Speech by Mike Clasper
Chief Executive Officer, BAA plc
Budapest Acquisition Presentation
19 December 2005

Good morning.
We're here this morning to talk about our successful bid for Budapest Airport.

This is an airport which would be an excellent asset for any airport company in the world. For BAA, it's better than that. It's a perfect fit. I want to set the scene for our presentation this morning, by explaining why this is so.

What makes the fit so good?

Let's start with Hungary itself. This is a country which has the right business culture and climate to become a major success in the EU. It's the Ireland of the new wave of EU entrants.

But its location is, in aviation terms, much better than Ireland. Positioned at the heart of Europe, Hungary has great potential in terms of tourism, cargo and logistics. In short, it's an ideal base for the development of aviation.

In terms of scale, think Scotland and double it. Hungary has a population of about 10 million people, which is roughly twice Scotland's. Today, our Scottish airports do 20 million passengers a year, against Budapest at nearly 8 million. We expect Budapest to hit the 20 million mark around 2020, which would make it comparable in size to Stansted today, but with significantly higher profits and none of Stansted's planning challenges. At that point we believe Budapest's profits will be 50% higher than Gatwick's today, with 32 million passengers.

Budapest Airport already has a two-runway system and as much land as Heathrow. This is an airport which, with quite modest capital investment, can be built out to handle not 20 million but 40 million passengers a year. It is a business that already has momentum and we can build on it.

You start to get the picture. A fast-growing airport in a rapidly emerging economy. That country's only airport of any significance. An outstanding asset. But why is this asset of such interest to BAA?

You only have to spend time at the airport – and our team has spent a lot of time there - to see the answer.

Budapest airport's retail offer is, to say the least, under-developed, which offers a tantalising prospect to BAA, the most accomplished airport retailer in the world. What's more, as we succeed in driving up the retail income per passenger, we'll keep the commercial gains because Budapest is regulated like a dual till. Remember the dual till – the approach the UK regulators flirted with in our last price review, but then backed away from. Budapest's retail successes will not be used to subsidise landing charges, as they are our London airports.

Another area of BAA expertise is working with airlines to develop new routes. These are the skills which in the last few years have connected our Scottish airports to inter-continental routes. It wasn't an accident, or a lucky break, that led Continental to develop its hubbing out of New York first through Glasgow and then Edinburgh.

We'll also boost traffic by cutting the overall airline costs at Budapest, to make them more competitive.

We'll be able to do this because we know we can tighten up the airport's cost base quite significantly, to hit the benchmarks you'd expect from an airport which aspires to be the best in its region.

In terms of the physical shape of Budapest airport, there's certainly work to be done, but the costs involved are manageable. The terminal buildings, for example, aren't laid out in the right way to handle 20 million passengers a year. But we can see how to fix that. Nobody is better than BAA at re-modelling a busy airport, combining intelligent design with the most effective construction techniques. Look at Terminal 5.

In short, BAA has the skill-set in retailing, traffic development and design and construction to make the most of the opportunity Budapest presents.

Now let me place all of this in a wider context of the changes we've been pursuing since I came to BAA four years ago. It's been quite a journey.

Where it started was with the powerful legacy of my predecessor, Mike Hodgkinson, to make BAA a business focused entirely upon airports. No distractions.

From there, we have articulated what it means to be a world class airports operator. You've heard me talk before of the three must dos:

- Run the airport operation well 24/7
- Spend capital smartly
- And manage the licence to grow

It's important not to forget the third of those points. The integrity of our record in environmental, health, security and safety issues is a significant part of what makes us attractive to a Government looking for quality private sector stewardship of a vital national asset.

Against that three-point framework, we have deployed clear and consistent strategies. And we have built BAA's muscle under three further headings: capability, innovation and commerciality.

BAA has always been a company rich in capability but we've been adding more. Innovation, however, was not our strongest area – not surprising in such a heavily regulated business. I talked to you about some of the things we're doing in that area when we met to discuss our year-end results in May and I won't repeat myself now. As for commerciality, that's a key driver in the business and right at the heart of the re-organisation of the company I discussed at the time of our interims last month. Those changes are designed to push prime accountability for profits to the airport level, and to drive efficiency.

But I'd say that what's changed most at BAA in the last couple of years has been the company's confidence. You can almost touch it when you visit Terminal 5. And it was evident in the resilience of our business response to 9/11, SARS and the Iraq War. It's also evident in the ambition of the recently announced Heathrow East plan. And in our plans for Stansted, unveiled ten days ago, when we showed how we would take 30 per cent off the Government's estimated cost of the second runway project, whilst reducing its environmental impact.

Which brings me to our international strategy, which is now crystal clear. It is to take the intellectual capital we have grown in our core UK airports business and apply it at airports overseas to make higher returns for our shareholders.

Our international strategy today has two components: airport retail contracts where we sell our expertise without taking large capital risks and investments which give us the clear prospect of full strategic control. This latter approach is the one which has yielded such excellent returns in Australia and Italy. Budapest fits squarely into this approach, but on a bigger scale, in terms of the numbers involved.

We're very confident about Budapest, just as we're confident about T5 and our core UK business. It is that confidence which lies at the root of the quiet transformation of BAA which is currently under way.

But I know what you're thinking.

That's all very well Mike. But what about the price?

Let me say that I understand your question. But I believe that by the time you leave here this morning, we'll have answered your financial questions in great detail and convinced you of the sound strategic and financial rationale for this acquisition.

So let me give you the headlines of why £1.25 billion is a fair price for the asset involved.

The key point is that it's a valuation based upon a business plan which takes a set of comfortable assumptions and implies a shareholder return over time of more than 12%. This, of course, is ahead of what we're doing in the UK on our regulated asset base.

If you take a short-term, financial engineering view of Budapest, this isn't the number you'd get to. Under that model you're aiming to distribute cash from an investment during its first five years, not build it into a tremendous business in fifteen years time.

But we're not financial engineers, we are an airports company with a portfolio of assets designed to generate growing shareholder value over time. Naturally, we expect to achieve value right away from Budapest, but to see its true value to BAA you have to take a longer view. In the next ten years, we expect our core UK business to grow strongly, as Terminal 5 comes on stream, and Gatwick and Stansted continue to fill up. This generates the cash which enables us to carry an investment like Budapest in its early years. But if you think to the period beyond 2011, the balance shifts. Then, the aviation market in the South East of England will be more mature and our shareholders will be very glad that Budapest will be making such a large contribution to cash flow and profits.

As I have said the purpose of our international strategy is to deliver to shareholders returns higher than those we can achieve on our UK regulated asset base.

But to execute the strategy right, we have to test every proposition with the utmost rigour. At Budapest, we've done extensive due diligence and we've buttoned down a six-year plan – to cover the current period of price regulation - in precise detail.

And to illustrate some of that detail, I'm now going to hand over to the leader of the team which will deliver it.

Chris Woodruff has been up to his ears in Budapest for most of this year.

Before that, he was running the airport operations at Heathrow, where he was previously in charge of retail. In recent months, he has led an internal team of about forty people to identify how we're going to make money in Budapest for our shareholders.

Chris, tell us about your new airport.

Speech by Chris Woodruff
Director of Operations, BAA International
Budapest Acquisition Presentation
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Thank you Mike and good morning ladies and gentleman.

Up on the screen is a picture of an airfield with which I have become extremely familiar during the past 9 months.

Having spent the last 4 years working at Heathrow Airport, there are a couple of things that I felt very comfortable with immediately. First of all the size of the airfield, which as Mike has already said, has approximately the same land mass and also has 2 runways. But there the similarity ends, I'll explain more about that a little bit later.

In the last 9 months myself and my team have spent our time building an extensive network of contacts from national and local politicians to airline customers, local businesses leaders and the management team. In short we have really been getting under the skin of this business.

Although we started our due diligence beck in March, the formal due diligence process kicked off in July. Right from that time we have deployed a significant BAA team to make sure that we explored the key issues with the airport's management and a very wide range of other people involved in the airport.

The result is that we have a comprehensive bottom up plan which I will now share.

Budapest Airport presents BAA with a tremendous opportunity. It plays to our core strengths which Mike has already mentioned.

Despite a good management team, its aviation fees are some of the highest in Europe. Its retail and property activities are under-developed. There is significant demand for cargo and logistics facilities, which is not being met, and staff productivity is low.

What this means in practice is that we can generate significant new commercial revenues, rapidly grow traffic, control operating expenses AND have the opportunity to design and build smart facilities that are fit for purpose.

We can do all these things AND build strong relationships with our stakeholders – employees, airlines, local communities and, of course, shareholders.

I want to look at all these opportunities in turn.

The airport has been impressively maintained. It contains 2 very modern terminals, which are side by side, and a recently refurbished original terminal on the other side of the airfield, once again developed to very high standards.

However, there has been a lack of investment in new capacity in recent years. Which is good because we can invest to achieve the result that we want to achieve.

The passenger, commercial and property facilities all need expanding. Which once again provides us with a great opportunity to develop it as we want.

Our short term traffic projections show growth from the current 8 million passengers a year to 12 million within 6 years. The key drivers in this period are the growth of the economy and the continued attraction of Hungary, and especially Budapest, as an inbound tourist and business destination.

In our projections we anticipate that low cost carriers will continue to grow at Budapest. But we haven't factored in additional growth resulting from increased hubbing activity that may result from, for example, Malev joining the One World alliance. In our forecasts we have also not included significant expansion of either new airlines or routes.

This slide demonstrates another cautious assumption in our business plan. The dotted blue line represents the Government mid-case on where it thinks Budapest's traffic will be in the next 6 years. The red line underneath that is our forecast and the dotted black lines at the top and bottom of this chart have a regulatory significance, which I will explain briefly but will leave Margaret to go through in more detail.

If traffic levels fall below the lower dotted line then we have the ability to recover half of the lost aero-nautical fees from our airline customers. Also if out traffic growth exceeds the higher dotted line then we share the excess aero-nautical fees above those levels with the airline - that would clearly be a high class problem.

It is worth mentioning a this stage that we are very comfortable with the regulatory framework. Most importantly, we are incentivised to grow the airport and its revenues because we get to keep all of the commercial revenue that we generate.

Our business plan gives us the flexibility within the pricing formula to market the airport aggressively if that's needed. Alternatively, the formula allows us to charge higher prices if we need to. The key point is that the business plan does not assume aggressive pricing to drive traffic growth.

In our plan, we forecast growing total revenues by just under 50% in the first 6 years. The composition of those revenues change as you can see with the commercial revenues taking a much larger share, but also within this, we've assumed the disposal of a couple of non-core, low margin businesses.

Turning to the commercial revenue streams, we plan to do all of the things that we do very well in our UK airports. We will work with those retailers that are currently at the airport to sharpen their appeal.

We will also innovate in terms of the brands on offer and we will construct a significant new commercial space in the appropriate locations to capture the spending power of the ever growing passenger base.

Our priorities during this period will be airside retailing, car parking, cargo, logistics and office space. We will apply the same rigor in selecting products and retailers that we do in our core UK business.

At the end of the first 6 year period we predict that retail revenues, on a per passenger basis, will still be significantly below the level experienced at Stansted today, but by the time of the second developmental stage, which is around 2015, we expect the retail revenues on a per passenger basis to be equalling those currently achieved at Stansted.

Now let me turn to the businesses that the current airport management consider to be non-core. These are a ground handling business and a mini bus business. These two businesses employ approximately 700 staff, generating a fairly high turnover but with low margins. We have already discussed these businesses with potential purchasers. Following further review and consultations with staff we would expect to exit. Our business plan assumes we exit these businesses on a value neutral basis.

The result of our commercial strategy and these intended disposals is clearly demonstrated in this slide. By 2011 retailing and property will account for about 90% of our commercial revenue, as the non-core revenue streams fall away following disposal.

We plan to move gradually to productivity levels currently achieved in our Scottish Airports. Our plan suggests that we achieve Scottish levels by only 2024.

So once again we have a clear opportunity. To achieve it, we will engage with trade unions with a clear intent to foster good relationships.

Moving on to investment, we have committed to invest €261 million in the first 6 years.

But we have also looked further ahead and developed an outline master plan which takes us right through to 2025. We will invest according to one or more of these criteria:

- It makes a good return
- It reduces operating expenses
- it enables growth
- It meets needs of customers (both now and in future)
- It ensures legislative compliance

The airport itself is bounded by 4 local municipalities and I have already met with the Mayors in those 4 municipalities to discuss some of our thoughts on developments but also to talk about a new consultative framework that we will deploy in Hungary.

Its worth saying now that I was surprised by the reaction I got from all 4 Mayors. What was surprising was the fact that all 4 wanted all developments in their particular municipality. That is because they get the benefits of local taxes and increases in employment.

What a difference from Heathrow! They do obviously have the normal concerns that any neighbour of any airport around the world has which is to do with noise and public transport principally, but these are issues which we have pledged to work with them on.

In the first 6 years we will be developing some significant new facilities. The first slide shows the layout of Terminal 2 today. Terminals 2a and 2b are highlighted in red.

We plan to join the two parts of the terminal and centralise the security search area which will allow us to develop the airside retailing space. We will also build a new multi story car park (in blue) and three new piers to cater for the growth in passenger traffic (red lines). The significant property developments will be off this map on the southern side of the airport.

Having led the due diligence team for the last 9 months, I will now lead the team which will deliver our business plan. It is a plan based on conservative assumptions with realistic and achievable targets.

We will grow our top line, manage our costs, invest wisely and work hard on our licence to grow. The result, one that I am very confident about, will be at least a doubling of EBITDA within the first 6 years.

As I said at the outset, Budapest Airport is a great opportunity for BAA, I hope that the level of detailed planning and forethought in our business plan has encouraged you to share that view. We will build on the successes of the current Hungarian management team, many of whom we expect to stay under BAA leadership.

Thank you very much, I would now like to hand over to Margaret Ewing.

Speech by Margaret Ewing
Chief Financial Officer, BAA plc
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Thank you Chris and good morning

As Mike and Chris have explained, Budapest Airport is a fantastic asset for BAA to own. It hits all the right buttons strategically and provides huge growth opportunities.

What I would like to do is explain to you how we will make this deal work financially

I will talk you through the financial drivers that make this such a financially attractive proposition. Then, how we are financing it, and finally, how, from a financial perspective, this transaction impacts our plans for the rest of the group.

But first of all I thought I ought to tell you what the actual deal is – after you have heard so much about how great it is!!

We are paying £1.25 billion, in sterling, to acquire a 75% interest in Budapest Airport Rt, a company that is owned by the Hungarian State and has been granted the right to develop and manage the operations of Budapest Airport. In addition, as part of the consideration, we are also paying for the contract to develop and manage the airport to be extended for a further 75 years and for ownership of the moveable assets used within the airport.

Although the State has retained a 25% interest in BA Rt, over which we have pre-emption rights, we have structured the deal such that BAA has the right to 99% of distributable earnings.

We anticipate closing later this week, when we will then have full operational and strategic control of the future development of the airport.

We are very happy with the level of our interest in BA Rt. However, between now and 2011, we could sell down our interest in BA Rt as long as we retain a 50% plus 1 share interest. After 2011 we are free to do what we want with our interest, provided we sell the majority interest to a suitable airport operator. Since the announcement that we were the lead bidder for Budapest Airport just over a week ago, we have had significant interest shown by various parties, seeking to partner with us in this investment. This has re-enforced the attractiveness of Budapest Airport and supports our valuation.

We may also have the opportunity, over the next six years, to acquire the Hungarian State's retained 25% interest, if it exercises its put option - at a price of £54 million plus a return of 11.5% per annum, compound until the date the put option is exercised.

The exercising of this option will require a change in the privatisation legislation.

So, they are the key terms of our deal. There is no doubt that we are paying a significant sum of money for an airport that today has less than 8 million passengers. However, it is really important, when you consider the returns that will be realised on this asset, that you recognise the long term nature of the asset management agreement – a unique 75 years. You also have to consider the rapid rate of growth and reliability of the cash flows and our ability to control them. This is no different to our investment in our UK businesses – you invest now for future long term growth in a reliable and predictable business.

Let me now move on to the financial drivers behind the valuation.

As you would expect, I have ensured that we have applied very robust financial disciplines, to the determination of the business and financial assumptions that support the valuation and transaction structure.

Chris outlined our execution plans and how we are going to realise growth of the airport. Let me give you a couple of examples of why I am confident that we will deliver this plan. They relate to the key drivers and assumptions behind it.

Obviously, traffic is a key driver. We are modestly assuming traffic grows, from under 8 million passengers per annum today to 12 million by 2011, and over 19 million by 2020.

This is considerably lower than the forecasts of the airport's current management team. It is also a slower rate of growth than we actually achieved at Stansted in the six years post 1998/9 – the year in which it had around 8 million passengers. Our forecast for the rate of growth at Stansted over the remaining part of the 15 year period is also ahead of our assumption for Budapest.

There is the potential for considerable upside to our traffic projections, when you put them in the context of our plans regarding airport tariffs, the Hungarian economic growth aspirations, and the catchment population of the airport. I'm personally very comfortable with our traffic growth assumptions

Another important aspect in providing me with confidence regarding the delivery of our financial projections is the regulatory framework.

This could not be better – it allows us to keep all commercial income. So our ability to drive and innovate within our commercial activities benefits you, our investors, and not the airlines. And you know what our record is for consistently outperforming our commercial projections, driving growth through innovation and excellent execution.

The regulatory framework also provides further upside potential to outperform. Until 2011, increases in airport tariffs are capped, by the regulatory decree, to an RPI minus X formula. Thereafter, the government intends light touch regulation, with agreement being reached between the airport and airlines, but with the fall back position of applying a default cap, should agreement not be feasible. To significantly improve the competitive position of the airport and grow traffic, we have assumed that we will be pricing significantly below the regulatory price cap, or default cap, throughout the life of the asset management contract. What that means is we are assuming a declining tariff in real terms. I do not believe this is fully reflected in our traffic growth assumptions. But it also allows us to improve the level of airport charges above those assumed, if we feel that there is a need.

The regulatory framework also provides a floor to the possible risks of lower traffic than we have forecast during the first 6 years of ownership. Should traffic, at any time during the first 6 years, turnout to be lower than planned, and less than the regulatory minimum, then any deficit in revenue will be shared with the airlines on a 50:50 basis.

If the traffic hits, at any time, the lower band, as shown on the bottom of this slide, we are also able to renegotiate the committed €261 million capital investment.

And the final example I want to give relates to operating expenditure. We will make efficiency savings and drive productivity. But we have been modest in our assumptions as to what we can achieve at Budapest Airport. For those of you with long memories, you know how our productivity levels more than doubled post privatisation in the UK. Since then we have got even tougher at driving out costs, as we have sought a greater commercial culture through the organisation. We are an effective and efficient operator of airports.

These key drivers of profit and cash flow growth, namely traffic, regulatory framework and productivity, along with investment in the airport to provide facilities and capacity for growth, are prevalent in all of our businesses. They form the base of what we live and breath - day in day out – they are the bread and butter of our business. They also allow us to maintain maximum flexibility over our operations so that we manage our cash flows to reflect the external and internal trading environment.

What they actually deliver financially for Budapest Airport is EBITDA projected to grow from Euro 68 million today, to Euro 148 million by 2011 and over Euro 273 million by 2020. By 2020 Budapest will be more profitable than Gatwick is today with less than two thirds the number of passengers. As I have indicated, despite the long term nature of these projections, we know from our own experience that airport profitability is fairly predictable. This gives me great confidence in our financial plan.

To the cash flows, generated from these key assumptions, we have applied a WACC of 8% - this is post tax and nominal. It is this DCF valuation that has driven the enterprise value of £1.36 billion and our cash consideration of £1.25 billion, payable in sterling on completion. We have not applied a strategic premium – it is purely the cash flows of the asset that have determined our bid price.

And there is upside in the WACC we have applied – not only do we get higher returns than the return we get from our UK regulated assets, but the WACC has also been based on conservative assumptions regarding financing structure and cost of debt.

It assumes we will finance the transaction 50% debt and 50% equity – but we are not, we are using all debt. We are also likely to finance, over time, at a lower cost of debt than that assumed within our 8% WACC calculation. What this means is, that over time, there should be considerable upside available for our shareholders. Assuming constant gearing, the 8% WACC would achieve an overall post tax nominal return to shareholders of in excess of 12%. Our financing structure should deliver more.

The financial structure and method of financing we are using is very simple and provides maximum flexibility. It is one we are very comfortable with as a group – we have used similar structures before. It is not reliant on any complicated financial engineering. It does not have any impact on our ability to deliver our plans for the rest of the group. It optimises our required balance between cash return, cost of funding, tax effectiveness and currency volatility. And most importantly, although we will only own 75% of the equity of BA Rt, our structure for investing in and financing BA Rt means that BAA actually will be receiving 99% of the distributable earnings. BAA will be effectively receiving all available cash, after capital investment, to service its debt and shareholders.

In implementing this structure, we have put in place a three year bank facility, which we can draw in either Euros or sterling.

This 364 day facility has a further 2 year term out options, at our discretion. It is attractively priced, even compared to our existing 5 year £1 billion revolving credit facility, with other terms being almost identical.

We intend refinancing this acquisition facility over the next couple of years, primarily in the corporate bond market. Obviously market conditions will dictate the actual timing, market, size and maturity of any issue. As always, we wish to maintain maximum market flexibility and seek to further diversify our investor base.

Given our decision to fund this acquisition purely with debt, there is obviously an increase in the financial risk profile of the group – but the terms of the financing minimise the impact.

At group level, there will initially be modest earnings dilution – approximately 4% before amortisation in 2006/7, improving thereafter and earnings enhancing from 2010/11. But, I stress, the acquisition of Budapest Airport does not change the business risk profile of the group.

This is borne out by the views of the two credit rating agencies.

We have kept them fully briefed of our plans. Consequently, we are only anticipating a one notch downgrade to our long term ratings from both of them. This means that we will retain our A rating from S&P, but now A flat. Moody's have announced this morning that we will move to Baa1. These ratings reflect our long term plans for the group – not merely this transaction. They reflect an anticipated net debt of around £7 billion by 2008/9, the first year of operation of Terminal 5. The current and anticipated ratings also reflect our plans for the delivery of Stansted's second runway, which we gave details of on 9th December. On the fastest possible timetable for delivery of the Stansted development, our net debt will peak at around £8 billion by 2012/13.

However, they do not reflect the opportunity that we are exploring at Heathrow to develop a replacement terminal on the site of the existing terminal 2 and Queen's Building. Obviously, the rating agencies are aware of this potential development but, until our plans are more finalised, they do not wish to take it into consideration. Our own assessment, assisted by our advisors, suggests that there is a good possibility that we would retain the ratings of A+ and Baa1 if we did proceed with this Heathrow development. We manage our assets and our development plans as portfolios – balancing their strengths and requirements and this provides confidence to the rating agencies

I must stress to you that the BAA Board remains committed to investment grade long term credit ratings, with a target rating of A. However, it accepts that, at certain times, it may be necessary to allow the long term rating to fall below the target rating, if it is to take advantage of investment opportunities, such as Budapest.

The maintenance of solid investment grade credit ratings post acquisition enables us to take advantage of the favourable conditions in the debt markets, and historically low interest rates, in financing this transaction.

As I have said, financing this acquisition by debt increases the financial risk profile of the group. It tightens our credit metrics – hence the one notch downgrade anticipated. But this is only for a relatively short period, even taking into consideration our plans for Stansted. Although our net debt continues to rise until 2012/13, we expect a strong recovery in our credit metrics post 2008/9. And, despite these tightening credit metrics, we are forecasting compliance with the financial covenants within our funding facilities.

In the appendices to this presentation pack, we have provided details of our current facilities – including their terms, covenants, maturity profile and other relevant information. We have also summarised the existing funding position, in terms of amounts drawn and committed liquidity – and it is this funding position that contributes to our retained strong credit profile….

…supported by BAA's clear industry leading and competitive position. This acquisition further enhances this profile. The nature of airports, and the underlying long term growth of the aviation sector, provides predictable and stable cash flows.

We are not in any way altering our plans for the group or our financial ability to deliver them. We are not altering or our conservative funding strategy and policies.

We are not stressing the balance sheet – it remains very robust. But we are retaining absolute flexibility in how we finance our future capital requirements and how we finance this transaction.

This really is an excellent acquisition, both strategically and financially, for the long term growth of the group. I've inspected Budapest Airport for myself and it is so easy to see the real potential. I've spoken to some of the airport's stakeholders and customers – I know we can work with them to make Budapest Airport great. Those I have spoken to eagerly welcome the prospect of a BAA owned operation. We will be inviting you to see the potential for yourself in late March.

And now Mike is going to conclude before we move to your questions.

Thank you

Conclusion by Mike Clasper
Chief Executive Officer, BAA plc
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Thank you Margaret.

We have taken quite a lot of time to go through our thinking about Budapest Airport this morning because we recognise that it is a very important deal. In fact I am sure you can see that, for BAA, it is a breakthrough transaction. If you look ahead to 2020 this company's second biggest profit centre, neck and neck with Gatwick and right behind Heathrow will be - Budapest.

I've heard a lot from shareholders in the last three years about the desirability of us achieving real scale outside our regulated London airports business. We've listened to that and we think that this is the right move at the right price at the right time.

Margaret, Chris and I will now take questions.