



BAA's London airports

Holding company debt

Barclays European High Yield and Leveraged Finance Conference

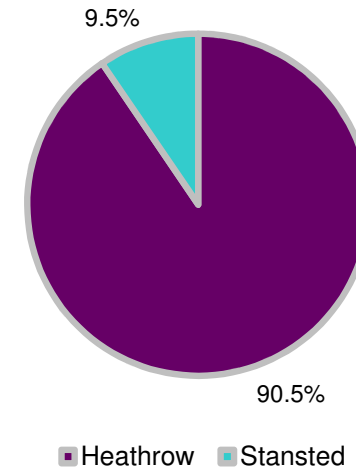
13 September 2012



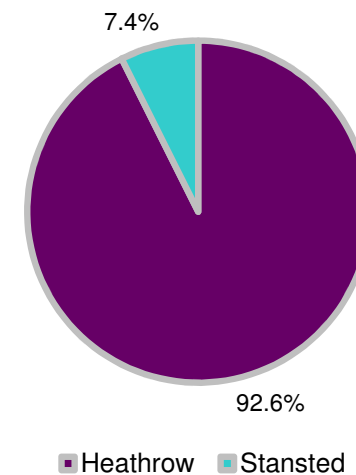
Introduction to BAA's London airports

- BAA owns London's Heathrow and Stansted airports
 - Heathrow dominates the group
 - Stansted to be sold in coming months
- Because of their importance, the UK Government requires Heathrow and Stansted to be independently regulated
- Civil Aviation Authority resets price caps every 5 or 6 years, protecting against cost increases and revenue downturns
- London airports ring-fenced from rest of BAA group and financed separately
- Strong security package for creditors

Split of RAB between Heathrow and Stansted
(as at 30 June 2012)

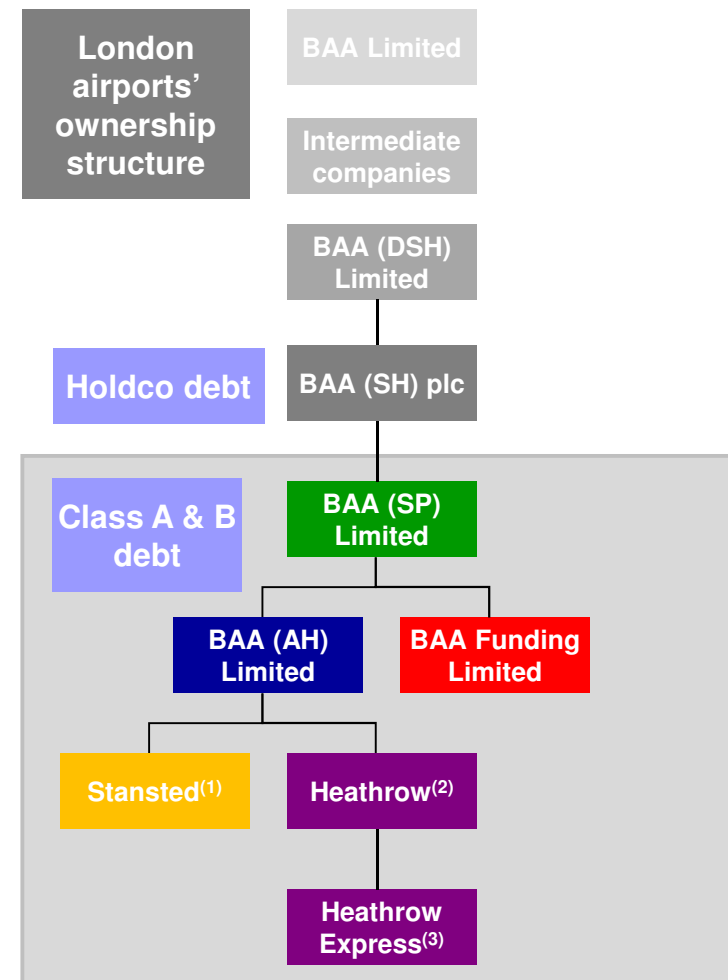


Split of Adjusted EBITDA between Heathrow and Stansted
(for year ended 30 June 2012)



London airports' ownership and financing structure

- BAA indirectly wholly-owned by entities controlled or managed by (on Qatar Holding's share purchase completing)
 - Ferrovial: 39.37%
 - CDPQ: 20.85%
 - Qatar Holding: 20.00%
 - GIC: 13.90%
 - Alinda Capital Partners: 5.88%
- London airports issue debt at 3 levels in capital structure
 - predominantly in capital markets
 - BAA Funding Limited issues Class A/B bonds
 - rated A- and BBB respectively
 - BAA (SH) plc issues holding company bonds
 - rated BB+/Ba3



Notes

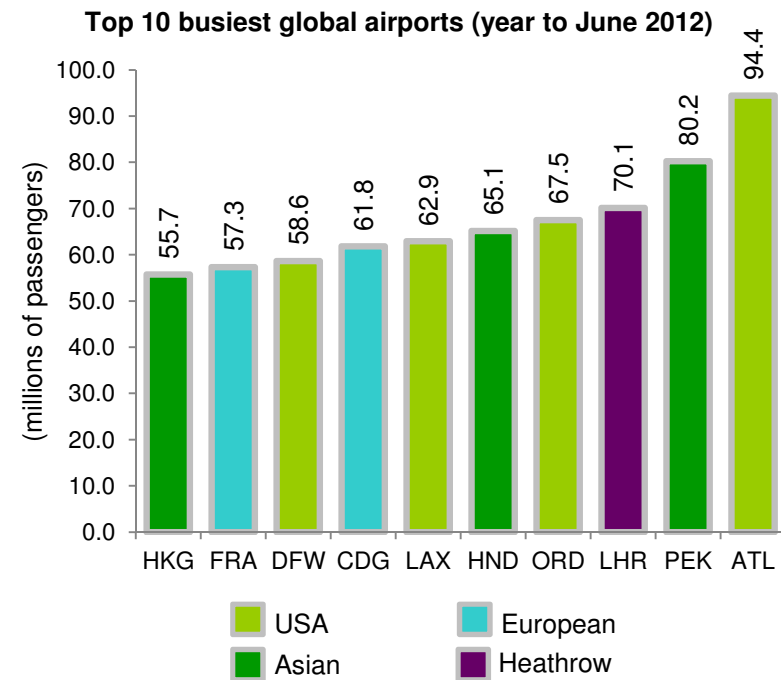
(1) Stansted: Stansted Airport Limited

(2) Heathrow: Heathrow Airport Limited

(3) Heathrow Express: Heathrow Express Operating Company Limited

Heathrow – critical infrastructure provides strong resilience

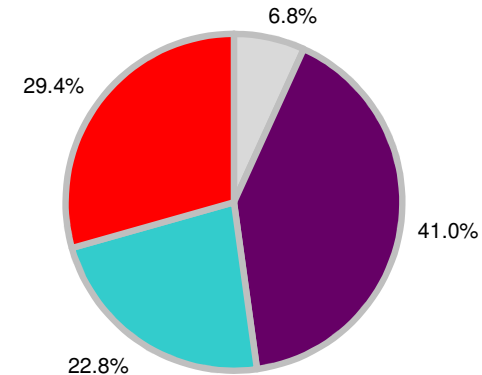
- Heathrow is London's and the UK's only hub airport
- Europe's busiest airport and world's busiest airport for international traffic
- Heathrow has 7 of the global top 10 intercontinental long haul routes
- 80% of UK scheduled long haul traffic
- British Airways' worldwide hub



Heathrow's resilience and diversity

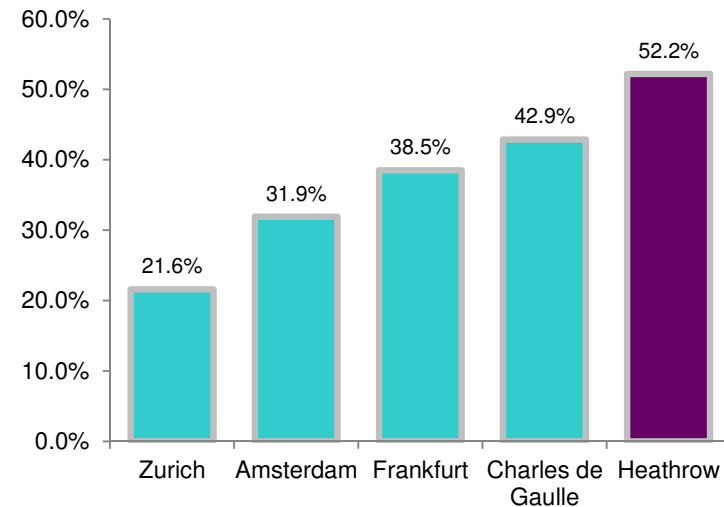
- Key global hub airport benefiting from strength of London catchment area
- Passenger and airline diversity
 - balanced business and leisure traffic
 - >50% non-UK resident passengers
 - **oneworld** accounts for 55% of traffic following bmi acquisition
 - Frankfurt: 77% Star Alliance
 - Zurich: 69% Star Alliance
 - Schiphol: 61% Sky Team
- Unique traffic resilience
 - operating close to full capacity
 - strength in high growth long haul
 - countercyclical transfer traffic

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



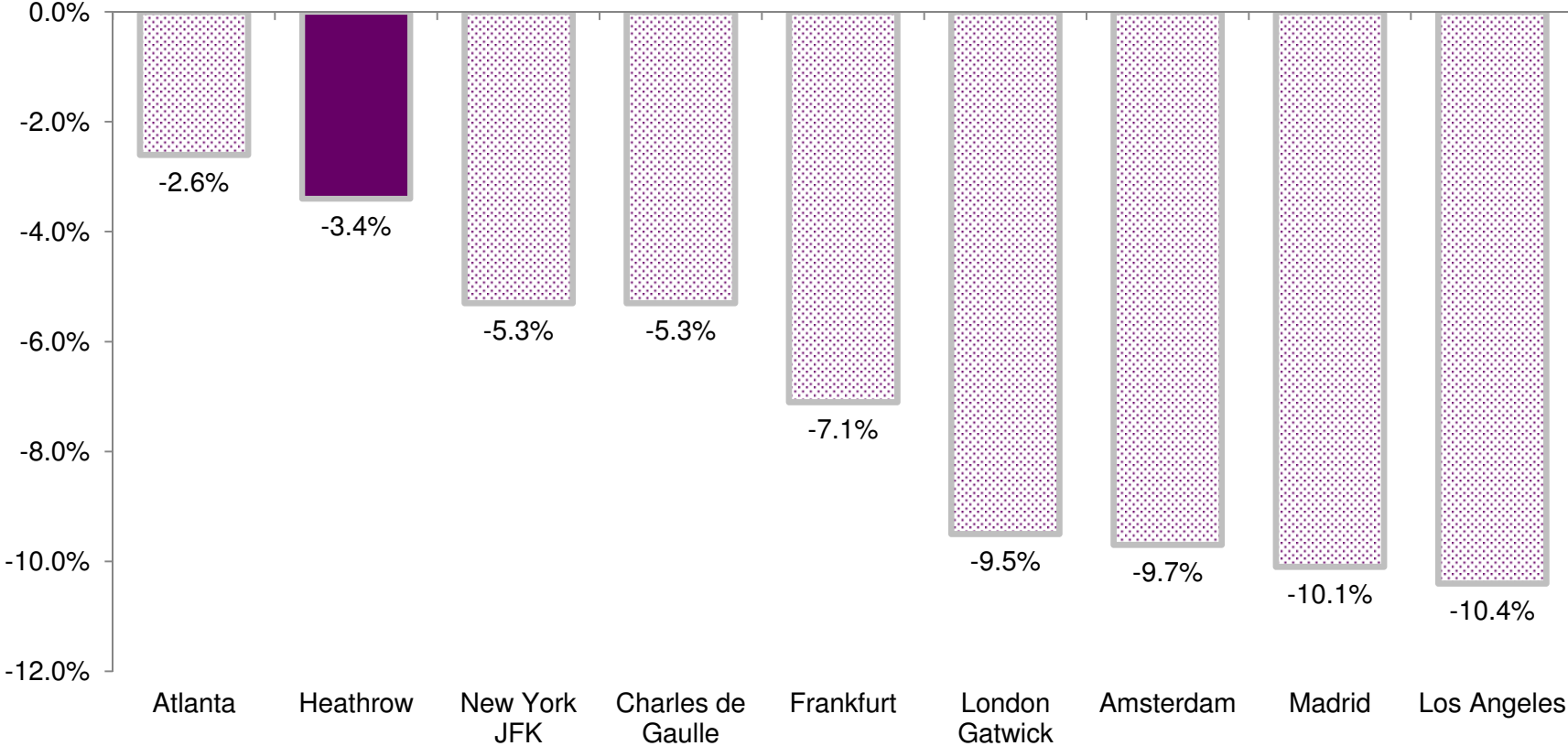
Legend: Domestic (grey), European (purple), North Atlantic (teal), Other long haul (red)

Proportion of long haul traffic (2011)



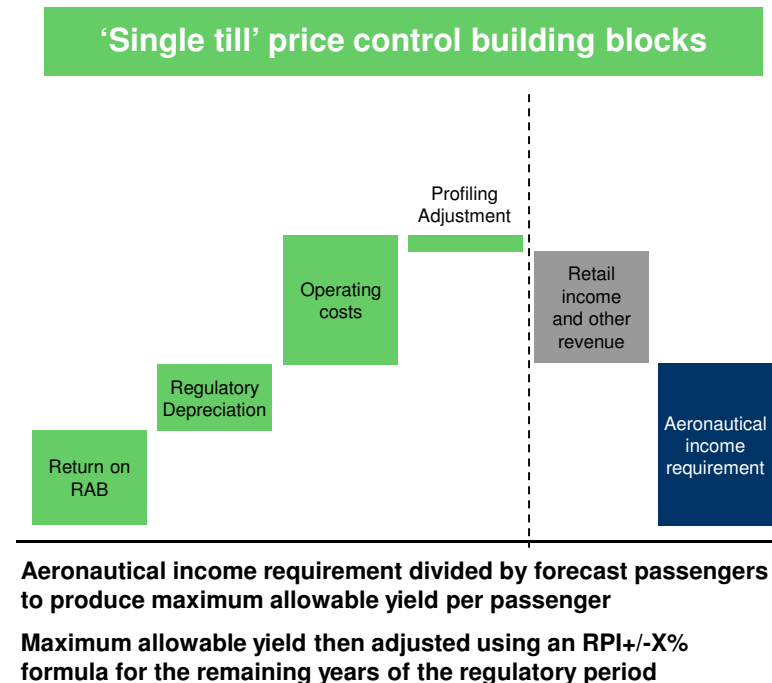
Heathrow's exceptional traffic resilience in recent downturn

Change in annual passenger traffic in recent downturn between previous peak traffic and subsequent trough traffic



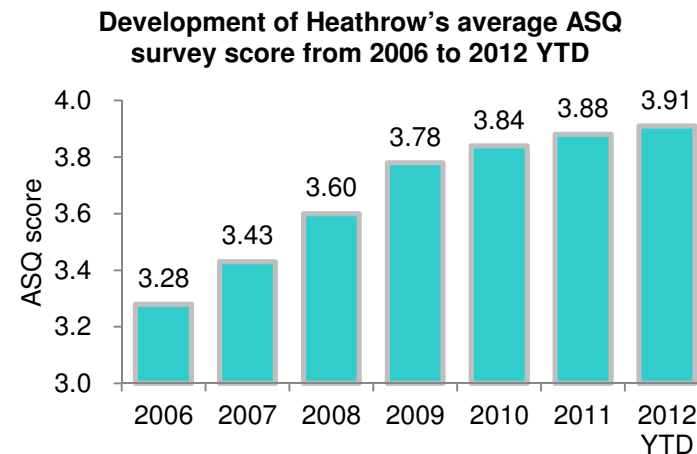
Stable regulatory framework provides cash flow predictability and mitigates market risk

- 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 cost and revenue 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



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

- Consistently improving passenger satisfaction in external surveys
 - ranked second amongst 5 largest European airports
 - Terminal 5 voted world's best airport terminal
- Best punctuality in over a decade
 - 2011 departure punctuality
 - Heathrow: 79% (2010: 71%)
 - Stansted: 88% (2010: 78%)
- Improved baggage performance
 - Heathrow 2011 baggage misconnect rate of 15 per 1,000 passengers (2010: 18)
- Operational freedom during disruption could improve service further



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
- New Terminal 2 under construction
 - >£2.2 billion cost and due to open in 2014
 - airline occupancy under review following bmi purchase by IAG
- Significant spend on baggage systems
- By 2014
 - 70% of passengers using new terminals and 30% using refurbished terminals
 - newest major European airport infrastructure



Terminal 2 site – July 2012

Key current issues

- Olympics/Paralympics
- Sale of Stansted airport
- Next regulatory period ('Q6')
- Hub airport capacity and aviation policy review

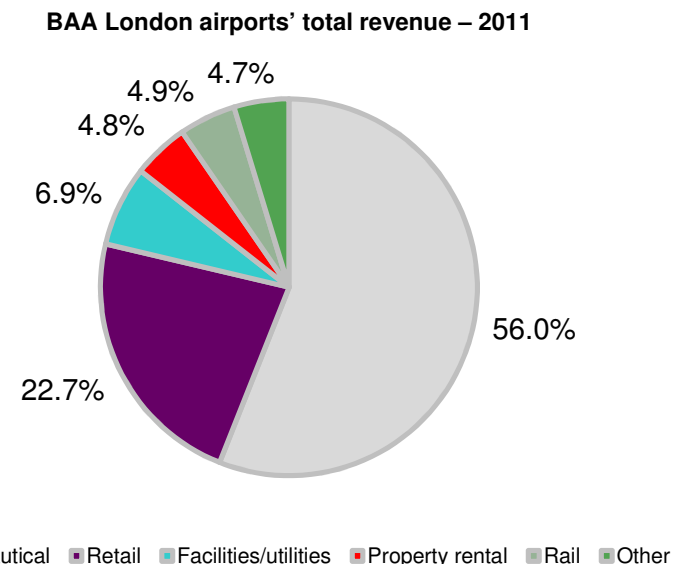
Excluding Olympics effect 2012 Heathrow traffic on track with original forecasts

- Monthly Heathrow records in January, April and June
- Both business and leisure traffic impacted in July and August by Olympics
- North Atlantic driving Heathrow growth
- Shortfall in traffic over Olympics period unlikely to be recovered in rest of 2012
 - prior to Olympics, 2012 Heathrow traffic forecast was 70.9 million

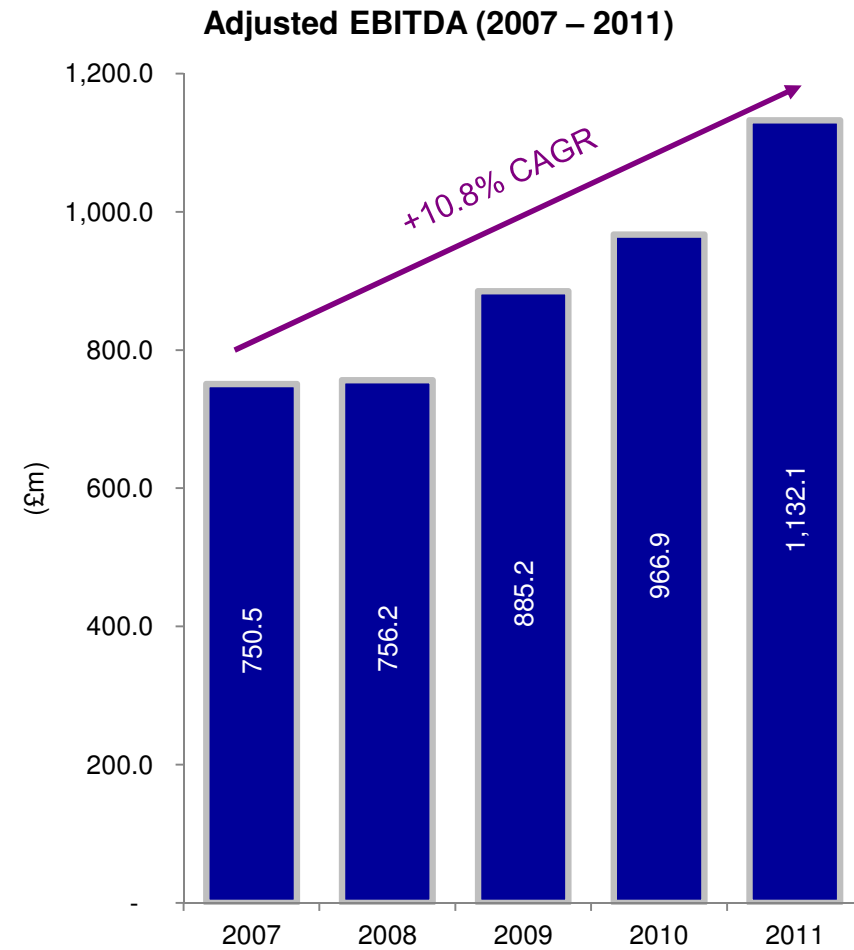
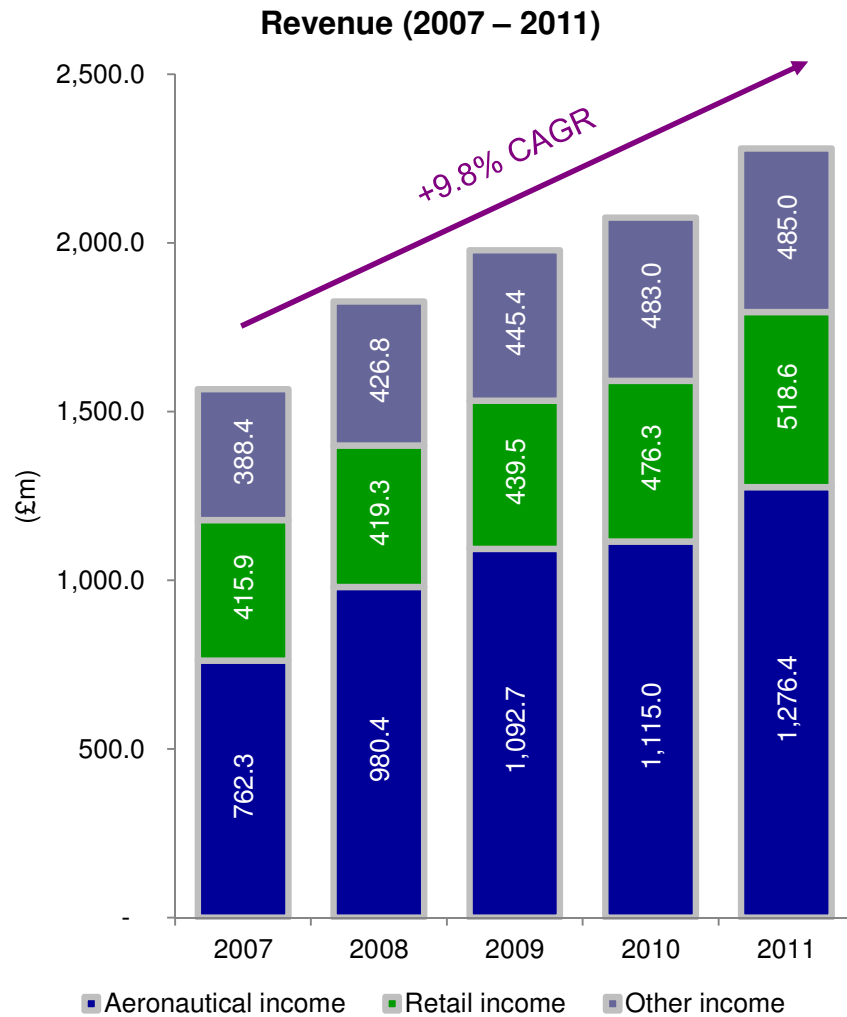
Passenger traffic			
	8 months ended 31 August		
	2011 (m)	2012 (m)	Change
<i>By airport</i>			
Heathrow	46.3	46.6	0.6%
Stansted	12.4	11.8	-4.7%
Total	58.7	58.4	-0.5%
<i>By market served</i>			
UK	4.1	4.0	-3.8%
Europe	30.0	29.7	-1.1%
Long haul	24.6	24.8	0.8%
Total	58.7	58.4	-0.5%

Diverse and growing revenue streams

- Aeronautical income charged to airlines
 - mix of departing passenger, landing and parking charges
 - tariffs increasing annually by RPI+7.5% at Heathrow and RPI+1.63% at Stansted
- Retail income mainly from concessions
 - key revenue streams: duty and tax-free, airside specialist shops and car parking
 - long term success lowers tariffs
 - Heathrow retail income per passenger up nearly 30% between 2008 and 2011
- Other revenues include
 - operational facilities and utilities charged to airlines and other airport users
 - property rental for use of airport premises
 - rail income from Heathrow Express (also up nearly 30% between 2008 and 2011)



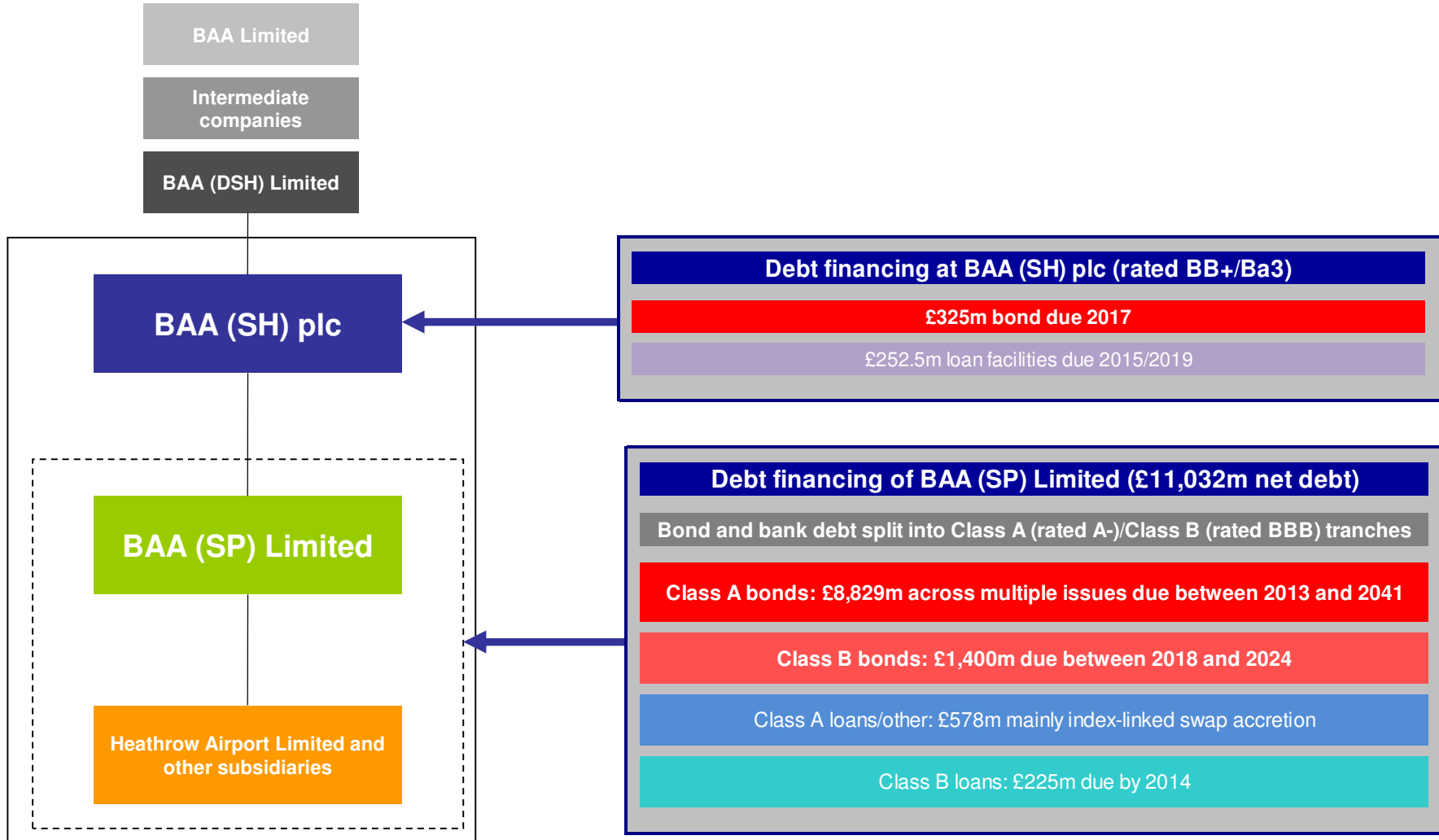
Track record of strong revenue and Adjusted EBITDA growth



Strong start in 2012 financial performance

(figures in £m unless otherwise stated)	H1 2011	H1 2012	Change
Passengers (m)	41.4	41.8	+0.8%
Revenue	1,073.9	1,164.2	+8.4%
Adjusted EBITDA	510.5	555.2	+8.8%
	Q4 2011	H1 2012	
Consolidated BAA (SP) net debt	10,442.6	11,031.7	+5.6%
Consolidated BAA (SH) net debt	10,992.2	11,606.8	+5.6%
RAB (Regulatory Asset Base)	13,849.7	14,253.7	+2.9%

London airports' debt financing structure

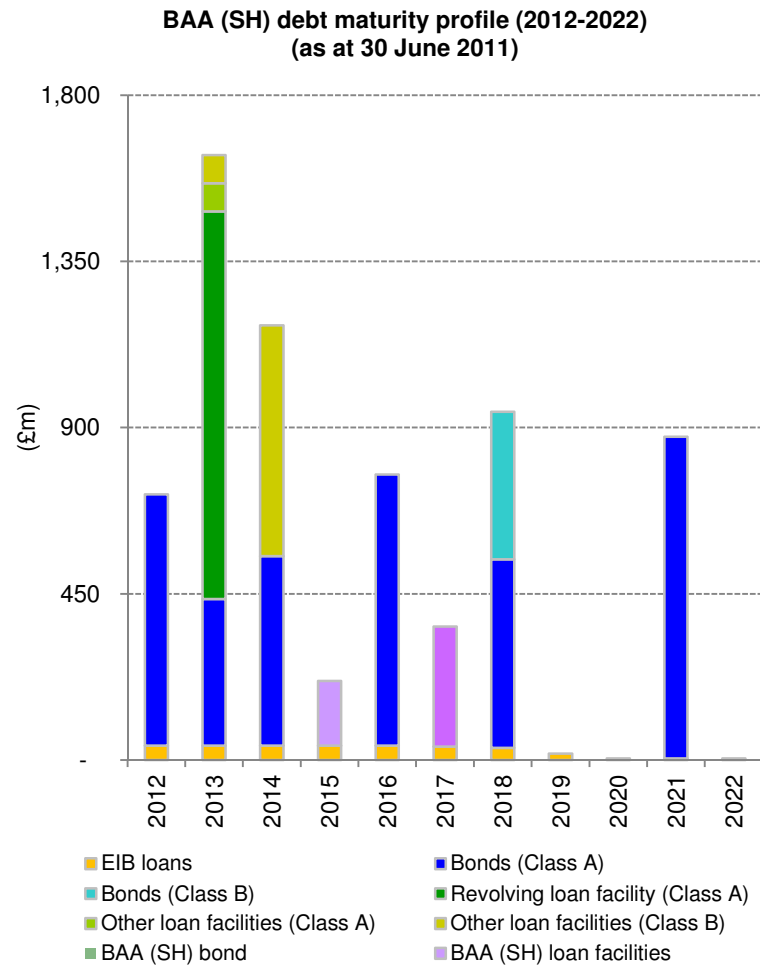


Summarised corporate structure

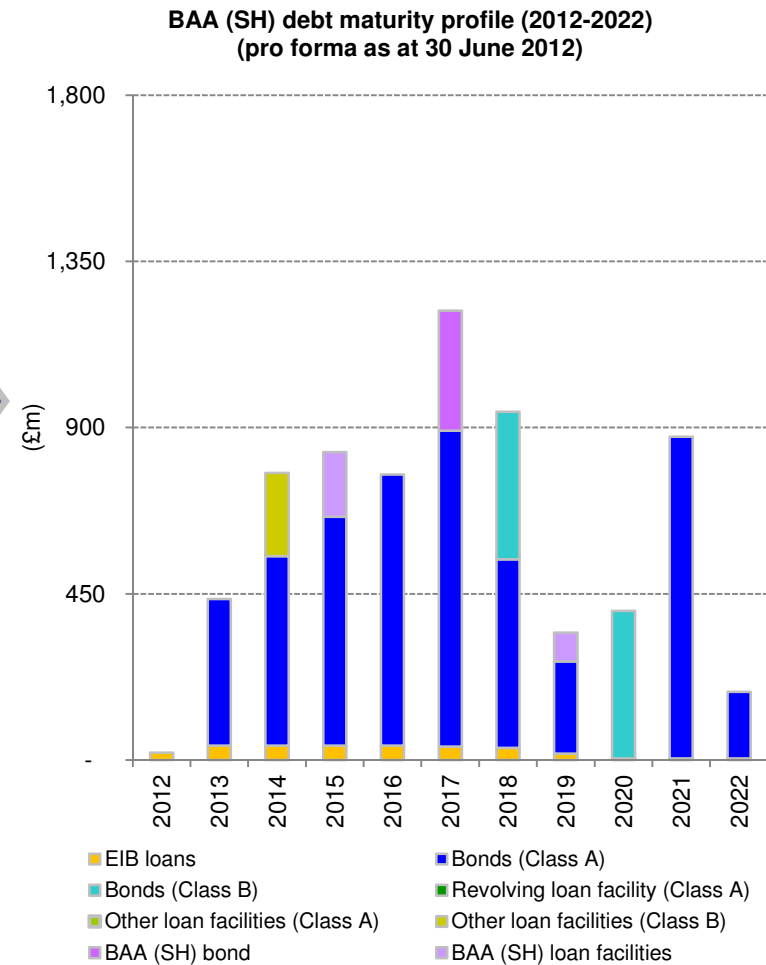
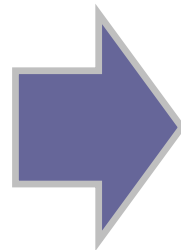
Financing transformed

	December 2011		June 2012	Change
Average life of debt	9.5 years	→	10.4 years	+1 year
Debt due within 3 years	£3.7 billion	→	£1.9 billion	-£1.8bn
Bond proportion of total debt	76%	→	93%	+17pp
Liquidity horizon	20 months	→	30 months	+50%
Bond issue currencies	3	→	5	+2
Foreign currency bonds	£2.8bn (26%)	→	£3.6bn (32%)	+£0.8bn

Significantly improved debt maturity profile



£3.7 billion maturing beyond 2022



£4.5 billion maturing beyond 2022

Transformed financing position provides liquidity until end of 2014

- In 2012, over £3 billion raised in 11 capital markets transactions across 5 currencies
 - 2 Class B bonds raised £1 billion
 - debut Swiss franc and Canadian dollar bonds
- New £2.75 billion 5 year revolving credit and liquidity facilities completed
 - significant oversubscription
 - general corporate purposes revolving credit facilities
 - Class A: £1.5 billion
 - Class B: £400 million
 - £100 million working capital facility
 - £750 million standby liquidity facilities
- BAA (SH) plc 2019 loan facility increased from £50m to £77.5m

Significant headroom maintained against financial ratios

Gearing ratios (RAR)					
	Trigger/covenant levels	31 Dec 2009 (actual)	31 Dec 2010 (actual)	31 Dec 2011 (actual)	31 Dec 2012 (forecast)
BAA (SP) Senior RAR	70.0%	67.5%	68.8%	68.0%	66.6%
BAA (SP) Junior RAR	85.0%	73.1%	77.7%	75.4%	77.5%
BAA (SH) Group RAR	90.0%	86.5%	81.4%	79.4%	81.4%

Interest cover ratios (ICR)					
	Trigger/covenant levels	Year ended 31 December			
		2009 (actual)	2010 (actual)	2011 (actual)	2012 (forecast)
BAA (SP) Senior ICR	1.40x	1.62x	2.08x	2.76x	2.78x
BAA (SP) Junior ICR	1.20x	1.48x	1.85x	2.34x	2.44x
BAA (SH) Group ICR	1.00x	1.15x	1.55x	2.17x	2.23x

Expected evolution of capital structure and financial ratios

- Expected evolution of gearing ratios
 - Class A (BAA (SP)): close to 70% trigger level
 - Class B (BAA (SP)): meaningful buffer to 85% trigger level
 - BAA (SH): meaningful buffer to 90% covenant level
 - buffer likely to be around 5% of RAB
- Significant reduction in net debt/EBITDA multiples consistent with similar/slightly higher debt/RAB gearing
 - 2010: Class A: 9.1x; Class B: 10.3x; BAA (SH): 10.8x
 - 2011: Class A: 8.3x; Class B: 9.2x; BAA (SH): 9.7x
 - 2012: Class A: 7.8x; Class B: 9.1x; BAA (SH): 9.6x
 - further significant tariff increase (RPI+7.5%) expected in April 2013
 - next regulatory settlement (from April 2014) should adjust for current lower than forecast traffic

A closer look at the BAA (SH) financing

- Debt service (both interest and principal) 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%
- Over £1 billion current headroom to BAA (SP) gearing lock-up
- BAA (SH)'s previous £1.6 billion debt comfortably serviced through worst downturn since dawn of civil aviation industry
- Pledge over BAA (SP) shares
- Issuer acts solely as holding company for Heathrow and Stansted
- Cross-acceleration with BAA (SP) debt
- Benefit of extensive suite of BAA (SP) covenants

Investment highlights

- Stability and resilience of critical UK transport infrastructure
- Continued improvement in operational performance
- BAA (SH) debt serviced consistently through recent downturn
- Resilient and growing cashflow post debt service underpinned by regulatory tariff profile
- Opportunity to invest in a resilient infrastructure business that owns nationally strategic airport assets

Any questions?

Notes, sources and defined terms (1)

- Page 2
 - RAB: Regulatory Asset Base
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
- Page 4
 - Sources: relevant airport websites other than Haneda; data for Haneda derived from Airports Council International data
 - Annual traffic data for Haneda is for year ended 31 May 2012
 - Number of top 10 intercontinental routes involving Heathrow sourced from OAG based 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 2011
- Page 5
 - Proportions of traffic from main airline alliance/airline are for 2011 and at Heathrow is based on data from BAA, for Frankfurt is taken from page 9 (slide 16) of the 'Fraport 2011 Visual Fact Book', for Schiphol is taken from page 25 of its 'Traffic Review 2011' document and for Zurich is taken from page 38 of its 'Analysts' Presentation – 2011 Financial Results' document
 - Proportion of long haul traffic data taken or derived from data on relevant airport websites
- Page 6
 - Figures derived from traffic statistics taken from relevant airport websites
 - Peak to trough traffic performance reflects change in rolling 12 months traffic typically from peak that happened around or just before the onset of the main part of the global financial crisis in September 2008 to the subsequent trough in traffic during 2009. For European airports it excludes the effect of the subsequent disruption from volcanic ash in April 2010
- Page 8
 - Source of data in chart: Quarterly Airport Service Quality ('ASQ') surveys by Airports Council International. Survey scores can range between 0 and 5 with 5 the best possible score
 - Terminal 5 voted best airport terminal in the world in 2012 SKYTRAX World Airport Awards
 - 2006 ASQ score is average from second quarter onwards which is when Heathrow joined the survey
- Page 11
 - Totals and percentage change calculated using un-rounded passenger numbers
 - European traffic includes North African charter traffic
- Page 13
 - Adjusted EBITDA: earnings before interest, tax, depreciation and amortisation and exceptional items
 - Figures are in respect of continuing operations only (i.e. exclude Gatwick between 2007 and 2009)
- Page 14
 - 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 and includes non-Sterling debt at exchange rate of hedges entered into at inception of relevant financing
 - Percentage changes are relative to the same period of 2011 except in relation to net debt and RAB where the change is relative to 31 December 2011
- Page 15
 - Debt figures at 30 June 2012 but adjusted to take into account impact of completion of C\$400 million 7 year Class A bond that occurred on 3 July 2012

Notes, sources and defined terms (2)

- Page 16
 - Figures are in respect of BAA (SH) plc external nominal debt
 - Figures at 30 June 2012 assume that completion of C\$400 million 7 year Class A bond, that occurred after period end, happened on 30 June 2012
 - Bond proportion of total debt is proportion of gross debt excluding index-linked accretion
 - Proportion of foreign currency bonds is as a proportion of total bond debt
 - Liquidity horizon at December 2011 was referred to in 2011 BAA (SH) plc annual report as being “...until the final maturity of its revolving capital expenditure facility in August 2013”. Liquidity horizon at June 2012 assumes completion of C\$400 million bond issue that happened after period end and was referred to in June 2012 investor report as being “...until at least the end of 2014”
- Page 17
 - Pro forma debt maturity profile at 30 June 2012 assumes that completion of C\$400 million 7 year Class A bond, that occurred after period end, happened on 30 June 2012
- Page 19
 - Gearing ratio or RAR is the ratio of nominal net debt (including index-linked accretion) to RAB. Net debt at 31 December 2009 excludes £143 million restricted cash from the Gatwick disposal held to meet potential pension payments
 - Forecast RARs at 31 December 2012 taken from investor report issued on 26 June 2012
 - Interest cover ratio or ICR is cash flow from operations less 2% of RAB and corporation tax paid to HMRC divided by net interest paid
 - Forecast ICRs for the year ended 31 December 2012 taken from investor report issued on 26 June 2012

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