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31 May 2006



Dear Shareholder,

I am writing to you again in order to explain the latest development in the bid for BAA from the Ferrovial Consortium. As you may well be aware already, on 30 May, the Ferrovial Consortium announced that it was increasing its offer for your shares.

The Board's advice remains the same as in my previous letter: you should reject the Ferrovial Consortium's inadequate new offer. To do this, you need simply take no action.

The following is an extract from the text of an announcement released by BAA yesterday to BAA shareholders following the revised cash offer from the Ferrovial Consortium:

"BAA plc ("BAA") notes the announcement of a revised cash offer from the Ferrovial Consortium at 900 pence per BAA ordinary share. The Board also notes that under the terms of the offer, shareholders would not receive the final dividend of 15.25 pence per share already recommended for the financial year ended 31 March 2006.

The offer was communicated at a meeting between the chairmen of BAA and Ferrovial yesterday afternoon. At a subsequent meeting of the BAA Board, appropriate consideration was given to the offer. The unanimous decision of the Board, which has been so advised by Rothschild and UBS, was to continue to recommend to shareholders that they should reject the offer. In providing advice to the Board, Rothschild and UBS have taken into account the Board's commercial assessments.

The Board wrote to shareholders last week explaining in detail its reasons for believing that the intrinsic value of BAA is more than 940 pence per share. This figure does not reflect the value of future opportunities for BAA or the impact of the group's convertibles. But most importantly, this intrinsic valuation does not include the premium that any bidder should expect to pay to acquire control over BAA's unique portfolio of assets.

Marcus Agius, BAA Chairman, commented: "We have evaluated the Ferrovial Consortium's revised offer but the Board is clear that it still falls well short of the true value of the company, which we explained to shareholders in our circular last week. The Board is also clear that the revised offer does not reflect a suitable premium for control of BAA's unique assets.

"I believe that BAA has an exceptional future under Mike Clasper and his team, who are committed to delivering outstanding shareholder value. We remain determined that this company, with its unique assets, will not be sold to the Ferrovial Consortium or any other bidder on the cheap."

Employment and other issues

Under the Takeover Code, the Board is required to give its views on two specific aspects of the Ferrovial Consortium's offer as set out in its announcement of 30 May 2006:

1. The effects of implementation of the offer on all the BAA's interests including, specifically, employment.
2. The Ferrovial Consortium's strategic plans for BAA and their likely repercussions on employment and the locations of BAA's places of business.

Good employee relations are very important to BAA. The company recognises four trade unions and offers a wide range of staff benefits including the chance to join a final salary pension scheme.

In fulfilling its obligations under the Takeover Code, however, the Board can only comment on the detail provided in the Ferrovial Consortium's revised cash offer announcement. The points mentioned are: keeping together BAA's UK airports; the possible sale of non-UK assets; the possible reduction of overheads; the possible outsourcing of certain functions; and an improvement to procurement practices.

These strategies, the Board has concluded, might lead to a reduction in employment, though there is not enough information to comment further. The Board has also noted the Ferrovial Consortium's statement that its plans do not involve any material change to the conditions of employment for BAA's staff and that there are no current plans to change the principal locations of BAA's places of business.

Finally, the Ferrovial Consortium refers to “an alternative expenditure plan” for Stansted. The Board cannot comment on any impact this might have on BAA’s interests or on employment because no details of this alternative plan are given.

Take no action

Shareholders who wish to reject the Ferrovial Consortium’s offer need do nothing and should not sign any document which the Ferrovial Consortium or its advisers send to them. We will continue to keep you informed of developments and in the meantime strongly advise you to take no action.

For legal and regulatory reasons we cannot comment further on the offer at this time. However, should you have any shareholder queries please telephone freephone 0800 408 0096.

Yours sincerely



Marcus Agius
Chairman

If you would like this letter in an alternative format, please call us on 0800 731 4247. Alternatively an accessible version of this announcement can be found on our website – www.baa.com/bid

If you are in any doubt regarding the contents of this document or the action you should take, you should seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are outside the United Kingdom, from an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in BAA, please send this document 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.

The directors of BAA accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of BAA (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of BAA have received financial advice from Rothschild and UBS. In providing this advice, Rothschild and UBS have placed reliance on the commercial assessment of the directors.

Rothschild, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for BAA and no-one else in connection with the matters referred to herein and will not be responsible to anyone other than BAA for providing the protections afforded to clients of Rothschild or for giving advice in relation to such matters.

UBS is acting exclusively for BAA and no-one else in connection with the matters referred to herein and will not be responsible to anyone other than BAA for providing the protections afforded to clients of UBS, nor for providing advice in relation to such matters.

This document contains statements that are or may be forward-looking with respect to the financial condition, results of operations and businesses of BAA. These forward-looking statements include risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors which could or may cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements.

This document has been prepared in accordance with the requirements of the Takeover Code and is subject to disclosure and procedural requirements that are different from those under US law. Any financial figures included or incorporated in this document may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of a US company. It has not been reviewed by any federal state securities commission or regulatory authority in the US, nor has any such commission or authority passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful and may be a criminal offence.

Additional information

1. This document should be read in conjunction with the Defence Document and the Second Defence Document, copies of which are available from BAA's website, www.baa.com/bid, or from BAA's registrars, Capita Registrars at 34 Beckenham Road, Kent BR3 4TU. Save as disclosed in this document, the directors are not aware of any material change in the information contained in the Defence Documents as at the Latest Practicable Date.

2. Responsibility for information

The directors accept responsibility for the information contained in this document, except that the only responsibility accepted by them in respect of the information contained in this document relating to Ferrovial, the Offeror, any member of the Ferrovial Consortium, any of their subsidiary undertakings and the directors of any such entity and/or any such subsidiary undertakings, which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of that information.

3. Interests and dealings in BAA

3.1 As at the Latest Practicable Date, the interests of the directors and members of their immediate families and connected persons (within the meaning of section 346 of the Act) in BAA Shares were unchanged from the position as at 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document).

3.2 As at the Latest Practicable Date, the share-based incentives and awards that had been granted to the directors under the BAA Share Schemes and remained outstanding were the same as at 17 May 2006 (being the latest practicable date prior to publication of the Second Defence Document).

3.3 As at the Latest Practicable Date, no dealings in BAA Shares by directors had taken place since 17 May 2006 (being the latest practicable date prior to publication of the Second Defence Document).

3.4 As at the Latest Practicable Date, the interest of UBS (being a connected adviser to BAA) had decreased since 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) to the following amount:

Name	Number of BAA Shares
UBS	76,592

3.5 As at the Latest Practicable Date, no dealings for value in BAA Shares by employee benefit trusts of BAA had taken place since 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document).

3.6 As at the Latest Practicable Date, the following dealings for value in BAA Shares by ABN AMRO Bank NV (being under the same control as Hoare Govett, a connected adviser to BAA) and UBS (being a connected adviser to BAA) had taken place since 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document):

Name	Date of dealing	Transaction	Number of BAA Shares	Price (pence)
ABN AMRO Bank (being under the same control as Hoare Govett)	25.05.2006	Purchase	350,000	785.72
	26.05.2006	Disposal	350,000	810.00
UBS	26.05.2006	Disposal	6,963	805.00

3.7 Save as disclosed above, as at the Latest Practicable Date, no dealings for value in BAA Shares by connected advisers or persons controlling, controlled by or under the same control as a connected adviser (except exempt principal traders or exempt fund managers) to BAA had taken place since 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document).

3.8 Save as disclosed above, none of BAA, any directors, any members of such directors' immediate families, any of such directors' related trusts, any associate of BAA (within the meaning of paragraph (a) of the definition of such term in paragraph 5 of the "Additional information" section of the Defence Document), any connected person (within the meaning of section 346 of the Act), nor any person with whom BAA or any associate of BAA has an arrangement owned or controlled or (in the case of the directors, their immediate families and connected persons), was interested (directly or indirectly) in or had any short position in any BAA Securities on the Latest Practicable Date, nor has any such person dealt for value in any BAA Securities between 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and the Latest Practicable Date.

3.9 BAA has not redeemed or repurchased any BAA Shares during the period commencing on 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and ending on the Latest Practicable Date.

3.10 Save as disclosed above, no pension fund of BAA or any BAA associate (within the meaning of paragraph (a) of the definition of such term below), nor any employee benefit trust of BAA or any BAA associate (within the meaning of paragraph (a) of the definition of such term in paragraph 5 of the "Additional information" section of the Defence Document), owned or controlled, was interested in or had any short position in, any BAA Securities on the Latest Practicable Date, nor has any such person dealt for value therein between 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and the Latest Practicable Date (inclusive).

3.11 Save as disclosed above, no connected adviser to BAA, to any BAA associate (within the meaning of paragraph (a) of the definition of such term in paragraph 5 of the "Additional information" section of the Defence Document) or to any person acting in concert with the directors nor any person controlling, controlled by or under the same control as any such connected advisers (excluding exempt principal traders and exempt fund managers) owned or

controlled, was interested in or had any short position in, any BAA Securities on the Latest Practicable Date, nor has any such person dealt for value therein between 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and the Latest Practicable Date (inclusive).

3.12 No person acting in concert with BAA owned or controlled, was interested in or had any short position in, any BAA Securities on the Latest Practicable Date, nor has any such person dealt for value therein between 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and the Latest Practicable Date (inclusive).

3.13 Neither BAA nor any person acting in concert with the directors nor any person acting in concert with BAA has borrowed or lent any BAA Securities between 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and the Latest Practicable Date (inclusive), save for any borrowed BAA Shares which have been on-lent or sold.

4. **Interests and dealings in Ferrovial Securities**

None of BAA, any directors, any members of such directors' immediate families or such directors' connected persons (within the meaning of section 346 of the Act), owned or controlled or (in the case of the directors, their immediate families and connected persons) was interested, directly or indirectly, in any Ferrovial Securities on the Latest Practicable Date, nor has any such person dealt for value therein during the period commencing on 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and ending on the Latest Practicable Date.

5. **Dealing arrangements**

Save as disclosed in this document and the Defence Documents, no arrangement relating to BAA Securities or Ferrovial Securities exists between BAA or any associate of BAA and any other person.

For the purposes of paragraphs 3, 4 and 5, "acting in concert", "arrangement", "associate", "BAA Securities", "connected advisers", "derivative", "disclosure period", "Ferrovial Securities" "control" and "interested" have the same meanings given to them in paragraph 5 of the "Additional information" section of the Defence Document.

6. **Material contracts**

There have been no contracts entered into by BAA or any of its subsidiaries during the period commencing on 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document) and ending on the Latest Practicable Date, nor have there been any changes to any contract disclosed in paragraph 6 of the Defence Document, which are or may be outside the ordinary course of business and which are or may be considered material.

7. **Financial and other information**

There have been no material changes in the financial or trading position of BAA subsequent to the BAA Annual Report 2005/06 (which contains the latest published audited final accounts of BAA).

8. **Directors' service contracts**

There have been no material changes to any of the service contracts in force between any director or proposed director of BAA and BAA or any of its subsidiaries; (including to the remuneration under such contracts), nor have any such contracts been entered into since 17 May 2006 (being the latest practicable date prior to the publication of the Second Defence Document).

9. **Consents**

Rothschild has given and not withdrawn its written consent to the issue of this document including the references to its name in the form and context in which they appear. UBS has given and not withdrawn its written consent to the issue of this document including the references to its name in the form and context in which they appear.

10. **Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS for so long as the offer remains open for acceptance:

10.1 A copy of this document;

10.2 The written consents referred to in paragraph 9 above; and

10.3 A copy of the documents listed in paragraph 10 of the "Additional information" section of the Second Defence Document.

Definitions

The definitions set out below and in the "Definitions" section of the Defence Document and the Second Defence Document apply throughout this document unless the context otherwise requires. Definitions set out in the Second Defence Document take precedence over those in the Defence Document and the definitions below take precedence over both.

"BAA Annual Report 2005/06"	The annual report of BAA for the financial year ended 31 March 2006 which was published on 29 May 2006;
"Defence Documents"	The Defence Document and the Second Defence Document;
"Latest Practicable Date"	26 May 2006 (being the latest practicable date before the publication of this document);
"Second Defence Document" or "25 May document"	The circular from the Board to BAA Shareholders dated 25 May 2006; and
"Takeover Code"	The City Code on Takeovers and Mergers.

In this document the singular includes the plural and vice versa, unless the context otherwise requires.

Dated: 31 May 2006