



BBA Aviation plc

2008 Interim results

**Results for the half year ended
30 June 2008**

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INTERIM RESULTS FOR PERIOD ENDED 30 JUNE 2008

Results in brief (£m)	Underlying results*		Statutory results	
	2008	2007	2008	2007
Revenue	560.5	486.7	560.5	486.7
Operating Profit ¹	51.6	53.2	54.5	71.0
Profit before tax	43.8	43.4	46.7	61.2
Earnings per share ²	7.8p	7.7p	8.1p	11.6p
Free Cash Flow ³	16.8	13.0	16.8	(9.5)
Net Debt			398.7	345.3
Dividend per share			2.30p	2.25p

Financial highlights

- Sales increased by 15% of which 9% related to higher fuel prices. Organic growth was 2%
- Underlying operating profit and profit before tax slightly improved after adjusting for the disposal of the Oxford businesses which contributed £2.0m of operating profit in 2007
- £4.9m compensation received from the US Government in respect of the post 9/11 closure of its Washington Reagan FBO (excluded from underlying results)
- Adjusted earnings per share of 7.8p slightly ahead of prior year (2007: 7.7p). Unadjusted 8.1p (2007: 11.6p)
- Interim dividend of 2.30p up 2% against prior year of 2.25p

Strategic and operational highlights

In Flight Support:

- Signature delivered a satisfactory first half performance in a challenging market. Its network has been expanded in both the US and Europe and the Hawker Beechcraft acquisition is substantially complete with integration underway
- ASIG delivered a good performance in a difficult environment. The Terminal 1 ground handling ("TOGA") contract start up at JFK is in line with plan and the exit from uneconomic contracts / locations is broadly complete

In Aftermarket Services and Systems:

- Engine Repair has been awarded a number of important licence extensions and new authorisations and continues to make good progress
- Legacy Support delivered strong growth in profitability and its order book has increased to record levels
- APPH generated good growth with margins maintained despite increased OEM content

Simon Pryce, BBA Aviation Chief Executive Officer, commented:

"This solid set of results demonstrates BBA Aviation's relative robustness, despite more difficult conditions in a number of our markets. In the first half of 2008, we continued to make good strategic progress and improve our underlying operational performance, whilst taking actions to reduce costs in certain of our businesses to reflect the more difficult environments they face.

Despite the challenging market environment in commercial aviation ASIG continues to trade in line with our expectations. Our Aftermarket Services and Systems businesses performed well in the first half and this is expected to continue. However, since the end of June, Signature in the USA has continued to experience difficult trading conditions and we have yet to see any real signs of recovery. Therefore, we now expect that our performance in the second half of 2008 will be broadly similar to the first half, assuming that there is no further adverse impact from the widespread economic slowdown. We remain confident in our ability to benefit from the excellent long term growth prospects for our markets."

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

(1) Underlying operating profit being total operating profit (including associates) from continuing operations before restructuring costs, amortisation of acquired intangibles and gain 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.

These definitions as outlined above are consistently applied throughout this interim financial report.

INTERIM RESULTS 2008

Overview

These are a solid set of results for BBA Aviation and are in line with our expectations at the time of our pre-close trading update issued on 27 June 2008. The businesses have generally performed well despite the more challenging market environment with Signature in the USA particularly impacted by the economic slowdown. The business has been flexed, where necessary, to reflect the lower and more volatile demand and we remain ready to reduce costs further in all of our businesses if required.

Revenue increased by 15% but was impacted by the significantly higher fuel prices experienced during the period. At constant fuel prices revenue increased by 6% of which 2% was organic growth. Underlying operating profits of £51.6m were 3% lower (2007: £53.2m) due to the inclusion in 2007 of the results of the Oxford businesses which were subsequently sold (2007 H1: £51.2m excl. Oxford). Operating margins for the Group declined to 9.2% (2007: 10.9%) partly as a result of the higher fuel prices. On a constant fuel price basis operating margins would have been 10.0% with the reduction from the prior year being principally caused by lower volumes in Signature USA.

Underlying profit before tax was slightly ahead at £43.8m (2007: £43.4m) and this together with a marginally lower tax rate of 27.0% (2007: 27.3%) resulted in an improvement in adjusted earnings per share to 7.8p (2007: 7.7p).

Net interest costs were £7.8m (2007: £9.8m) with the reduction principally due to lower US interest rates during the period.

Profit before tax reduced to £46.7m (2007: £61.2m) due to the inclusion in the prior period of the profit on disposal of Oxford Aviation Training of £18.8m partially offset in this year by the £4.9m Washington Reagan closure claim. Unadjusted earnings per share were 8.1p (2007: 11.6p).

Free cash flow from continuing operations was improved on the prior year at £16.8m (2007: £13.0m), assisted by a reduced outflow of working capital which was £6.1m in the period compared to £9.0m for continuing operations in the first half of 2007. Capital expenditure was broadly unchanged at £22.5 (2007: £21.8m) with the current year including a £6m investment by ASIG in the start up of the TOGA contract and the prior year a £6m investment in Oxford Airport. The Group invested £5.4m on acquisitions (2007: £2.9m), to extend the Signature network in Europe and add additional aircraft cleaning capacity in the UK. Net debt increased to £398.7m (2007 year end: £375.2m) with £8.7m of the increase since the end of last year relating to the strengthening of the euro against sterling. Net debt to EBITDA was 2.9 times which was broadly unchanged from the position at the end of 2007 (2.8 times).

An interim dividend of 2.30p has been recommended by the Board, an increase of 2% over the interim 2007 dividend of 2.25p.

Business Review

Flight Support

Flight Support sales grew to £347.0m, a 23% increase over 2007, of which 16% came from higher fuel prices. These added £45.9m to sales during the period, acquisitions made in 2007 contributed £29.3m and there was an organic decline in sales of 4%. Underlying operating profits reduced by 4% to £34.5m (2007: £36.0m) and operating margins reduced to 9.9% from 12.8%. Operating margins were significantly impacted by the higher fuel costs and at constant fuel prices would have been 11.5% with the balance of the reduction from the prior year caused by lower fuel volumes. The return on invested capital declined to 13.1% (2007 full year: 13.9%) as a result of the lower earnings but remains well above our group pre-tax cost of capital of 12%.

Signature

The economic slowdown in the USA impacted Signature's business overall and resulted in an organic reduction in sales of 4% for the first half of the year. Outside of the USA, the business continues to grow strongly, delivering 7% organic growth compared to a 7% reduction in North America. Revenue increased to £250.6m (2007: £185.5m) with higher fuel prices accounting for £43.0m of the growth. In the face of these volume reductions Signature has addressed its cost base in the USA reducing headcount by some 40 personnel earlier in the year and also taking action to reduce discretionary spend.

Signature has continued to invest in facilities and in expanding the network. Work has started on the new hangar and terminal renovation at San Francisco airport and a new hangar at Palm Springs has been completed. Signature invested a total of £5m in the first half of the year. The network in Europe was expanded with the acquisition of an FBO at Munich airport for £3.3m. This FBO is expected to add some £1.5m of sales in its first full year of operation. A number of other opportunities are being pursued in Europe and the Middle/Far East.

The acquisition of six out of seven of the Hawker Beechcraft FBOs was completed on 24 July and the integration of these facilities is in progress. The acquisition of the final FBO location is expected to complete in the next few weeks. The previously anticipated sale of the Hawker Beechcraft FBO at Indianapolis is underway and is expected to be completed before the end of the financial year.

BBA Aviation now has a total of 84 wholly owned locations worldwide, of which 60 are located in the USA. These cover 47 of the top 50 US Metropolitan Areas, 18 of the top 30 US hub airports, as well as 27 of the top 50 fractional operations airports. In addition, Signature has a minority interest in 15 other FBO locations in Brazil, Hong Kong and the USA. The average remaining lease term is approximately 17 years.

ASIG

Total revenue at ASIG of £96.4m was unchanged from the first half of the prior year (2007: £96.4m). Excluding the impact of fuel prices there was an organic reduction in sales of 3% which principally reflected slightly lower de-icing revenues (the first half of 2007 was particularly strong) and the exit from uneconomic cargo handling contracts, which has now been completed.

The commercial flight support market remains challenging as airlines seek to consolidate and reduce capacity in response to unprecedented increases in fuel costs. To date ASIG has not been significantly impacted by schedule reductions as they have been more concentrated in the short haul market where ASIG is less exposed, however ASIG has taken action to reduce its cost base by reducing headcount by some 45 personnel. ASIG's international business, which represents approximately 20% of its revenue in the USA, is holding up well.

The previously announced TOGA contract at Terminal 1 at JFK International started up on schedule and is performing well. As anticipated, ASIG has invested \$12m in the first half of the year in ground support equipment to support this contract, which is expected to generate \$150m in revenue over seven years.

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.

Aftermarket Services and Systems

Sales in our Aftermarket Services and Systems businesses were £213.5m with organic growth of 11% after taking into account the sale of the businesses at Oxford Airport during last year. Operating profits increased to £22.7m (2007: £21.9m) but were 14% higher if the Oxford businesses are excluded from the prior period results (2007: £19.9m excl Oxford). Operating margins increased to 10.6% (2007: 10.3% excl. Oxford). The return on invested capital (including goodwill previously written off to reserves and excluding the impact of the Oxford businesses disposed during the year) for the first half continued the recently improving trend and increased to 9.8% (2007 full year: 9.5%).

Engine Repair and Overhaul (Incl. Parts Distribution)

Engine Repair and Overhaul (ERO) performed well and sales grew organically by 11% to £161.0m with particularly strong demand for overhauls on TFE731, Tay and PW300/500 programmes. The international markets, which now account for 36% of the sales generated in North America, remain strong assisted by the strength of the euro against the US dollar. ERO continues to make improvements in its operations and supply chain structure to facilitate profitable organic growth. In the current year 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 starting to yield results with a £5m reduction achieved in the first half of the year.

During the first half of 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 an exclusive long term service agreement with Austrian Airlines for the maintenance, repair and overhaul of the airline's Rolls-Royce Tay engines and is collaborating with Hawker Beechcraft to provide engine repair and overhaul services for Hawker Beechcraft's network of factory owned maintenance centres.

At the end of 2007 a strategic decision was made to incorporate the activities of the two BBA Aviation parts distribution companies (ITS and Barrett) under ERO leadership in order to fully exploit the synergies between them and the group's engine repair and overhaul businesses. These businesses have responded well to management actions and are performing in line with our expectations.

Legacy Support

Total revenue was £15.5m, a 12% increase over 2007 with all of the growth being organic. It is anticipated that this growth rate will accelerate in the second half of the year as the benefit of sales on new licences at Ontic start to come through.

Overall market conditions for the legacy support companies continue to be very robust with strong inputs and orders for both Ontic and IGS. Commercial backlog and workload at the OEMs and customers served by these businesses remains extremely high and the continued use of a large number of military aircraft around the world results in a steady demand for parts and support for those legacy aircraft. Since the beginning of the year Ontic's order book has increased by 45% (to end of July) and is almost double the level it was at the time the company was acquired in February 2006. In the first half of the year Ontic has secured licences at a cost of £3.1m which is expected to produce annualised sales of circa £2.5m with strong margins. The average EBITDA multiple of these recent licences is approximately 5 times.

The pipeline for new licence opportunities in the USA and international markets remains very strong.

Landing Gear and Hydraulics

Sales at £34.2m were 12% 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 system sales, increased volumes of hydraulic sub-systems to Hindustan Aeronautics for the Advanced Light Helicopter and the increasing build rate of Cessna Mustang aircraft, where we supply the throttle quadrants.

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 we signed a contract with BAE Systems to support the MOD's UCAV demonstrator programme for the Teranis landing gear system and our 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 last year 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 £5.6m (2007: £4.7m). This increase resulted from the timing of third party fees which are expected to normalise in the second half of the year, a slightly higher share based payments cost and 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 £2.0m (2007: £1.0m). Amortisation of acquired intangibles amounted to £0.7m (2007: £0.2m) with the increase resulting from the acquisitions made in the second half of 2007. Restructuring costs were £1.3m (2007: £0.8m) principally due to the CSE Aviation closure costs noted above. The Group also recognised non-recurring income (received during August) of £4.9m 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.

The net interest charge was £7.8m (2007: £9.8m) with the reduction mostly relating to lower US dollar rates in the first half of the year which on average have fallen to 3.0% (2007: 5.4%). Interest cover was 6.6 times (2007: 5.4 times).

The underlying tax rate was 27.0% (2007: 27.3%) and it is anticipated that the rate for the full year will be similar to the half year.

Net debt was £398.7m, slightly higher than the end of 2007 (£375.2m) with £8.7m of the increase relating to currency movements due to the strengthening of the euro against sterling. There was a net cash outflow of £14.8m in the period after paying dividends of £22.1m and making acquisitions of £5.4m. Net debt to EBITDA was 2.9 times and was broadly unchanged from the end of 2007 (2.8 times).

The group agreed two new financing facilities in August. 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 provide total capacity of \$1,175m and sufficient headroom and maturity to allow us to continue to execute our strategy.

On the basis of asset values as at 30 June, and liability assumptions based on our last actuarial valuation of 31 March 2007, but updated to 30 June 2008 where necessary, our UK defined benefit pension scheme shows a surplus of £18.7m. 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 substantially decreases the Group's risk in respect of pensioner mortality and future interest rate changes.

Dividend

The Board is recommending an interim dividend of 2.30p, an increase of 2% over 2007 (2007: 2.25p).

Outlook

Despite the challenging market environment in commercial aviation ASIG continues to trade in line with our expectations. Our Aftermarket Services and Systems businesses performed well in the first half and this is expected to continue. However, since the end of June, Signature in the USA has continued to experience difficult trading conditions and we have yet to see any real signs of recovery. Therefore, we now expect that our performance in the second half of 2008 will be broadly similar to the first half, assuming that there is no further adverse impact from the widespread economic slowdown. We remain confident in our ability to benefit from the excellent long term growth prospects for our markets.

Directors' Responsibilities

The directors confirm that to the best of their knowledge:

- (a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- (b) the interim financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and,
- (c) the interim financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board,

Simon Pryce
Group Chief Executive

27 August 2008

Andrew Wood
Group Finance Director

27 August 2008

This interim financial report 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. This interim financial report has been drawn up and presented in accordance with and in reliance on applicable English company law and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

This report is available in electronic format from the Company's website, www.bbaaviation.com

Consolidated Income Statement (Unaudited)

		Underlying*	Note i	First half	Underlying*	Note i	First half	Underlying*	Note i	Full year
	Notes	£m	£m	2008 £m	£m	£m	2007 £m	£m	£m	2007 £m
Revenue	1	560.5	-	560.5	486.7	-	486.7	979.4	-	979.4
Cost of sales		(462.8)	-	(462.8)	(386.6)	-	(386.6)	(786.1)	-	(786.1)
Gross profit		97.7	-	97.7	100.1	-	100.1	193.3	-	193.3
Distribution costs		(8.9)	-	(8.9)	(9.4)	-	(9.4)	(17.3)	-	(17.3)
Administrative expenses		(38.6)	(0.7)	(39.3)	(37.7)	(0.2)	(37.9)	(71.5)	(0.8)	(72.3)
Other operating income		1.4	4.9	6.3	0.2	-	0.2	0.5	-	0.5
Share of profit of associates		0.2	-	0.2	0.3	-	0.3	1.1	-	1.1
Amounts written-off associates		-	-	-	-	-	-	-	(7.6)	(7.6)
Other operating expenses		(0.2)	-	(0.2)	(0.3)	-	(0.3)	(0.4)	-	(0.4)
Restructuring costs		-	(1.3)	(1.3)	-	(0.8)	(0.8)	-	(5.6)	(5.6)
Gain on disposal of businesses		-	-	-	-	18.8	18.8	-	38.4	38.4
Operating profit	1	51.6	2.9	54.5	53.2	17.8	71.0	105.7	24.4	130.1
Investment income		18.1	-	18.1	19.5	-	19.5	44.8	-	44.8
Finance costs		(25.9)	-	(25.9)	(29.3)	-	(29.3)	(64.1)	-	(64.1)
Profit before tax		43.8	2.9	46.7	43.4	17.8	61.2	86.4	24.4	110.8
Tax	4	(11.8)	(1.4)	(13.2)	(11.8)	(1.8)	(13.6)	(23.3)	(0.3)	(23.6)
Profit for the period		32.0	1.5	33.5	31.6	16.0	47.6	63.1	24.1	87.2
Attributable to:										
Equity shareholders of the parent		32.1	1.3	33.4	31.7	16.0	47.7	63.3	24.1	87.4
Minority interests		(0.1)	0.2	0.1	(0.1)	-	(0.1)	(0.2)	-	(0.2)
		32.0	1.5	33.5	31.6	16.0	47.6	63.1	24.1	87.2
Earnings per share		Adjusted[†]		Unadjusted	Adjusted[†]		Unadjusted	Adjusted[†]		Unadjusted
Basic	8	7.8p		8.1p	7.7p		11.6p	15.4p		21.2p
Diluted	8	7.8p		8.1p	7.7p		11.6p	15.3p		21.1p

* Before items described in Note i below.

Note i: Restructuring costs and amortisation of acquired intangibles net of gain on disposal of businesses and claims as set out in note 3 to the financial statements.

† Before restructuring costs and amortisation of acquired intangibles net of gain on disposal of businesses and claims.

The consolidated income statement has been prepared in accordance with the accounting policies set out in note 2.

Consolidated Balance Sheet (Unaudited)

	Notes	30 June 2008 £m	30 June 2007 £m	31 Dec 2007 £m
Non-current assets				
Intangible assets:				
Goodwill		347.3	298.9	340.2
Licences & other		44.9	20.2	40.1
Property, plant and equipment		311.4	291.6	310.4
Interests in associates		2.5	9.8	1.6
Trade and other receivables		19.7	23.5	16.9
Deferred tax asset		3.8	-	-
		729.6	644.0	709.2
Current assets				
Inventories		140.8	137.9	141.9
Trade and other receivables		194.1	181.9	185.7
Cash and cash equivalents		139.5	150.2	99.2
Tax recoverable		0.1	0.1	3.4
Assets held for sale		-	20.1	-
		474.5	490.2	430.2
Total assets	1	1,204.1	1,134.2	1,139.4
Current liabilities				
Trade and other payables		(183.5)	(162.4)	(193.5)
Tax liabilities		(42.2)	(47.1)	(42.8)
Obligations under finance leases		(0.5)	(0.5)	(0.6)
Bank overdrafts and loans	13	(32.6)	(37.0)	(25.6)
Provisions		(1.4)	(2.2)	(2.0)
Liabilities directly associated with assets classified as held for sale		-	(5.4)	-
		(260.2)	(254.6)	(264.5)
Net current assets		214.3	235.6	165.7
Non-current liabilities				
Bank loans	13	(477.2)	(453.6)	(416.7)
Other payables due after one year		(8.0)	(9.2)	(9.7)
Retirement benefit obligations		(10.5)	(7.3)	(10.3)
Obligations under finance leases		(24.8)	(25.0)	(24.9)
Deferred tax liabilities		(26.3)	(17.6)	(20.2)
Provisions		(20.4)	(21.5)	(21.2)
		(567.2)	(534.2)	(503.0)
Total liabilities	1	(827.4)	(788.8)	(767.5)
Net assets		376.7	345.4	371.9
Equity				
Share capital	14	122.7	122.7	122.7
Share premium account		346.4	346.4	346.4
Other reserves		3.9	3.9	3.9
Treasury reserve		(3.3)	(0.6)	-
Capital reserve		18.6	16.2	17.2
Hedging and translation reserves		(31.4)	(30.2)	(32.5)
Retained earnings		(81.0)	(113.7)	(86.5)
Equity attributable to shareholders of BBA Aviation plc		375.9	344.7	371.2
Minority interest		0.8	0.7	0.7
Total equity		376.7	345.4	371.9

Consolidated Cash Flow Statement (Unaudited)

	Notes	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Operating activities				
Net cash flow from continuing operations	10	50.9	45.8	102.4
Net cash flow from discontinued operations	10	-	(22.5)	(23.7)
Net cash flow from operating activities	10	50.9	23.3	78.7
Investing activities				
Dividends received from associates		-	-	0.5
Purchase of property, plant and equipment		(16.3)	(20.1)	(36.3)
Purchase of intangible assets		(6.2)	(1.7)	(3.5)
Proceeds from disposal of property, plant and equipment		0.6	2.2	2.9
Acquisition of subsidiaries		(5.4)	(2.9)	(75.9)
Investment in associates		(0.2)	-	-
Proceeds from disposal of subsidiaries and associates		-	32.0	68.1
Deferred consideration paid from prior year activities		(0.4)	(0.3)	(1.0)
Net cash (outflow)/inflow from investing activities		(27.9)	9.2	(45.2)
Financing activities				
Interest received		16.5	15.2	35.8
Interest paid		(28.1)	(27.6)	(58.4)
Interest element of finance leases paid		(0.6)	(0.8)	(1.6)
Dividends paid		(22.1)	(20.6)	(30.0)
Proceeds from issue of ordinary shares		-	1.5	1.5
Purchase of own shares		(3.5)	-	-
Increase/(decrease) in loans		55.6	(7.2)	(59.7)
Decrease in finance leases		(0.2)	(2.3)	(2.7)
(Decrease)/increase in overdrafts		(2.7)	9.1	(4.0)
Decrease in other liquid assets		-	-	18.6
Decrease in other liquid liabilities		(9.7)	-	-
Net cash inflow/(outflow) from financing activities		5.2	(32.7)	(100.5)
Increase/(decrease) in cash and cash equivalents		28.2	(0.2)	(67.0)
Cash and cash equivalents at beginning of period		99.2	156.5	156.5
Exchange adjustments		12.1	(6.1)	9.7
Cash and cash equivalents at end of period		139.5	150.2	99.2
Net debt at beginning of period		(375.2)	(356.9)	(356.9)
Increase/(decrease) in cash equivalents		28.2	(0.2)	(67.0)
(Increase)/decrease in loans		(55.6)	7.2	59.7
Decrease in finance leases		0.2	2.3	2.7
Decrease/(increase) in overdrafts		2.7	(9.1)	4.0
Decrease in other liquid assets		-	-	(18.6)
Decrease in other liquid liabilities		9.7	-	-
Finance leases acquired		-	-	(0.1)
Exchange adjustments		(8.7)	11.4	1.0
Net debt at end of period		(398.7)	(345.3)	(375.2)

Consolidated Statement of Recognised Income and Expense (Unaudited)

	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Exchange difference on translation of foreign operations	14.3	(16.2)	10.2
(Losses)/gains on net asset hedges	(11.3)	13.7	(8.7)
Fair value movements in foreign exchange cash flow hedges	(0.5)	1.0	0.1
Fair value movements in interest rate cash flow hedges	(1.9)	1.4	(2.6)
Actuarial losses on defined benefit pension schemes	(5.3)	(4.8)	(10.6)
Tax on items recognised directly in equity	(0.5)	-	3.4
Net expense recognised directly in equity	(5.2)	(4.9)	(8.2)
Transfer to profit or loss from equity on foreign exchange cash flow hedges	(0.2)	(1.4)	(2.1)
Transfer to profit or loss from equity on interest rate cash flow hedges	0.9	(0.9)	(1.7)
Tax on items transferred to profit or loss from equity	-	-	-
Profit for the period	33.5	47.6	87.2
Total recognised income and expense for the period	29.0	40.4	75.2
Attributable to:			
Equity shareholders of the parent	28.9	40.5	75.4
Minority interests	0.1	(0.1)	(0.2)
	29.0	40.4	75.2

Reconciliation of Movements in Total Shareholders' Equity (Unaudited)

	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Total recognised income and expense for the period	29.0	40.4	75.2
Equity dividends	(22.1)	(20.6)	(29.9)
Credit to equity for equity-settled share-based payments	1.5	0.9	1.9
Movement in minority interests	(0.1)	(0.1)	(0.1)
Movement on treasury reserve	(3.5)	0.8	0.8
Issue of shares	-	1.5	1.5
Net movement in total shareholders' equity for the period	4.8	22.9	49.4
Total shareholders' equity at the beginning of the period	371.9	322.5	322.5
Total shareholders' equity at the end of the period	376.7	345.4	371.9

Notes to the Consolidated Financial Statements (Unaudited)

1. Segmental information

Business Segments	Flight Support £m	Aftermarket Services & Systems £m	Total Aviation £m	Unallocated Corporate £m	Total £m
First half 2008					
External revenue	347.0	213.5	560.5	-	560.5
Underlying operating profit	34.5	22.7	57.2	(5.6)	51.6
Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims	4.3	(1.3)	3.0	(0.1)	2.9
Segment result*	38.8	21.4	60.2	(5.7)	54.5
Underlying operating margin (%)	9.9%	10.6%	10.2%	-	9.2%
Capital additions	13.0	9.4	22.4	0.1	22.5
Depreciation and amortisation	11.1	5.5	16.6	0.1	16.7
Assets	614.6	408.9	1,023.5	180.6	1,204.1
Liabilities	(87.6)	(53.1)	(140.7)	(686.7)	(827.4)

*Segment result includes £0.2 million profit of associates within Flight Support.

First half 2007					
External revenue	281.9	204.8	486.7	-	486.7
Underlying operating profit	36.0	21.9	57.9	(4.7)	53.2
Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims	(0.4)	(0.6)	(1.0)	18.8	17.8
Segment result*	35.6	21.3	56.9	14.1	71.0
Underlying operating margin (%)	12.8%	10.7%	11.9%	-	10.9%
Capital additions	8.3	13.4	21.7	0.1	21.8
Depreciation and amortisation	9.5	5.3	14.8	0.1	14.9
Assets	504.5	426.7	931.2	203.0	1,134.2
Liabilities	(72.3)	(57.4)	(129.7)	(659.1)	(788.8)

*Segment result includes £0.3 million profit of associates within Flight Support.

Full year 2007					
External revenue	579.5	399.9	979.4	-	979.4
Underlying operating profit	72.2	43.2	115.4	(9.7)	105.7
Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims	(9.7)	34.2	24.5	(0.1)	24.4
Segment result*	62.5	77.4	139.9	(9.8)	130.1
Underlying operating margin (%)	12.5%	10.8%	11.8%	-	10.8%
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
Assets	580.7	396.2	976.9	162.5	1,139.4
Liabilities	(90.5)	(51.8)	(142.3)	(625.2)	(767.5)

*Segment result includes £1.1 million profit of associates within Flight Support.

Notes to the Consolidated Financial Statements (Unaudited)

1. Segmental information (continued)

Geographical Segments	Revenue by destination £m	Revenue by origin £m	Capital additions £m	Assets £m
First half 2008				
United Kingdom	73.5	101.1	1.9	337.9
Mainland Europe	41.1	12.9	0.1	48.2
North America	422.3	444.7	20.5	808.8
Rest of World	23.6	1.8	-	9.2
Total	560.5	560.5	22.5	1,204.1
First half 2007				
United Kingdom	71.1	101.6	8.9	330.9
Mainland Europe	29.9	10.0	0.8	34.0
North America	361.9	373.4	12.1	753.0
Rest of World	23.8	1.7	-	16.3
Total	486.7	486.7	21.8	1,134.2
Full year 2007				
United Kingdom	136.5	197.0	12.2	303.4
Mainland Europe	68.1	24.5	2.6	33.0
North America	722.5	754.6	24.9	794.8
Rest of World	52.3	3.3	0.1	8.2
Total	979.4	979.4	39.8	1,139.4

2. Basis of preparation and accounting policies

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. The figures for the full year 2007 are an abridged version of the financial statements for that year. Those accounts, together with an unqualified audit report, have been filed with the Registrar of Companies and did not contain a report under section 235, or a statement under section 237(2) or (3), of the Companies Act 1985.

The condensed set of financial statements included in this interim financial report for the six months ended 30 June 2008 have been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards and International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. Except as noted above the same accounting policies and methods of computation are followed in the annual financial statements, as published by the company on 27 February 2008, which are available on the company's website, www.bbaaviation.com. The condensed set of financial statements included in this interim financial report do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

Notes to the Consolidated Financial Statements (Unaudited)

3. Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims

Restructuring costs and amortisation of acquired intangibles net of gains on disposal of businesses and claims included within operating profit amounted to a credit of £2.9 million (first half 2007: credit £17.8 million, full year 2007: credit £24.4 million). The main items included within this are:

First half 2008: Administrative expenses of £0.7 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3; restructuring costs of £1.3 million relating to a small number of aviation restructuring initiatives; and, other operating income of £4.9 million relating to compensation from the US Department of Transport following the closure of Washington Reagan National airport in 2001.

First half 2007: Administrative expenses of £0.2 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3; restructuring costs of £0.8 million relating to a small number of aviation restructuring initiatives; and, a gain on the disposal of Oxford Aviation Training of £18.8 million.

Full year 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 on an investment in an associated company in Brazil of £7.6 million; and, a total gain on the disposal of Oxford Aviation Training and Oxford Airport of £38.4 million.

4. Taxation

	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Current and deferred tax :			
Corporate income tax	11.3	11.2	16.8
Deferred tax	1.9	2.4	6.8
Total tax charge	13.2	13.6	23.6
Current and deferred tax :			
UK	2.0	2.1	0.8
Overseas	11.2	11.5	22.8
Total tax charge	13.2	13.6	23.6

Corporation tax for the interim period is charged at an effective rate of 27.0% on underlying profit before tax (first half 2007: 27.3%; full year 2007: 27.0%), representing the best estimate of the annual corporation tax rate expected for the full financial year.

5. Events after the balance sheet date

On 22 February 2008, the Group announced that it had agreed to acquire the assets of Hawker Beechcraft Service Inc's Line Service Operations for a cash consideration of \$128.5 million (£64.6 million) on a debt and cash free basis. On 24 July 2008, the Group completed the acquisition of six out of the seven Fixed Based Operations (FBOs). The acquisition of the final FBO is expected to be completed in the next few weeks. As a condition of the acquisition, the Group is obliged to dispose of the FBO at Indianapolis due to its overlap with the existing Signature facility. This disposal is expected to take place before the end of the year.

Due to the timescale between completing the acquisition and the production of this interim financial report it has been impracticable to properly determine the provisional fair values on acquisition for all assets and liabilities. Book value of net tangible assets acquired is approximately £6.1 million and therefore, after transaction costs of approximately £1.1 million, goodwill and other intangible assets will amount to approximately £59.6 million, subject to the completion of a fair value exercise.

During August 2008, the Group signed new bank facilities, further details of which can be found in note 13 to the financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

6. Acquisition of subsidiary undertakings

On 8 April 2008, the Group acquired 100 per cent of the issued share capital of Flygiene Limited, and on 6 June 2008 acquired 100 per cent of the issued share capital of MES Handling GmbH & Co KG. The total immediate cash consideration for the two businesses amounted to £5.6 million, with a maximum deferred cash consideration of £2.3 million. The directors have performed an exercise to establish the provisional fair value of the assets and liabilities of these acquisitions. The net assets acquired and the goodwill arising on these acquisitions is as set out below:

	Book value £m	Fair value £m
Property, plant and equipment	0.1	0.1
Receivables	0.3	0.3
Payables	(0.2)	(0.2)
Net assets acquired	0.2	0.2
Goodwill		6.9
Total consideration (including deferred consideration)		7.1
Deferred consideration		(1.7)
Net cash consideration paid in the period		5.4

The fair values set out above are provisional and may be subject to amendment on finalisation of the fair value exercises.

In the period since acquisition to 30 June 2008, the revenue from acquisitions was £0.4 million and profit and cash flow for the period were both £0.1 million.

If the acquisitions had been completed on 1 January 2008, the total revenue for the period from these acquisitions would have been £2.2 million, and profit for the period would have been £0.5 million.

The goodwill arising on these acquisitions is attributable to the anticipated profitability arising from the expansion of the Group's FBO network and commercial aviation support network, together with anticipated future operating synergies.

7. Dividends

The 2008 interim dividend of 2.30 pence per share (2007: 2.25 pence per share) was approved by the Board of Directors on 27 August 2008 and will be paid on 7 November 2008 to ordinary shareholders registered on 3 October 2008. This interim dividend has not been included as a liability as at 30 June 2008.

Notes to the Consolidated Financial Statements (Unaudited)

8. Earnings per share

Earnings

	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Basic:			
Earnings			
Profit for the period	33.5	47.6	87.2
Minority interests	(0.1)	0.1	0.2
Basic earnings attributable to ordinary shareholders	33.4	47.7	87.4
Restructuring costs and amortisation of acquired intangibles net of gain on disposals and claims after tax	(1.3)	(16.0)	(24.1)
Adjusted earnings	32.1	31.7	63.3

Diluted:

Earnings

Basic earnings attributable to ordinary shareholders	33.4	47.7	87.4
Diluted earnings attributable to ordinary shareholders	33.4	47.7	87.4
Restructuring costs and amortisation of acquired intangibles net of gain on disposals and claims after tax	(1.3)	(16.0)	(24.1)
Adjusted diluted earnings	32.1	31.7	63.3

Number of shares

Weighted average number of 29 16/21p ordinary shares:

For basic earnings per share	411.8	411.3	412.2
Exercise of share options	0.4	1.2	1.4
For diluted earnings per share	412.2	412.5	413.6

Earnings per share

Basic:			
Adjusted	7.8p	7.7p	15.4p
Unadjusted	8.1p	11.6p	21.2p
Diluted:			
Adjusted	7.8p	7.7p	15.3p
Unadjusted	8.1p	11.6p	21.1p

Adjusted earnings per share is shown calculated on earnings 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 better indication of underlying performance.

Earnings per share all arise from continuing operations. There were no discontinued operations in the period or the comparative period.

9. Contingent liabilities and assets

There has been no change in the contingent liabilities as disclosed on page 92 of the Group's latest annual financial statements.

The contingent asset indicated on page 92 of the Group's latest annual financial statements has been recognised as an asset in the period. Further details can be found in note 3 to the financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

10. Cash flow from operating activities

	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Operating profit from continuing operations	54.5	71.0	130.1
Share of profit from associates	(0.2)	(0.3)	(1.1)
Profit from operations	54.3	70.7	129.0
Depreciation of property, plant & equipment	14.9	13.3	26.9
Amortisation of intangible assets	1.8	1.6	3.2
(Profit)/loss on sale of property, plant & equipment	(0.3)	0.4	0.2
Share-based payment expense	0.6	0.8	2.0
Decrease in provisions	(1.5)	(2.4)	(3.5)
Pension scheme payments	(3.7)	(16.2)	(17.1)
Non-cash impairments	-	-	9.9
Gain on disposal of businesses	-	(18.8)	(38.4)
Operating cashflows before movements in working capital	66.1	49.4	112.2
Increase in working capital	(6.1)	(19.4)	(15.5)
Cash generated by operations	60.0	30.0	96.7
Income taxes paid	(9.1)	(6.7)	(18.0)
Net cash flow from operating activities	50.9	23.3	78.7

Analysed as:			
Net cash flow for continuing operations	50.9	45.8	102.4
Net cash flow for discontinued operations	-	(22.5)	(23.7)
	50.9	23.3	78.7

Dividends received from associates	-	-	0.5
Purchase of property, plant and equipment	(16.3)	(20.1)	(36.3)
Purchase of intangible assets	(6.2)	(1.7)	(3.5)
Proceeds from disposal of property, plant and equipment	0.6	2.2	2.9
Interest received	16.5	15.2	35.8
Interest paid	(28.1)	(27.6)	(58.4)
Interest element of finance leases paid	(0.6)	(0.8)	(1.6)
Free cashflow	16.8	(9.5)	18.1

Analysed as:			
Free cash flow for continuing operations	16.8	13.0	41.8
Free cash flow for discontinued operations	-	(22.5)	(23.7)
	16.8	(9.5)	18.1

The cash outflow associated with discontinued operations in 2007 relates to the payment of accrued costs of the Fiberweb demerger, and to the settlement of pension liabilities relating to Becorit and two companies which formed part of Fiberweb. Fiberweb was demerged and Becorit was sold in 2006.

11. Retirement benefit obligations

The defined benefit obligation at 30 June 2008 is estimated based on the latest actuarial valuation at 31 March 2007, with assumptions updated to reflect market conditions at 30 June 2008 where appropriate. The defined benefit plan assets have been updated to reflect their market value as at 30 June 2008.

As at 30 June 2008 the update of the actuarial valuation of the UK Income and Protection Plan indicates a net surplus of £18.7 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.

Notes to the Consolidated Financial Statements (Unaudited)

During the period, the Trustees of the UK defined benefit plan purchased from Legal & General Group plc an annuity to match the liabilities associated with pensioner members. The annuity is an investment of the UK plan, and all pension liabilities and responsibility for future pension payments remain with the plan. The income from the annuity will match the payments to be made to members who were pensioners at the time the annuity was purchased, and removes mortality risk in relation to those members which are the subject of the annuity purchase.

12. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are detailed below.

During the first half of 2007 a subsidiary provided services to a company controlled by a person who is a close family member of Roberto Quarta, a director of BBA Aviation plc in 2007. These were provided in the ordinary course of business and on an arm's length basis and amounted to £5,817 (full year 2007: £15,641). At 30 June 2008 £nil remained unpaid (first half 2007: £nil, full year 2007: £nil).

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Purchases of Goods			Amounts owed to related parties		
	First half 2008 £m	First half 2007 £m	Full year 2007 £m	First half 2008 £m	First half 2007 £m	Full year 2007 £m
Associates	62.4	40.0	81.1	5.5	5.5	8.0

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

At the balance sheet date, Group companies had loan receivables from an associated undertaking of £1.2 million (first half 2007: £1.1 million, full year 2007: £1.3 million). The loans are unsecured and will be settled in cash, and were made on terms which reflect the relationships between the parties.

13. Bank overdrafts and loans

During the period, the Group obtained a new short-term bank loan amounting to \$150 million. The loan bears interest at market rates and is repayable within 1 year, with a six month term-out option which is exercisable at BBA Aviation plc's option. The facility was put in place to provide financing for the acquisition of Hawker Beechcraft Inc's Line Service Operations and as at 30 June 2008, the facility was partially drawn in anticipation of the funding of this acquisition.

The Group signed two new financing facilities in August 2008; a three-year \$175 million syndicated loan facility with a small group of banks, and a two-year \$100 million bi-lateral facility with two banks. Both facilities bear interest at market rates. These facilities replaced the \$150 million facility put in place earlier in the year.

Additional loans of \$81 million were drawn down across the Group's loan facilities resulting from a combination of repaying loans from cash flow generation in the period and new drawings to fund requirements for working capital and acquisitions.

14. Share capital

Share capital as at 30 June 2008 amounted to £122.7 million. During the period, the Group issued 32,700 shares to satisfy the exercise of employee share options. This increased the number of shares in issue from 412.4 million to 412.5 million.

15. Financial calendar

The preliminary announcement of results for the year ending 31 December 2008 will be made in late February 2009.

Regulatory Matters

Risks and Uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Further information on the principal risks and uncertainties of the Group is included in our latest annual report on page 9.

Level of Flying Activity

The number of hours flown are the main driver in the short term of revenue generated in our Flight Support segment, and over the longer term, our Aftermarket Services and Systems businesses. In the first half, in Signature North America in particular, these revenues have been impacted by the high level of fuel prices (due to high crude oil prices) as well as the general economic softening in North America. These remain the most relevant uncertainties as we enter the second half of the year, and could have an adverse impact on the Group's trading results and cash flows.

Foreign Currency Risk

The Group has significant operations in the USA with the majority of its pre-tax profits being earned in US dollars. As a result, the Group is exposed to translation risk due to the effect of fluctuations in foreign exchange rates, and in particular the rate of exchange between sterling and the US dollar. Significant fluctuations in exchange rates can have a material impact on the Group's trading results. In order to mitigate the impact of fluctuations in exchange rates on its balance sheet, the Group borrows in the currencies of its operations, creating a hedge against a proportion of net asset value of its overseas operations.

Independent Review Report to BBA Aviation plc

We have been engaged by the company to review the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the reconciliation of movements in total shareholders' equity, the cash flow statement and related notes 1 to 15. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

27 August 2008

London, UK

Notes: A review does not provide assurance on the integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.