

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this circular or the accompanying documents or the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in your jurisdiction.

If you have sold or otherwise transferred all of your BAA Securities and/or all of your BAA Convertible Bonds (other than pursuant to the relevant Recommended Final Offer(s)*), please send this circular, the accompanying letter and, in the case of BAA Shareholders holding their BAA Shares in certificated form, the accompanying Additional Revised Form of Acceptance as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. Neither this circular nor the accompanying documents should, however, be mailed or otherwise sent into Canada or any other jurisdiction if to do so would constitute a violation of the laws of such jurisdiction.

The distribution of this circular and the accompanying documents in jurisdictions other than the United Kingdom or the United States may be restricted by the laws of those jurisdictions and therefore persons into whose possession this circular or the accompanying documents comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This circular does not constitute or form part of any offer or invitation to sell or purchase any securities or solicitation of an offer to buy any securities pursuant to any of the Recommended Final Offers* or otherwise. The Recommended Final Offers* are made solely by the Revised Offer Document, the Revised Form of Acceptance and the Additional Revised Form of Acceptance, which contain the full terms and conditions of the Recommended Final Offers*, including details of how the Recommended Final Offers* may be accepted.

**IMMINENT DELISTING OF
BAA SHARES AND BAA CONVERTIBLE BONDS**

ACCEPT

the

Recommended Final Offers*

by

Airport Development and Investment Limited

a company held by a consortium formed at the direction of Ferrovial Infraestructuras, S.A., Caisse de dépôt et placement du Québec and GIC Special Investments Pte Ltd

for

BAA plc

All defined terms used in this circular shall have the meanings given to them in Appendix 1, unless the context requires otherwise.

Unless otherwise determined by ADI, the Recommended Final Offers* are not being, and will not be, made, directly or indirectly, in or into or by the use of the mails of, or by any other means (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national securities exchange of, Canada or any jurisdiction where to do so would violate the laws of that jurisdiction and will not be capable of acceptance by any such use, means or facility or from within Canada or any such jurisdiction. Accordingly, unless otherwise determined by ADI, copies of this circular and the accompanying documents are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from Canada or any such jurisdiction and persons receiving this circular or the accompanying documents (including, without limitation, custodians, nominees and trustees) must not mail or otherwise distribute or send either of them in, into or from any such jurisdiction, as doing so may invalidate any purported acceptance of the Recommended Final Offers*. Any person (including, without limitation, any custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this circular and/or the accompanying documents and/or any other related document

* ADI reserves the right to increase, extend or otherwise amend the Recommended Final Offers* (or any part thereof) (i) with the recommendation of the BAA Board; (ii) if a firm intention to make a competing offer is announced; (iii) with the consent of the Panel; or (iv) if BAA issues an announcement of the kind referred to in Rule 31.9 of the City Code.

to any jurisdiction outside the United Kingdom and the United States should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

The Loan Notes that will be issued pursuant to the Loan Note Alternative will not be transferable and have not been and will not be listed on any stock exchange and, unless otherwise determined by ADI, have not been, and will not be, registered under the US Securities Act or under the securities laws of any jurisdiction of the United States nor have the relevant clearances been obtained, nor will they be, nor have any steps been taken, nor will any steps be taken, to enable the Loan Notes to be offered in compliance with applicable securities laws of Canada, Australia or Japan (or any province or territory thereof, if applicable) or any other jurisdiction if to do so would constitute a violation of the relevant laws in such jurisdiction. Accordingly, unless otherwise determined by ADI and the relevant clearances are obtained or steps are taken, the Loan Notes may not be offered, sold, resold or delivered, directly or indirectly, in, into or from the United States (or to, or for the account or benefit of, US Persons), Canada, Australia or Japan (or to any residents thereof) or any other jurisdiction (or to residents in that jurisdiction) if to do so would constitute a violation of the relevant laws in such jurisdiction.

Neither the US Securities and Exchange Commission (the "SEC") nor any US state securities commission has approved or disapproved of the Loan Notes or determined if this circular or the Revised Offer Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

Accordingly, subject to certain limitations and exceptions, the Loan Notes will not be available to BAA Shareholders or BAA Convertible Bondholders in the United States (or to, or for the account or benefit of, US Persons), Canada, Australia or Japan (or to residents thereof).

US holders of BAA Shares and/or BAA Convertible Bonds should be aware that (i) the Recommended Final Offers* are for the securities of a corporation organised under the laws of England and are subject to the procedure and disclosure requirements of England, including with respect to financial reporting, withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law; (ii) ADI and BAA are located outside of the United States, some or all of their officers and directors may be resident outside of the United States and, accordingly, it may not be possible to sue such entities, their officers or directors in a non-US court for violations of the US securities laws, and it may be difficult to compel them to subject themselves to a US court's judgment; (iii) ADI and its members or their respective nominees, or brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, BAA securities other than pursuant to the Recommended Final Offers*, such as in open market or privately negotiated purchases outside the United States during the period in which the Recommended Final Offers* remain open for acceptance; and (iv) Citigroup Global Markets Limited will continue to act as an exempt market maker in BAA securities on the London Stock Exchange.

Information about such purchases will be disclosed as required in the UK and will be available from the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

AIRPORT DEVELOPMENT AND INVESTMENT LIMITED

20-22 Bedford Row
London WC1R 4JS

(registered in England and Wales under number 5757208)

10 July 2006

If you require assistance in relation to any of the matters set out in paragraph 1 to 4 of this circular, please call: COMPUTERSHARE: 0800 408 1003 (or +44 870 703 6266, from outside the UK) between 8.30am and 5.30pm on any business day.

If you require assistance in relation to any of the matters set out in paragraph 5 or 6 of this circular, please call: CAPITA: 0870 162 3100 (or +44 870 162 3100, from outside the UK) between 8.30am and 5.30pm on any business day.

Dear BAA Shareholders and BAA Convertible Bondholders,

RECOMMENDED FINAL OFFERS* FOR BAA

1. Acceptance of the Recommended Final Offers*

THE RECOMMENDED FINAL OFFERS* REMAIN OPEN FOR ACCEPTANCE.

If you have not already accepted the relevant Recommended Final Offer* in relation to your BAA Shares or BAA Convertible Bonds (as appropriate), we urge you to do so as soon as possible in accordance with the terms of the Revised Offer Document.

If you do not accept the relevant Recommended Final Offer*, then, following the intended delisting of the BAA Shares and BAA Convertible Bonds (as described below and expected to take place on or shortly after 15 August 2006), your delisted BAA Shares or BAA Convertible Bonds (as appropriate) will have significantly reduced liquidity and marketability.

ACTION TO BE TAKEN:

To accept the Ordinary Recommended Final Offer* in respect of BAA Shares held in certificated form, please complete the enclosed Additional Revised Form of Acceptance or the Revised Form of Acceptance as soon as possible and return it, along with your share certificate(s) or other document(s) of title in the reply paid envelope provided.

If you wish to accept the Ordinary Recommended Final Offer* in respect of BAA Shares held in uncertificated form, the 2008 Convertible Recommended Final Offer* or the 2009 Convertible Recommended Final Offer*, please follow the instructions set out in the Revised Offer Document as soon as possible.

If you have already validly accepted the relevant Recommended Final Offer*, you need take no further action.

2. Background and further acceptances

By way of background, on 6 June 2006, ADI announced the terms of its Recommended Final Offers* to acquire the entire issued and to be issued share capital of BAA and all of BAA's outstanding Convertible Bonds. On 12 June 2006, the Revised Offer Document setting out, amongst other things, the terms and conditions of the Recommended Final Offers* was posted to BAA Shareholders and made available to BAA Convertible Bondholders.

On 26 June 2006, ADI announced that all of the conditions of each of the Recommended Final Offers* had been satisfied or waived and, accordingly, each of the Recommended Final Offers* was declared unconditional in all respects. As at the close of business on 6 July 2006 (being the last practicable date prior to the posting of this circular), ADI either owned or had received acceptances in respect of approximately:

- 88.54 per cent. of the issued share capital of BAA;
- 98.99 per cent. of the entire nominal amount of 2008 Convertible Bonds in issue; and
- 96.31 per cent. of the entire nominal amount of 2009 Convertible Bonds in issue.

As announced on 4 July 2006, insufficient valid elections were made by BAA Shareholders and BAA Convertible Bondholders to acquire ordinary shares in Altitude Assets plc (the "Altitude Shares") in lieu of cash under the terms of the Recommended Final Offers*. As such, each of the facilities enabling BAA Shareholders and BAA Convertible Bondholders to elect to acquire Altitude Shares described in the Revised Offer Document have lapsed and any BAA Shareholder or BAA Convertible Bondholder who validly elected to receive Altitude Shares will receive their entire consideration in cash (except for BAA Shareholders who have validly elected for the Loan Note Alternative), as set out in the Revised Offer Document.

On this basis, we enclose with this circular an Additional Revised Form of Acceptance which no longer contemplates elections for Altitude Shares in order to simplify the acceptance process for those BAA Shareholders who hold their BAA Shares in certificated form. If you have already accepted the Ordinary

Recommended Final Offer* by using the Revised Form of Acceptance which accompanied the Revised Offer Document, you need take no further action.

Any acceptance of the Ordinary Recommended Final Offer* in respect of BAA Shares held in certificated form may be made by using either the Additional Revised Form of Acceptance or the Revised Form of Acceptance. Further copies of both are available from Computershare at Computershare Investor Services PLC, PO Box 858, The Pavilions, Bridgwater Road, Bristol BS99 5WE.

3. Cancellation of Listing

Set out below are details of the proposed cancellation of listing of the BAA Shares and BAA Convertible Bonds. If you do not accept the relevant Recommended Final Offer*, then, following the delisting of the BAA Shares and BAA Convertible Bonds, your delisted BAA Shares or BAA Convertible Bonds (as appropriate) will have significantly reduced liquidity and marketability.

Subject to applicable regulatory requirements, as ADI has acquired or agreed to acquire issued share capital carrying 75 per cent. or more of the voting rights of BAA, it is now the intention of ADI and BAA to make the following applications:

- (a) applications to the FSA for the cancellation at BAA's request of the listing of the BAA Shares on the Official List and to the London Stock Exchange for the cancellation of the admission of the BAA Shares to trading on the London Stock Exchange's market for listed equity securities;
- (b) applications to the FSA for the cancellation at BAA's request of the listing of the 2008 Convertible Bonds on the Official List and to the London Stock Exchange for the cancellation of the admission of the 2008 Convertible Bonds to trading on the London Stock Exchange's market for listed debt; and
- (c) applications to the FSA for the cancellation at BAA's request of the listing of the 2009 Convertible Bonds on the Official List and to the London Stock Exchange for the cancellation of the admission of the 2009 Convertible Bonds to trading on the London Stock Exchange's market for listed debt.

A notice period of not less than 20 business days prior to cancellation will commence on 11 July 2006, being the day after the date of this circular. As such, it is anticipated that the cancellation of the listing and admission to trading of the BAA Shares and BAA Convertible Bonds will each take effect on or shortly after 15 August 2006.

4. Compulsory acquisition of BAA Shares and BAA Convertible Bonds

If ADI receives acceptances of the Ordinary Recommended Final Offer* in respect of, and/or otherwise acquires, 90 per cent. or more of the BAA Shares to which the Ordinary Recommended Final Offer* relates, ADI intends to exercise its rights pursuant to the provisions of sections 428 to 430F of the Companies Act to acquire the remaining BAA Shares to which the Ordinary Recommended Final Offer* relates.

As ADI has received acceptances of the 2008 Convertible Recommended Final Offer* in respect at least of 90 per cent. of the 2008 Convertible Bonds to which the 2008 Convertible Recommended Final Offer* relates, ADI intends to exercise its rights pursuant to the provisions of sections 428 to 430F of the Companies Act to acquire the remaining 2008 Convertible Bonds to which the 2008 Convertible Recommended Final Offer* relates.

As ADI has received acceptances of the 2009 Convertible Recommended Final Offer* in respect of at least 90 per cent. of the 2009 Convertible Bonds to which the 2009 Convertible Recommended Final Offer* relates, ADI intends to exercise its rights pursuant to the provisions of sections 428 to 430F of the Companies Act to acquire the remaining 2009 Convertible Bonds to which the 2009 Convertible Recommended Final Offer* relates.

5. Adjournment of AGM

As announced on 26 June 2006 and subsequently notified to you, you should note that the BAA Board has concluded that it would be sensible to adjourn the BAA Annual General Meeting due to take place on 14 July 2006 (the "AGM") immediately after it has commenced.

It is therefore suggested that you should not attend the AGM and should not complete any proxy forms or vote online in relation to the resolutions set out in the AGM notice of 15 May 2006.

A further letter will be sent in due course to BAA Shareholders informing them of when the adjourned AGM will be reconvened. At least seven days' notice of the reconvened AGM will be given to BAA Shareholders.

6. Dividend Reinvestment Plan termination

Following the takeover of BAA by ADI the Dividend Reinvestment Plan (the "DRIP") has been terminated in line with the Terms and Conditions of the plan. The dividend due to be paid on 11 August will therefore be paid in cash to DRIP participants, rather than in additional BAA Shares, either by cheque or direct to their bank accounts if a bank mandate is in place. Any residue due to DRIP participants will also be paid to them with their cash dividend.

Yours sincerely,



Juan Béjar
Director

Airport Development and Investment Limited

Appendix 1

Definitions

The following definitions apply throughout this circular, unless the context requires otherwise:

2008 Convertible Bonds	the 2.94 per cent. convertible bonds due 2008 issued by BAA pursuant to a prospectus dated 20 March 2002;
2008 Convertible Recommended Final Offer*	the offer, by ADI, on the terms and conditions set out or referred to in the Revised Offer Document, to acquire the 2008 Convertible Bonds (other than those 2008 Convertible Bonds which ADI holds or has contracted to acquire within the meaning of section 428(5) of the Companies Act as at 20 April 2006) and, where the context so requires, any subsequent revision, variation, extension or renewal of such offer;
2009 Convertible Bonds	the 2.625 per cent. convertible bonds due 2009 issued by BAA pursuant to a prospectus dated 13 August 2003;
2009 Convertible Recommended Final Offer*	the offer by ADI, on the terms and conditions set out or referred to in the Revised Offer Document, to acquire the 2009 Convertible Bonds (other than those 2009 Convertible Bonds which ADI holds or has contracted to acquire within the meaning of section 428(5) of the Companies Act as at 20 April 2006) and, where the context so requires, any subsequent revision, variation, extension or renewal of such offer;
Act or Companies Act	the Companies Act 1985;
Additional Revised Form of Acceptance	the additional revised form of acceptance, election and authority relating to the Ordinary Recommended Final Offer* accompanying this circular, which is to be completed by holders of BAA Shares in certificated form;
ADI	Airport Development and Investment Limited, a company incorporated under the laws of England and Wales with registered number 5757208 and whose registered office is at 20-22 Bedford Row, London WC1R 4JS;
BAA	BAA plc, a public limited company incorporated under the laws of England and Wales with registered number 01970855 and whose registered office is at 130 Wilton Road, London SW1V 1LQ;
BAA ADR	an American depositary receipt evidencing a BAA American depositary share, which represents one BAA Share;
BAA Board	the board of directors of BAA;
BAA Convertible Bondholders	the holders of BAA Convertible Bonds, from time to time;
BAA Convertible Bonds	the 2008 Convertible Bonds and the 2009 Convertible Bonds;
BAA Securities	BAA Shares and/or BAA ADRs (as the case may be);
BAA Shareholders	holders of BAA Shares, from time to time;
BAA Shares	the ordinary shares of 100 pence each in the capital of BAA;
Capita	Capita Registrars Limited;
City Code	the City Code on Takeovers and Mergers;
Computershare	Computershare Investor Services PLC;
Consortium	the consortium formed at the direction of Ferrovial Infraestructuras, S.A., GIC Special Investments Pte Ltd and Caisse de dépôt et placement du Québec;
FSA	the UK Financial Services Authority;
Loan Note Alternative	the loan note alternative whereby BAA Shareholders (other than, unless otherwise determined by ADI, Restricted Overseas Persons and US Persons) validly accepting the Ordinary Recommended Final Offer* may elect, subject to certain limitations and conditions, to receive Loan Notes instead of all or part of the cash consideration to which they would otherwise be entitled under the Ordinary Recommended Final Offer*;
Loan Notes	the loan notes of ADI to be issued pursuant to the Loan Note Alternative and to be guaranteed by The Royal Bank of Scotland plc;
London Stock Exchange	London Stock Exchange plc, a company incorporated under the laws of England and Wales with registered number 02075721 and whose registered office is at 10 Paternoster Square, London EC4M 7LS (or its successor);
Official List	the Official List of the UK Listing Authority;

Ordinary Recommended Final Offer*	the final offer* by ADI, on the terms and conditions set out or referred to in the Revised Offer Document, to acquire the entire issued and to be issued share capital of BAA (other than those BAA Shares which ADI holds or has contracted to acquire within the meaning of section 428(5) of the Companies Act as at 20 April 2006) and, where the context so requires, any subsequent revision, variation, extension or renewal of such offer;
Restricted Overseas Person	a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom ADI believes to be in, or resident in, Canada, Australia or Japan and persons in any other jurisdiction (other than persons in the UK or the US) whom ADI is advised to treat as restricted overseas persons in order to observe the laws of such jurisdiction or to avoid the requirement to comply with any governmental or other consent or any registration, filing or other formality which ADI regards as unduly onerous;
Recommended Final Offers*	the Ordinary Recommended Final Offer*, the 2008 Convertible Recommended Final Offer* and the 2009 Convertible Recommended Final Offer*;
Revised Form of Acceptance	the revised form of acceptance, election and authority relating to the Ordinary Recommended Final Offer* accompanying the Revised Offer Document, which is to be completed by holders of BAA Shares in certificated form;
Revised Offer Document	the revised offer document relating to the Recommended Final Offers*, dated 12 June 2006;
UK Listing Authority	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
US Person	a US person, as defined in Regulation S under the US Securities Act; and
US Securities Act	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.