

BAA RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2007

BAA REPORTS RESULTS

Summary of performance:

- UK airports' passenger traffic up 1.4% to 115.0 million (30 September 2006: 113.4 million) and Naples traffic up 13.0% to 4.5 million passengers for the period.
- Revenue up 2.7% to £1,988 million (£1,937 million).
- Operating profit before the impact of 'certain re-measurements'¹, the loss on disposal of Budapest Airport and exceptional costs up 7.3% to £642 million (£599million).
- Operating profit after certain re-measurements down 18.1% to £544 million (£664 million).
- Results for the period have been impacted by the heightened security measures for approximately £27m. In addition, during the period £12m has been invested in a programme of immediate delivery introduced by the management with the objective of improving passenger experience by reducing queues and improving facilities and cleanliness.
- Net debt £6,672 million (31 December 2006: £6,299 million) and gearing (net debt: net assets) of 96% (31 December 2006 - 99%).

It should be noted that the period to 30 September 2006 includes 9 months of results for Budapest Airport, whereas the period to 30 September 2007 includes results for 5 months until its disposal. The loss on disposal of Budapest Airport, mainly due to currency exchange rates, is included in the results for the period to 30 September 2007. No other significant disposal of businesses has taken place in the period.

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.

Summary Results for the Period

Period ended 30 September	2007 £m	2006 ² £m	Change %
Revenue	1,988	1,937	2.7
Operating costs (excluding depreciation)	(1,093)	(1,094)	(0.1)
Depreciation	(253)	(244)	3.9
Operating profit (before certain re-measurements, Budapest loss on disposal and exceptional costs)	642	599	7.3
Certain re-measurements	4	182	(97.5)
Loss on disposal of Budapest Airport	(34)	-	n/a
Exceptional costs	(68)	(117)	(42.3)
Operating profit	544	664	(18.1)
Profit before tax	491	572	(14.2)
Profit after tax	438	395	10.9
Cash generated from operations	569	n/a	n/a
Capital expenditure	870	1,124	(22.6)
Net debt	6,672	6,299	5.9

The operating profit has decreased £120 million compared to the prior period primarily due to the following:

- (i) the inclusion of '**certain re-measurements**' including a gain of £21 million (£190 million) on the revaluation of Group investment properties and a loss of £17 million (£8 million) on financial derivatives ;
- (ii) £34 million (£nil) loss on disposal of **Budapest Airport** mainly due to currency exchange rates;
- (iii) £68 million (£117 million) net **exceptional costs** before certain re-measurements including:
 - a. £46 million Terminal 1 & 2 (£12 million) accelerated depreciation costs;
 - b. £16 million (£8 million) Terminal 5 operational readiness costs;
 - c. £8 million (£74 million) reorganisation costs;
 - d. £nil (£60 million) bid advisory costs; and
 - e. £nil (£43 million) gain on sale of land adjacent to Terminal 5 at Heathrow Airport.

Disclaimers

BAA forms part of Grupo Ferrovial (61.06%) and the results should be considered within this wider context. The announcement should be read in conjunction with the announcements made by the Ferrovial Group. However, it may not be possible to directly compare the BAA results presented in this announcement to the BAA results disclosed by the Ferrovial Group mainly due to accounting differences in the treatment of "Investment property", to foreign exchange rate effects and to the inclusion of additional debt sitting above BAA and ADIL structures.

² Due to the change of the accounting year end in 2006, prior period figures have been calculated from periods ending March and December 2006.

The BAA results to 30 September 2007 have been prepared under IFRS using existing BAA accounting policies, consistent with the ones applied in the latest Annual Report for BAA for the period ended 31 December 2006.

The nine month results to 30 September 2007 and 30 September 2006 are unaudited.

Passenger traffic growth

Period ended 30 September	2007 m	2006 m	Change ³ %
Passengers by location			
Heathrow	51.4	51.4	0.0
Gatwick	27.4	26.5	2.8
Stansted	18.5	18.2	1.6
Glasgow	6.7	6.8	(0.5)
Edinburgh	6.9	6.6	5.2
Aberdeen	2.6	2.4	10.4
Southampton	1.5	1.5	2.5
UK passengers	115.0	113.4	1.4
Budapest ⁴	3.0	4.9	(38.1)
Naples	4.5	3.9	13.0
Total	122.5	122.2	0.2

In the nine months to 30 September 2007, the growth in passenger traffic was 0.2%. At the UK airports the growth in passenger traffic was 1.4%. The growth was helped by the continued expansion in European scheduled services (up 3.2%), growth on North Atlantic traffic (up 1.7%) and increases in other long haul operations (up 5.0%). European charter traffic dipped 6.2%, and Domestic and Irish Republic traffic were down 1.4% and 3.6% respectively. At Heathrow, a 0.6% increase in International passengers offset a decrease in Domestic passengers.

Revenue

Revenue increased by 2.7% to £1,988 million (£1,937 million). On a continuing basis (excluding the impacts of discontinuing operations of Budapest Airport, Airport Property Partnership (APP), Australia Pacific Airports Corporation (APAC) and Westralia Airports Corporation (WAC)) revenue increased by 7.6% reflecting the 1.4% increase in UK terminal passengers, the rise in aeronautical charges and good retail performance.

Aircraft charges

Aircraft charges income was up 7.9% to £834 million (£773 million) driven by tariff increases at the price-regulated London airports and increased passenger traffic. The average aeronautical charge per passenger rose 7.7% to £6.81 (£6.32).

³ The percentages have been calculated on un-rounded passenger numbers.

⁴ Budapest figures for the period ended September 2007 only includes 5 months of operations.

Aircraft charges summary

Period ended 30 September	Aircraft charges			Per passenger		
	2007 (£m)	2006 (£m)	Change %	2007 ⁵ (£)	2006 ⁶ (£)	Change ⁷ %
Heathrow	466	429	8.8	9.07	8.34	8.8
Gatwick	136	126	7.7	4.97	4.75	4.8
Stansted	96	60	60.1	5.17	3.28	57.5
Glasgow	34	35	(1.0)	5.09	5.11	(0.4)
Edinburgh	37	36	4.2	5.37	5.42	(0.9)
Aberdeen	17	15	9.8	6.55	6.58	(0.5)
Southampton	10	10	(2.4)	6.43	6.75	(4.7)
Budapest	23	49	(53.1)	7.61	10.05	(24.3)
Naples	15	13	13.7	3.39	3.37	0.7
Total airports	834	773	7.9	6.81	6.32	7.7

⁵ These figures have been calculated on un-rounded numbers.

⁶ Ibid.

⁷ Ibid.

Retail income

UK airports' net retail income grew 4.5% to £493 million (£472 million) and net retail income per passenger grew 3.0% to £4.30 (£4.17).

Analysis of net retail income

Period ended 30 September	2007 £m	2006 £m	Change⁸ %
UK			
World Duty Free	122	112	9.2
Airside specialist shops	54	51	7.1
Landside shops and bookshops	37	36	0.2
Catering	45	44	2.5
Bureaux de change	43	44	(3.7)
Car parking	125	120	4.6
Car rental	17	16	5.2
Advertising (media sales)	27	26	4.3
Other retail	23	23	0.4
Total UK	493	472	4.5
Budapest	5	11	(50.7)
Naples	8	7	19.5
Per passenger (£)	4.21	4.09	2.8
- UK	4.30	4.17	3.0
- Budapest	1.73	2.17	(20.4)
- Naples	1.80	1.70	5.7

Operating costs

The Group's operating costs **excluding exceptional items and discontinuing operations** grew by 7.9% to £1,278 million (£1,185 million). The £93 million increase included higher security costs up £27 million (6.0%). The cost of retail goods sold were up £10 million (7.0%), depreciation was up £17 million (7.9%) driven by accelerated depreciation at Heathrow ahead of the Eastern terminal development. 'Fix the Basics' spend of £12 million impacted on maintenance and other costs.

⁸ These figures have been calculated on un-rounded numbers.

Group operating costs

Period ended 30 September	2007 £m	2006 £m	Change ⁹ %
Staff costs	462	436	6.0
Rent and rates	94	86	8.8
Utilities	85	83	1.3
Maintenance	128	119	7.5
Retail cost of goods sold	151	141	7.0
Depreciation	253	224	12.8
Other costs	170	160	6.0
Capitalised costs	(53)	(64)	(17.6)
Group operating costs	1,290	1,185	8.8

Operating profit

On a segmental basis, **revenue** and **operating profit (excluding certain re-measurements and exceptional items)**, were impacted by the sale of Budapest, by passenger numbers and tariff increases, and by a higher cost base (notably staff cost increases associated with additional security requirements):

Period ended 30 September	2007		2006		Change	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m	Revenue %	Operating Profit %
Price-regulated London airports	1,355	496	1,255	482	7.9	2.9
Heathrow	893	339	849	344	5.2	(1.6)
Gatwick	287	84	271	94	6.0	(11.2)
Stansted	175	73	135	44	29.4	66.1
Scottish airports	154	63	147	59	4.9	8.0
Glasgow	61	22	60	24	2.4	(8.1)
Edinburgh	63	29	60	26	5.9	9.2
Aberdeen	30	12	27	9	12.0	23.6
Other airports	113	30	194	33	(41.8)	(6.6)
Southampton	17	6	16	6	8.1	(2.5)
Budapest	65	18	152	21	(56.9)	(12.8)
Naples	31	6	26	6	19.3	11.2
World Duty Free	306	21	284	19	7.6	11.6
Other operations	60	31	57	6	5.5	451.0
Total	1,988	642	1,937	599	2.7	7.3

Share of profit of associates

The Group's share of operating profit (net of interest and tax and after certain re-measurements) of its associates and joint ventures was £6 million (£5 million).

⁹ Ibid.

Net finance costs

The Group's net finance costs before certain re-measurements were £115 million (£131 million), after capitalised interest of £149 million (£127 million). Capitalised interest reflects the Group's ongoing capital investment programme and related assets under construction, particularly Terminal 5.

The net finance costs include interest receivable of £40 million from Airport Development and Investment Limited ('ADIL'), the immediate parent entity, on the funds lent by BAA.

As at 30th September 2007 86% of the Group's exposure to interest rates, on its net debt portfolio were fixed through a combination of fixed rate debt and interest rate swaps.

As of 7th October 2007 the margin on BAA's borrowings under the £2 billion Senior Capex Facility, of which £1.5 billion have been drawn as at 30 September 2007, has increased by 1% to 2%, in accordance with the original terms of the facility¹⁰.

Cash flow

Cash generated from operations was £800 million. Cash generated from operations before exceptional items was £824 million. After tax, dividends received and net interest paid, net cash from operating activities was £569 million. The Group's capital investment programme resulted in £890 million of cash expenditure in the period. The cash proceeds arising from the disposal of Budapest Airport were £1,242 million, out of which £1,043 million was loaned to ADIL for the repayment of part of ADIL Senior Acquisition Facilities.

Balance sheet

At 30 September 2007 the Group had net assets of £6,942 million (31 December 2006: £6,349 million).

Capital investment programme

Group capital expenditure, excluding capitalised interest and reflected in the balance sheet, was £870 million (£1,124 million).

Transforming Heathrow

BAA is developing and implementing investment plans to transform the passenger experience at Heathrow over the coming years. Terminal 5, which commenced construction in 2002 has now commenced operational trials leading up to its opening in March 2008. As well as the £455 million invested in this programme during the period a further £187 million has been invested in other facilities with the emphasis being on Terminals 1 & 3. Specific projects include Phase 2 of the Eastern Apron Development at Terminal 1 together with modifications to transfer facilities and a redevelopment of the forecourt at Terminal 3.

The opening of Terminal 5 and the relocation of British Airways into Terminal 5 provide a major opportunity for redevelopment and an ambitious programme lies ahead. This will include the Heathrow East terminal which will replace Terminal 2 and Queens Building as well as a midfield pier and a major project to improve baggage

¹⁰ This step up have also taken place in ADIL Senior Acquisition Facilities (See Appendix 1 for further details).

connectivity. As well as these projects Heathrow will undertake a large number of airline relocations which will require capital expenditure to align facilities with customer needs.

Other airports

At Gatwick, its £67 million capital investment during the period included spend on North Terminal additional baggage capacity.

At Stansted, £79 million of capital investment during the period included £28 million in respect of Stansted Generation 2. This expenditure includes planning development costs and costs of schemes to compensate local residents for certain of the impacts of BAA's proposals.

Disposal Programme

In June 2007 BAA disposed of its investment in Budapest Airport for £1,309 million. Proceeds were settled by way of cash and loan notes. At 30 September the loan notes are outstanding and included in "Trade and other receivables" financial assets at £67 million. Of the cash proceeds received in June 2007, £1,043 million (representing 85% of the net cash proceeds) were lent by BAA to ADIL (included in non-current "Trade and other receivables") and were used to part repay ADIL Senior Acquisition Facility.

On 8th November, BAA disposed of its Australian airports interest for gross proceeds of AUS\$ 775 million. Net proceeds of £336 million have been lent to ADIL and will be applied in repayment of the ADIL Senior Acquisition Facility in November 2007.

BAA is in the process of disposing of its interest in the APP joint venture and is conducting a strategic review of its World Duty Free business.

Pensions

At 30 September 2007, the deficit of assets over future liabilities was £25 million (before tax) under IAS 19. This comprised £3 million in relation to the BAA pension scheme and £22 million relating to other retirement benefits. This compares with a deficit of £233 million (before tax) at 31 December 2006, comprising £212 million in relation to the BAA pension scheme and £21 million relating to other retirement benefits.

The next triennial actuarial valuation of the scheme is currently being performed as at 30 September 2007. The results are expected by mid 2008.

Taxes

It was announced in the UK Chancellor's Budget Speech in March 2007 that the UK tax rules which provide relief for industrial buildings expenditure by way of capital allowances are to be phased out. This change, whilst announced, is not yet substantially enacted. If the change is introduced as announced, the Group considers that they are likely to have an impact on the deferred tax balances held in the balance sheet which will be assessed in detail when further information is available.

Financing

Gross nominal debt of the BAA Group at 30 September 2007 was £7,553 million¹¹ (31 December 2006: £6,439 million), including £4,533 million of existing Bonds, £417 EIB bank facilities, the £200 million Senior bank facility fully drawn to refinance the £200 million 7 7/8% 2007 bonds that matured in February 2007, and BAA's borrowings of £1,550 million under the ADIL Senior £2 billion capex facility. The movement from 31 December 2006 is due to drawdowns on the Senior Capex Facility during 2007 of £1,350 million, repayment of EIB debt of £28 million and reclassification of joint ventures' debt of £208 million to "Liabilities associated with assets classified as held for sale".

The table below analyses the BAA Group's financial liabilities into relevant maturity groupings calculated from 30 September 2007 to the contractual maturity date. The amounts disclosed in the table are the nominal amounts.

	Less than 1 year, £m	Between 1 and 5 years, £m	Between 5 and 10 years, £m	Over 10 years, £m	Total
Borrowings	463	3,012 (*)	1,417	2,661	7,553

(*) This includes £1,550 million of Senior Capex Facility drawings which are currently rolled over on a quarterly basis. This committed facility matures in April 2011.

Liquidity

As at 30 September 2007 the BAA group had cash and short term liquid investments of £906 million (31 December 2006 £ 93 million) and undrawn committed facilities of £ 700 million (31 December 2006: £2,050 million) comprising £450 million Senior Capex Facility and £250 million Senior Working Capital Facility.

Waiver requests

By January 2007 BAA and its major operating subsidiaries had all acceded to ADIL's Senior and Junior Acquisition Facilities as Obligors for which security and guarantees have been provided to the lenders (see below).

During the course of the year certain waiver requests have been sought by ADIL in respect of procedural matters in connection with the Senior and Junior Acquisition Facilities, all of which have been approved in accordance with the terms of the documentation. There are currently no outstanding waiver requests.

Security and Guarantees

Following completion of the acquisition of BAA by ADIL, BAA and its major operating subsidiaries acceded to the ADIL Senior and Junior Acquisition Facilities as guarantors and provided security over their respective assets in support of ADIL's obligations to the lenders of such facilities. Whilst such lenders do have such guarantees/security (and therefore rank senior to existing unsecured debt of BAA, including existing bondholders), it is expressly provided under the intercreditor arrangements for such facilities that such lenders only have a claim under such guarantees/security to the extent that such claim does not result in a breach of the financial covenants in the existing bonds.

¹¹ This amount includes £849 million of BAA convertible bonds held by ADIL. The book value of BAA debt of £7,578 includes unamortised premiums and discounts as well as fair value adjustments.

BAA estimates (based upon management accounts) that as at 30 September 2007 the amount of the security provided by the BAA group in support of its own secured debt was £1,780 million. In addition the amount of guarantees /security provided in respect of the debt incurred by ADIL under the acquisition facilities was approximately £1,050 million as at 30 September 2007.

Whilst it is the case that the ADIL Senior and Junior Acquisition Facilities do allow for the possibility for security to be granted to existing bondholders via the existing bond trustee, this is only allowed in certain circumstances which have not occurred and accordingly, existing BAA Ltd. bondholders are currently unsecured.

Covenants compliance

Financial covenants relating to certain BAA bonds and EIB debt have been tested and complied with as at 31 December 2006. The obligation to report externally on the compliance with these covenants is annual and therefore the next testing date is 31 December 2007. Financial covenants in relation to the £2.0 billion Senior Capex Facility and £200 million term loan have been tested and complied with as at 30 June 2007.

Loans to/from Parent company

As at 30 September BAA had lent funds to ADIL, the Group parent company, of £1,532 million (31 December 2006: £115 million) to service interest costs and debt repayments of ADIL. ADIL continues to hold 100% of the £424 million 2008 and £425 million 2009 convertible bonds issued by BAA prior to BAA being acquired by ADIL in 2006 (See Appendix I for Consolidated financial statements of ADIL Group).

Regulatory Update

On 3 October the Competition Commission ('CC') made public its report with recommendations to the Civil Aviation Authority ('CAA') around price controls at Heathrow and Gatwick over the period of five years commencing on 1 April 2008. The CC recommended price limits of RPI +7.5 at Heathrow and RPI -0.5 at Gatwick, subject to an opening yield adjustment at both airports on the basis of a stand alone cost of capital of 6.2% for Heathrow and 6.5% for Gatwick.

The next steps in the process will be the CAA final recommendations due later in November 2007 which will be followed by a period of consultation of two months.

The consultation on the de-designation of Stansted continues. A decision from the Department for Transport ('DfT') is expected by the end of the year.

In March 2007 the Office of Fair Trade ('OFT') referred the ownership of BAA's airports to the CC to consider whether BAA's ownership of seven UK airports distorts, restricts or prevents competition. BAA is vigorously defending its case and believes that it is best positioned to deliver the extra runway capacity that London requires. The CC has indicated that it will publish its "emerging thinking" document early in 2008. This will be followed by a provisional findings document in mid 2008 and a final remedies document (if required) in early 2009.

On 17 October 2007, the House of Commons Transport Committee announced an inquiry into the future of BAA. BAA will give evidence at the end of November 2007. The CAA and CC will give evidence also, as well as the airlines. BAA will be outlining its ambitious plans for the future of the airports, its recovery in terms of day to day performance as well the need to retain BAA's ownership structure.

BAA Limited UNDERLYING RESULTS FOR THE NINE MONTHS ENDED 30 September 2007

Consolidated income statement

9 months ended 30 September (unaudited)	2007 Before certain re-measurements ¹ £m	2007 Certain re-measurements ¹ £m	2007 Total £m	2006 Before certain re-measurements ¹ £m	2006 Certain re-measurements ¹ £m	2006 Total £m
Continuing operations						
Revenue	1,883	-	1,883	1,750	-	1,750
Operating costs	(1,360)	-	(1,360)	(1,351)	-	(1,351)
Other operating income						
Fair value gains on investment properties	-	1	1	-	162	162
Fair value (losses)/gains on derivative financial instruments	-	(17)	(17)	-	(8)	(8)
Operating profit	523	(16)	507	399	154	553
<i>Analysed as:</i>						
Operating profit before exceptional items	593	(16)	577	556	154	710
Exceptional costs	(70)	-	(70)	(157)	-	(157)
	523	(16)	507	399	154	553
Finance income	130	-	130	102	-	102
Finance costs	(228)	-	(228)	(225)	-	(225)
Fair value gains/(losses) on derivative financial instruments	-	56	56	-	34	34
Profit before tax	425	40	465	276	188	464
Income tax expense	(24)	(12)	(36)	(73)	(52)	(125)
Profit for the period from continuing operations	401	28	429	203	136	339
<i>Attributable to:</i>						
Shareholders' equity	400	28	428	202	136	338
Equity minority interest	1	-	1	1	-	1
Dividends paid in the period			-			243

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.

Reconciliation of results to underlying operating profit performance

	9 months to 30 September 2007 £m	9 months to 30 September 2006 £m	Change %
Revenue			
Statutory (a)	1,988	1,937	2.7
Budapest Airport ¹	65	152	(56.9)
WAC and APAC ²	19	10	89.6
APP ²	21	25	(16.0)
Underlying revenue (d)	1,883	1,750	7.6
Operating costs			
Statutory (b)	(1,448)	(1,455)	(0.5)
Budapest Airport ¹	(83)	(135)	(38.3)
WAC and APAC ²	(4)	(4)	0.0
APP ²	(1)	35	(102.9)
Underlying operating costs (e)	(1,360)	(1,351)	0.6
Other operating income			
Statutory (c)	4	182	(97.8)
Certain re-measurements	(20)	(28)	(28.6)
Underlying other operating income (f)	(16)	154	(110.4)
Operating profit			
Statutory (a + b + c)	544	664	(18.1)
Underlying operating profit (d + e + f)	507	553	(8.3)

- 1 Budapest Airport's results are excluded from the underlying results for the nine months ended 30 September 2007 as the business was sold part way through the period (June 2007). The results have also been excluded from the nine months ended 30 September 2006 to provide underlying comparable results.
- 2 Westralia Airports Corporation (WAC), Australia Pacific Airports Corporation (APAC) and Airport Property Partnership (APP) are excluded from the underlying results for the nine months ended 30 September 2007 as the businesses are classified as held for sale as at that date. The results have also been excluded from the nine months ended 30 September 2006 to provide underlying comparable results.

Consolidated statement of recognised income and expense

	9 months ended 30 September 2007 £m (unaudited)
Available for sale investments:	
Gains taken to equity	2
Cash flow hedges:	
(Loss)/gain taken to equity	(21)
Actuarial gain/(loss)	160
Currency translation on foreign operations	11
Share based payments	2
Tax on items taken directly to or transferred from equity	1
Net income recognised directly in equity	
Profit for the period	438
Total recognised income and expense for the period	593
<i>Attributable to:</i>	
Equity holders of the parent	591
Equity minority interest	2

Consolidated balance sheet as at 30 September 2007

	30 September 2007	31 December 2006
	£m	£m
	(unaudited)	(audited)
ASSETS		
Non-current assets		
Property, plant and equipment	10,841	10,134
Investment property	3,096	3,503
Intangible assets	84	130
Investment in associates	1	2
Available-for-sale financial assets	75	122
Derivative financial instruments	65	7
Trade and other receivables	1,602	118
	15,767	14,016
Current assets		
Inventories	35	30
Trade and other receivables	377	278
Derivative financial instruments	6	1
Cash and short-term deposits	906	93
	1,324	402
Assets classified as held for sale	560	1,460
Total assets	17,651	15,878
LIABILITIES		
Non-current liabilities		
Borrowings	(7,114)	(5,956)
Derivative financial instruments	(28)	-
Deferred income tax liabilities	(1,692)	(1,687)
Retirement benefit obligations	(25)	(233)
Provisions	(98)	(95)
Trade and other payables	(20)	(22)
	(8,977)	(7,993)
Current liabilities		
Borrowings	(464)	(436)
Derivative financial instruments	-	(65)
Provisions	(34)	(51)
Current income tax liabilities	(222)	(135)
Trade and other payables	(764)	(724)
	(1,484)	(1,411)
Liabilities associated with assets classified as held for sale	(248)	(125)
Total liabilities	(10,709)	(9,529)
Net assets	6,942	6,349
EQUITY		
Capital and reserves		
Ordinary shares	1,102	1,102
Share premium	325	325
Revaluation reserve	388	388
Fair value and other reserves	84	84
Retained earnings	5,031	4,440
Total shareholders' equity	6,930	6,339
Equity minority interest	12	10
Total equity	6,942	6,349

Consolidated cash flow statement for the nine months ended 30 September 2007

	9 months ended 30 September 2007 £m (unaudited)
Operating activities	
Cash generated from operations	800
Dividends received	18
Interest paid	(329)
Interest received	84
Tax paid	(4)
Net cash flow from operating activities	569
Purchase of:	
Purchase of intangible fixed assets	(8)
Purchase of property, plant and equipment	(890)
Proceeds on the sale of:	
Investment in subsidiaries	1,242
Investment properties	2
Loans to Parent Company (ADIL)	(1,417)
Net cash flow used in investing activities	(1,071)
Proceeds from borrowings	
Proceeds from borrowings	1,550
Repayments of borrowings	(228)
Net cash flow from financing activities	1,322
Net increase/(decrease) in cash and cash equivalents	820
Cash and cash equivalents at beginning of period (*)	86
Cash and cash equivalents at end of period	906

(*) Cash and cash equivalents at beginning of period does not include £7m related to the cash balances in Assets classified as held for sale in September 07 (APP and APAC & WAC).

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments.

1. Basis of Preparation

This statement contains unaudited interim consolidated financial statements of BAA Limited for the nine months ended 30 September 2007.

The financial information set out in these interim statements has been prepared in accordance with the IFRS accounting policies as applied in BAA's financial statements for the nine months ended 31 December 2006. However, it should be noted that the standards that are currently in issue and adopted by the EU are subject to interpretations that may be issued from time to time by the IASB.

2. Group Financial Statements

The information shown for the comparative nine month period ended 30 September 2006 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act and has been extracted from management accounts. The Company changed its reporting period during 2006 from 31 March to 31 December. The first reporting period under the change in reporting date was for the nine month period ended 31 December 2006 with the prior reporting period being the year ended 31 March 2006.

3. Segmental Information

The Group's primary reporting format is business segments. The operating businesses are primarily the individual airports, which are organised and managed separately. 'Other operations' consist of corporate activities (including certain consolidation adjustments that are held at corporate level), BAA Lynton, fees from international retail and airport management contracts and other commercial operations.

Inter-segmental transactions are considered immaterial and are not analysed separately. All information relates to continuing operations.

9 months ended 30 September (unaudited)	2007				2006			
	Revenue	Operating profit			Revenue	Operating profit		
		Before	Certain	Total		Before	Certain	Total
		certain	re-measure			certain	re-measure	
		re-measure	-ments ¹			re-measure	-ments ¹	
		-ments ¹				-ments ¹		
	£m	£m	£m	£m	£m	£m	£m	£m
Regulated airports	1,355	431	(2)	429	1,255	411	140	551
Heathrow	893	275	(9)	266	849	296	69	365
Gatwick	287	83	(8)	75	271	71	30	101
Stansted	175	73	15	88	135	44	41	85
Scottish airports	154	63	1	64	147	57	7	64
Other airports	47	12	2	14	42	29	9	38
World Duty Free	306	20	-	20	284	19	0	19
Other operations	21	-3	(17)	(20)	22	(117)	(2)	(119)
Total	1,883	523	(16)	507	1,750	399	154	553
Unallocated income and expenses								
Finance income				130				102
Finance costs				(228)				(225)
Fair value gains/(losses) on derivative financial instruments				56				34
Profit before tax				465				464
Income tax expense				(36)				(125)
Profit for the period				429				339

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.

Airport Development and Investment Limited (ADIL)
Financial Statements for the nine months to 30 September 2007

Consolidated income statement

9 months ended 30 September (unaudited)	Before certain re-measurements ¹ £m	Certain re-measurements ¹ £m	Total £m
Continuing operations			
Revenue	1,988	-	1,988
Operating costs	(1,362)	-	(1,362)
Other operating income			
Fair value gains on investment properties	-	21	21
Fair value (losses)/gains on derivative financial instruments	-	(17)	(17)
Operating profit	626	4	630
<i>Analysed as:</i>			
Operating profit before exceptional items	694	4	698
Exceptional costs	(68)	-	(68)
	626	4	630
Share of profit of associates (net of interest and tax)	6		6
Financing			
Finance income	167	-	167
Finance costs	(925)	-	(925)
Fair value gains/(losses) on derivative financial instruments	-	38	38
Profit/(Loss) before tax	(126)	42	(84)
Taxation	144	35	179
Profit/(Loss) for the period from continuing operations	18	77	95
<i>Attributable to:</i>			
Equity holders of the parent	17	77	94
Equity minority interest	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.

Consolidated statement of recognised income and expense

9 months ended 30 September (unaudited)	£m
Available for sale investments:	
Gains taken to equity	2
Cash flow hedges:	
(Loss)/gain taken to equity	61
Actuarial gain/(loss)	160
Currency translation on foreign operations	(114)
Share based payments	2
Tax on items taken directly to or transferred from equity	4
Net income recognised directly in equity	
Profit for the period	95
Total recognised income and expense for the period	210
<i>Attributable to:</i>	
Equity holders of the parent	208
Equity minority interest	2

Consolidated balance sheet as at 30 September 2007

	30 September 2007 (unaudited) £m	31 December 2006 (audited) £m
ASSETS		
Non-current assets		
Property, plant and equipment	11,343	10,666
Investment property	3,096	3,503
Intangible assets	4,935	5,252
Investment in associates	1	3
Available-for-sale financial assets	75	122
Derivative financial instruments	133	7
Trade and other receivables	74	4
	19,657	19,557
Current assets		
Inventories	35	30
Trade and other receivables	336	278
Derivative financial instruments	6	5
Cash and short-term deposits	906	98
	1,283	411
Assets classified as held for sale	826	1,460
Total assets	21,766	21,428
LIABILITIES		
Non-current liabilities		
Borrowings	(17,777)	(17,222)
Derivative financial instruments	(28)	(54)
Deferred income tax liabilities	(2,006)	(2,045)
Retirement benefit obligations	(25)	(233)
Provisions	(98)	(95)
Trade and other payables	(20)	(23)
	(19,954)	(19,672)
Current liabilities		
Borrowings	(145)	(436)
Derivative financial instruments	-	(65)
Provisions	(34)	(51)
Current income tax liabilities	25	(40)
Trade and other payables	1,155	994
	1,309	1,586
Liabilities associated with assets classified as held for sale	(248)	(125)
Total liabilities	(21,511)	(21,383)
Net assets	255	45
EQUITY		
Capital and reserves		
Ordinary shares	-	-
Share premium	4	4
Fair value and other reserves	158	97
Retained earnings	81	(66)
Total shareholders' equity	243	35
Equity minority interest	12	10
Total equity	255	45

Consolidated cash flow statement for the nine months ended 30 September 2007

9 months ended 30 September (unaudited)	£m
Operating activities	
Cash generated from operations	795
Dividends received	18
Interest paid	(872)
Interest received	273
Tax paid	(4)
Net cash flow from operating activities	210
Purchase of:	
Purchase of intangible fixed assets	(8)
Purchase of property, plant and equipment	(890)
Proceeds on the sale of:	
Investment in subsidiaries	1,242
Investment properties	2
Net cash flow used in investing activities	346
Proceeds from borrowings	
Proceeds from borrowings	1,550
Repayments of borrowings	(1,291)
Net cash flow from financing activities	259
Net increase/(decrease) in cash and cash equivalents	815
Cash and cash equivalents at beginning of period (*)	91
Cash and cash equivalents at end of period	906

(*) Cash and cash equivalents at beginning of period does not include £7m related to the cash balances in Assets classified as held for sale in September 07 (APP and APAC & WAC).

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less held for the purpose of meeting short-term cash commitments.

Basis of Preparation

This statement contains unaudited interim consolidated financial statements of ADIL for the nine months ended 30 September 2007.

The financial information set out in these interim statements has been prepared in accordance with the IFRS accounting policies as applied in ADIL financial statements for the nine months ended 31 December 2006. However, it should be noted that the standards that are currently in issue and adopted by the EU are subject to interpretations that may be issued from time to time by the IASB.

Operating results

Operating results for ADIL consolidated financial statements mainly include the results from operations from BAA, analysed in the front-end of this document.

Net finance costs

ADIL Group's net finance costs before certain re-measurements were £758 million after capitalised interest of £149 million. Capitalised interest reflects the Group's ongoing capital investment programme and related assets under construction, particularly Terminal 5.

This includes £258 million payable to ADIL's direct parent company ADI Finance 2 Limited on loans from the parent company to fund the purchase of BAA in June 2006.

As at 30 September 2007 91% of the Group's exposure to interest rates on its net debt portfolio were fixed through a combination of fixed rate debt and interest rate swaps.

As of 7 October 2007, the margin on ADIL Group's borrowings under the ADIL £3.6 billion Senior Acquisition Facility and the BAA £2.0 billion Senior Capex Facility have increased from 1% to 2%, in accordance with the original terms of the facility.

Financing

Gross nominal debt of the ADIL Group at 30 September 2007 was £12,360 million¹² (31 December 2006: £12,309 million), excluding the intercompany loan from ADI Finance 2 Limited of £5.1 billion.

Gross debt includes £4,503 million BAA Bonds, BAA's borrowings of £1,550 million under the ADIL Senior Capex Facility, £417 million EIB debt, £200 million Senior bank facility fully drawn to refinance the £200 million 2007 bonds which matured in February 2007, and ADIL Acquisition debt of £5,656 million. The movement from 31 December 2006 is due to drawdowns on the Senior Capex Facility during 2007 of £1,350 million, offset by repayment of Senior A1 debt of £1,043 million, scheduled repayment of EIB debt of £28 million, repayment of Senior Loan Notes of £20 million, and reclassification of Joint Venture debt of £208 million to liabilities associated with Assets Held for Sale.

The table below analyses the ADIL Group financial liabilities into relevant maturity groupings based on the remaining period at 30 September 2007 to the contractual maturity date. The amounts disclosed in the table are the nominal amounts.

£m	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Total
Borrowings	39	8,243	1,417	2,661	12,360

Liquidity

As at 30 September 2007, ADIL Group had cash and short term liquid investments of £906 million (31 December 2006 £92 million) and undrawn committed facilities of £700 million (31 December 2006 £2,050 million) comprising £450 million Senior Capex Facility and £250 million Senior Working Capital Facility.

Waiver requests

During the course of the year certain waiver requests have been sought by ADIL in respect of procedural matters in connection with the Senior and Junior Acquisition Facilities, all of which have been approved in accordance with the terms of the documentation. There are currently no outstanding waiver requests.

¹² The book value of ADIL Group debt of £17,922 million includes intercompany debt from ADI Finance 2 of £5.1 billion, unamortised premiums and discounts and fair value adjustments.

Covenants compliance

Financial covenants relating to certain BAA bonds and EIB debt have been tested and complied with as at 31 December 2006. The obligation to report externally on the compliance with these covenants is annual and therefore the next testing date is 31 December 2007. Financial covenants in relation to the Senior and Junior Acquisition Facilities and £200 million term loan have been tested and complied with as at 30 June 2007.