

**BBA Group PLC**

**2005 Interim Results**

**Results for the Half Year Ended  
30th June 2005**

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## **PRESS INFORMATION**

Thursday, 1<sup>st</sup> September 2005

### **BBA GROUP PLC**

### **INTERIM RESULTS FOR THE HALF YEAR ENDED 30<sup>th</sup> JUNE 2005**

#### **Interim Results**

- Sales from continuing operations increased by 12 per cent to £740m on a constant currency basis, with both divisions contributing strong turnover increases.
- Underlying operating profits\* from continuing operations up 9 per cent to £68m on a constant currency basis.
- Profit for the Period £54.8m (2004: £41.6m), increased by 32 per cent including profit on disposal of Finotech.
- Underlying Profit before Tax\* £55.6m (2004: £58.9m), with 2005 impacted by a charge of £2.6m relating to IAS32/39 preference dividend costs which was not included in 2004.
- Adjusted\* earnings per share 8.7p (2004: 9.2p), basic earnings per share (unadjusted) up 36% at 12.0p (2004: 8.8p).
- Interim dividend increased by 4 per cent to 3.5p (2004: 3.35p).
- Free cash flow\*\* £16.9m (2004: £42.3m), predominantly timing. Significant improvement expected in the second half of the year.
- Aviation strong performance: sales grew by 10 per cent to £417m and underlying operating profits by 21 per cent to £48m (on a constant currency basis). Operating margins improved by 1 per cent to 11.5 per cent.
- Today we are announcing the acquisition of two further aviation bases at Le Bourget in France and Cape Town in South Africa for a total consideration of £9m.
- Materials Technology: sales grew by 15 per cent (on a constant currency basis), operating profits and margins were impacted by increased raw material costs leaving underlying operating profits £3m lower. Sale of 40 per cent interest in Finotech joint venture for £46m resulted in profit on disposal of £23m.
- Net debt £566m (2004 Year End: £512m) does not include the £46m proceeds from Finotech sale which was received in early July.

#### **Commenting on the results, Roy McGlone, BBA Group Chief Executive, said:**

“In the first half of 2005 we have seen strong growth in sales in both of our businesses. In Aviation operating profits advanced strongly and margins improved. Materials Technology remained robust although operating profits were slightly lower due to the continued impact of increasing raw material costs. Interest costs have increased due to higher US dollar interest rates which have increased by 50 per cent since the start of the year.

For the second half of 2005 we expect to make good progress compared to the first half with continued strong sales growth in both divisions and increased free cash flow where we have seen an improving trend since the end of June.”

*\*Continuing operations before restructuring costs and other non-recurring items (see below).*

*\*\*See definitions below.*

## Interim Results

BBA Group PLC, the international aviation and materials technology company, announces its interim results for the six months ended 30<sup>th</sup> June 2005.

### FINANCIAL HIGHLIGHTS (unaudited)

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

	2005	2004 <sup>(6)</sup>
<b>REVENUE</b> (continuing operations)	<b>739.8</b>	672.9
<b>OPERATING PROFIT</b> <sup>(1)</sup>	<b>68.1</b>	64.0
<b>OPERATING MARGIN</b> <sup>(1)</sup>	<b>9.2%</b>	9.5%
<b>OPERATING PROFIT FROM CONTINUING OPERATIONS</b> (Statutory)	<b>57.3</b>	59.6
<b>EBITDA</b> <sup>(5)</sup>	<b>105.1</b>	101.6
<b>EBITDA MARGIN</b> <sup>(5)</sup>	<b>14.2%</b>	15.1%
<b>NET INTEREST</b>	<b>(12.5)</b>	(5.1)
<b>PROFIT BEFORE TAX</b> (operating profit <sup>(1)</sup> less interest)	<b>55.6</b>	58.9
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b> (Statutory)	<b>44.8</b>	54.5
<b>PROFIT FOR THE PERIOD</b> (Statutory)	<b>54.8</b>	41.6
<b>EARNINGS PER SHARE</b> (Adjusted) <sup>(3)</sup>	<b>8.7p</b>	9.2p
<b>EARNINGS PER SHARE</b> (Unadjusted)	<b>12.0p</b>	8.8p
<b>DIVIDENDS PER ORDINARY SHARE</b>	<b>3.5p</b>	3.35p
<b>FREE CASH FLOW</b> <sup>(2)</sup>	<b>16.9</b>	42.3
<b>NET DEBT</b>	<b>(566.4)</b>	(445.6)
<b>GEARING</b> (net debt to shareholders' funds)	<b>80%</b>	65%

(1) Underlying operating profit being total operating profit (including associates) of £59.7m (2004: £63.8m) before restructuring costs and other non-recurring items of £(10.8)m (2004: £(4.4)m) and operating profit from discontinuing operations of £2.4m (2004: £4.2m). This measure of earnings is shown because the directors consider that this gives a better indication of underlying performance.

(2) Cash generated by operations of £63.5m (2004: £79.9m) plus dividends from associates of £0.4m (2004: £0.2m) less tax of £6.0m (2004: £6.6m), interest of £9.7m (2004: £7.3m), preference dividends of £1.9m (2004: £1.9m) and net capital expenditure of £29.4m (2004: £22.0m).

(3) Basic earnings per share of 12.0p (2004: 8.8p) adjusted to exclude the after-tax impact of restructuring costs, other non-recurring items and profit/loss on disposals of (2.8)p (2004: 1.1p) and discontinuing operations of (0.5)p (2004: (0.7)p).

(4) Exchange rates used in the preparation of these results US\$ - Average \$1.88 (2004: \$1.81), spot \$1.79 (2004: \$1.81); Euro – Average €1.45 (2004: €1.48), Spot €1.48 (2004: €1.49).

(5) Operating profit (as defined in (1) above) before depreciation of £37.0m (2004: £37.6m).

(6) Prior year comparatives have been restated to reflect the transition to IFRS

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

## **INTERIM RESULTS 2005**

*These are the first results to be presented in accordance with International Financial Reporting Standards ("IFRS"). The comparative information has been restated and is in accordance with the information released to the market on the 28<sup>th</sup> of July 2005. We have realigned the segmental reporting of the Group and have now split Aviation into two separate areas: Airport Services (comprising Signature and ASIG our Business and Commercial Aviation handling businesses) and Maintenance Repair and Overhaul (comprising Engine Repair, Parts Distribution, Landing Gear and Hydraulics and all other businesses). The Materials Technology segment remains unchanged and includes our Non-Wovens and Rail Friction businesses.*

Both divisions recorded strong sales growth with sales from continuing operations for the Group up by 12 per cent on a constant currency basis. Underlying operating profits increased by 9 per cent to £68.1 million and operating margins were slightly reduced at 9.2 per cent (2004: 9.5 per cent) principally due to raw material price increases in our Materials Technology division.

In the first half of 2005 the Group produced underlying pre tax profits of £55.6 million which were slightly lower than in 2004 (£58.9 million) although on a like-for-like basis and at constant currency showed a 2 per cent increase over the prior period. Adjusted earnings per share were 8.7p (2004 9.2p). In the period we continued to be impacted by the weakening of the dollar against sterling which depreciated by an average of 4 per cent during the first half of the year, reducing our underlying pre tax profits by £1.3 million compared to the prior period. Total profit for the period was £54.8 million (£41.6 million) with unadjusted earnings per share of 12.0 pence, up 36 per cent on the prior period.

Our free cash flow at £16.9 million was lower than the prior period (£42.3 million) due principally to higher capital expenditure, an additional contribution to the UK pension scheme of £5 million, an increase of working capital in our engine repair business at Dallas and increased receivables at Signature due to the impact of higher fuel prices. We expect significant improvement in the cash flow in the second half. We invested £10.8 million in acquisitions during the first half and since the 30<sup>th</sup> June have spent a further £9 million expanding our business aviation network.

### **Aviation**

In Aviation, revenue increased by 10 per cent to £417.2 million (2004: £378.5 million at constant currency). Underlying operating profits increased by 21 per cent to £48.1 million and operating margins improved by 1 per cent to 11.5 per cent due in particular to a strong performance by our Airport Services group where the acquisitions made last year are now fully integrated. Increased fuel costs added £16 million to revenue and reduced operating margins by 0.5 per cent.

Airport Services sales grew by 19 per cent on a constant currency basis to £241.7 million, of which increased fuel prices contributed 7 per cent. Operating margins improved from 12.5 per cent to 13.4 per cent and underlying operating profits were up 28 per cent (on a constant currency basis) to £32.4 million.

Today we are announcing a further expansion of our network outside the US with the acquisition of the Privatair FBO at Le Bourget for £7 million and an FBO in Capetown for £2 million. In total these investments are expected to generate incremental revenue of £10 million in a full year. We were also successful in renewing our lease at Boston Logan International Airport for a further 10 years. The Group is currently evaluating a number of other opportunities to further broaden its global network of bases and we have recently signed

a 3 year agreement with Clear Channel Communications to provide advertising space at a number of Signature locations. At ASIG, our commercial aviation services provider, the acquisitions made last year have been successfully integrated. We have won a new baggage handling contract worth \$40 million over 5 years with Disney World and have won a number of cargo handling contracts on the west coast of the USA worth over \$5 million per annum. We are also expanding our Technical Services operations providing an increasing amount of Ground Support Equipment maintenance at a number of locations. Operating margins at ASIG remain above 8 per cent.

In Maintenance, Repair and Overhaul sales were flat year on year with lower demand for Spey overhauls being offset by increased demand for TFE731. Underlying operating profits increased to £15.7 million (from £14.4 million at constant currency) and operating margins improved from 8.2 per cent to 8.9 per cent as the savings associated with the closure of Millville started to come through. Engine overhauls have started on the new PW300/500 engine programme and this, together with additional savings from the Millville closure and other cost reduction action taken since the 30<sup>th</sup> June should improve performance in the second half of the year. The company has also been awarded a \$6 million per annum support agreement with NetJets to maintain TFE731 engines in the USA and Europe. Our parts distribution businesses had a good first half with strong demand in most sectors. The acquisition of International Governor Services (“IGS”) in June expands our capabilities further in this area and will add \$10 million to revenue in a full year. The Landing Gear and Hydraulics businesses performed satisfactorily and a manufacturing site was closed in the UK consolidating the business into another existing site.

### **Materials Technology**

Materials Technology revenue increased 15 per cent to £322.6 million at constant currency, of which 4 per cent was due to the impact of higher raw material costs being passed on to customers through contracted arrangements. Underlying operating profits reduced by £3.1 million to £24.5 million (2004: £27.6 million – restated for the disposal of Finotech) and operating margins were 7.6 per cent (2004 H1: 9.8 per cent, 2004 H2: 8.4 per cent). Significantly increased raw material costs, net of recovery through contracted and uncontracted price increases, reduced underlying profits by approximately £4 million compared to the prior period.

Raw Material costs have reduced since the end of last year and we currently anticipate that they will increase from current levels by the end of this year but are unlikely to reach the levels seen at the start of the year. In this event average prices in the second half will be similar to the second half of the prior year. We continue to focus on a wide range of productivity initiatives to optimise yields and improve recycling.

In North America we have decided to further rationalise the number of sites and we will therefore be closing our Toronto site and relocating the equipment to Mexico and Berlin. This project will be a priority for the second half and we expect to complete the move by the summer of 2006. The total cash cost of this initiative will be approximately £12 million (capital expenditure £8 million) and the full year savings are expected to be £5 million, which will commence in the middle of next year. Cash pay back is expected to be achieved in 3 years.

The sale of our interest in Finotech concluded a very successful partnership with Clopay which, due to changes in the technology and market outlook, we believe had become less relevant to our business model. We had originally estimated that Finotech would have contributed some £7 million of operating profit during 2005. At the half year, prior to its sale, the contribution was £3 million.

A new management team has been appointed. Daniel Dayan (CEO) and Wim Das (CFO) have revalidated our strategy for this division. We will continue to focus on growth in the industrial sectors, increasing the efficiency of our hygiene operations and, as a priority, expanding globally outside the USA and Europe.

## **Financial results**

Turnover from continuing operations at £739.8 million was 10 per cent higher than the prior year (2004: £672.9 million) although, excluding the movement in exchange rates, growth would have been 12 per cent (2004 (restated): £659.5 million).

Underlying operating profits were 6 per cent higher at £68.1 million (2004: £64.0 million) with the adverse translation impact of movement in exchange rates impacting the current period by approximately £2 million compared to 2004. Operating margins were 9.2 per cent, lower than the prior year of 9.5 per cent principally due to the higher raw material costs in the Materials Technology division.

Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA) were £105.1 million (2004: £101.6 million).

During the period the Group disposed of its 40 per cent interest in Finotech, the Non-Wovens joint venture, and also sold a small parts distribution business at Oxford airport. In the prior period the Group closed a loss-making Fiberweb distribution business in Japan. Before their closure or disposal these operations produced operating profits of £2.4 million (2004: £4.2 million), which have been classified as discontinuing operations. The net profit associated with the disposals or closure amounted to a profit of £19.5 million (Finotech profit £23.1 million) compared to a loss of £1.3 million in the prior period.

Restructuring costs amounted to £9.3 million (£8.3 million cash) compared to the previous year of £2.8 million (£1.9 million cash). The current year includes the completion of the closure of the Millville facility, the closure of a manufacturing site in the UK Landing Gear businesses, the completion of the integration of AGI (acquired in October 2004) and a further rationalisation in Fiberweb USA.

Other non-recurring items amounted to £1.5 million and related to the cost of settling legal proceedings relating to ASIG's fuel farm operations at Miami airport which related to the period from 1996 to the spring of 2003 (ASIG was acquired by BBA in July 2001). In the prior period costs of £1.6 million related to aborted acquisition costs.

The net interest charge of £12.5 million (2004: £5.1 million) included an IFRS reclassification of £2.6 million in respect of the preference dividend which was not included in the prior period due to the transition arrangements of IAS32/39. The preference shares were converted into ordinary shares in June and therefore this item will not recur in the second half of the year. The increase in the charge compared to the prior year, exclusive of IFRS adjustments, principally reflects higher average dollar interest rates and higher average debt levels associated with the £90 million investment in acquisitions during the second half of last year. Interest cover was 5.4 times but 6.9 times exclusive of the impact of the non-recurring preference dividend adjustment (2004: 12.5 times).

Underlying pre tax profits at £55.6 million were 5.6 per cent lower than the prior year of £58.9 million although the comparison with the prior period was impacted by the charge in the current year of £2.6 million relating to the IAS32/39 adjustments. The translation impact of the weaker US dollar (2005: \$1.88, 2004: \$1.81) reduced half year underlying pre tax profits by £1.3 million compared to the prior period. On a like-for-like basis i.e. excluding the distorting impact of the reclassification of the preference dividend in 2005 only and at

constant exchange rates underlying pre tax profits were 2 per cent higher than the prior period.

Total Profit for the period was £54.8 million (2004: £41.6 million) with the improvement principally due to the increased profit on disposal of businesses £19.5 million (2004: loss £1.3 million) partially offset by the increased reorganisation costs of £9.3 million (2004 £2.8 million).

The effective tax rate was 28 per cent (2004: 27 per cent) of the underlying profit before tax.

Adjusted earnings per share on a continuing basis were 8.7p (2004: 9.2p). Basic earnings per share (unadjusted) were 12.0p (2004: 8.8p).

The Group produced positive free cash flow of £16.9 million (2004: £42.3 million). The reduction from the prior year principally reflects higher capital expenditure, an additional contribution to the UK pension scheme of £5 million, an increase of working capital in our engine repair business at Dallas and increased receivables at Signature due to the impact of higher fuel prices. We expect significant improvement in the cash flow in the second half.

Capital expenditure increased to £30.4 million (2004: £23.3 million) and represents 0.8 times depreciation (2004: 0.6 times). Aviation expenditure amounted to £15.1 million (2004: £14.6 million) and Materials £15.3 million (2004: £8.7 million). For the year as a whole we expect capital expenditure not to exceed 1.0 times depreciation.

Net debt increased to £566.4 million (2004 Year End: £511.6 million) due to the impact of exchange rates on the translation of our dollar debt which added £33 million and a net cash outflow of £19.8 million in the period. Monies received in respect of the disposal of Finotech of £46 million are not included in the half year net debt figures as they were received in early July.

## **Dividend**

The Board recommends an interim dividend of 3.5 pence (2004: 3.35 pence), an increase of 4 per cent. The increase in the dividend reflects the Board's confidence in the Group's outlook and its ability to deliver strong free cash flows in the future.

## **Outlook**

For the second half of 2005 we expect to make good progress compared to the first half with continued strong sales growth in both divisions and increased free cash flow where we have seen an improving trend since the end of June.

**Roberto Quarta, Chairman**  
**Roy McGlone, Chief Executive**

1<sup>st</sup> September 2005

# GROUP INCOME STATEMENT

UNAUDITED

	Notes	First half 2005 £m	First Half 2004 £m	Full Year 2004 £m
<b>Continuing operations</b>				
Revenue	1	739.8	672.9	1,367.2
Cost of sales		(591.2)	(526.0)	(1,083.0)
Gross profit		148.6	146.9	284.2
Distribution costs		(33.1)	(32.4)	(64.0)
Administrative expenses		(48.9)	(52.8)	(97.4)
Other operating income		1.3	1.8	3.6
Share of results of associates		0.2	0.5	0.9
<b>Operating profit from continuing operations before restructuring costs and other non-recurring items</b>	1	68.1	64.0	127.3
Restructuring costs	1, 4	(9.3)	(2.8)	(22.7)
Other non-recurring items	1, 4	(1.5)	(1.6)	(1.0)
<b>Operating profit from continuing operations</b>	1	57.3	59.6	103.6
Investment income		11.6	10.9	31.3
Finance costs		(24.1)	(16.0)	(43.2)
<b>Profit before tax from continuing operations</b>		44.8	54.5	91.7
Tax	5	(12.3)	(14.8)	(24.2)
<b>Profit for the period from continuing operations</b>		32.5	39.7	67.5
<b>Discontinuing Operations</b>				
Operating profit from discontinuing operations		2.4	4.2	8.5
Profit/(loss) on disposal		19.5	(1.3)	(7.9)
Tax		0.4	(1.0)	(0.2)
<b>Profit for the period from discontinuing operations</b>		22.3	1.9	0.4
<b>Profit for the period</b>		54.8	41.6	67.9
<b>Attributable to:</b>				
Equity holders of the parent		54.7	41.6	67.8
Minority interest		0.1	-	0.1
		54.8	41.6	67.9
<b>EARNINGS PER SHARE</b>				
Basic		12.0p	8.8p	14.3p
Diluted		11.6p	8.6p	14.0p

# GROUP BALANCE SHEET

UNAUDITED

	30 June 2005 £m	30 June 2004 £m	31 Dec 2004 £m
	Notes		
<b>NON-CURRENT ASSETS</b>			
Intangible assets: Goodwill	402.0	320.9	370.4
Licences & software	23.4	20.1	23.1
Other intangible assets	2.8	-	2.6
Property, plant and equipment	723.6	718.4	713.2
Interests in associates	16.9	29.0	33.4
Trade and other receivables	23.1	19.2	18.8
	<b>1,191.8</b>	1,107.6	1,161.5
<b>CURRENT ASSETS</b>			
Inventories	230.8	218.9	219.3
Trade and other receivables	342.6	304.6	336.9
Cash and cash equivalents	345.1	106.8	134.0
Tax recoverable	0.5	-	4.8
	<b>919.0</b>	630.3	695.0
<b>Total assets</b>	<b>1</b> <b>2,110.8</b>	1,737.9	1,856.5
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(243.3)	(240.7)	(253.7)
Tax liabilities	(56.5)	(52.2)	(54.8)
Obligations under finance leases	(2.8)	(6.2)	(2.8)
Bank overdrafts and loans	(251.8)	(548.2)	(47.8)
Provisions	(1.8)	(1.0)	(2.3)
	<b>(556.2)</b>	(848.3)	(361.4)
<b>Net current assets</b>	<b>362.8</b>	(218.0)	333.6
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	(626.7)	(16.4)	(620.6)
Other payables due after one year	(19.3)	(4.2)	(6.5)
Retirement benefit obligations	(68.4)	(54.4)	(69.9)
Obligations under finance leases	(36.3)	(44.0)	(36.4)
Deferred tax liabilities	(71.0)	(61.0)	(66.2)
Provisions	(23.3)	(25.5)	(24.2)
	<b>(845.0)</b>	(205.5)	(823.8)
<b>Total liabilities</b>	<b>1</b> <b>(1,401.2)</b>	(1,053.8)	(1,185.2)
<b>Net assets</b>	<b>709.6</b>	684.1	671.3
<b>EQUITY</b>			
Share capital	122.9	169.2	169.0
Share premium account	337.9	285.0	285.3
Revaluation reserves	3.9	3.9	3.9
Treasury shares	(2.5)	(7.7)	(7.4)
Capital reserve	15.5	15.0	15.2
Hedging and translation reserves	(7.7)	(29.8)	(17.6)
Retained earnings	239.6	248.5	222.9
<b>Total equity</b>	<b>709.6</b>	684.1	671.3
Equity attributable to:			
Ordinary shareholders	709.3	627.9	615.0
Preference shareholders	0.1	56.2	56.2
Minority Interest	0.2	-	0.1
<b>Total equity</b>	<b>709.6</b>	684.1	671.3

# GROUP CASH FLOW STATEMENT

UNAUDITED

	Notes	First half 2005 £m	First half 2004 £m	Full year 2004 £m
<b>OPERATING ACTIVITIES</b>				
<b>Net cash flow from operating activities</b>	9	<b>57.5</b>	73.3	132.4
<b>INVESTING ACTIVITIES</b>				
Dividends received from associates		0.4	0.2	0.9
Purchase of property, plant and equipment		(29.9)	(23.3)	(56.5)
Purchase of intangible assets		(0.5)	-	(5.2)
Proceeds from disposal of property, plant and equipment		1.0	1.3	5.7
Acquisition of subsidiaries		(10.8)	(7.6)	(85.4)
Proceeds from disposal of subsidiaries and associates		0.5	-	0.2
Investment in associates		-	(0.8)	(0.8)
Deferred consideration paid from prior year activities		(0.8)	(0.2)	(1.7)
<b>Net cash outflow from investing activities</b>		<b>(40.1)</b>	(30.4)	(142.8)
<b>FINANCING ACTIVITIES</b>				
Interest received		10.9	10.2	30.4
Interest paid		(20.4)	(16.6)	(42.5)
Interest element of finance leases paid		(0.2)	(0.9)	(1.4)
Preference dividends paid		(1.9)	(1.9)	(3.8)
Dividends paid		(35.9)	(34.3)	(49.4)
Proceeds from issue of ordinary shares		7.1	-	0.2
Proceeds from sale of treasury shares		3.2	0.9	1.0
Increase/(decrease) in loans		(23.4)	(13.0)	67.4
Increase/(decrease) in finance leases		(1.2)	(3.8)	(15.5)
Increase/(decrease) in overdrafts		205.9	(22.8)	3.8
Decrease/(increase) in other liquid assets		43.0	-	7.6
<b>Net cash inflow/(outflow) from financing activities</b>		<b>187.1</b>	(82.2)	(2.2)
<b>Cash and cash equivalents at beginning of year</b>		<b>134.0</b>	154.7	154.7
Exchange adjustments		6.6	(8.6)	(8.1)
Increase/(decrease) in cash and cash equivalents		204.5	(39.3)	(12.6)
<b>Cash and cash equivalents at end of year</b>		<b>345.1</b>	106.8	134.0
<b>Net debt at beginning of year</b>		<b>(511.6)</b>	(459.5)	(459.5)
Increase/(decrease) in cash equivalents		204.5	(39.3)	(12.6)
(Increase)/decrease in loans		23.4	13.0	(67.4)
(Increase)/decrease in finance leases		1.2	3.8	15.5
(Increase)/decrease in overdrafts		(205.9)	22.8	(3.8)
Increase/(decrease) in other liquid assets		(43.0)	-	(7.6)
Debt element of convertible preference shares		(1.8)	-	-
Bank loans acquired		-	-	(10.7)
Finance leases acquired		-	(0.2)	(1.9)
Exchange adjustments		(33.2)	13.8	36.4
<b>Net debt at end of year</b>		<b>(566.4)</b>	(445.6)	(511.6)

# GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

UNAUDITED

	First half 2005 £m	First half 2004 £m	Full year 2004 £m
Exchange difference on translation of foreign operations	51.5	(29.3)	(58.3)
Gains/(losses) on net asset hedges	(38.4)	17.8	38.6
Fair value movements in cash flow hedges	(3.6)	-	-
Fair value movements in interest rate swaps	2.4	-	-
Actuarial gains/(losses) on defined benefit pension schemes	-	-	(15.7)
<b>Net income recognised directly in equity</b>	<b>11.9</b>	<b>(11.5)</b>	<b>(35.4)</b>
Conversion of preference shares	16.1	-	-
Transfer to profit or loss from equity on cash flow hedges	(3.6)	-	-
Transfer to profit or loss from equity on sale of business	(0.2)	-	-
Tax on items transferred from equity	-	(2.1)	(0.7)
<b>Profit for the period</b>	<b>54.8</b>	<b>41.6</b>	<b>67.9</b>
<b>Total recognised income and expense for the period</b>	<b>79.0</b>	<b>28.0</b>	<b>31.8</b>
<b>Attributable to:</b>			
Equity holders of the parent	78.9	28.0	31.7
Minority interests	0.1	-	0.1
	<b>79.0</b>	<b>28.0</b>	<b>31.8</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	(17.2)	-	-
<b>Change of accounting policy on adoption of IAS32/39</b>	<b>(15.4)</b>	<b>-</b>	<b>-</b>
<b>Attributable to:</b>			
Equity holders of the parent	(15.4)	-	-
Minority interests	-	-	-
	<b>(15.4)</b>	<b>-</b>	<b>-</b>

## RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' EQUITY

UNAUDITED

	First half 2005 £m	First half 2004 £m	Full year 2004 £m
Total recognised income and expense for the period	79.0	28.0	31.8
Equity dividends paid	(35.9)	(34.3)	(49.4)
Preference dividends paid	-	(1.9)	(3.8)
Equity movement in capital reserve	0.3	0.2	0.3
Movement on treasury shares	3.2	0.9	1.0
Issue of shares	7.1	-	0.2
<b>Net movement in total shareholders' equity for the period</b>	<b>53.7</b>	<b>(7.1)</b>	<b>(19.9)</b>
<b>Change of accounting policy on adoption of IAS32/39</b>	<b>(15.4)</b>	<b>-</b>	<b>-</b>
Total shareholders' equity at the beginning of the period	671.3	691.2	691.2
<b>Total shareholders' equity at the end of the period</b>	<b>709.6</b>	<b>684.1</b>	<b>671.3</b>

# NOTES ON THE FINANCIAL STATEMENTS

UNAUDITED

## 1. SEGMENTAL INFORMATION

Business Segments	Operating profit before restructuring costs and non-recurring items			Operating profit	Depreciation and amortisation	Capital additions	Assets	Liabilities
	External revenue	costs and non-recurring items	Restructuring costs and non-recurring items					
	£m	£m	£m	£m	£m	£m	£m	£m
<b>First Half 2005</b>								
Airport Services	241.7	32.4	(1.7)	30.7	8.5	5.2	505.8	(109.2)
Maintenance, Repair & Overhaul	175.5	15.7	(7.3)	8.4	5.6	9.9	453.1	(104.8)
Aviation	417.2	48.1	(9.0)	39.1	14.1	15.1	958.9	(214.0)
Materials Technology	322.6	24.5	(1.8)	22.7	22.7	15.4	767.1	(173.3)
Unallocated corporate	-	(4.5)	-	(4.5)	0.2	0.1	383.2	(1,012.0)
Continuing operations	739.8	68.1	(10.8)	57.3	37.0	30.6	2,109.2	(1,399.3)
Discontinuing operations <sup>(1)</sup>	0.9	2.4	-	2.4	-	-	1.6	(1.9)
<b>Total</b>	<b>740.7</b>	<b>70.5</b>	<b>(10.8)</b>	<b>59.7</b>	<b>37.0</b>	<b>30.6</b>	<b>2,110.8</b>	<b>(1,401.2)</b>

<b>First Half 2004</b>								
Airport Services	209.6	26.5	(0.1)	26.4	8.7	8.6	428.6	(88.4)
Maintenance, Repair & Overhaul	180.0	14.9	(0.6)	14.3	6.2	6.0	397.0	(82.8)
Aviation	389.6	41.4	(0.7)	40.7	14.9	14.6	825.6	(171.2)
Materials Technology	283.3	27.6	(2.1)	25.5	22.3	8.7	734.5	(183.8)
Unallocated corporate	-	(5.0)	(1.6)	(6.6)	0.3	-	150.6	(697.6)
Continuing operations	672.9	64.0	(4.4)	59.6	37.5	23.3	1,710.7	(1,052.6)
Discontinuing operations <sup>(1)</sup>	4.0	4.2	-	4.2	0.1	-	27.2	(1.2)
<b>Total</b>	<b>676.9</b>	<b>68.2</b>	<b>(4.4)</b>	<b>63.8</b>	<b>37.6</b>	<b>23.3</b>	<b>1,737.9</b>	<b>(1,053.8)</b>

<b>Full Year 2004</b>								
Airport Services	419.3	50.1	(0.9)	49.2	17.7	17.2	463.3	(96.9)
Maintenance, Repair & Overhaul	375.8	33.6	(15.9)	17.7	10.6	16.2	406.9	(89.5)
Aviation	795.1	83.7	(16.8)	66.9	28.3	33.4	870.2	(186.4)
Materials Technology	572.1	51.8	(3.9)	47.9	45.1	23.7	776.3	(204.6)
Unallocated corporate	-	(8.2)	(3.0)	(11.2)	0.2	0.1	186.6	(793.5)
Continuing operations	1,367.2	127.3	(23.7)	103.6	73.6	57.2	1,833.1	(1,184.5)
Discontinuing operations <sup>(1)</sup>	7.8	8.5	-	8.5	0.1	-	23.4	(0.7)
<b>Total</b>	<b>1,375.0</b>	<b>135.8</b>	<b>(23.7)</b>	<b>112.1</b>	<b>73.7</b>	<b>57.2</b>	<b>1,856.5</b>	<b>(1,185.2)</b>

Geographical Segments	First Half 2005			First Half 2004			Full Year 2004		
	Total revenue	Capital additions	Assets	Total revenue	Capital additions	Assets	Total revenue	Capital additions	Assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom	108.4	6.3	354.4	153.6	5.4	356.6	217.8	7.6	418.9
Mainland Europe	147.7	4.8	445.6	113.4	2.8	274.1	238.5	9.9	357.6
North America	460.3	18.6	1,235.9	387.9	14.1	1,034.9	873.2	37.9	1,006.9
Rest of World	24.3	0.9	74.9	22.0	1.0	72.3	45.5	1.8	73.1
<b>Total</b>	<b>740.7</b>	<b>30.6</b>	<b>2,110.8</b>	<b>676.9</b>	<b>23.3</b>	<b>1,737.9</b>	<b>1,375.0</b>	<b>57.2</b>	<b>1,856.5</b>

(1) Operating profit from discontinuing operations primarily relates to the Materials Technology segment.

# NOTES ON THE FINANCIAL STATEMENTS (continued)

UNAUDITED

## 2. RECONCILIATIONS TO UK GAAP

The effects of differences to UK GAAP arising as a result of the adoption of IFRS are outlined below.

### RECONCILIATION OF NORMALISED PROFIT BEFORE TAX

	First half 2004 £m	Full year 2004 £m
Normalised profit before tax under UK GAAP	60.6	117.7
Adjustments		
Share based payments	(1.5)	(3.0)
Acquired intangible assets	-	(0.1)
Associates	(0.1)	(0.1)
Pensions	(0.1)	0.9
	<u>58.9</u>	<u>115.4</u>

### RECONCILIATION OF PROFIT FOR THE PERIOD

	First half 2004 £m	Full year 2004 £m
Profit for the period under UK GAAP	33.9	49.8
Adjustments		
Share based payments	(1.5)	(3.0)
Goodwill and acquired intangible assets	10.1	20.7
Deferred taxation	(0.8)	(2.5)
Pensions	(0.1)	2.9
	<u>41.6</u>	<u>67.9</u>

### RECONCILIATION OF SHAREHOLDERS' EQUITY

	First half 2004 £m	Full year 2004 £m
Shareholders' equity under UK GAAP	686.4	659.1
Adjustments		
Share based payments	(2.2)	(3.5)
Goodwill and acquired intangible assets	10.1	20.0
Dividends	15.1	35.9
Deferred taxation	12.1	11.2
Pensions	(37.4)	(51.4)
	<u>684.1</u>	<u>671.3</u>

# NOTES ON THE FINANCIAL STATEMENTS (continued)

UNAUDITED

## 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information set out above does not constitute the Company's statutory financial statements for 2005 or 2004 under section 240 of the Companies Act 1985. The figures for the full year 2004 as adjusted under IFRS 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.

The unaudited results for the six months ended 30 June 2005 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time, following a regulation adopted by the European Parliament. The BBA accounting policies under IFRS are as reported in appendix 6 to the IFRS Restatement document reported to the London Stock Exchange on 28 July 2005, which is also available on the Company's website [www.bbagroup.com](http://www.bbagroup.com).

The transition date for the application of IFRS is 1 January 2004. The comparative figures for 30 June 2004 and 31 December 2004 have been restated to reflect the transition to IFRS. The accounting policies applied in determining the comparative financial information for the period ended 30 June 2004 and year ended 31 December 2004 are consistent with those applied in the six month period ended 30 June 2005. The financial statements for the year ended 31 December 2005 are currently expected to be prepared on this basis. Foreign currency assets previously reported in borrowings at 30 June 2004 (£62.4 million) have been reclassified as other debtors.

The reconciliations of profit for the period/year and shareholders' equity from previous GAAP to IFRS are provided in note 2. IAS 39 'Financial Instruments: Recognition and Measurements' and IAS 32 'Financial Instruments: Disclosure and Presentation' are applicable from the 2005 financial year with a transition date of 1 January 2005 and accordingly no restatement of prior period comparatives has been made.

## 4. RESTRUCTURING AND OTHER NON-RECURRING COSTS

Restructuring costs in the period of £9.3 million consist principally of further costs relating to the closure of the Millville facility which could not be provided at the end of 2004, as well as costs associated with the integration of acquisitions and the rationalisation of two facilities within the APPH business into one. The nature of these costs is consistent with the nature of the items charged in the prior period/year.

Other non-recurring items in the period of £1.5 million relate to the settlement of legal proceedings relating to the fuel farm operations of ASIG in Miami. The proceedings involved the period from 1996 to the spring of 2003 (ASIG was acquired by BBA in July 2001). Other non-recurring items in the prior period related to aborted acquisition costs, and in the prior year included gains on the curtailment of defined benefit pension schemes.

## 5. TAXATION

	First half 2005 £m	First half 2004 £m	Full year 2004 £m
Current and deferred tax :			
Corporate Income Tax	8.6	6.5	10.0
Deferred Tax	3.7	8.3	14.2
Total Tax Charge (continuing)	12.3	14.8	24.2

Corporation tax for the interim period is charged at 28% (First Half 2004: 27%; Full Year 2004: 25%), representing the best estimate of the weighted average annual corporation tax expected for the full financial year.

## 6. ACQUISITIONS AND DISPOSALS

On 30 June 2005, the Group purchased International Governor Services Inc. for an immediate cash consideration of \$18.0 million (£10.0 million) and a deferred contingent cash consideration of up to \$10.0 million (£5.6 million).

On 30 June 2005, the Group disposed of its 40% minority interest in Finotech GmbH for an immediate cash consideration of \$76.0 million (£42.6 million) and a deferred cash consideration of \$6.0 million (£3.4 million). The initial payment of \$76.0 million was received on 5 July 2005 and has been included within the balance sheet at 30 June 2005 as a receivable. The profit on disposal of Finotech amounted to £23.1 million.

## 7. DIVIDENDS

The 2005 interim dividend of 3.5 pence per share (2004: 3.35 pence per share) was approved by the Board of Directors on 30 August 2005 and will be paid on 4 November 2005 to ordinary shareholders registered on 16 September 2005. This interim dividend has not been included as a liability as at 30 June 2005.

# NOTES ON THE FINANCIAL STATEMENTS (continued)

UNAUDITED

## 8. EARNINGS PER SHARE

	First half 2005 £m	First half 2004 £m	Full year 2004 £m
<b>Earnings from continuing and discontinuing operations</b>			
Basic earnings attributable to ordinary shareholders	54.7	39.7	64.0
Restructuring costs and non-recurring items	10.8	4.4	23.7
(Profit)/loss on disposal	(19.5)	1.3	7.9
Tax on restructuring costs, non-recurring items and (profit)/loss on disposal	(4.0)	(1.0)	(7.1)
<b>Adjusted earnings (continuing and discontinuing operations)</b>	<b>42.0</b>	<b>44.4</b>	<b>88.5</b>
<b>Earnings from continuing activities</b>			
Adjusted earnings (continuing and discontinuing operations)	42.0	44.4	88.5
Discontinuing operations	(2.4)	(3.1)	(6.2)
<b>Adjusted earnings (continuing operations)</b>	<b>39.6</b>	<b>41.3</b>	<b>82.3</b>
<b>Number of shares</b>			
Weighted average number of 25p ordinary shares	456.2	448.9	449.0
End of period	485.2	451.2	451.3
<b>Adjusted earnings per share (continuing and discontinuing operations)</b>	<b>9.2p</b>	9.9p	19.7p
<b>Adjusted earnings per share (continuing operations)</b>	<b>8.7p</b>	9.2p	18.3p

On 6 June 2005, 54,075,172 6.75% cumulative redeemable convertible preference shares were converted into 30,958,035 ordinary 25p shares.

## 9. CASH FLOW FROM OPERATING ACTIVITIES

	First half 2005 £m	First half 2004 £m	Full year 2004 £m
Operating profit from continuing operations	57.3	59.6	103.6
Operating profit from discontinuing operations	2.4	4.2	8.5
Share of profit from associates	(2.7)	(5.0)	(9.6)
<b>Profit from operations</b>	<b>57.0</b>	<b>58.8</b>	<b>102.5</b>
Depreciation of property, plant & equipment	35.5	35.8	70.1
Amortisation of intangible assets	1.5	1.8	3.6
Profit on sale of tangible fixed assets	(0.3)	(0.4)	-
Decrease in provisions	(1.6)	(2.6)	(0.4)
Additional pension scheme contributions	(5.0)	-	-
Other non-cash items	5.0	2.6	8.0
<b>Operating cashflows before movements in working capital</b>	<b>92.1</b>	<b>96.0</b>	<b>183.8</b>
Increase in working capital	(28.6)	(16.1)	(38.4)
<b>Cash generated by operations</b>	<b>63.5</b>	<b>79.9</b>	<b>145.4</b>
Income taxes paid	(6.0)	(6.6)	(13.0)
<b>Net cash flow from operating activities</b>	<b>57.5</b>	<b>73.3</b>	<b>132.4</b>
Dividends received from associates	0.4	0.2	0.9
Purchase of property, plant and equipment	(29.9)	(23.3)	(56.5)
Purchase of intangible assets	(0.5)	-	(5.2)
Proceeds from disposal of property, plant and equipment	1.0	1.3	5.7
Interest received	10.9	10.2	30.4
Interest paid	(20.4)	(16.6)	(42.5)
Interest element of finance leases paid	(0.2)	(0.9)	(1.4)
Preference dividends paid	(1.9)	(1.9)	(3.8)
<b>Free cashflow</b>	<b>16.9</b>	<b>42.3</b>	<b>60.0</b>

Share of profit from associates above includes discontinued operations which are included within operating profit from discontinuing operations on the face of the income statement.

## 10. FINANCIAL CALENDAR

The preliminary announcement of results for the year ending 31 December 2005 will be made in late February 2006.