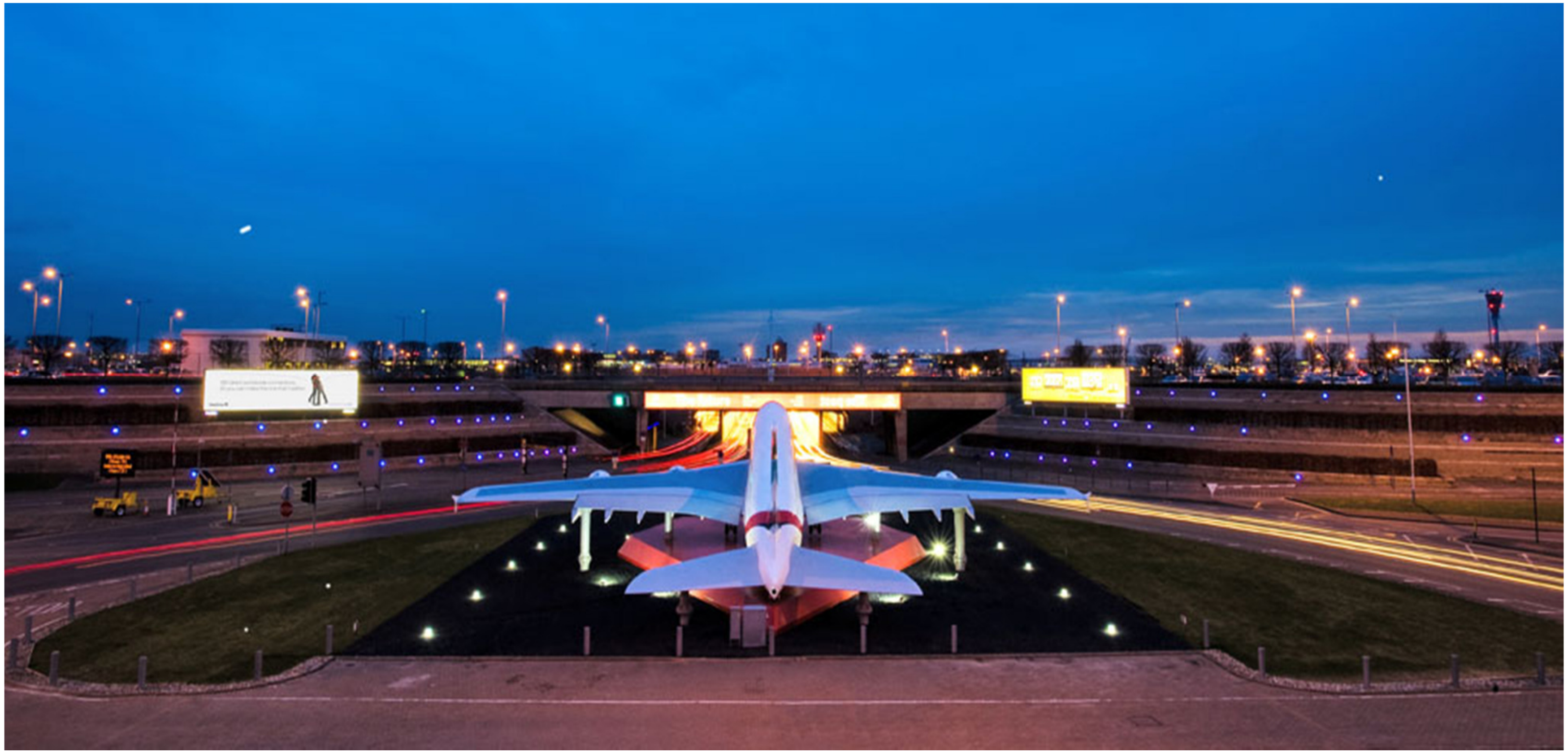


Heathrow and Stansted
BAA's London airports group

Investor update

January 2012

BAA

Agenda

1. Introduction
2. Recent significant business developments
3. Financial performance
4. Financing structure
5. Investment highlights

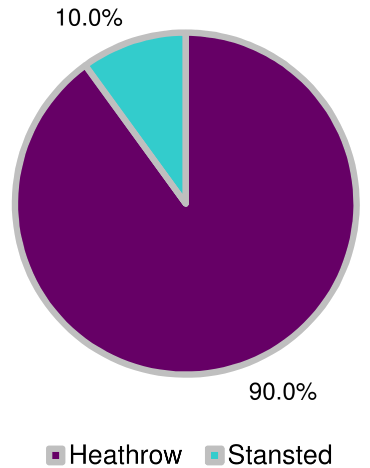
Introduction

BAA

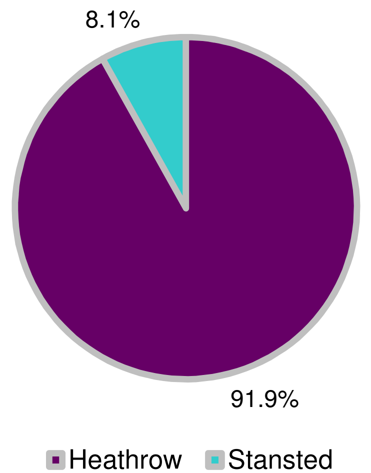
Introduction to BAA's London airports group

- 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
  - Heathrow dominates the group
  - 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)

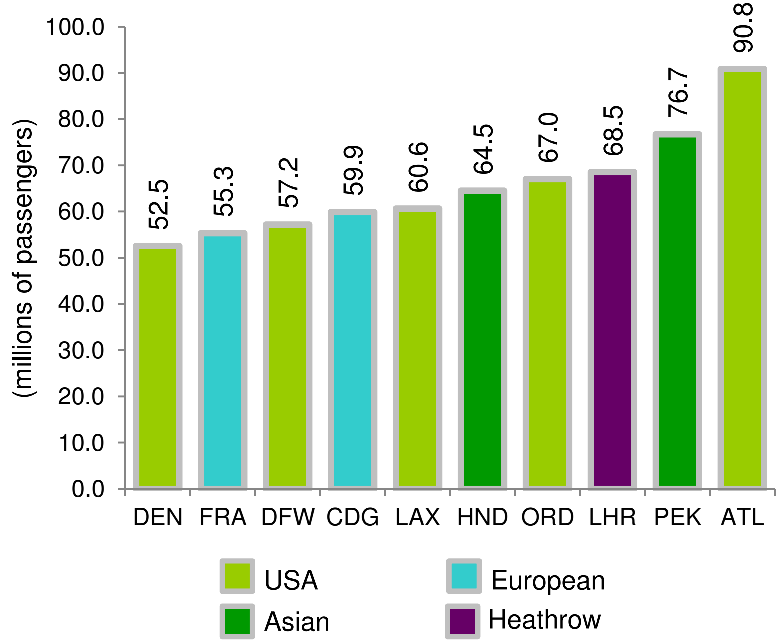


See pages 27-28 for sources, notes and defined terms

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 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)



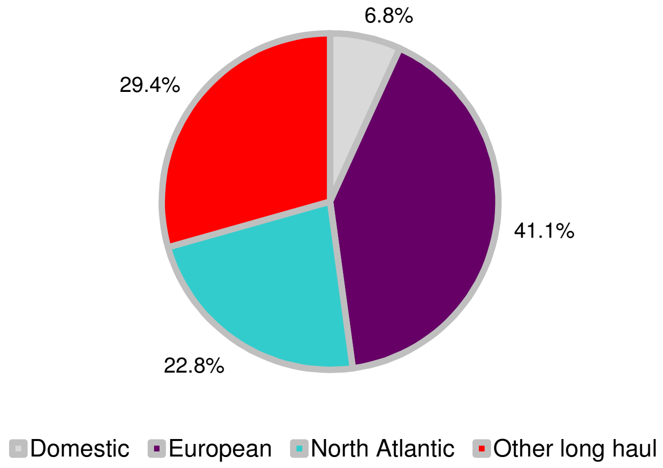
BAA

See pages 27-28 for sources, notes and defined terms

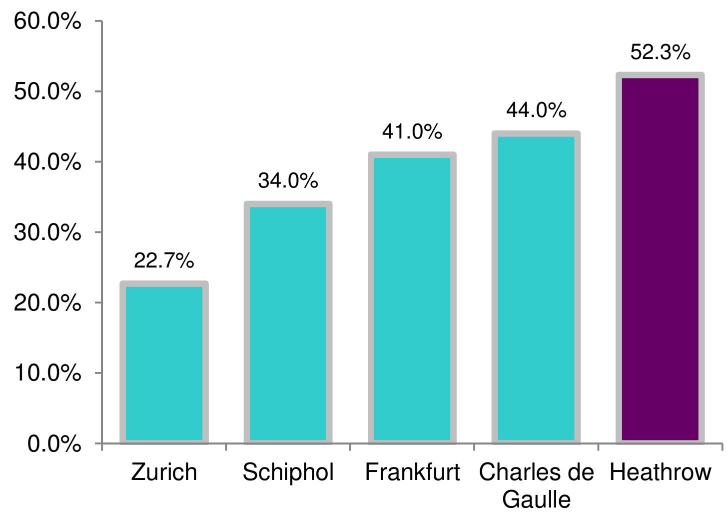
Heathrow's resilience and diversity

- 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
    - Zurich: 69% Star Alliance
    - Schiphol: 61% SkyTeam
    - Aéroports de Paris: 56% SkyTeam

Heathrow passenger traffic by origin/destination in year ended 31 December 2011

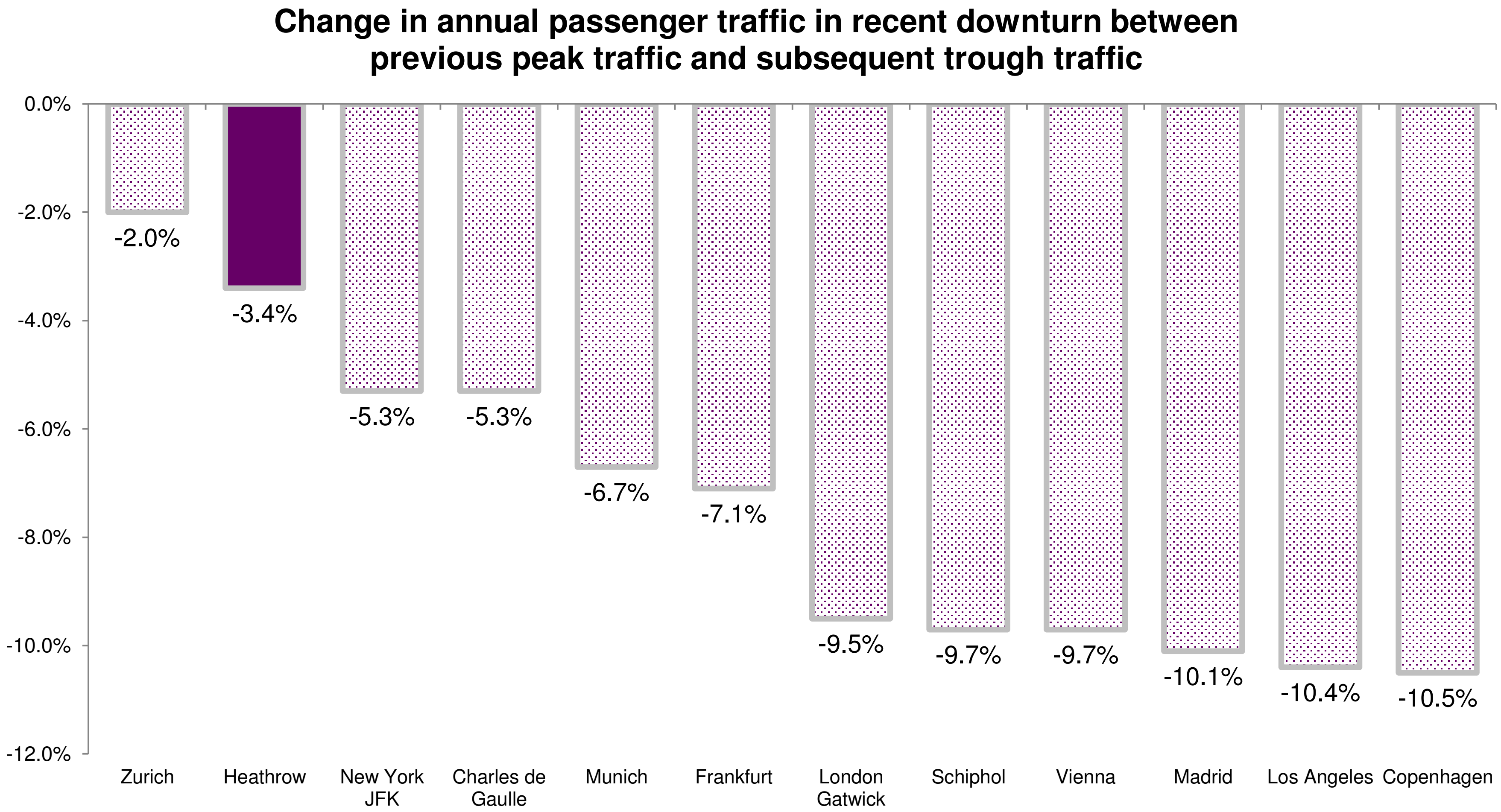


Proportion of long haul traffic (2010)



See pages 27-28 for sources, notes and defined terms

Exceptional traffic resilience in recent downturn



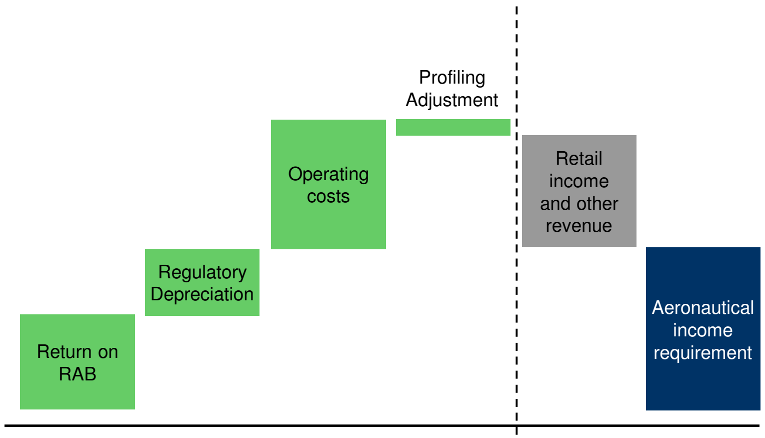
BAA

See pages 27-28 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

BAA

Resulting in stable 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%

BAA

See pages 27-28 for sources, notes and defined terms

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

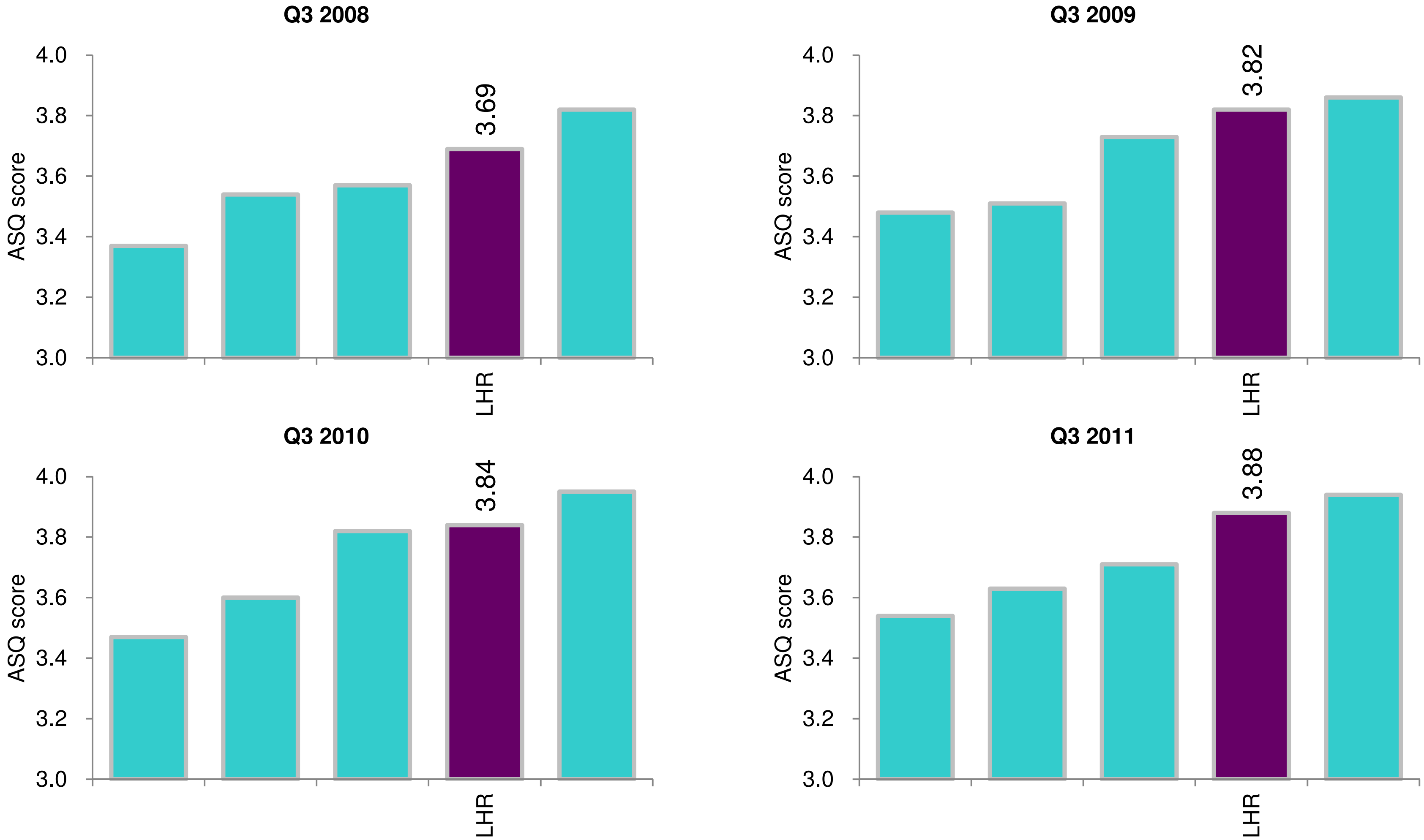
- Support and develop Heathrow's role as a global hub by
  - investing in further capacity
  - lowering airline operating costs
  - improving passenger experience and service standards
  - upgrading rail links
  - enhancing operational flexibility and resilience

Recent significant business developments

BAA

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

Overall passenger satisfaction for top 5 European airports



See pages 27-28 for sources, notes and defined terms

Transforming infrastructure to enhance competitive position

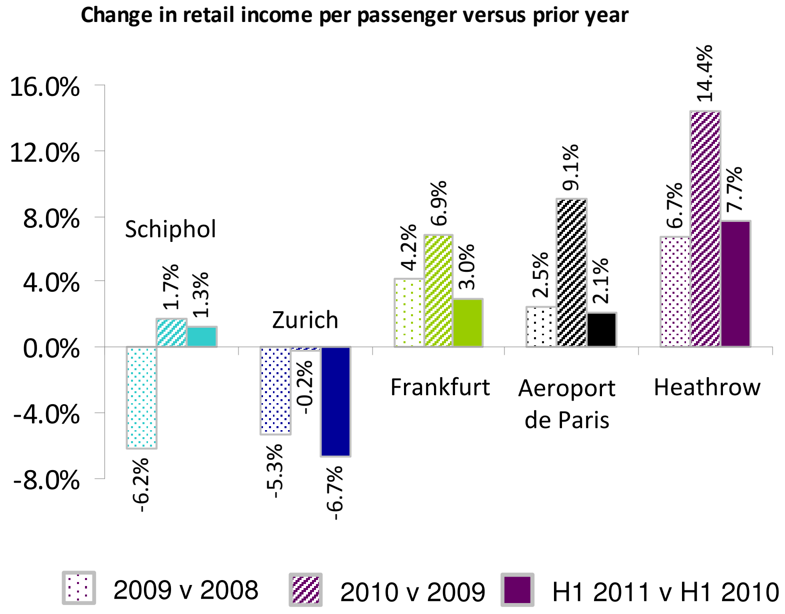
- Investing about £1 billion per annum
  - agreed in advance with airlines and regulator
  - capital expenditure added to RAB which then earns regulated revenues for BAA
- Terminal 5
  - opened in 2008
  - worldwide hub of British Airways
  - up to 35 million passengers per annum
- Terminal 4 significantly 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
- Major integrated baggage investment

Terminal 5 – 2011

Terminal 2 site – September 2011

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
  - net retail income per passenger up 19% across 2 airports between 2008 and 2010
  - 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



BAA

See pages 27-28 for sources, notes and defined terms

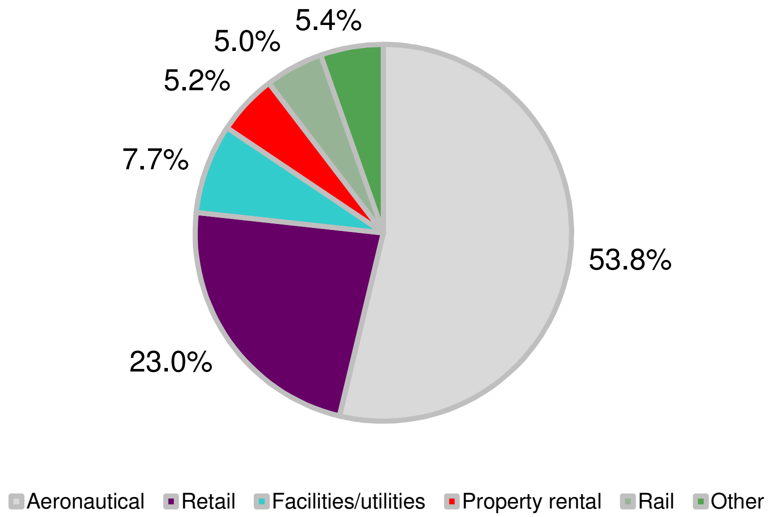
Financial performance

BAA

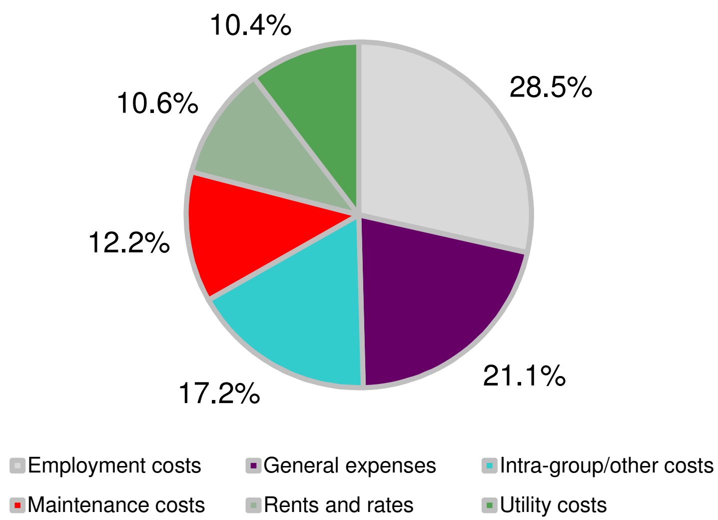
Turnover and cost structure

- Turnover
  - aeronautical income charged to airlines
    - Heathrow tariff increasing by RPI + 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 27-28 for sources, notes and defined terms

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 scheduled 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%**

BAA

See pages 27-28 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**	+10.1%
Adjusted operating costs	826.5	**861.1**	+4.2%
Adjusted EBITDA	719.0	**842.2**	+17.1%
Consolidated senior net debt	8,793.2	**9,326.0**	+6.1%
RAB (Regulatory Asset Base)	12,776.0	**13,633.4**	+6.7%

BAA

See pages 27-28 for sources, notes and defined terms

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 senior net debt	9,368	**9,994**	+6.7%
Consolidated total net debt	10,393	**11,619**	+11.8%
RAB (Regulatory Asset Base)	13,783	**14,718**	+6.8%

BAA

See pages 27-28 for sources, notes and defined terms

Financing structure

BAA

Overview of London airports' debt financing

- Financing structure similar to other major regulated UK businesses in the utilities sectors
- Established debt capital markets financing platform across multiple formats, rating levels and currencies
- Debt split into multiple tranches
  - senior (Class A) – rated A-/A-
  - junior (Class B) – rated BBB/BBB
  - subordinated (holding company) – rated BB+/Ba3
- Bonds reclassified as 'Corporate' from end 2011 by iBoxx/Markit

BAA's London airports

Consolidated net debt analysis at 30 September 2011

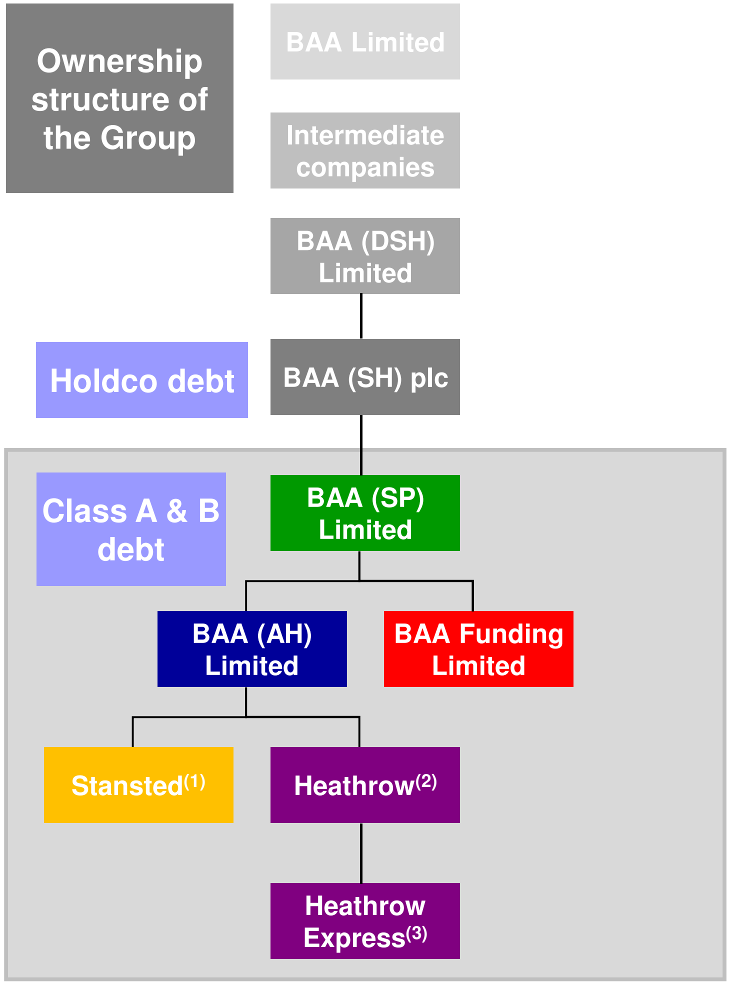
(figures in £m)	Class A	Class B	Holding company	Total
Bonds	7,402.7	400.0	325.0	8,127.7
Loan facilities	1,704.5	625.0	175.0	2,504.5
Inflation-linked derivative accretion	286.1	0.0	0.0	286.1
Cash	(67.3)	0.0	(0.5)	(67.8)
Total net debt	9,326.0	1,025.0	499.5	10,850.5

BAA

See pages 27-28 for sources, notes and defined terms

Strong protections for senior bondholders

- First ranking security
  - mortgage over the airports and all their fixed assets
  - share pledge over Group companies
  - charge over receivables
- Operational and financial maintenance covenants and distribution lock-ups
  - leverage and interest cover
  - maintenance of minimum BBB+ rating
  - restrictions on business activities, acquisitions and disposals
- Regular information flow
- Significant liquidity enhancements
- Minimum hedging requirement

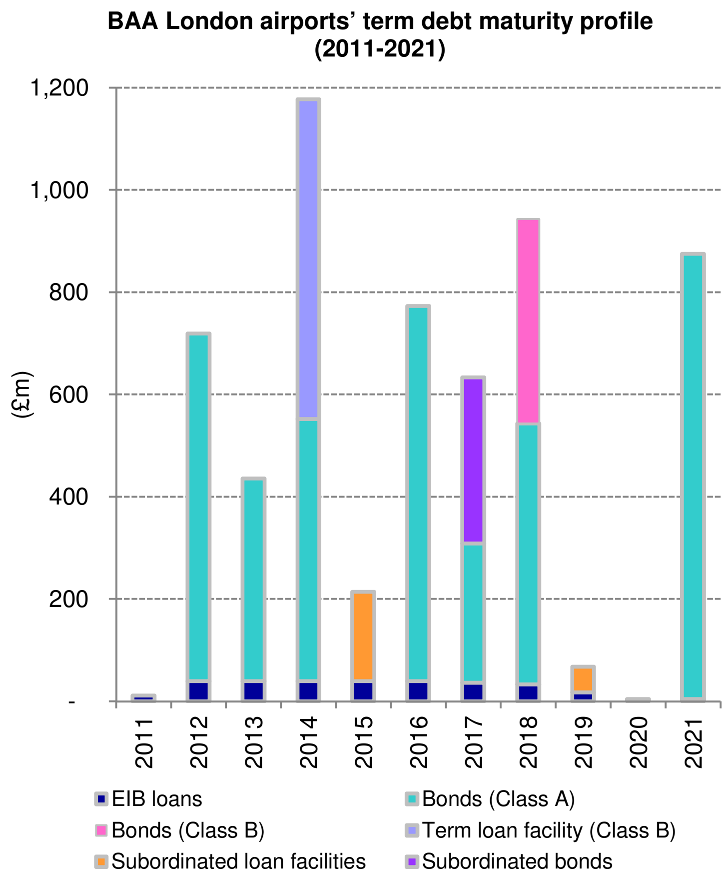


Notes
(1) Stansted: Stansted Airport Limited
(2) Heathrow: Heathrow Airport Limited
(3) Heathrow Express: Heathrow Express Operating Company Limited

BAA

Strong liquidity position

- Support from wide range of credit investors
  - nearly £5 billion in fresh debt financing raised since late 2009
- Liquidity forecast to allow group to meet all its obligations until early 2013 even without new financing
- Overall liquidity includes
  - operating cash flow
  - £1.4 billion in cash and undrawn facilities
  - £524 million liquidity facilities



BAA

See pages 27-28 for sources, notes and defined terms

Stable financial ratios support capital investment programme

- Strong operating results and prudent financial policies supporting credit profile through Heathrow's capital programme
  - financial ratios comfortably within covenanted trigger levels
  - balanced debt maturity profile – 45% of BAA (SP)'s debt matures after 2020
  - consistent A-/A- ratings since 2008

	FY 2009	FY 2010	FY 2011	FY 2012
Interest cover				
Cash flow (£m)	737.7	671.9	777	929
Senior interest paid (£m)	455.5	322.6	295	342
Senior Interest Cover Ratio	1.62x	2.08x	2.63x	2.71x
Ratio trigger level	1.40x	1.40x	1.40x	1.40x
Leverage				
Senior net debt (£m)	7,919.6	8,793.2	9,368	9,994
Regulatory Asset Base (£m)	11,730.5	12,776.0	13,783	14,718
Senior Regulatory Asset Ratio	67.5%	68.8%	68.0%	67.9%
Ratio trigger level	70.0%	70.0%	70.0%	70.0%
Senior debt headroom (£m)	691.8	550.0	680	709
Senior + junior debt headroom (£m)	1,391.9	938.4	1,323	891

See pages 27-28 for sources, notes and defined terms

Investment highlights

BAA

Investment highlights

- Stability and resilience of world's leading international hub airport
  - 8 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
  - top ranked European hub on 23 out of 33 measures
- 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 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 on 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 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
- 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
  - 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 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
- Page 16
  - Adjusted operating costs exclude depreciation, amortisation and exceptional items

Notes, sources and defined terms (2)

- Page 17
  - Totals and percentage change calculated using un-rounded passenger numbers
  - European traffic includes North African charter traffic
- Page 18 and 19
  - 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 18, percentage changes are relative to same period of 2010 except for net debt and RAB which are relative to 31 December 2010
  - On page 19, figures taken from Investor Report issued on 19 December 2011
- Page 21
  - Net debt is calculated on a nominal basis excluding intra-BAA group loans and including inflation-linked accretion
- Page 23
  - Debt maturity profile is as at 30 September 2011 but adjusted for £50 million BAA (SH) plc loan completed in December 2011 and CHF400 million bond completed in January 2012. Excludes revolving capital expenditure facility
- Page 24
  - Interest cover ratio is the ratio of net cash flow to interest paid
  - Net cash flow is cash flow from operations (excluding items of a one-off, non-recurring, extraordinary or exceptional nature) less 2% of the closing Regulatory Asset Base for the period less any tax paid to HMRC
  - Gearing ratio is the ratio of nominal net debt (including inflation-linked accretion) to RAB
  - Senior debt headroom takes into account ability to utilise undrawn £400 million junior tranche of capital expenditure facility
  - Figures for FY 2011 and FY 2012 are forecasts taken from Investor Report issued on 19 December 2011

Disclaimer

- This material contains certain tables and other statistical analyses (the "Statistical Information") which have been prepared in reliance on publicly available information and may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Statistical Information. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context; nor as to whether the Statistical Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. BAA does not make any representation or warranty as to the accuracy or completeness of the Statistical Information.
- These materials contain statements that are not purely historical in nature, but are "forward-looking statements". These include, among other things, projections, forecasts, estimates of income, yield and return, and future performance targets. These forward-looking statements are based upon certain assumptions, not all of which are stated. Future events are difficult to predict and are beyond BAA's control. Actual future events may differ from those assumed. All forward-looking statements are based on information available on the date hereof and neither BAA nor any of its affiliates or advisers assumes any duty to update any forward-looking statements. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower that those presented.
- This material should not be construed as an offer or solicitation to buy or sell any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.
- This document may have been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither BAA nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document sent to you in electronic format and the hard copy version available to you upon request from BAA.
- Any reference to "BAA" will include any of its affiliated associated companies and their respective directors, representatives or employees and/or any persons connected with them.

BAA