	Capex Facility	0		£400	400	n/a	2013
Total junior debt		1,000	6.88%		1,400		
Gross debt		9,566	6.52%		12,066		
Cash		(182)					
Net debt		9,384					

- 1) External debt of the Security Group excluding intra-group loans
- 2) Data reflects nominal value of debt before index-linked accretion of £42 million

Appendix 2 – Heathrow today

Key construction programmes include further phases of Terminal 5 and the demolition of Terminal 2 to create Terminal 2A/2B

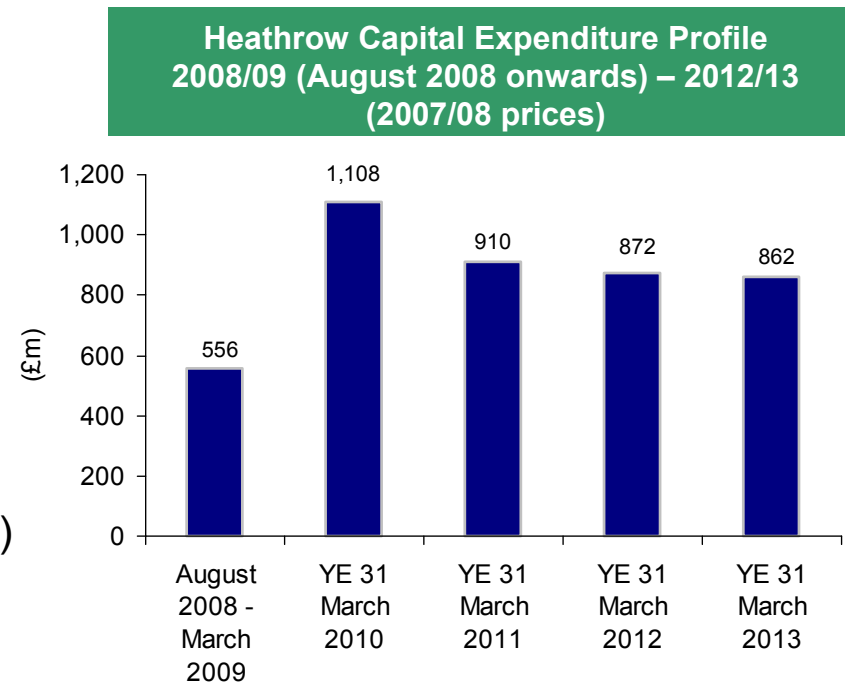


Appendix 2 – Heathrow transformation



- ▶ Terminal 5 opening is first key milestone in £4.3 billion⁽¹⁾ transformation programme through to 2013
- ▶ Investment approved by CAA and agreed with airlines ('constructive engagement process')
- ▶ Key developments in next few years will provide world class infrastructure and transform customer experience
 - ▶ 70% of passengers using new or recently constructed terminals (Terminals 2A and 5)
 - ▶ 30% of passengers using newly refurbished terminals (Terminals 3 and 4)
 - ▶ joint location of major airline alliances
 - ▶ enhance airline profitability
- ▶ Strengthen position as a leading global hub airport

1) In 2007/08 prices and amount forecast to be invested from August 2008 onwards



Appendix 2 – The Heathrow transformation project - 2013

Oneworld Alliance

American Airlines, JAL JAPAN AIRLINES, QANTAS, CATHAY PACIFIC, IBERIA, MALEV, FINNAIR, LAN, ROYAL JORDANIAN

Star Alliance

U.S AIRWAYS, AIR CANADA, LOT POLISH AIRLINES, UNITED, TAP PORTUGAL, Lufthansa, SINGAPORE AIRLINES, Scandinavian Airlines, THAI, TURKISH AIRLINES, AIR CHINA, Austrian, SOUTH AFRICAN AIRWAYS, ASIANA AIRLINES, ANA, SWISS, bmi, AIR NEW ZEALAND, EGYPTAIR, SHANGHAI AIRLINES, Spanair

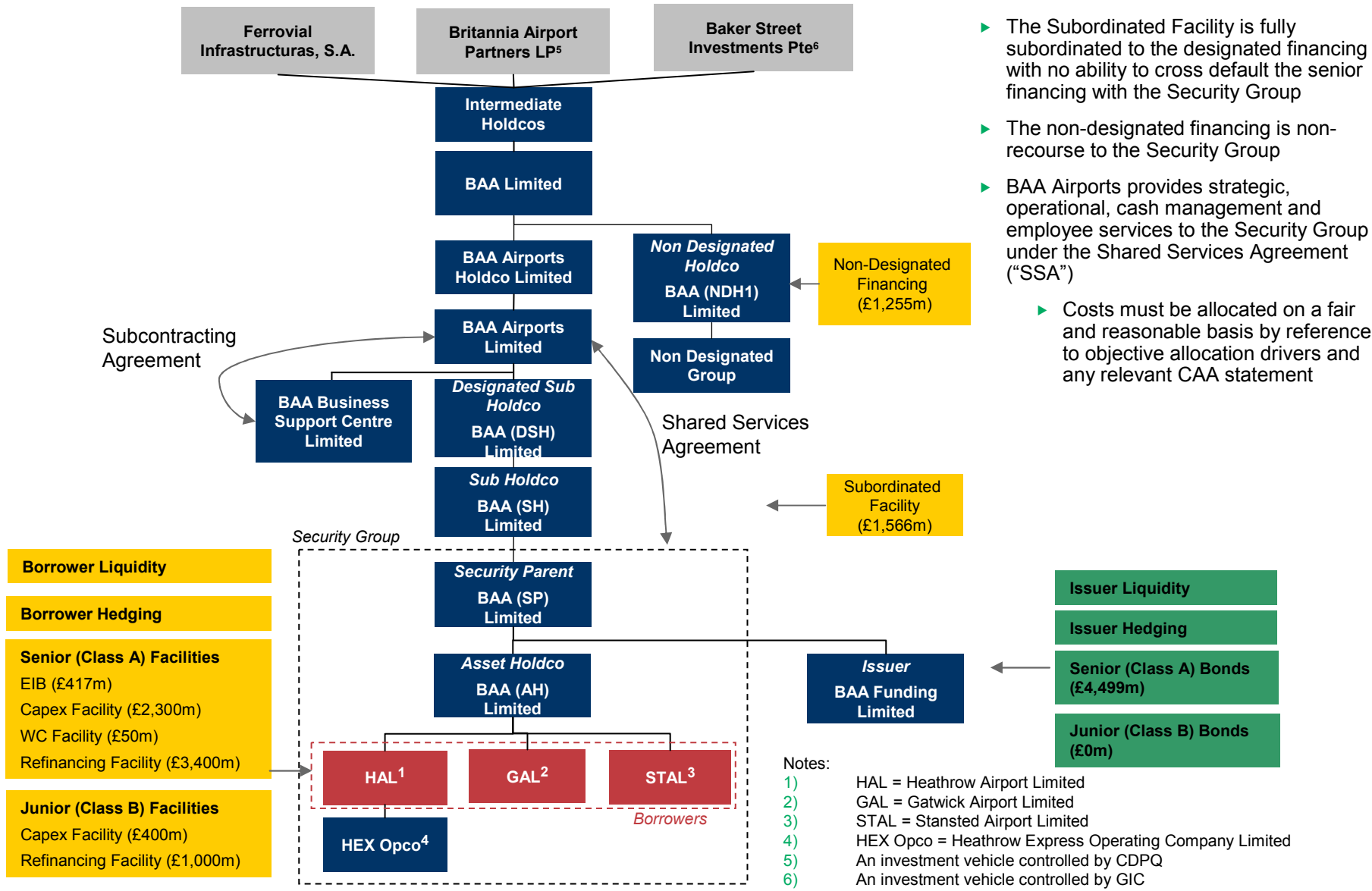


BRITISH AIRWAYS

Sky Team Alliance

AIR FRANCE, DELTA, AEROMEXICO, Alitalia, Continental Airlines, AEROFLOT, CHINA SOUTHERN, CSA CZECH AIRLINES, KOREAN AIR, nwa, KLM

Appendix 3 – summary group structure



- ▶ The Subordinated Facility is fully subordinated to the designated financing with no ability to cross default the senior financing with the Security Group
- ▶ The non-designated financing is non-recourse to the Security Group
- ▶ BAA Airports provides strategic, operational, cash management and employee services to the Security Group under the Shared Services Agreement (“SSA”)
 - ▶ Costs must be allocated on a fair and reasonable basis by reference to objective allocation drivers and any relevant CAA statement

Appendix 4 – BAA Limited financials (income statement)



	Year ended 31 December 2008			Year ended 31 December 2007		
	Before certain re-measurements ¹	Certain re-measurements ¹	Total	Before certain re-measurements ¹	Certain re-measurements ¹	Total
	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	2,125	-	2,125	1,856	-	1,856
Operating costs	(1,756)	-	(1,756)	(1,409)	-	(1,409)
Other operating income						
Fair value (losses)/ gains on investment properties	-	(337)	(337)	-	8	8
Fair value (losses) / gains on derivative financial instruments	-	(9)	(9)	-	21	21
Operating profit/ (loss)	369	(346)	23	447	29	476
<i>Analysed as:</i>						
Operating profit/ (loss) before exceptional items	472	(346)	126	616	29	645
Exceptional Items	(103)	-	(103)	(169)	-	(169)
	369	(346)	23	447	29	476
Financing						
Finance income	196	-	196	86	-	86
Finance costs	(1,254)	-	(1,254)	(974)	-	(974)
Fair value (losses)/ gains on derivative financial instruments	-	(286)	(286)	-	4	4
(Loss)/ profit before tax	(689)	(632)	(1,321)	(441)	33	(408)
Taxation - ordinary	142	193	335	-	-	-
Taxation - exceptional ³	(1,144)	-	(1,144)	245	(12)	233
Taxation	(1,002)	193	(809)	245	(12)	233
Profit/ (loss) for the period from continuing operations	(1,691)	(439)	(2,130)	(196)	21	(175)
Net profit/ (loss) from discontinued operations	187	(3)	184	223	39	262
Consolidated (loss) / profit for the period	(1,504)	(442)	(1,946)	27	60	87
Attributable to:						
Equity holders of the parent	(1,506)	(442)	(1,948)	26	60	86
Minority interest	2	-	2	1	-	1

1 Certain re-measurements (including those of associates and joint ventures) consist of fair value gains and losses on investment property revaluations and disposals and the gains and losses arising on the re-measurement and disposal of derivative financial instruments, together with the associated fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship, together with the related tax impact of these items.

2 Prior period comparatives have been restated to reflect the disposal of APP and WDFE and the expected disposal of Gatwick airport in 2009.

3 Total exceptional deferred tax charge of £1,250m related to abolition of Industrial Building Allowances, of which £106m relates to discontinued operations.

Disclaimer



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