



BBA Aviation plc
2008 Preliminary results

Results for the year ended
31 December 2008

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PRELIMINARY RESULTS FOR PERIOD ENDED 31 DECEMBER 2008

Results in brief (£m)	Underlying results*			Statutory results		
	2008	2007	% Change	2008	2007	% Change
Revenue	1,156.1	979.4	18%	1,156.1	979.4	18%
Operating Profit ¹	109.7	105.7	4%	104.7	130.1	(20%)
Profit before tax	89.2	86.4	3%	84.2	110.8	(24%)
Earnings per share ²	16.1p	15.4p	5%	15.3p	21.2p	(28%)
Free Cash Flow ³	77.2	44.3	74%	77.2	20.6	275%
Net Debt				554.4	368.6	
Dividend per share				7.60p	7.60p	

Financial highlights

- Sales increased by 18% to £1,156m with organic growth of 1%
- Underlying operating profits increased by 4% to £109.7m
- Adjusted earnings per share of 16.1p up 5%
- Statutory profit before tax lower due to the inclusion in the prior year of profit on sale of Oxford businesses of £38.4m
- Cost reduction action reduces cost base by £6m annually in 2008, with action taken in early 2009 to reduce by a further £10m annually
- Strong free cash flow of £77.2m up 74%
- Year end net debt of £554.4m, increased principally due to the translation of \$ debt at year end rates
- Net debt to EBITDA ratio (at average exchange rates) for banking covenant broadly unchanged at 2.9X (2007 2.7X)
- Dividend for the year maintained at 7.6p

Strategic and operational highlights

In Flight Support (54% of Group EBIT):

- Signature delivered a good performance in a challenging market and gained market share in the second half of the year. Its network has been expanded in both the US and Europe and the integration of the Hawker Beechcraft acquisition has been completed
- A new 5 year contract has been signed with NetJets in the USA
- ASIG produced a robust performance in a difficult environment. The Terminal 1 ground handling ("TOGA") contract start up at JFK has gone well, the exit from uneconomic contracts / locations has been successful and the results benefited from a strong de-icing season at the end of the year

In Aftermarket Services and Systems (46% of Group EBIT):

- Engine Repair continues to make good progress whilst reducing its capital employed and improving its return on capital. It secured new engine authorisations and won and renewed a number of important contracts
- Legacy Support delivered strong growth in profitability, secured a number of important new licences and increased its order book to record levels
- APPH generated good growth on slightly reduced margins due to increased OEM content but was impacted in the second half of the year by weakness in the regional aircraft market in the USA

Simon Pryce, BBA Aviation Group Chief Executive, commented:

"Despite 2008 being challenging in many of our major markets, trading for the year was in line with our expectations and cash flow was particularly strong. Although we have benefited from the relative strength of the US dollar, especially in the last quarter, our performance in 2008 demonstrates the underlying strength and cash generative nature of our businesses, the balance in our portfolio and the benefits of ongoing management action.

We enter 2009 with sufficient financial flexibility and the vast majority of our bank debt is committed until 2012. However, markets remain volatile with limited visibility and we anticipate a difficult year. We have already taken actions in early 2009 to reduce our annual cost base by a further £10m and we will continue to flex operating costs as necessary. Our primary focus remains strong cash generation and debt reduction. Due to our confidence in achieving this, the excellent long term prospects for BBA Aviation and our ability to perform robustly in these difficult markets, we will be maintaining the full year dividend and will be positioned to benefit from the recovery when it comes."

* As defined below, and in the case of free cash flow, from continuing operations.

(1) Underlying operating profit being total operating profit (including associates) before restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims. The Oxford businesses sold in 2007 contributed £2.0m to underlying operating profit in 2007 and were included within continuing operations.

(2) Basic earnings per share adjusted to exclude the after-tax impact of restructuring costs, amortisation of acquired intangibles and gain on disposal of businesses and claims.

(3) Cash generated by operations, plus dividends from associates, less tax, net interest and net capital expenditure (excluding Ontic licence acquisitions).

The definitions outlined above are consistently applied throughout this preliminary announcement.

PRELIMINARY RESULTS 2008

Overview

In the last quarter of 2008 the US dollar appreciated significantly against sterling, resulting in a year end spot rate of \$1.44 compared to the \$1.99 reported at the end of 2007, and an average rate for 2008 of \$1.85 compared to \$2.00 in the prior year. This movement in exchange rates has distorted the comparison with the prior year both for the income statement but more particularly for the translated value of the net assets and debt on our balance sheet.

Despite the global economic and financial crisis our businesses have performed well and have produced another solid set of results. Revenue increased by 18% to £1,156m and at constant exchange rates by 11%. Excluding the impact of increased jet fuel prices (£66m) and the contribution from acquisitions net of disposals (£36m), organic revenue growth for the group overall was 1%. Underlying operating profit at £109.7m (2007: £105.7m) was 4% higher than the prior year and 4% lower at constant exchange rates with a strong performance in our Aftermarket businesses partially mitigating reduced earnings in Flight Support which was most affected by the downturn in the market. Underlying operating margins declined to 9.5% (2007: 10.8%) partly as a result of the higher fuel prices. On a constant fuel price basis operating margins would have been 10.1% with the reduction from the prior year principally caused by the lower volumes in Signature USA.

Faced with the challenging market conditions the Group took action to lower its cost base reducing headcount by some 300 personnel and also cut other revenue costs. The total annualised savings were approximately £6m of which £3m came through in 2008. In early 2009 the Group has taken action to reduce its cost base by a further £10m annually, most of which should come through during this year.

Total operating profit of £104.7m was 20% lower than the prior period (2007: £130.1m), principally due to the inclusion in 2007 of the profit generated on the sale of the Oxford businesses of £38.4m. Underlying profit before tax increased by 3% to £89.2m and adjusted earnings per share rose by 5% to 16.1 pence.

The net interest charge was £20.5m (2007: £19.3m). The increase was caused by the translation impact of the stronger dollar (£3.3m), lower interest income from the UK pension schemes (£1.5m) due to the annuity purchase early in the year and higher average levels of net debt following the purchase of Hawker Beechcraft (£1.6m) which was mostly offset by the impact of interest rate reductions. Interest cover was broadly unchanged at 5.4 times (2007: 5.5 times).

Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims, amounted to a net charge of £5.0m (2007: a net credit of £24.4m), with the prior year including the profit on disposal of the businesses at Oxford airport of £38.4m.

Profit before tax declined to £84.2m (2007: £110.8m) due to the movement in restructuring costs and other non-recurring items noted above, in particular the sale of the Oxford businesses in 2007. Unadjusted earnings per share were 15.3p (2007: 21.2p).

There was a strong free cash flow from continuing operations of £77.2m (2007: £44.3m), with the improvement principally due to higher EBITDA of £143.3m (2007: £135.0m), reduced capital expenditure of £30.9m (2007: £37.3m) and a working capital inflow of £3.8m (2007: outflow £5.2m). The Group invested £76.4m on acquisitions, principally to extend the Signature network, and £21.9m in respect of new licences for Ontic. There was a net cash outflow of £26.0m after paying dividends of £31.9m.

The translated value of net debt rose significantly due principally to the strengthening of the US dollar against sterling in the last quarter of the year and at the year end was £554.4m (2007: £368.6m) with £159.8m of the increase caused by movements in exchange rates. The net debt to EBITDA ratio at the end of the year was 2.9 times and was broadly unchanged from the prior year of 2.7 times (this ratio has been calculated in accordance with the definition applied for our banking covenants at average exchange rates and with a pro forma earnings adjustment for acquisitions and licences acquired during the year).

The Group has \$1,175m of banking facilities of which \$860m was drawn across them at 31 December 2008. The Group agreed two new financing facilities during the year: a three year \$175m syndicated loan facility with a small group of banks and a two year \$100m facility with two banks. The Group has an existing \$900m syndicated facility which is due to expire in 2012. These facilities are subject to cross-default and contain two main financial covenants: maximum net debt to underlying EBITDA of 3.5 times and minimum net interest cover of 3.0 times. In the primary \$900m facility the Group has the option, having made acquisitions of more than \$100m in a given window, of

increasing the net debt to EBITDA covenant to 4.25 times at the 31.12.08 testing date and to 4.0 times at the 30 June and 31 December 2009 dates respectively. After this period the covenant would return to 3.5 times. This "acquisition spike" is not available in the two smaller facilities but due to the acquisition of Hawker Beechcraft in 2008 this is now available to the Group for 2009 for the \$900m facility. Whilst we intend to manage the Group to stay within the 3.5 times covenant limit the availability of the extended covenant, subject to the Group consolidating all of its borrowings into the \$900m facility, could provide some extra headroom and flexibility during 2009 if required. In the event of a weakening of sterling against other currencies, the Group has the ability to test the net debt to EBITDA covenant at average exchange rates.

A final dividend of 5.30p has been recommended by the Board (2007 5.35p) leaving the dividend for the full year unchanged at 7.6p. A scrip alternative will be introduced in order to give shareholders the opportunity to increase their shareholding without incurring dealing costs or stamp duty whilst at the same time the Group will be able to retain cash in the business which would otherwise be paid out as a dividend.

Business Review

Flight Support (representing 54% of the Group)

Against the backdrop of the global economic slowdown, Flight Support sales grew by 22% to £705.9m (2007:£579.5m). Exclusive of the significant impact of higher fuel prices of £66m and additional sales from acquisitions of £51m there was an organic revenue decline of 6%. Underlying operating profits declined by 10% to £64.8m as reported and by 16% on a constant currency basis, principally due to the underlying decline in sales.

Operating margins of 9.2% (2007 12.5%) were significantly affected by the impact of higher fuel costs which are passed directly on to customers. At constant fuel costs margins would have been 10.1%, with the balance of the reduction from the prior year caused principally by lower fuel volumes.

Despite the lower operating profits there was strong operating cash flow of £61.6m in the division and 95% of operating profit was converted into cash. The return on invested capital declined to 9.3% (2007: 13.9%), but was 9.9% excluding the impact of the Hawker Beechcraft acquisition on the year end balance sheet.

Signature

On a constant currency basis, Signature revenues worldwide were up 20% to £508.2m. After adjusting for fluctuations in the cost of jet fuel and acquisitions, which increased revenues by 15% and 12% respectively, revenues declined 7% organically.

Because of the underlying economic uncertainty, there has been a reduction in business and general aviation (B&GA) activity during 2008. This reduction accelerated in the fourth quarter as a result of the heightened global economic crisis. Against this backdrop, Signature Flight Support in the USA performed well, outperforming the broader US market in the second half of the year and maintaining positive revenue growth in Europe for the year as a whole. At the same time, Signature undertook headcount reductions and reduced operating expenses whilst ensuring that customer service levels were maintained.

In the US, total aircraft movements at Signature's served markets were down approximately 12% for the whole of 2008. Signature non-fractional volumes were 6% lower on the strength of the continued success and expansion of initiatives launched during the year. Inclusive of the fractional business, total volumes were down 9% organically which was slightly ahead of the market.

Signature successfully integrated the Hawker Beechcraft Line Service Division acquisition announced in February 2008 and completed in July 2008, giving the company FBOs at 6 additional important US business jet locations. The company has now signed a new 5 year contract with largest customer NetJets, covering fuel supply in North America, the terms of which commenced on 1 January 2009. This contract was due to expire in April 2009.

Following the successful retention of Signature's operation at San Francisco International Airport in 2007, the company has started to build an environmentally friendly executive terminal and hangar development.

Outside the US, the B&GA market also experienced a slowdown, but unlike North America which started to be impacted in early 2008, the rest of the world was not significantly affected until the fourth quarter. The European network was extended by adding locations through acquisitions at Munich International Airport and London Gatwick Airport for a total initial cash consideration of £7.7m with a further potential payment of £1.0m payable in respect of Gatwick subject to performance over a 2 year period. Despite the slowdown in activity towards the end of the year, Signature's business in the rest of the world continued to show progress in 2008, growing organic revenues by 3%

exclusive of jet fuel cost impacts and acquisitions.

Signature Flight Support's global network now consists of 95 locations, including 58 in the US. Coverage extends to 45 of the US top 50 metropolitan areas and 16 of the top 30 US hub airports. The company has locations at 22 airports in Europe, as well as one in Cape Town, South Africa and has a minority interest in FBOs in Hong Kong (1) and South America (13). Including these minority interests, Signature now has an FBO presence in 10 countries.

ASIG

Total revenue at ASIG was 7% higher than 2007 on an as reported basis and was unchanged at constant exchange rates. Excluding variations in fuel prices and the impact of a small acquisition made in the UK, ASIG's sales declined organically by 3%.

The commercial flight support market was affected by the global economic slowdown and the rapid escalation of jet fuel prices in the first half of the year. Overall, we estimate that our served markets declined by 4% during 2008 and accordingly ASIG took action by adjusting staffing levels, pay and benefits, improving the fuel efficiency of its fleet and renegotiating supply contracts to operate from a more favourable cost base. ASIG's business outside the US, which represents 16% of total revenue, held up well.

ASIG has been able to retain and consolidate its market leading position, in spite of the volatile fuel market and economic conditions affecting the industry's performance. Reaffirming its position as an industry leader, ASIG was named "*Best Airport Fuel Operator*" for the fourth straight year in an independent survey conducted by the Armbrust Aviation Group, a leading trade organisation.

During 2008 ASIG successfully commenced one of the industry's largest ground handling contracts at JFK International Airport's Terminal One. In less than 90 days, the company secured and licensed \$16m in new ground handling equipment and trained over 300 employees to provide services to the 16 carriers serving the terminal. After a successful start-up, ASIG is achieving its contractual and financial commitments on this significant operation and the contract is expected to generate \$150m in revenue over the next seven years.

The company also retained two key airport facility services contracts at BWI (Baltimore Washington International Thurgood Marshall Airport) and LAX (Los Angeles International Airport) and was also successful in renewing several key aircraft refueling contracts for American Airlines, United Airlines and US Airways Express. At two key hubs, Los Angeles and London Heathrow, ASIG extended several large ground services contracts and the company's significant presence at key hubs also helped to reduce its vulnerability to some of the industry's schedule reductions that occurred during 2008.

ASIG has added more aircraft cleaning capacity in the UK by acquiring Flygiene Ltd, based at Manchester airport, for an initial cash consideration of £2.1m with a further £1.9m payable subject to performance.

Aftermarket Services and Systems (representing 46% of the Group)

Sales in our Aftermarket Services and Systems businesses grew by 6% on a constant currency basis. Organic growth was 10% after taking into account the sale of the businesses at Oxford airport in the middle of 2007 and the closure of the CSE Engineering business in early 2008.

Underlying profits increased strongly to £55.5m (2007: £43.2m) and were 28% higher than the prior year (20% higher at constant exchange rates). The Engine Repair and the Legacy Support businesses performed particularly well and both significantly increased underlying operating earnings during the year. Margins increased to 12.3% (2007: 10.8%) due to a continuing improvement in Engine Repair and the impact of the closure of the low margin businesses at Oxford (2007 restated to exclude Oxford: 11.2%).

The division generated operating cash flow of £56.5m (2007: £37.3m), representing a cash conversion rate of 102%, with a significant improvement during the second half of the year as anticipated at the time of the interim results.

The return on invested capital over the year (including goodwill previously written off to reserves and excluding the impact of the disposed Oxford businesses) improved to 10.6% (2007: 9.5%) continuing the trend started in 2006.

Engine Repair and Overhaul (Incl. Parts Distribution)

2008 sales increased by 11% on a constant currency basis to £342.9m (2007: £309.1m) with all of the growth being organic. ERO increased its share in a declining US market whilst penetrating expanding global sectors with the international markets holding up well. Strategic decisions taken to improve our portfolio balance resulted in a 24% increase in our airline revenue (Tay, PW100, CT7) coupled with solid gains in both military rotor wing (RR250,

PT6T) and business aviation engines (PW300, PW500, TFE731) contributing to the overall growth for 2008.

ERO continues to make improvements in its operations and supply chain structure to facilitate profitable organic growth. It has reduced turn times on a wide range of engine overhauls and has implemented a comprehensive programme of continuous improvement. An initiative to reduce inventory levels is yielding results with a £13m reduction achieved in the year, of which £8m came through in the second half. This will be a continuing area of focus for 2009.

During the year ERO added 16 new engine models to its existing authorisations on Pratt & Whitney Canada engines and extended the term of its service agreement for a further 12 years. It also secured a ten year service agreement with Austrian Airlines for the maintenance, repair and overhaul of the airline's Rolls-Royce Tay engines.

Legacy Support

Legacy Support delivered a very strong performance during the year, organically increasing sales by 13% at constant exchange rates and secured a number of important new licences.

Overall market conditions for Legacy Support continue to be very solid with strong sales and order backlog at Ontic, arising from both existing licences and new licences entered into during 2008.

In the second half of 2008 Ontic added a number of licences for major new product lines including the Honeywell 700 Series Auxiliary Power Unit (APU) and Kidde Graviner's Gaseous Emergency Oxygen Equipment (GEOE) which are expected to produce sales of over £12m annually over the next 10 years. Order backlog for existing licensed products approached \$40m which was the largest backlog in the company's history and has more than doubled since its acquisition by BBA Aviation in February 2006. The pipeline of new licence opportunities continues to be strong looking forward into 2009.

With the addition of the Kidde GEOE licence and a large number of attractive new business opportunities with OEMs outside of the US, a UK based subsidiary has been established to support GEOE and facilitate expansion of Ontic's core licensing model and capabilities in the UK and Europe, which will be headquartered close to Heathrow Airport and will provide additional growth opportunities for Legacy Product Support.

APPH - Landing Gear and Hydraulics

Sales at £68.7m were 9% higher than the prior year with all of the growth being organic. This strong growth reflected increased OEM sales for BAE Systems Hawk and SAAB JAS39 Gripen landing gear systems, increased volumes of hydraulic sub-systems to Hindustan Aeronautics for the Advanced Light Helicopter and the increasing build rate of Cessna Mustang aircraft, where APPH supply the throttle quadrants. In the second half of the year APPH experienced a decline in demand for replacement parts and repair and overhaul services for the regional turboprop aviation market in the US.

A number of important new orders were secured during the period. In India a joint development contract was obtained to develop the pitch control actuation system for the Light Combat Helicopter, which has the potential to generate revenue of \$30m over 10 years. In the UK a contract was signed with BAE Systems to support the MOD's UCAV demonstrator programme for the Teranis landing gear system and APPH's MRO facility was awarded a worldwide contract by Boeing to overhaul the landing gear system on the Boeing 717 fleet.

Oxford

A small engineering business, CSE Aviation, which was based at Oxford airport, was closed in early 2008 with an associated cash reorganisation cost of £1.1m. The Oxford businesses, which were sold in 2007 for £68.1m, contributed sales of £10.7m and operating profits of £2.0m to the first half of 2007.

Other Financial Information

Unallocated central costs rose to £10.6m (2007: £9.7m). This increase principally arose due to the inclusion in the prior period of a £0.4m curtailment gain in respect of the UK pension scheme.

Restructuring costs and amortisation of acquired intangibles were £10.3m (2007: £6.4m) of which £3.0m (2007: £4.1m) related to cash items. Amortisation of acquired intangibles amounted to £2.1m (2007: £0.8m) with the increase resulting from the acquisitions made in the second half of 2007 together with the impact of the Hawker Beechcraft acquisition. Restructuring costs were £8.2m (2007: £5.6m) principally due to a write down of assets in respect of our exit from the glycol recycling business and costs associated with the closure of two small UK engineering businesses, CSE Aviation and, in early 2009, APPH's wheel and brake overhaul activities based at Basingstoke. The Group also recognised non-recurring income of £5.3m from the US Government in respect of its claim for compensation for loss of earnings following the government's decision to close the FBO at Washington

Reagan after the September 11th terrorist attack. In the prior year, the Group recognised a £7.6m write-down of its investment in an associate in Brazil.

The underlying tax rate was 26.1% (2007: 27.0%) and it is anticipated that the rate for 2009 will be held at a similar level.

Net debt was £554.4m and was impacted significantly by the strengthening of the US dollar and the Euro against sterling. In total these currency movements increased net debt by £159.8m compared to the end of 2007. There was a net cash outflow of £26.0m in the period after paying dividends of £31.9m and making acquisitions of £76.4m. Net debt to EBITDA calculated at average exchange rates was 2.9 times and was broadly unchanged from the end of 2007 (2.7 times). This calculation is consistent with the definition in our banking facilities.

The Group has for many years hedged the translated value of its overseas assets with a mixture of debt and cross currency swaps. At the end of the year the Group had \$550m of swaps, which due to the rapid depreciation of sterling against the dollar in the last few months of the year, were valued at a contingent loss of £98m when they were marked to market at the balance sheet date. This contingent loss has been included in working capital on the balance sheet. The swaps mature between 2011 and 2013 and the actual loss or gain will be dependent on the spot rates at the date the swaps mature or are closed out in the intervening period.

The UK defined benefit pension scheme showed a surplus of £5.1m on the basis of asset values as at 31 December, and liability assumptions based on our last actuarial valuation of 31 March 2007, but updated to 31 December 2008 where necessary. In accordance with IAS 19 and IFRIC 14, this has not been recognised in our balance sheet, as there is insufficient certainty of the Group realising any benefit through a refund or reduced future contributions. In April 2008, the trustees of the UK plan acquired an annuity from Legal & General covering approximately 58% of the scheme's liabilities. This should substantially decrease the Group's risk in respect of pensioner mortality and future interest rate changes.

Going Concern

The directors have carried out a review of the Group's 2009 budget and medium-term plans, with due regard to the risks and uncertainties to which the Group is exposed, the uncertain economic climate and the impact that this could have on trading performance. Based on this review, the directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Dividend

The Board is recommending a final dividend of 5.30p (2007: 5.35p) leaving the total dividend for the year unchanged at 7.60p. The continued payment of the dividend at 2007 levels reflects the Board's confidence in the excellent long-term prospects for our markets and the Group's ability to continue to generate strong free cash flows.

A scrip alternative to the cash dividend will be offered and will replace the existing DRIP scheme. This alternative is proposed in order to give shareholders the opportunity to increase their shareholding without incurring dealing costs or stamp duty whilst at the same time the company will be able to retain cash in the business which would otherwise be paid out as a dividend.

Outlook

We enter 2009 with sufficient financial flexibility and the vast majority of our bank debt is committed until 2012. However, markets remain volatile with limited visibility and we anticipate a difficult year. We have already taken actions in early 2009 to reduce our annual cost base by a further £10m and we will continue to flex operating costs as necessary. Our primary focus remains strong cash generation and debt reduction. Due to our confidence in achieving this, the excellent long term prospects for BBA Aviation and our ability to perform robustly in these difficult markets, we will be maintaining the full year dividend and will be positioned to benefit from the recovery when it comes.

This preliminary announcement contains forward-looking statements including, without limitation, statements relating to: future demand and markets of the Group's products and services; research and development relating to new products and services; liquidity and capital; and implementation of restructuring plans and efficiencies. These forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Accordingly, actual results may differ materially from those set out in the forward-looking statements as a result of a variety of factors including, without limitation: changes in interest and exchange rates, commodity prices and other economic conditions; negotiations with customers relating to renewal of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; and the outcome of litigation. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Group balance sheet

at 31 December 2008

		2008 £m	2007 £m
Non-current assets	<i>Intangible assets</i>		
	Goodwill	526.8	340.2
	Licenses & other	112.3	40.1
	<i>Property, plant & equipment</i>	407.7	310.4
	<i>Investments in associates</i>	2.5	1.6
	<i>Trade and other receivables</i>	17.9	16.9
		1067.2	709.2
Current assets	Inventories	171.8	141.9
	Trade and other receivables	279.6	185.7
	Cash and cash equivalents	98.4	99.2
	Tax recoverable	1.4	3.4
		551.2	430.2
	Total assets	1,618.4	1,139.4
Current liabilities	Trade and other payables	(277.2)	(193.5)
	Tax liabilities	(47.9)	(42.8)
	Obligations under finance leases	(0.7)	(0.6)
	Bank overdrafts and loans	(18.1)	(25.6)
	Provisions	(1.7)	(2.0)
		(345.6)	(264.5)
	Net current assets	205.6	165.7
Non-current liabilities	Bank loans	(600.2)	(416.7)
	Other payables due after one year	(127.4)	(9.7)
	Retirement benefit obligations	(23.3)	(10.3)
	Obligations under finance leases	(33.8)	(24.9)
	Deferred tax liabilities	(29.4)	(20.2)
	Provisions	(20.7)	(21.2)
		(834.8)	(503.0)
	Total liabilities	(1180.4)	(767.5)
	Net assets	438.0	371.9
Equity	Share capital	122.7	122.7
	Share premium account	346.4	346.4
	Other reserve	3.9	3.9
	Treasury shares	(3.4)	-
	Capital reserve	18.8	17.2
	Hedging and translation reserves	10.9	(32.5)
	Retained earnings	(62.1)	(86.5)
	Equity attributable to BBA Aviation plc shareholders	437.2	371.2
	Minority interest	0.8	0.7
	Total equity	438.0	371.9

Group cash flow statement

for the year ended 31 December 2008

		2008	2007
		£m	Restated £m
Operations	Net cash flow from continuing operations	126.4	102.4
	Net cash flow from discontinued operations	-	(23.7)
Operations	Net cash flow from operating activities	126.4	78.7
Investing activities	Dividends received from associates	0.8	0.5
	Purchase of property, plant and equipment	(29.5)	(36.3)
	Purchase of intangible assets	(23.3)	(3.5)
	Proceeds from disposal of property, plant and equipment	1.1	2.9
	Acquisition of subsidiaries	(76.4)	(75.9)
	Proceeds from disposal of subsidiaries and associates	0.4	68.1
	Investment in associates	(0.2)	-
	Deferred consideration on prior year acquisitions	(4.0)	(1.0)
	Net cash outflow from investing activities	(131.1)	(45.2)
Financing activities	Interest received	30.6	35.8
	Interest paid	(49.6)	(58.4)
	Interest element of finance leases paid	(1.2)	(1.6)
	Dividends paid	(31.9)	(30.0)
	Net realised gain on cash and asset management swaps	34.3	18.6
	Proceeds from issue of ordinary shares	-	1.5
	Purchase of own shares	(3.5)	-
	Increase/(decrease) in loans	19.0	(59.7)
	Decrease in finance leases	(0.5)	(2.7)
	Decrease in overdrafts	(84.2)	(4.0)
	Net cash outflow from financing activities	(87.0)	(100.5)
Cash and cash equivalents	Decrease in cash and cash equivalents	(91.7)	(67.0)
	Cash and cash equivalents at beginning of year	99.2	156.5
	Exchange adjustments	90.9	9.7
	Cash and cash equivalents at end of year	98.4	99.2
Net debt	Net debt at beginning of year	(368.6)	(370.3)
	Decrease in cash and cash equivalents	(91.7)	(67.0)
	(Increase)/decrease in loans	(19.0)	59.7
	Decrease in finance leases	0.5	2.7
	Decrease in overdrafts	84.2	4.0
	Finance leases acquired	-	(0.1)
	Exchange adjustments	(159.8)	2.4
	Net debt at end of year	(554.4)	(368.6)

The 2007 cash flow has been restated to reflect a change in the definition of net debt to exclude cross currency swaps, since they are excluded from the definition of net debt for covenant calculation purposes, and the directors, therefore, consider that this gives a better indication of the Group's financial position and performance against its key banking covenant.

Group statement of recognised income and expenses

for the year ended 31 December 2008

	2008 £m	2007 £m
Exchange difference on translation of foreign operations	353.9	10.2
Losses on net asset hedges	(283.5)	(8.7)
Fair value movements in foreign exchange cash flow hedges	(20.4)	0.1
Fair value movements in interest rate cash flow hedges	(14.9)	(2.6)
Actuarial losses on defined benefit pension schemes	(13.2)	(10.6)
Tax on items recognised directly in equity	6.4	3.4
Net income recognised directly in equity	28.3	(8.2)
Transfer to profit or loss from equity on cash flow hedges	5.5	(2.1)
Transfer to profit or loss from equity on interest rate cash flow hedges	2.8	(1.7)
Profit/(loss) for the period	62.9	87.2
Total recognised income and expense for the period	99.5	75.2

Reconciliation of movements in total shareholders' equity

for the year ended 31 December 2008

	2008 £m	2007 £m
Total recognised income and expense for the period	99.5	75.2
Equity dividends	(31.6)	(29.9)
Credit to equity for equity settled share based payments	1.8	1.9
Movement in minority interests	-	(0.1)
Movement on treasury shares	(3.6)	0.8
Issue of shares	-	1.5
Net movement in total shareholders' equity for the period	66.1	49.4
Total shareholders' equity at beginning of period	371.9	322.5
Total shareholders' equity at end of period	438.0	371.9

Notes to the financial statements

1. Segmental Information

Business Segments

	Flight Support £m	Aftermarket Services & Systems £m	Total Aviation £m	Unallocated corporate £m	Total £m
2008					
External revenue	705.9	450.2	1,156.1	-	1,156.1
Underlying operating profit	64.8	55.5	120.3	(10.6)	109.7
Underlying operating margin	9.2%	12.3%	10.4%	-	9.5%
Other information					
Capital additions	22.5	30.0	52.5	0.3	52.8
Depreciation and amortisation	24.6	11.0	35.6	0.1	35.7
Balance sheet					
Assets:					
Segment assets	878.1	556.2	1,434.3	81.8	1,516.1
Investments in associates	2.5	-	2.5	-	2.5
Tax recoverable					1.4
Cash and cash equivalents					98.4
Consolidated total assets					1,618.4
Liabilities:					
Segment liabilities	(132.3)	(102.9)	(235.2)	(215.1)	(450.3)
Tax liabilities					(77.3)
Finance lease and loan liabilities					(652.8)
					(1,180.4)
2007					
External revenue	579.5	399.9	979.4	-	979.4
Underlying operating profit	72.2	43.2	115.4	(9.7)	105.7
Underlying operating margin	12.5%	10.8%	11.8%	-	10.8%
Other information					
Capital additions	20.6	19.0	39.6	0.2	39.8
Depreciation and amortisation	19.6	10.3	29.9	0.2	30.1
Balance sheet					
Assets:					
Segment assets	579.1	396.2	975.3	59.9	1,035.2
Investments in associates	1.6	-	1.6	-	1.6
Tax recoverable					3.4
Cash and cash equivalents					99.2
Consolidated total assets					1,139.4
Liabilities:					
Segment liabilities	(90.5)	(51.8)	(142.3)	(94.4)	(236.7)
Tax liabilities					(63.0)
Finance lease and loan liabilities					(467.8)
					(767.5)

Geographical Segments	Revenue from continuing operations	Capital additions	Segment assets
2008			
United Kingdom	205.3	3.8	238.1
Mainland Europe	28.5	0.5	40.4
North America	918.7	48.4	1,228.9
Rest of World	3.6	0.1	8.7
Total	1,156.1	52.8	1,516.1
2007			
United Kingdom	197.0	12.2	200.4
Mainland Europe	24.5	2.6	28.3
North America	754.6	24.9	799.0
Rest of World	3.3	0.1	7.5
Total	979.4	39.8	1,035.2

Notes to the financial statements (continued)

2. Basis of preparation

The financial information set out above does not constitute the Company's statutory financial statements for 2008 or 2007 under section 240 of the Companies Act 1985. Statutory accounts for 2007, together with an unqualified audit report, have been filed with the Registrar of Companies and did not contain a report under section 237 (2) and (3) of the Companies Act 1985. Those for 2008 will be delivered to the Registrar following the Company's annual general meeting

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the Group's IFRS accounting policies, this announcement does not itself contain sufficient information to comply with IFRSs. The same accounting policies and methods of computation are followed in the audited results for the year ended 31 December 2008. The BBA accounting policies under IFRS are as reported in the annual financial statements for the year ended 31 December 2007, as published by the Company on 26 February 2008.

	2008 £m	2007 £m
3. Net capital expenditure		
Net capital expenditure	<u>29.8</u>	<u>34.4</u>
Net capital expenditure to depreciation - times	<u>0.9</u>	<u>1.2</u>
Excludes £21.9 million (2007: £2.5 million) of expenditure on Ontic licences, since these are considered to be more akin to expenditure in relation to acquisitions.		
4. Number of employees	2008	2007
At 31 December	<u>10,557</u>	<u>10,317</u>
5. Earnings per share	Continuing operations	
	2008 £m	2007 £m
Earnings		
Basic:		
Basic earnings attributable to ordinary shareholders	62.8	87.4
Restructuring costs and amortisation of acquired intangibles net of gains on disposal after tax	<u>3.3</u>	<u>(24.1)</u>
Adjusted earnings	<u>66.1</u>	<u>63.3</u>
Diluted:		
Diluted earnings attributable to ordinary shareholders	62.8	87.4
Restructuring costs and amortisation of acquired intangibles net of gains on disposal after tax	<u>3.3</u>	<u>(24.1)</u>
Adjusted diluted earnings	<u>66.1</u>	<u>63.3</u>
	Millions	Millions
Average number of 29 16/21p ordinary shares:		
Basic	<u>411.1</u>	<u>412.2</u>
Diluted	<u>411.9</u>	<u>413.6</u>
Earnings per share:		
Basic:		
Adjusted	<u>16.1p</u>	<u>15.4p</u>
Unadjusted	<u>15.3p</u>	<u>21.2p</u>

Diluted:

Adjusted

16.0p 15.3p

Unadjusted

15.2p 21.1p**6. Taxation**

	2008	2007
	£m	£m
Current tax	17.8	16.3
Adjustments in respect of prior years - current tax	(1.2)	0.5
Deferred tax	7.6	8.3
Adjustments in respect of prior years - deferred tax	(2.9)	(1.5)
	<u>21.3</u>	<u>23.6</u>

	2008	2007
	£m	£m
7. Cash flow from operating activities		
Operating profit from continuing operations	104.7	130.1
Share of profit from associates	(1.0)	(1.1)
Profit/(loss) from operations	<u>103.7</u>	129.0
Depreciation of property, plant & equipment	30.9	26.9
Amortisation of intangible assets	4.8	3.2
Loss/(profit) on sale of property, plant & equipment	(0.1)	0.2
Share based payment expense	1.5	2.0
(Decrease)/increase in provisions	(1.8)	(3.5)
Pension scheme payments	(4.0)	(17.1)
Non-cash impairments	4.2	9.9
Gain on disposal of businesses	-	(38.4)
Operating cash flows before movements in working capital	<u>139.2</u>	112.2
(Increase)/decrease in working capital	<u>3.8</u>	(15.5)
Cash generated by operations	<u>143.0</u>	96.7
Income taxes paid	<u>(16.6)</u>	(18.0)
Net cash inflow from operating activities	<u>126.4</u>	78.7

Analysed as		
Net cash flow for continuing operations	126.4	102.4
Net cash flow for discontinued operations	-	(23.7)
	<u>126.4</u>	78.7

Dividends received from associates	0.8	0.5
Purchase of plant, property and equipment	(29.5)	(36.3)
Purchase of intangible assets [†]	(1.4)	(1.0)
Proceeds from disposal of property, plant and equipment	1.1	2.9
Interest received	30.6	35.8
Interest paid	(49.6)	(58.4)
Interest element of finance leases paid	(1.2)	(1.6)
Free cash flow	<u>77.2</u>	20.6

Analysed as		
Free cash flow for continuing operations	77.2	44.3
Free cash flow for discontinued operations	-	(23.7)
	<u>77.2</u>	20.6

In 2007, cash flows from discontinued operations relate to the settlement of demerger cost creditors and the payment of a section 75 debt payment in relation to a Fiberweb company that was previously a participating employer in the UK defined benefit pension scheme

† Purchase of intangible assets excludes £21.9 million (2007: £2.5 million) in relation to Ontic licences since the directors believe these payments are more akin to expenditure in relation to acquisitions, and are therefore outside of the Group's definition of free cash flow. These amounts are included within purchase of intangible assets on the face of the cash flow statement. Free cash flow in 2007 has been restated to reflect this change in definition.

8. Restructuring costs and other non-recurring items

Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses included within statutory operating profit amounted to a charge of £5.0 million (2007: credit £24.4 million). The main items included within this are

- 2008: **Administrative expenses** of £2.1 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3; **restructuring costs** of £8.2 million relating to a number of restructuring initiatives; and, other operating income of £5.3 million relating to compensation from the US Department of Transport following the closure of Washington Reagan National airport 2001.

- 2007: **Administrative expenses** of £0.8 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3; **restructuring costs** of £5.6 million relating to a number of small aviation restructuring initiatives; an **impairment loss** of £7.6 million on an investment in an associated company in Brazil, and; a total **gain on the disposal** of Oxford Aviation Training and Oxford Airport of £38.4 million.

On the face of the income statement underlying profit is shown before restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims because the directors consider that this gives a useful indication of underlying performance.

9. Acquisitions and disposals

On 08 April 2008, the Group purchased Flygiene for an immediate cash consideration of £3.3 million and a deferred contingent cash consideration of up to £1.2 million.

On 06 June 2008, the Group purchased Munich for an immediate cash consideration of €4.1 million (£3.3 million).

On 24 July 2008, the Group purchased Hawker Beechcraft for an immediate cash consideration of \$130.5 million (£65.6 million).

On 11 September 2008, the Group purchased Gatwick for an immediate cash consideration of £6.0 million and a deferred contingent cash consideration of up to £1.0 million

10. Retirement Obligations

The retirement benefit obligation at 31 December 2008 is estimated based on the results of latest actuarial valuation at 31 March 2007, with assumptions updated to reflect market conditions at 31 December 2008 where appropriate. The defined benefit plan assets have been updated to reflect their market value as at 31 December 2008

As at 31 December 2008 the update of the actuarial valuation of the UK Income and Protection Plan indicated a net surplus of £5.1 million. In accordance with IAS 19, IFRIC 14 and the Group's accounting policies, the actuarial gain has been restricted and no asset has been recognised in the balance sheet, as any economic benefit of recovery via refund or reduction in future contributions is not sufficiently certain

11. Dividends

The directors propose that a final dividend of 5.30 pence per share will be paid to shareholders on 22 May 2009. This dividend is subject to approval by shareholders at the Annual General Meeting and in accordance with IAS 10 "Post Balance Sheet Events" has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 13 March 2009. The total estimated dividend to be paid is £21.9 million.

The Company intends to withdraw the Dividend Reinvestment Plan and instead, subject to shareholders' approval, the Company proposes to operate a Scrip Dividend Scheme which provides shareholders with the opportunity to receive their dividends in the form of new ordinary shares in the Company instead of cash. Accompanying this report is a separate circular setting out the terms and conditions of the proposed Scrip Dividend Scheme. Mandate forms containing elections to join the Scrip Dividend Scheme must be received by the Company's registrar no later than 23 April 2009 in order to be effective for the 2008 final dividend.

Dividend payments to minority shareholders during the year totalled £0.3 million (2007: £0.1 million).