



**BAA**

Investor update

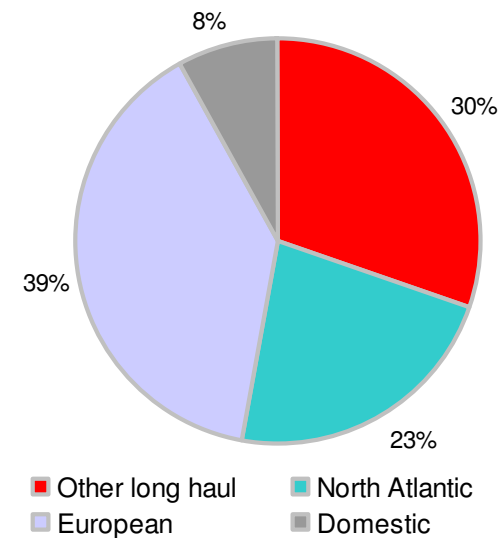
November 2009



# 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

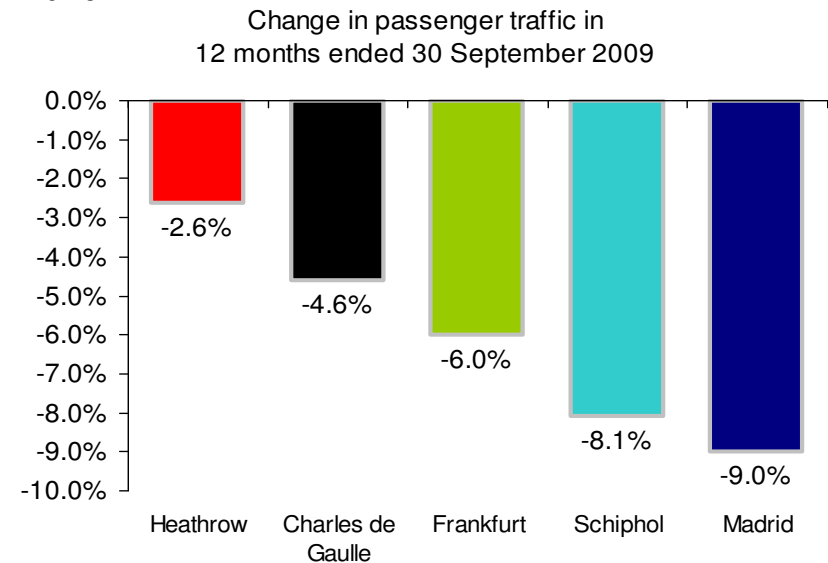
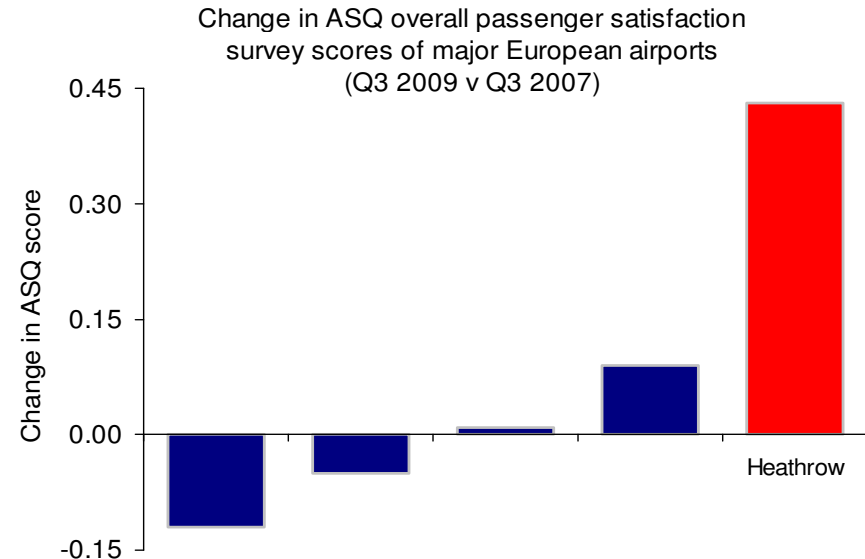


**“In the current environment, it is difficult to argue we should go out and acquire these slots...having said that, it may be the only opportunity we ever get.”**

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



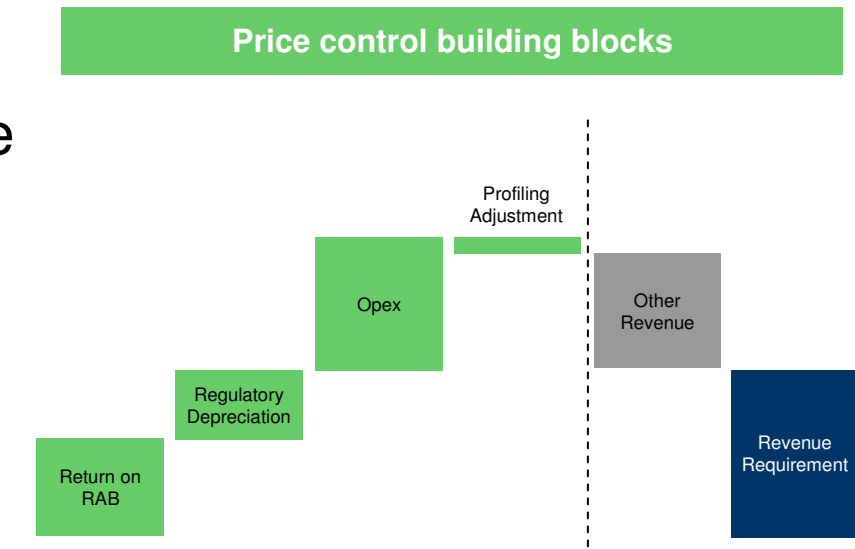
# Continuing investment to enhance competitive position

- Approximately £750 million spent in first nine months of 2009
- Heathrow (nearly £600 million spent)
  - 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
- Stansted (£50 million spent)
  - reduced spend in CAA settlement agreed with airlines reflecting economic climate
- Around £100 million spent at Gatwick



# Stable regulatory environment

- ‘Single till’ price regulation
- Regulator statutory duties include
  - promoting efficient, economic and profitable operation at airports
- Five year regulatory periods
  - 2013 at Heathrow
  - 2014 at Stansted
- Government airport expansion plans focused on Heathrow and Stansted



Revenue 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

## Significant positive progress in Government's regulatory review

- BAA welcomes proposals for modernising regulation
- Government addressed creditor sensitive issues on 13 October 2009
  - no longer pursuing special administration insolvency regime
  - existing financing structure can be retained
- Next steps before end of 2009
  - publication of conclusions of overall review
  - launch further consultations on continuity of service and ring fencing

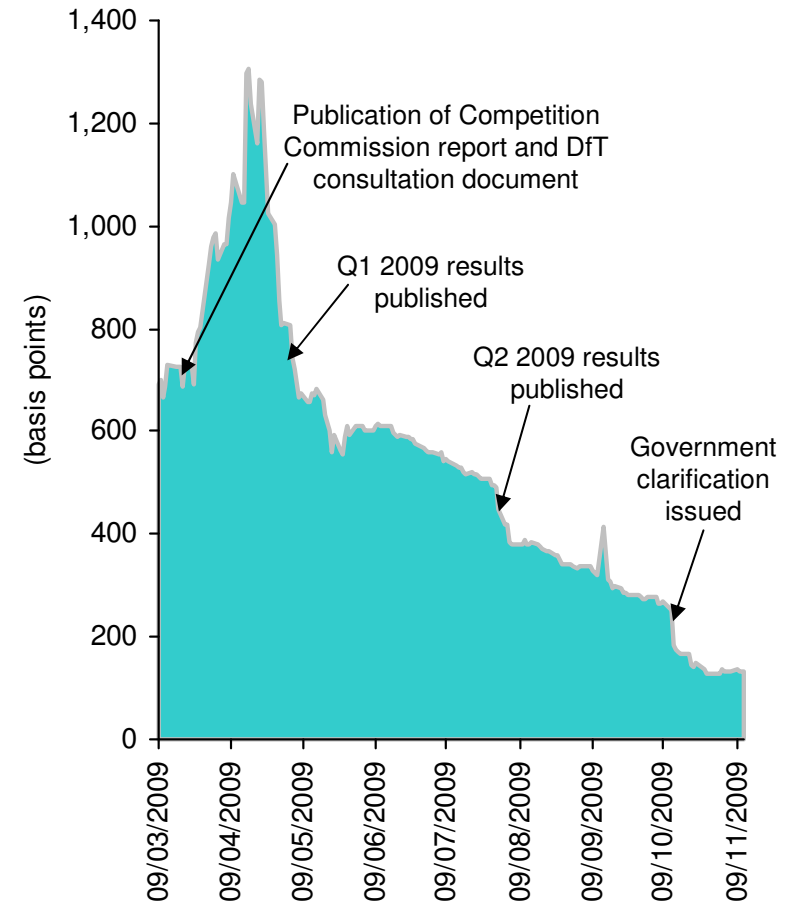
## Sale of Gatwick is a major step forward

- Sale of Gatwick airport to Global Infrastructure Partners for £1.51 billion...
  - including contingent consideration of up to £55 million
  - completion expected in December 2009
- ...is a major step forward
  - increased focus on Heathrow
  - key milestone for customers and the public at large
  - clarity for staff
  - breathing space to consider future
- Competition Appeal Tribunal hearing now complete
  - outcome of appeal anticipated by early 2010

# Recent positive momentum

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

BAA 5 year CDS price  
(March 2009 - November 2009)



Source: Bloomberg/BAA



# Resilient traffic and financials

- Improved operating performance
- Resilient financial performance

## Highlights of first nine months of 2009

Revenue	<b>+7.6%</b>
Adjusted EBITDA	<b>+17.3%</b>

Heathrow passenger traffic	<b>-2.3%</b>
Total passenger traffic	<b>-5.5%</b>
NRI per passenger	<b>+6.1%</b>

Capital expenditure	<b>£749.2m</b>
Net debt	<b>£9,771.0m</b>
RAB	<b>£13,155.7m</b>

- 1) Percentage changes are relative to first nine months of 2008
- 2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
- 3) NRI: net retail income; RAB: Regulatory Asset Base
- 4) Nominal net debt excluding intra-BAA group loans and including index-linked derivative accretion

# Q3 2009 passenger numbers suggest the worst is over

<b>Recent trends in passenger traffic</b>						
	<b>9 months ended 30 September</b>			<b>3 months ended 30 September</b>		
	<b>2009 (m)</b>	<b>2008 (m)</b>	<b>Change</b>	<b>2009 (m)</b>	<b>2008 (m)</b>	<b>Change</b>
<b><i>By airport</i></b>						
Heathrow	<b>49.9</b>	51.1	<b>-2.3%</b>	<b>18.6</b>	18.6	<b>+0.3%</b>
Stansted	<b>15.5</b>	17.6	<b>-12.0%</b>	<b>6.3</b>	6.8	<b>-8.3%</b>
Gatwick	<b>25.4</b>	27.3	<b>-7.2%</b>	<b>10.6</b>	10.9	<b>-3.4%</b>
<b><i>By market served</i></b>						
UK	<b>8.2</b>	8.9	<b>-8.2%</b>	<b>3.0</b>	3.2	<b>-5.2%</b>
Europe	<b>50.9</b>	54.0	<b>-5.9%</b>	<b>20.7</b>	21.3	<b>-2.9%</b>
Long haul	<b>31.7</b>	33.0	<b>-4.1%</b>	<b>11.8</b>	11.9	<b>-0.7%</b>
<b>Total</b>	<b>90.7</b>	<b>96.0</b>	<b>-5.5%</b>	<b>35.5</b>	<b>36.4</b>	<b>-2.4%</b>

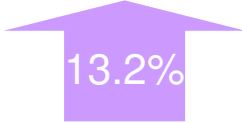
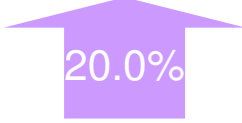
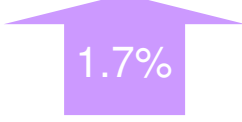
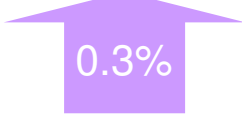
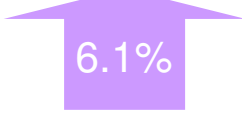
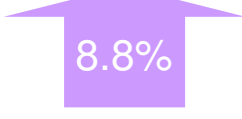
- 1) Totals and percentage change calculated using un-rounded numbers
- 2) European traffic includes North African charter traffic

# Resilient financial performance

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

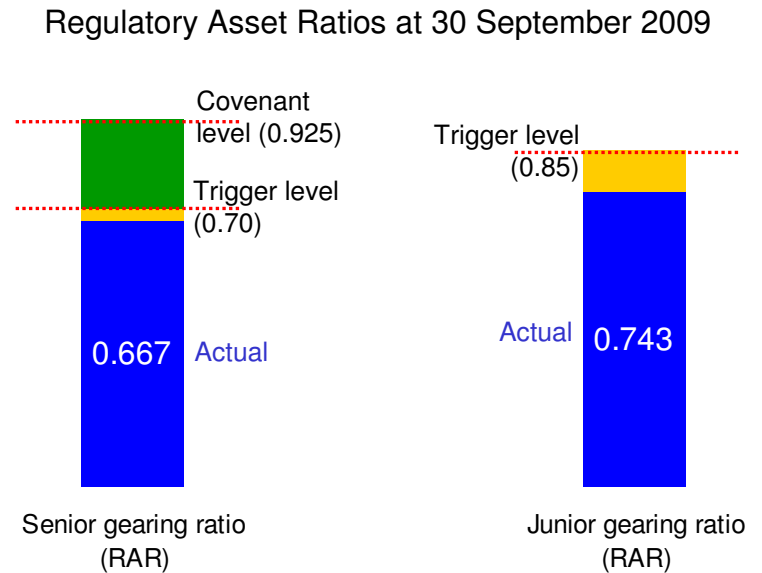
# Revenue growth led by revised tariffs and retail

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

## Strong creditor protections

- First ranking security
- Operational and financial covenants
- Regular information flow
- Distribution lock-ups if triggers breached
- Significant liquidity enhancements
- Minimum hedging requirement

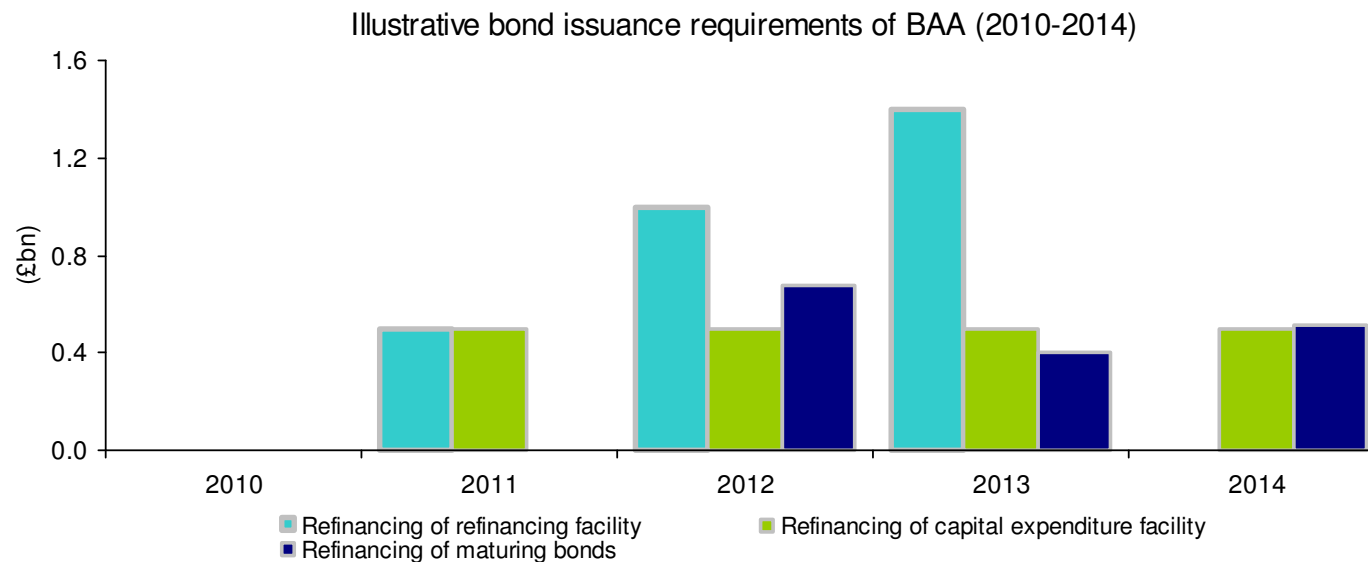


## Strengthened liquidity position

- Group remains strongly cash generative
  - over £375 million of post-interest cash flow in first nine months of 2009
- Substantial liquidity with £2.3 billion in cash/undrawn facilities
- £1.2 billion estimated net proceeds from Gatwick sale
  - repay in full £1.0 billion March 2010 bank refinancing facility maturity
  - balance to repay subsequent facility maturities
- Balance of Gatwick proceeds and equity commitment addresses significant part of 2011 debt maturities

# Future issuance plans

- Ongoing refinancing of bond and bank debt initially via £/€ bond issuance
- Earlier issuance may be used to prepay bank debt
- Natural issuer of index-linked debt

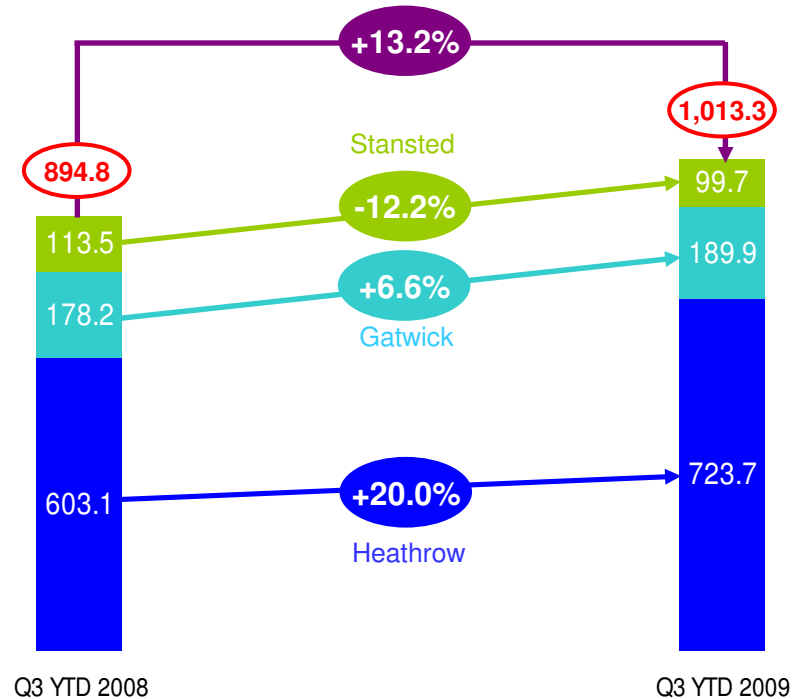


# Appendix



# Aeronautical income in first nine months of 2009

- Increased aeronautical income supports substantial investment
  - 13.2% reported
  - 5.3% underlying<sup>(1)</sup>
- Heathrow up 20.0%

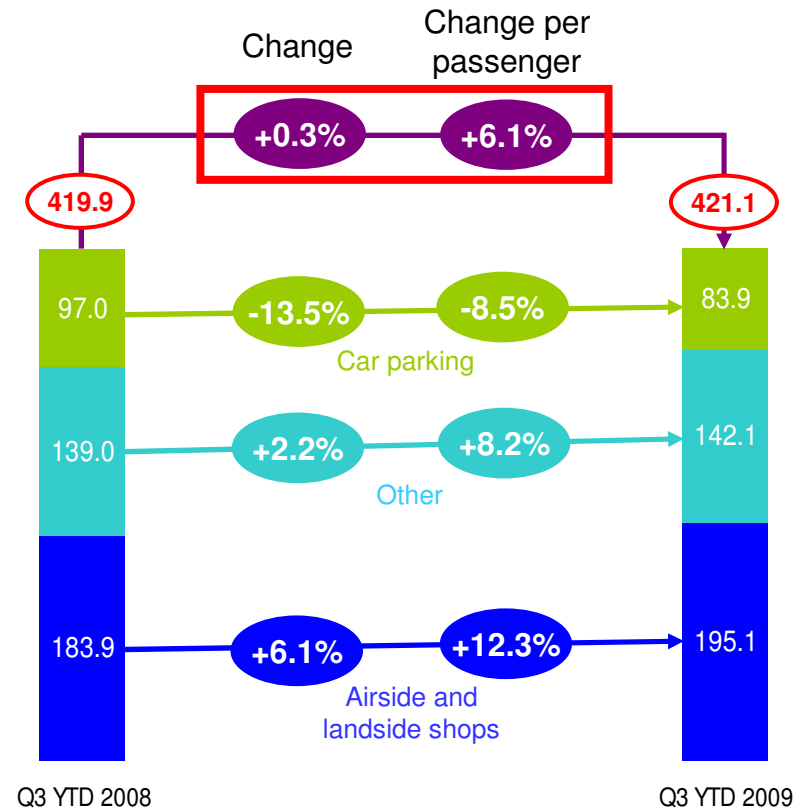


1) Underlying increase in aeronautical income adjusts for introduction of NATS' related income and phasing of introduction of increased Heathrow and Gatwick tariffs

# Retail income in first nine months of 2009

- Net retail income per passenger up 6.1% to £4.64
  - Heathrow: +8.8%
  - Gatwick: +1.6%
  - Stansted: +2.8%
- In-terminal shopping driving performance
  - more intra-terminal transfer passengers
  - high quality retail facilities
  - exchange rates

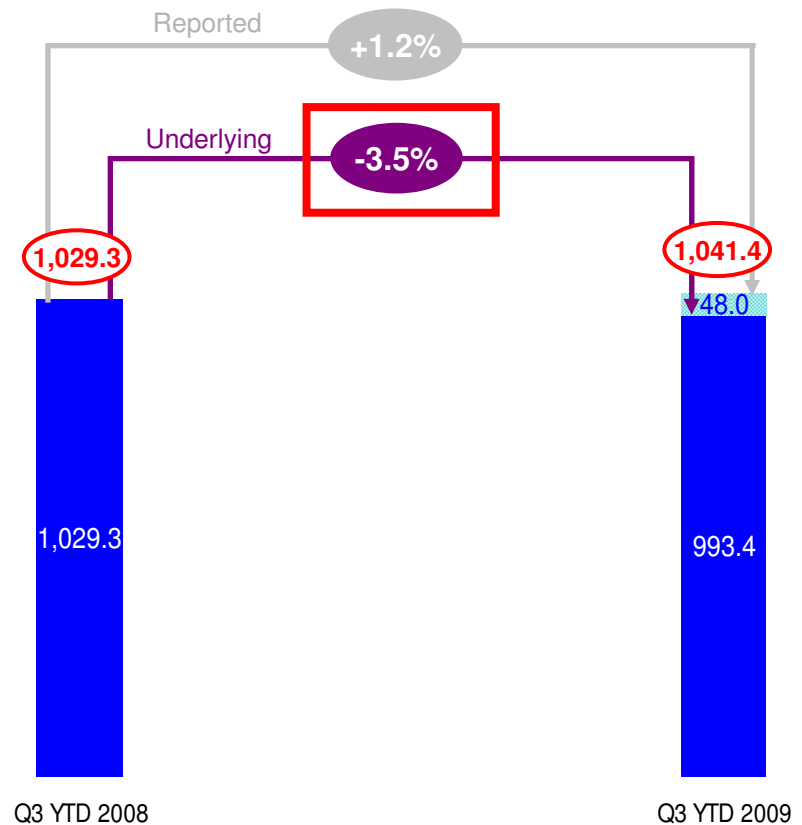
Analysis of net retail income



# Operating cost performance in first nine months of 2009

- Significant efficiency gains
- 3.5% underlying cost reduction<sup>(2)</sup>
- Continue to identify opportunities to reduce costs
  - IT outsourcing
  - Heathrow car parking suppliers

Analysis of Adjusted Operating Costs<sup>(1)</sup>



- 1) Excluding depreciation and exceptional items  
2) Underlying cost reduction calculated by adjusting for Terminal 5 pre-opening costs and NATS/PRM costs

# Nominal net debt at 30 September 2009

		Debt outstanding at 30 September 2009		Amount and features of available facilities			
		Amount		Local currency	S&P/Fitch Rating	Maturity	
		(£m)		(m)	(£m)		
<b>Senior (Class A)</b>							
Bonds		680.2	680.2	999.9	680.2	A-/A-	2012/14
		396.4	396.4	396.4	396.4	A-/A-	2013/15
		512.9	512.9	749.9	512.9	A-/A-	2014/16
		299.9	299.9	299.9	299.9	A-/A-	2016/18
		510.2	510.2	750.0	510.2	A-/A-	2018/20
		249.8	249.8	249.8	249.8	A-/A-	2021/23
		749.6	749.6	749.6	749.6	A-/A-	2023/25
		199.9	199.9	199.9	199.9	A-/A-	2028/30
		900.0	900.0	900.0	900.0	A-/A-	2031/33
<b>Total bonds</b>		<b>4,498.9</b>	<b>4,498.9</b>	<b>4,498.9</b>	<b>4,498.9</b>		
Bank debt		3,400.0	3,400.0	3,400.0	3,400.0	A-/A-	2010/13
Refinancing Facility		385.0	385.0	385.0	385.0	A-/A-	2010/22
EIB Facility		498.0	498.0	2,300.0	2,300.0	n/a	2013
Capex Facility		0.0	0.0	50.0	50.0	n/a	2013
Working Capital Facility							
<b>Total bank debt</b>		<b>4,283.0</b>	<b>4,283.0</b>	<b>6,135.0</b>	<b>6,135.0</b>		
<b>Total senior debt</b>		<b>8,781.9</b>	<b>8,781.9</b>	<b>10,633.9</b>	<b>10,633.9</b>		
<b>Junior (Class B)</b>							
Bank debt		1,000.0	1,000.0	1,000.0	1,000.0	BBB/BBB	2010/13
Refinancing Facility		0.0	0.0	400.0	400.0	n/a	2013
Capex Facility							
<b>Total junior debt</b>		<b>1,000.0</b>	<b>1,000.0</b>	<b>1,400.0</b>	<b>1,400.0</b>		
<b>Index-linked derivative accretion</b>		<b>16.3</b>	<b>16.3</b>				
<b>Gross debt</b>		<b>9,798.2</b>	<b>9,798.2</b>	<b>12,033.9</b>	<b>12,033.9</b>		
<b>Cash</b>		<b>(27.2)</b>	<b>(27.2)</b>				
<b>Net debt</b>		<b>9,771.0</b>	<b>9,771.0</b>				

1) Data reflects nominal value of debt and excludes intra-BAA group loans

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