

**BBA Aviation plc**  
**2006 Preliminary Results**  
**Results for the Year Ended**  
**31<sup>st</sup> December 2006**

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## PRELIMINARY RESULTS FOR YEAR ENDED 31<sup>ST</sup> DECEMBER 2006 - HIGHLIGHTS

### Continuing Operations

- Sales up 9% to £950.1m (2005: £875.1m), organic growth 6%.
- Underlying operating profit\* up 24% to £102.8m (2005:£83.0m).
- Operating margins increased to 10.8% (2005: 9.5%).
- Adjusted earnings per share\*\* 11.4p (2005: 9.8p), Unadjusted 10.3p (2005: 6.6p).
- Statutory operating profit increased to £94.8m (2005: £59.2m).
- Underlying profit before tax £78.2m (2005: £62.1m)
- Profit before tax up to £70.2m (2005: £38.3m).
- Free cash inflow of £48.1m (2005: £45.0m).
- If Fiberweb had been demerged at the beginning of 2006 and if BBA Aviation had been operating as an independent listed company since that date it is estimated that adjusted earnings per share\*\* would have been 14.6p, the full year dividend 7.1p and free cash flow approximately £55m.

### Discontinued Operations

- Loss of £76.2m after absorbing pre-tax restructuring costs and non-recurring items associated with the demerger of Fiberweb of £118.6m.
- Gain on disposal of Becorit of £16.5m.

### Total Group

- Loss for the period of £10.2m (2005: Profit £75.3m).
- Free cash flow\*\* of £3.1m (2005: £86.3m) impacted by cost of demerger.
- Net debt of £356.9m (2005: £527.1m) after transferring £173.1m of debt to Fiberweb on demerger.
- Final dividend of 5.0p making 8.5p for the year (2005:11.8p).

### Flight Support

- Sales up 8% to £556.4m (2005: £514.4m).
- Underlying operating profit\* up 9% to £65.5m (2005: £60.3m).
- Operating margins 11.8% (2005: 11.7%).
- Signature performed well; ASIG impacted by weak de-icing season.
- Significant investment in the quality, capacity and scale of the FBO network supporting future growth.

### Aftermarket Services and Systems

- Sales up 9% to £393.7m (2005: £360.7m).
- Underlying operating profits\* up 43% to £44.6m (2005: £31.3m).
- Operating margins improved significantly to 11.3% (2005: 8.7%).
- Encouraging performances from Ontic, which was acquired in February and by the Engine Repair and Overhaul businesses due to good organic growth and the impact of productivity and restructuring initiatives.
- Strong organic and acquired sales growth in landing gear and hydraulics.

### Commenting, Michael Harper, BBA Aviation Executive Chairman, said:

“2006 was a pivotal year for BBA. We completed the demerger of Fiberweb in November and are now a focused Aviation Services company concentrating principally on the Business Aviation market. The results for 2006 show good progress over the prior year reflecting an improving market, the impact of acquisitions and the benefits of management initiatives. We are particularly pleased with the performance of our Aftermarket Services and Systems businesses, which recovered well during the year.

The business aviation market is strong, underpinned by increased OEM backlogs for business jets, the continued success of the fractional operators and the anticipated introduction of Very Light Jets during 2007. With market-leading businesses we are well positioned to exploit this strength and also to play our part in continuing to consolidate what remains a largely fragmented market. With an increased order backlog and an encouraging start to the year, we expect to make further progress on a constant currency basis in 2007.”

*\*Continuing operations before restructuring costs, amortisation of acquired intangibles and non-recurring items (see below).\*\*See definitions below.*

## Preliminary Results

BBA Aviation plc, the international aviation services company, announces its preliminary results for the twelve months ended 31<sup>st</sup> December 2006.

### FINANCIAL HEADLINES (audited)

£m (other than percentages and per share amounts in pence)

	2006	2005
<b>REVENUE</b> (continuing operations)	<b>950.1</b>	875.1
<b>UNDERLYING OPERATING PROFIT</b> <sup>(1)</sup>	<b>102.8</b>	83.0
<b>UNDERLYING OPERATING MARGIN</b> <sup>(1)</sup>	<b>10.8%</b>	9.5%
<b>OPERATING PROFIT CONTINUING OPERATIONS (Statutory)</b>	<b>94.8</b>	59.2
<b>NET INTEREST</b>	<b>(24.6)</b>	(20.9)
<b>PROFIT BEFORE TAX</b>	<b>70.2</b>	38.3
<b>(LOSS)/PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS</b>	<b>(76.2)</b>	22.6
<b>PROFIT ON DISPOSAL AFTER TAX</b>	<b>16.5</b>	21.5
<b>(LOSS)/PROFIT FOR THE PERIOD (Statutory)</b>	<b>(10.2)</b>	75.3
<b>EARNINGS PER SHARE</b> (Adjusted) <sup>(2)</sup>	<b>11.4p</b>	9.8p
<b>EARNINGS PER SHARE</b> (Unadjusted) <sup>(3)</sup>	<b>10.3p</b>	6.6p
<b>DIVIDENDS PER ORDINARY SHARE</b>	<b>8.5p</b>	11.8p
<b>FREE CASH FLOW</b> <sup>(4)</sup>	<b>3.1</b>	86.3
<b>NET DEBT</b>	<b>356.9</b>	527.1

(1) Underlying operating profit being total operating profit (including associates) from continuing operations of £94.8m (2005: £59.2m) before restructuring costs, amortisation of acquired intangibles and non-recurring items of £(8.0)m (2005: £(23.8)m). This measure of earnings is shown because the directors consider that it gives a better indication of underlying performance.

(2) Basic earnings per share from continuing operations of 10.3p (2005: 6.6p) adjusted to exclude the after-tax impact of restructuring costs, amortisation of acquired intangibles and non-recurring items of 1.1p (2005: 3.2p).

(3) Basic earnings per share from continuing operations.

(4) Cash generated by operations of £128.3m (2005: £183.7m) plus dividends from associates of £0.3m (2005: £0.4m) less tax of £9.5m (2005: £9.7m), net interest of £30.1m (2005: £16.2m), preference dividends of £Nil (2005: £1.9m) and net capital expenditure of £85.9m (2005: £70.0m).

(5) 2006: EBITDA being operating profit (as defined in (1) above) before depreciation from continuing operations of £31.9m.

(6) Exchange rates used in the preparation of these results US\$ - Average \$1.84 (2005: \$1.82), spot \$1.96 (2005: \$1.72); Euro – Average €1.46 (2005: €1.46), Spot €1.48 (2005: €1.46).

These definitions as outlined above and on page 1 are consistently applied throughout this preliminary announcement.

## **PRELIMINARY RESULTS 2006**

Revenue from continuing operations increased by 9 per cent to £950.1m (2005: £875.1m). Underlying operating profit increased 24 per cent to £102.8m with a particularly strong performance from our Aftermarket Services and Systems businesses which were the main driver behind the significant improvement in operating margins which increased to 10.8 per cent (2005: 9.5 per cent).

Profit before tax increased by 83% to £70.2m from £38.3m as a result of the increased operating profit and also reflecting a reduction in restructuring costs and non-recurring items for continuing operations. Restructuring costs, amortisation of acquired intangibles and non-recurring items were £8.0m in 2006 compared to £23.8m in 2005 with the latter figure mostly relating to the closure of Millville.

Movements in exchange rates did not have any material impact on the comparison with the prior period. The average dollar rate for the full year was \$1.84 (2005: \$1.82). At the current weaker US dollar rate of circa \$1.96 the translated value of the group's 2006 pre tax profits would have been some £4m lower.

Adjusted earnings per share were 11.4p (2005: 9.8p). Assuming that the interest benefit from the debt transferred to Fiberweb had been received from 1<sup>st</sup> January 2006 and the reduced consolidated number of shares at 31<sup>st</sup> December 2006 were used in the calculation, adjusted earnings per share would have been 14.6p.

There was a significant after tax loss for discontinued operations of £76.2m. This includes the results of Fiberweb until the date of demerger and Becorit until its sale. An analysis of these results is shown below and includes the costs of the demerger, restructuring charges and asset impairment adjustments associated with the demerger of Fiberweb, as disclosed in the information sent to shareholders prior to the demerger being completed.

Cash flow from operating activities of £118.8m was significantly lower than the prior year of £174.0m due principally to the lower underlying operating profits from Fiberweb and the cash costs of the demerger and associated restructuring initiatives. There was a free cash inflow of £3.1m compared to £86.3m in 2005 which reflected higher capital expenditure of £91.8m (2005: £73.3m) together with the lower cash flow from operating activities. There was a free cash inflow for continuing operations of £48.1m (2005: £45.0m). Assuming that Fiberweb had been demerged on the 1<sup>st</sup> January 2006, free cash flow for continuing operations would have been approximately £55m. The Group invested £49.6m on aviation acquisitions during the period (2005: £28.0m) to expand into aviation components licensing and to add to our business aviation network. The Group also raised £26.8m from the disposal of Becorit.

Net debt was £356.9m, significantly lower than at the end of 2005 (£527.1m). The lower debt resulted from the transfer of £173.1m of debt to Fiberweb prior to its demerger. Net debt to EBITDA was 2.7 times.

### **Flight Support**

Flight Support showed good progress overall with sales and operating profits well ahead of the prior year. Total sales grew to £556.4m, an 8% increase over 2005. Organic growth was 2%, impacted by the poor de-icing seasons at the start and end of the year. Underlying operating profits increased by 9% to £65.5m (2005: £60.3m) and operating margins were unchanged at 11.8% (2005: 11.7%). The division generated strong operating cash flow of £56.3m and 89% of operating profit was converted into cash. The return on invested capital for the division improved over the year to 13.2% (2005: 12.5%).

### **Signature**

Revenue increased to £361.0m, a 14.1% improvement over 2005. Exchange rates reduced the rate of sales growth by almost 1%. Organic growth was 3% with the balance being accounted for by higher fuel prices (6%) and acquisitions (4%). We continued to see good growth in fuel volumes from fractional operators with increases of almost 10% in the year. Fractional operators continue to expand their share of our total business and account for approximately 30% of total revenue. Our traditional (non-fractional) business was flat over the year. Signature finished the year strongly with growth in the last quarter of approximately 7% compared to the last quarter of 2005.

Throughout the year, Signature continued to invest in improving the quality and capacity of its FBOs to support the growing demand for business jet facilities, ramp and hangar space. New facilities were completed at Indianapolis and Chicago (Palwaukee), we continued with a significant project to upgrade our facilities at Teeterboro and work began in July on a new £5m state of the art terminal and ground support equipment (GSE) maintenance facility at Boston Logan International Airport as part of Signature's recent award of a 10 year lease extension at the airport.

Signature increased both the size and scale of its leading FBO network with the acquisitions of the former Mair FBO at Thermal, CA, a major resort destination for business jet operators near Palm Springs; the former Air 1 FBO at St. Petersburg (FL); and le Terminal at Paris' Le Bourget International Airport. It was also successful with a tender to commence FBO operations at Doncaster, UK. In total Signature now has 81 locations of which 46 are in the USA covering 34 of the top 50 US Metro Areas, 15 of the top 30 U.S. hub airports and 24 of the reported top 50 fractional operations airports.

Signature also introduced a series of innovative new pricing and customer loyalty programmes during 2006. This will maximise the value of the Signature network to all levels of business jet operators by delivering volume based fuel incentives. The Fleet Power™, Tenant Power™ and Net Power™ incentive programmes were successful in adding new customers and increasing volume among Signature's existing customer base.

The surge in business jet deliveries is creating a growing demand for flight support services. Signature with its unrivalled network of quality locations, existing infrastructure and portfolio of long-term lease agreements is well positioned to take advantage of this trend.

## **ASIG**

Total revenue at ASIG reduced slightly to £195.4m (£198.0m). This was primarily due to a weather related shortfall in de-icing activity, which reduced sales by approximately £7m compared to the prior period, and impacted the organic sales growth rate by almost 4%. In addition ASIG continued with its policy of withdrawing from uneconomic locations at Miami and Albany, which reduced revenue by a further £5m. However ASIG successfully introduced new higher margin services such as GSE maintenance and recorded a number of new business wins with major airlines as well as being named the "Best Airport Operator" for a second consecutive year.

ASIG continues to grow its business globally. In Asia, it commenced fuelling operations at Bangkok's new Suvarnabhumi International Airport under a 20 year license agreement and was immediately successful in adding new fuelling contracts with British Airways, United Airlines, Singapore Airlines and Lufthansa. ASIG also expanded its operations in Europe with the addition of fuelling services at Austria's Vienna International Airport and Durham Tees Valley Airport in the United Kingdom.

The increase in GSE maintenance follows a series of new business wins from a number of major airlines including Delta, USAirways, American and Jet Blue. Refuelling contracts were won with Southwest Airlines at Denver and SkyWest Airlines at Los Angeles. Our cabin cleaning business also continued to grow in 2006. ASIG was awarded a new 5 year agreement by British Airways to provide a comprehensive cabin cleaning service at London Heathrow.

The commercial aviation services market is expected to grow organically at circa 5% per annum whilst remaining price sensitive and competitive. We expect further consolidation in the industry, which will continue to drive outsourcing opportunities in the higher skill and higher margin areas, where ASIG is ideally positioned.

## **Aftermarket Services and Systems**

Our Aviation Services and Systems businesses recovered strongly in 2006 supported in particular by a much better performance in Engine Repair and Overhaul. Total revenue grew to £393.7m, a 9% increase over 2005, which was mostly organic. Operating profits increased by 43% to £44.6m (2005: £31.3m) and operating margins improved significantly to 11.3% (2005: 8.7%). This was partly due to the acquisition of Ontic in February 2006 but also to a significant improvement in engine repair as the benefits of productivity initiatives and rationalisation activities began to come through. Operating cash flow for the division of £39.2m represented an operating profit to cash conversion ratio of 95%. The return on invested capital over the year improved to 9.0% (2005: 6.5%).

## **Engine Repair and Overhaul**

Sales in 2006 were £260.4m (2005: £267.1m). Sales were reduced by £24.0m by a change onto a consignment basis of one significant European contract. Adjusting for this change organic revenue growth was 11% with market share increased across a number of product lines. The order backlog at the end of the year was 25% higher than in 2005 and positions ERO well for 2007.

A significant effort to increase productivity was made during the year and the business delivered improvements in turn time, labour utilisation and quality. Facility rationalisations accomplished during the year brought decreased operating costs in Dallas by reducing three sites to two. A similar successful consolidation occurred through the relocation of the

Bournemouth Regional Turbine Centre (RTC) to the H+S Aviation campus in Portsmouth UK, reducing two sites to one. We anticipate continued improvements from these initiatives in 2007.

The recently launched capability for PW300/500 services yielded significant growth as demand for field service and 'on-wing' inspections increased during the year. The maturer Pratt and Whitney Canada programs such as JT15D, PT6 and PW100 likewise saw a rise in inputs to our heavy maintenance facilities as well as Regional Turbine Centres (RTCs). Improvements in the ALF502 program and increase in TFE731 Core Zone Inspection (CZI) work scopes were major factors in the double-digit volume growth seen in the Honeywell programs. The increased demand for Rolls-Royce Tay overhauls and the addition of the Tay 811-C to the product portfolio helped offset an ageing Rolls-Royce Spey engine market. In addition the 2006 Rolls Royce 'Corporate-Care' agreement enabled Dallas Airmotive to increase its support of both engine and aircraft producers whose customers prefer an ongoing OEM maintenance program.

The ERO market remains competitive yet evidence supports a continued favourable trend in BBA Aviation share and revenue growth. Market forecasts are anticipating a major expansion in Very Light Jets (VLJs) and ERO is in negotiations with a number of OEMs to become a major service provider in this new sector. In addition leveraging both BBA's component repair & overhaul facilities as well as logistics specialists, such as International Turbine Services (ITS) and Barrett Turbines, provides significant advantages that are particularly evident when comparing ERO to its competitors.

### **Component Repair and Overhaul (CRO)**

Total revenue grew to £45.7m (2005: £24.9m), an increase of 84% over 2005 with the addition of Ontic in February 2006 and the full year impact of additional sales from International Governor Services (IGS), acquired in mid 2005. Organic growth was 3%.

The integration of Ontic into the broader CRO organisation has provided a catalyst for growth across the division. This has allowed BBA Aviation to offer a broad range of product support services for components, including entire engines, which is unmatched in the industry. It also provides an effective vehicle to support these products through Ontic's licensing model. The combined division has unparalleled knowledge and experience of the issues and support needs of legacy products and the proven ability to deliver the material and services necessary to support the large operational fleets that utilise this equipment.

International Governor Services (IGS) obtained AWARS (authorised warranty and repair station) status from Honeywell late in the year, which will allow them to repair a broader range of products. ITS and Barrett continued to augment their existing product lines by adding products like APUs (auxiliary power units) from Honeywell.

The large operating base of Business and General Aviation aircraft and the robust projections for continued aircraft shipments over the next 10 years provide a strong business base for CRO. The legacy military aircraft that they support also provide a relatively stable base, requiring parts and service particularly with high levels of ongoing US military activity. New product development for a number of large commercial aircraft and military transports and fighters will stress the capacity of the OEMs to support customers needs in the aftermarket which will result in an increasing need to offload non-core or legacy products. There is little competition to the licensing skills that Ontic has established to acquire these types of products, which should result in significant growth opportunities for the company and the Group.

## **Landing Gear and Hydraulics**

Sales at £56.1m were 24% higher than the prior year (2005: £45.3m), with the acquisition of Arnoni at the start of the year representing 15 percentage points of the increase with the balance of 9% being organic.

Overall markets were firm, with business aviation original equipment supply showing good growth. The military original equipment order book increased substantially during the year, reflecting the BAE Systems Hawk Trainer and Augusta Westland EH101 helicopter order successes. Spare parts sales, in all areas, showed an improvement over the previous year with repair and overhaul activity reflecting a similar trend. In the early part of 2006, APPH was awarded a contract with a value of \$7.5m, to design and develop the landing gear system for the Korean Helicopter Programme. In December, a contract was awarded to design, develop and manufacture the Eurocopter EC175 landing gear system, which has a potential contract value of circa \$100m over 20 years.

The division's footprint has also expanded during the year. On 1<sup>st</sup> January 2006, BBA Aviation acquired the assets of Arnoni Aviation for an initial consideration of \$5m. Arnoni Aviation is a world leader in the supply and repair of Raytheon Hawker 125 series sub-system components and rotables. On 5<sup>th</sup> February 2007 BBA Aviation announced the acquisition of CAP based in Wichita USA for an initial payment of \$5.7m. CAP specialises in the design and manufacture of hydraulic systems components, electro mechanical positioning systems and access mechanisms used on a wide range of business aviation and light jet programmes.

The markets in which we operate are currently strong and with the continued growth of our order book during 2006, APPH is well positioned for the future.

## **Oxford**

### **Oxford Aircraft Training (OAT)**

OAT recovered well during the year with sales up 20% to £18.5m (2005: £15.4m) and a strong recovery in profitability as the demand for pilot training increased and we started to benefit from the new fair weather training facility located in Phoenix, USA.

The outlook for OAT is positive. Airlines, such as BA, BMI and Thomas Cook are continuing to recruit Oxford students and in 2006 Netjets confirmed a sponsored scheme with OAT, moving OAT into the business jet pilot training market. OAT also plans to develop a more integrated approach to training which will broaden the services that it is able to provide.

### **Oxford Airport**

During 2006 the Airport was successful in its planning application to widen and strengthen the runway and install an Instrument Landing System ("ILS"). The project is expected to be completed by the summer of 2007 and will cost approximately £5.5m. On completion of the works, Oxford Airport will have a 1300 metre long, 30m wide all-weather runway, enabling larger commercial aircraft to operate out of the Airport than is possible today, positioning the Airport for expansion in the regional market. The upgrade will also make the Airport more attractive to business aviation users.

## **Financial Information**

Revenue from continuing operations increased by 9 per cent to £950.1m (2005: £875.1m), underlying operating profit increased 24 per cent to £102.8m and operating margins increased to 10.8 per cent (2005: 9.5 per cent).

Profit before tax increased to £70.2m from £38.3m as a result of the increased operating profit and also reflected a reduction in restructuring costs and non-recurring items for continuing operations.

The impact of share based payments for continuing operations during the year was to increase profits by £1.6m compared to a charge of £3.0m in 2005. The movement was caused by a reduction in the company's share price at the start of the year prior to an award vesting in March. Compared to the prior year the improvement benefited the results of Flight Support by £2.6m, Aftermarket Services and Systems by £1.7m and central overhead by £0.3m.

In 2006 the company also benefited from a curtailment gain of £1.6m in respect of its UK pension scheme associated with the departure of Fiberweb employees from the scheme as at the date of demerger. This item has been accounted for in unallocated central overhead of continuing operations in the segmental analysis as it relates to the reduction of a future liability for BBA Aviation plc.

The results of discontinued operations amounted to an after tax loss of £76.2m and an analysis is shown in the table below:

#### Analysis of the Results of Discontinued Operations

	Profit	
	£m	£m
Fiberweb underlying operating profit (to 17 <sup>th</sup> November)	20.8	
Allocation of central costs to Fiberweb	(3.0)	
Becorit underlying operating profit (to 1 <sup>st</sup> December)	2.9	
<i>Underlying Operating Profit</i>		20.7
Fiberweb impairment charges	(70.5)	
Polypropylene hedge loss	(2.3)	
Fiberweb restructuring charges	(11.7)	
Becorit restructuring charges	(0.4)	
<i>Restructuring costs and non-recurring items</i>		(84.9)
Demerger professional fees	(29.4)	
Staff Bonuses	(3.2)	
Debt arrangement fees write-off	(1.1)	
<i>Demerger Costs</i>		(33.7)
Fiberweb interest costs		(1.5)
<i>Loss before Tax from Discontinued Operations</i>		(99.4)
Tax credit		23.2
<i>Loss after tax from Discontinued Operations</i>		(76.2)

The cash element of the Fiberweb restructuring costs, non-recurring items and demerger costs above amounted to approximately £45m.

The net interest charge was £24.6m (2005: £20.9m) with the increase mostly relating to higher US interest rates, which has been offset in part by the inclusion in the prior period of a £2.6m charge in respect of a dividend on preference shares that were redeemed in June 2005. Interest cover was 4.2 times (2005: 4.0 times). On an adjusted basis assuming that Fiberweb had been demerged on the 1<sup>st</sup> January 2006 interest costs would have been approximately £17.0m and interest cover 6.0 times.

The normalised tax rate for continuing operations was 29.9 per cent (2005: 25.4 per cent) with the increase in the rate reflecting a significant shift in the mix of profits to the USA with the demerger of Fiberweb and the inclusion in the prior period of a release of a provision for a potential tax exposure in the UK, which was no longer required. There is expected to be some upward pressure on the rate in the short to medium term due to the change in mix of profits to the USA, the limited opportunities available for tax planning and the potential lack of tax capacity in the UK.

Cash flow from operating activities was £118.8m, significantly lower than the prior year of £174.0m due principally to the lower underlying operating profits from Fiberweb and the cash costs of the demerger and associated restructuring initiatives of £56.9m shown on the table above. There was a free cash inflow of £3.1m compared to £86.3m in 2005 which reflected higher capital expenditure of £91.8m (2005: £73.3m) together with the lower cash flow from operating activities. Assuming that Fiberweb had been demerged on the 1<sup>st</sup> January 2006, free cash flow would have been approximately £55m. The Group invested £49.6m in acquisitions during the period (2005: £28.0m) to expand into aviation components licensing and to add to our business aviation network. The Group also raised £26.8m from disposing of non-core businesses, mostly Becorit.

Gross capital expenditure increased to £91.8m (2005: £73.3m) and represents 1.3 times depreciation (2005: 0.9 times). Aviation expenditure amounted to £47.0m (2005: £39.9m) with Flight Support accounting for the majority of the expenditure (£29.4m) principally relating to investment in our FBO facilities at Boston, Teeterboro and Paris and in the start up of our new commercial handling operation at Bangkok airport. Fiberweb expenditure amounted to £44.2m (2005: £32.7m).

Net debt was £356.9m, significantly lower than at the end of 2005 (£527.1m). The lower debt resulted from the transfer of £173.1m of debt to Fiberweb prior to its demerger and the balance to the impact of exchange rates on the translation of our dollar debt which reduced net debt by £77.1m. This was offset by a net cash outflow of £76.1m in the period.

## **Dividend**

At the time of the interim results announced on 31<sup>st</sup> August 2006 the Board explained that, in the light of the demerger of Fiberweb, it had decided to rebase future dividend payments. The interim dividend for 2006 was maintained at 3.5 pence (2005: 3.5 pence) and the Board is now recommending a final dividend of 5.0 pence (2005: 8.3 pence) bringing the total dividend for the year to 8.5 pence (2005: 11.8 pence). If Fiberweb had been demerged at the beginning of 2006 and if BBA Aviation had been operating as an independent listed company since that date it is expected that the full year dividend would have been 7.1p.

## **Board**

There have been a number of changes to the Board over the last few months. The previous chairman, Roberto Quarta, stepped down following the completion of the demerger and Michael Harper became executive chairman pending the appointment of a CEO when he will assume the role of non-executive chairman. Richard Stilwell also left the board at the time of the demerger to join Fiberweb. A number of new non-executives have joined the Board; Nick Land, Mark Harper and most recently Hansel Tookes. It is currently intended that David Rough and Bob Phillips, who have both given the company significant service, will leave the Board at the AGM on the 26<sup>th</sup> April following which the restructuring of the non executive members of the Board will be complete.

The search for the new CEO continues and it is anticipated that this process will be concluded in the next few months.

## **Outlook**

The business aviation market is strong, underpinned by increased OEM backlogs for business jets, the continued success of the fractional operators and the anticipated introduction of VLJ's during 2007. With our market-leading portfolio of businesses we are well positioned to exploit this strength and also to play our part in continuing to consolidate what remains a largely fragmented market. With an increased order backlog and an encouraging start to the year we expect to make further progress on a constant currency basis in 2007.

**Michael Harper, Executive Chairman**

27<sup>th</sup> February 2007

## Group income statement

for the year ended 31 December 2006

	Underlying	Note i	2006 Total £m	Underlying	Note i	2005 Total £
		£m			£m	
	<b>Continuing operations</b>					
<b>Revenue</b>	Revenue	950.1	-	950.1	875.1	875.1
	Cost of sales	(771.8)	-	(771.8)	(717.9)	(722.3)
	Gross profit	178.3	-	178.3	157.2	152.8
<b>Net operating costs</b>	Distribution costs	(18.8)	-	(18.8)	(18.9)	(18.9)
	Administrative expenses	(60.3)	(0.6)	(60.9)	(56.3)	(59.8)
	Other operating income	3.5	-	3.5	1.3	1.9
	Share of profit of associates	0.4	-	0.4	0.3	0.3
	Other operating expenses	(0.3)	-	(0.3)	(0.6)	(2.5)
	Restructuring costs	-	(7.4)	(7.4)	-	(13.3)
	Loss on disposal of businesses	-	-	-	-	(1.3)
<b>Operating profit</b>	<b>Operating profit from continuing operations</b>	102.8	(8.0)	94.8	83.0	59.2
	Investment income	43.5	-	43.5	35.4	35.4
	Finance costs	(68.1)	-	(68.1)	(56.3)	(56.3)
	<b>Profit before tax</b>	78.2	(8.0)	70.2	62.1	38.3
	Tax	(23.4)	2.7	(20.7)	(15.8)	(7.1)
	<b>Profit for the period from continuing operations</b>	54.8	(5.3)	49.5	46.3	31.2
<b>Discontinued operations</b>	Profit/(loss) after tax from discontinued operations	16.7	(92.9)	(76.2)	40.4	22.6
	Profit on disposal after tax	-	16.5	16.5	-	21.5
	<b>Profit/(loss) for the period</b>	71.5	(81.7)	(10.2)	86.7	75.3
	<b>Attributable to:</b>					
	Equity holders of the parent	71.4	(81.7)	(10.3)	86.5	75.1
	Minority interest	0.1	-	0.1	0.2	0.2
		71.5	(81.7)	(10.2)	86.7	75.3
<b>Earnings per ordinary share</b>	<b>From continuing and discontinued operations</b>					
	Basic	14.9p		(2.2p)	18.4p	15.9p
	Diluted	14.9p		(2.1p)	18.2p	15.8p
	<b>From continuing operations</b>					
	Basic	11.4p		10.3p	9.8p	6.6p
	Diluted	11.4p		10.3p	9.7p	6.5p

Note i: Restructuring costs, amortisation of acquired intangibles and non-recurring items as set out in Note 8 to the financial statements.

**Group balance sheet**  
at 31 December 2006

		2006 £m	2005 £m
<b>Non-current assets</b>	<i>Intangible assets</i>		
	Goodwill	314.1	429.8
	Licenses & other	20.9	24.5
	Property, plant & equipment	316.4	746.4
	Investments in associates	8.8	18.4
	Trade and other receivables	28.8	14.2
		<b>689.0</b>	1,233.3
<b>Current assets</b>	Inventories	131.3	234.2
	Trade and other receivables	171.8	294.2
	Cash and cash equivalents	156.5	174.9
	Tax recoverable	0.1	2.8
		<b>459.7</b>	706.1
	<b>Total assets</b>	<b>1,148.7</b>	1,939.4
<b>Current liabilities</b>	Trade and other payables	(185.5)	(278.3)
	Tax liabilities	(43.0)	(53.9)
	Obligations under finance leases	(1.0)	(4.3)
	Bank overdrafts and loans	(27.6)	(44.0)
	Provisions	(3.4)	(7.0)
		<b>(260.5)</b>	(387.5)
	<b>Net current assets</b>	<b>199.2</b>	318.6
<b>Non-current liabilities</b>	Bank loans	(470.7)	(585.2)
	Other payables due after one year	(7.9)	(43.1)
	Retirement benefit obligations	(21.1)	(64.6)
	Obligations under finance leases	(27.5)	(38.1)
	Deferred tax liabilities	(15.7)	(59.5)
	Provisions	(22.8)	(25.3)
		<b>(565.7)</b>	(815.8)
	<b>Total liabilities</b>	<b>(826.2)</b>	(1,203.3)
	<b>Net assets</b>	<b>322.5</b>	736.1
<b>Equity</b>	Share capital	122.5	121.6
	Share premium account	345.1	340.2
	Revaluation reserve	3.9	3.9
	Treasury shares	(1.4)	(0.6)
	Capital reserve	15.5	15.8
	Hedging and translation reserves	(27.7)	(1.5)
	Retained earnings	(136.2)	256.4
	<b>Equity attributable to BBA Aviation plc shareholders</b>	<b>321.7</b>	735.8
	Minority interest	0.8	0.3
	<b>Total equity</b>	<b>322.5</b>	736.1

## Group cash flow statement

for the year ended 31 December 2006

		2006	2005
		£m	£m
<b>Operations</b>	<b>Net cash inflow from operating activities</b>	<b>118.8</b>	174.0
<b>Investing activities</b>	Dividends from associates	0.3	0.4
	Purchase of property, plant and equipment	(90.7)	(72.6)
	Purchase of intangible assets	(1.1)	(0.7)
	Proceeds from disposal of property, plant and equipment	5.9	3.3
	Acquisition of subsidiaries	(52.7)	(28.0)
	Proceeds from disposal of subsidiaries and associates	27.8	46.7
	Deferred consideration on prior year acquisitions	(1.5)	(0.9)
	Recuction in cash and cash equivalents on demerger	(37.5)	-
	<b>Net cash outflow from investing activities</b>	<b>(149.5)</b>	(51.8)
<b>Financing activities</b>	Interest received	41.9	36.4
	Interest paid	(69.9)	(50.6)
	Interest element of finance leases paid	(2.1)	(2.0)
	Preference dividends paid	-	(1.9)
	Dividends paid	(57.7)	(53.0)
	Proceeds from issue of ordinary shares	5.8	7.7
	Proceeds from sale of own shares	-	5.6
	Purchase of own shares	(0.9)	-
	Increase/(decrease) in loans	121.3	(79.7)
	Decrease in finance leases	(3.1)	(2.8)
	(Decrease)/increase in overdrafts	(3.8)	(5.5)
	(Increase)/decrease in other liquid assets	3.0	58.7
	<b>Net cash inflow / (outflow) from financing activities</b>	<b>34.5</b>	(87.1)
<b>Cash and cash equivalents</b>	<b>Increase in cash and cash equivalents</b>	<b>3.8</b>	35.1
	Cash and cash equivalents at beginning of year	174.9	134.0
	Exchange adjustments	(22.2)	5.8
	<b>Cash and cash equivalents at end of year</b>	<b>156.5</b>	174.9
<b>Net debt</b>	<b>Net debt at beginning of year</b>	<b>(527.1)</b>	(511.6)
	Increase in cash and cash equivalents	3.8	35.1
	(Increase)/decrease in loans	(121.3)	79.7
	(Increase)/decrease in finance leases	3.1	2.8
	(Increase)/decrease in overdrafts	3.8	5.5
	Increase/(decrease) in other liquid assets	(3.0)	(58.7)
	Bank loans acquired	(2.9)	-
	Bank loans disposed of on demerger	209.6	-
	Finance leases acquired	-	(3.3)
	Exchange adjustments	77.1	(76.6)
	<b>Net debt at end of year</b>	<b>(356.9)</b>	(527.1)

## Group statement of recognised income and expenses

for the year ended 31 December 2006

	2006 £m	2005 £m
Exchange difference on translation of foreign operations	(119.5)	98.7
Gains/(losses) on net asset hedges	82.9	(79.5)
Exchange differences recycled on disposal of subsidiaries	4.4	-
Fair value movements in foreign exchange cash flow hedges	4.1	(6.1)
Fair value movements in interest rate cash flow hedges	2.2	9.3
Fair value movements in commodity contract cash flow hedges	(0.6)	(3.4)
Actuarial gains on defined benefit pension schemes	(5.6)	(0.6)
Tax on items transferred from equity	0.3	10.4
<b>Net income recognised directly in equity</b>	<b>(31.8)</b>	<b>28.8</b>
Transfer to profit or loss from equity on cash flow hedges	(2.0)	(2.5)
Transfer to profit or loss from equity on interest rate cash flow hedges	(1.7)	-
Transfer to profit or loss from equity on commodity contract cash flow hedges	4.0	-
Tax on items transferred to profit or loss from equity	-	-
(Loss) / profit for the period	(10.2)	75.3
<b>Total recognised income and expense for the period</b>	<b>(41.7)</b>	<b>101.6</b>
Fair value of cash flow hedges on adoption of IAS39	-	8.2
Fair value of interest rate swaps on adoption of IAS39	-	(6.4)
Reduction in net assets on initial adoption of IAS32 (restated)	-	(52.8)
<b>Change of accounting policy on adoption of IAS32/39</b>	<b>-</b>	<b>(51.0)</b>

## Reconciliation of movements in total shareholders' equity

for the year ended 31 December 2006

	2006 £m	2005 £m
Total recognised income and expense for the period	(41.7)	101.6
Equity dividends	(57.7)	(53.0)
Dividend in specie	(320.0)	-
Conversion of preference shares (restated)	-	53.5
Credit to equity for equity settled share based payments	0.4	0.6
Movement in minority interests	0.4	-
Movement in treasury shares	(0.8)	5.6
Issue of shares	5.8	7.7
<b>Net movement in total shareholders' equity for the period</b>	<b>(413.6)</b>	<b>116.0</b>
Change of accounting policy on adoption of IAS32/39 (restated)	-	(51.2)
Total shareholders' equity at beginning of period	736.1	671.3
<b>Total shareholders' equity at end of period</b>	<b>322.5</b>	<b>736.1</b>

The 2005 comparative results in respect of the effect of the change in accounting policy of IAS 32 and the conversion of preference shares have been amended to reflect the Group's revised presentation of movements on the 6.75 per cent cumulative redeemable preference shares that were converted in the year ended 31 December 2005. This revised presentation reflects the requirements of IAS 1 "Presentation of Financial Statements" as adopted in practice.

## Notes to the financial statements

### 1. Segmental Information

Business Segments	Flight Support £m	Aftermarket Services & Systems £m	Total Aviation £m	Unallocated corporate £m	Total Continuing £m
<b>2006</b>					
External revenue	556.4	393.7	950.1	-	950.1
Underlying operating profit	65.5	44.6	110.1	(7.3)	102.8
Underlying operating margin	11.8%	11.3%	11.6%	-	10.8%
Other information					
Capital additions	29.4	17.4	46.8	0.2	47.0
Depreciation and amortisation	19.1	12.4	31.5	0.2	31.7
Balance sheet					
Assets:					
Segment assets	494.8	428.5	923.3	60.0	983.3
Investments in associates	8.8	-	8.8	-	8.8
Tax recoverable					0.1
Cash and cash equivalents					156.5
Consolidated total assets					1,148.7
Liabilities:					
Segment liabilities	(82.5)	(56.6)	(139.1)	(101.6)	(240.7)
Tax liabilities					(58.7)
Finance lease and loan liabilities					(526.8)
Consolidated total liabilities					(826.2)
<b>2005</b>					
External revenue	514.4	360.7	875.1	-	875.1
Underlying operating profit	60.3	31.3	91.6	(8.6)	83.0
Underlying operating margin	11.7%	8.7%	10.5%	-	9.5%
Other information					
Capital additions	26.6	18.7	45.3	0.2	45.5
Depreciation and amortisation	17.7	11.0	28.7	0.2	28.9
Balance sheet					
Assets:					
Segment assets	533.1	424.2	957.3	53.4	1,010.7
Investments in associates	9.9	-	9.9	-	9.9
Tax recoverable					1.8
Discontinued operations					147.3
Consolidated total assets					769.7
Liabilities:					
Segment liabilities	(94.7)	(58.0)	(152.7)	(185.8)	(338.5)
Tax liabilities					(27.9)
Finance lease and loan liabilities					(640.7)
Discontinued operations					(196.2)
Consolidated total liabilities					(1,203.3)

## Notes to the financial statements (continued)

Geographical Segments	Revenue from continuing operations	Capital additions	Assets
<b>2006</b>			
United Kingdom	197.3	13.4	240.4
Mainland Europe	21.5	3.9	21.8
North America	727.6	27.8	714.0
Rest of World	3.7	1.9	7.1
Total	<b>950.1</b>	<b>47.0</b>	<b>983.3</b>
<b>2005</b>			
United Kingdom	197.8	11.6	222.9
Mainland Europe	13.4	0.3	16.4
North America	662.6	33.6	768.7
Rest of World	1.3	-	2.7
Total	875.1	45.5	1,010.7

### 2. Basis of preparation

The financial information set out above does not constitute the Company's statutory financial statements for 2006 or 2005 under section 240 of the Companies Act 1985. Statutory accounts for 2005, 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 2006 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 2006. The BBA accounting policies under IFRS are as reported in the annual financial statements for the year ended 31 December 2005, as published by the Company on 20 March 2006.

<b>3. Net Capital expenditure</b>	<b>2006</b>	2005
	<b>£m</b>	£m
Net capital expenditure (continuing operations)	<b>44.8</b>	40.0
Net capital expenditure to depreciation - times	<b>1.4</b>	1.4
<b>4. Number of employees</b>	<b>Thousands</b>	Thousands
At 31 December (continuing operations)	<b>10.8</b>	14.1

## Notes to the financial statements (continued)

### 5. Earnings per share

Earnings	Continuing operations		Continuing and discontinued operations	
	2006 £m	2005 £m	2006 £m	2005 £m
<b>Basic:</b>				
Basic earnings attributable to ordinary shareholders	49.4	31.0	(10.3)	75.1
Restructuring costs, amortisation of acquired intangibles and non-recurring items after tax	5.3	15.1	98.2	32.9
(Profit) after tax on disposal (discontinued operations)	-	-	(16.5)	(21.5)
Adjusted earnings	<u>54.7</u>	<u>46.1</u>	<u>71.4</u>	<u>86.5</u>
<b>Diluted:</b>				
Diluted earnings attributable to ordinary shareholders	49.4	31.0	(10.3)	75.1
Restructuring costs, amortisation of acquired intangibles and non-recurring items after tax	5.3	15.1	98.2	32.9
(Profit) after tax on disposal (discontinued operations)	-	-	(16.5)	(21.5)
Adjusted diluted earnings	<u>54.7</u>	<u>46.1</u>	<u>71.4</u>	<u>86.5</u>
	Millions	Millions	Millions	Millions
Average number of 29 16/21p (2005: 25p) ordinary shares:				
Basic	<u>478.4</u>	<u>471.0</u>	<u>478.4</u>	<u>471.0</u>
Diluted	<u>480.6</u>	<u>475.8</u>	<u>480.6</u>	<u>475.8</u>

#### Earnings per share:

##### Basic:

Adjusted	<u>11.4p</u>	9.8p	<u>14.9p</u>	18.4p
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Unadjusted	<u>10.3p</u>	6.6p	<u>(2.2p)</u>	15.9p
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##### Diluted:

Adjusted	<u>11.4p</u>	9.7p	<u>14.9p</u>	18.2p
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Unadjusted	<u>10.3p</u>	6.5p	<u>(2.1p)</u>	15.8p
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### 6. Taxation

#### Continuing operations

	2006 £m	2005 £m
Current tax	11.7	15.4
Adjustments in respect of prior years - current tax	(0.9)	(6.0)
Deferred tax	7.9	(2.1)
Adjustments in respect of prior years - deferred tax	2.0	-
	<u>20.7</u>	<u>7.3</u>

### 7. Cash flow from operating activities

	2006 £m	2005 £m
Operating profit from continuing operations	94.8	59.2
Operating profit from discontinued operations	(97.9)	24.0
Share of profit from associates	(0.8)	(2.8)
Profit from operations	<u>(3.9)</u>	80.4
Depreciation of property, plant & equipment	62.4	71.4
Amortisation of intangible assets	4.3	4.0
Profit on sale of property, plant & equipment	(1.4)	(0.2)
Increase in provisions	1.5	1.8
Pension scheme payments	(14.3)	(7.6)
Non-cash impairments	70.5	11.5
Other non-cash items	-	8.3
Operating cash flows before movements in working capital	<u>119.1</u>	169.6
Decrease in working capital	9.2	14.1
Cash generated by operations	<u>128.3</u>	183.7
Income taxes paid	(9.5)	(9.7)
Net cash inflow from operating activities	<u>118.8</u>	174.0

## Notes to the financial statements (continued)

### 8. Restructuring costs and other non-recurring items

Restructuring costs, amortisation of acquired intangibles and non-recurring items included within statutory operating profit amounted to £8.0 million (2005: £23.8 million). The main items included within this are:

- 2006: **Administrative expenses** of £0.6 million relating to amortisation of intangible assets acquired and valued in accordance with IFRS 3, and; **restructuring costs** of £7.4 million relating to a number of small aviation restructuring initiatives.
- 2005: **Cost of sales** of £4.4 million, being WIP write-off following the introduction of a new computer system and the exit from Millville; **administrative expenses** of £3.5 million being the write-down of a receivable following a decision to exit a joint venture, and amortisation of intangible assets acquired and valued in accordance with IFRS 3; **other operating income** of £(0.6) million being surplus amounts provided on acquisition; **other operating expenses** of £1.9 million being mainly settlement costs in respect of legal proceedings; **restructuring costs** £13.3 million relating mainly to the completion of the closure of the Millville facility and completion of the integration of AGI, and; **loss on disposal of businesses** of £1.3m relating to the sale of a small aviation parts supplier based at Oxford Airport.

Net of tax, restructuring costs and non-recurring items included within discontinued operations amounted to £92.9 million (2005: £17.8 million). These costs primarily relate to impairment charges for a number of Fiberweb wipes lines; line impairment charges, severance costs and other closure costs associated with the rationalisation of Fiberweb North America Hygiene; and the costs of the demerger of Fiberweb.

### 9. Acquisitions and disposals

On 3 January 2006, the Group purchased Arnoni Aviation Services Inc. for an immediate cash consideration of \$5.0 million (£2.9 million) and a deferred contingent cash consideration of up to \$2.0 million (£1.1 million).

On 17 February 2006, the Group purchased an FBO at La Quinta, California for an immediate cash consideration of \$8.1 million (£4.6 million) and a deferred contingent cash consideration of \$0.4 million (£0.2 million).

On 24 February 2006, the Group purchased Ontic Engineering & Manufacturing for a consideration of \$67.0 million (£38.5 million).

On 1 April 2006, the Group purchased Blowitex GmbH for an immediate cash consideration of €3.8 million (£2.7 million) and a deferred contingent cash consideration of €0.7million (£0.5 million).

On 26 April 2006, the Group purchased a further 40% of the shares of Athens Aviation Services for a consideration of €1.7 million (£1.2 million).

On 27 October 2006, the Group acquired Air-1 Aircraft LLC at St Petersburg, Florida for a cash consideration of \$4.5 million (£2.3 million).

On 17 November 2006, the Group demerged Fiberweb by way of dividend in specie.

On 1 December 2006, the Group disposed of the entire share capital of Becorit GmbH for cash consideration of €39.7 million (£26.8 million) on a debt free cash free basis.

### 10. Dividends

Subject to shareholder approval, the final dividend will be paid on 18 May 2007 to ordinary shareholders on the register at the close of business on 13 April 2007. Shareholders are being offered the opportunity of buying additional shares in lieu of a cash dividend under the existing BBA Dividend Re-investment Plan (DRIP).

On the demerger of Fiberweb on 17 November 2006, a dividend was declared which was satisfied by the issue of shares in Fiberweb plc - a dividend in specie. The dividend in specie of £320.0 million represented the net assets of the businesses transferred to Fiberweb on demerger. The existing shareholders of BBA Group plc were given shares in Fiberweb plc on a ratio of one share in Fiberweb plc for every four shares held in BBA Group plc. Immediately after the demerger BBA Group plc changed its name to BBA Aviation plc.