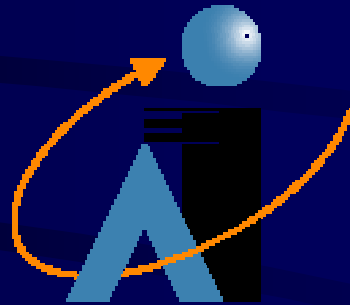
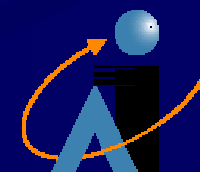


# Aero Inventory plc



**Interim results  
for six months ended 31 December 2001**

18 March 2002



## Board

**Frank Turner**  
**(Non-executive Chairman)**

**Laurence Heyworth**  
**(Executive Deputy Chairman)**

**Rupert Lewin**  
**(Chief Executive)**

**Martin Dodge**  
**(Commercial Director)**

**Stuart Nathan**  
**(Finance Director)**

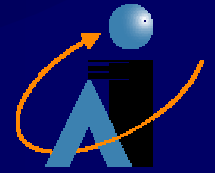
**Nigel McCorkell**  
**(Non-executive Director)**

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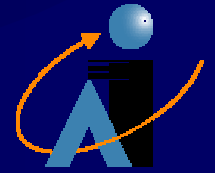
### NOTE

This presentation derives from published company information. In all cases, published information should be regarded as taking precedence



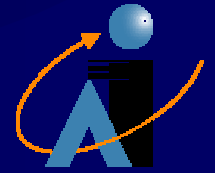
## Highlights of FY02 interims

- Turnover £4,547,000, up 163% on the corresponding period
  - **compares with £5,110,000 for the whole of FY01**
- Pre-tax profits £722,000, vs £107,000 in the corresponding period
  - **also, up on the £505,000 achieved for the whole of FY01**
- Interim dividend of 2.0p (net) per share paid out of fully diluted EPS of 6.36p
  - **first interim dividend as a listed company**



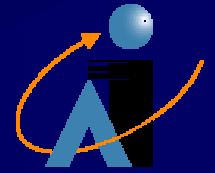
## Introduction to Aero Inventory

- Procurement and inventory management service
  - **service provider, not a distributor**
  - **focus on the aerospace industry**
- Proven system
  - **result of six years of development**
  - **ISO 9002 and FAA accreditation**
  - **long-term, sole supplier contracts**
- Well-financed
  - **listed on AIM in May 2000 raising £3.1m (net)**
  - **institutional placings in April 2001 raising £1.6m (net), and January 2002 raising £2.0m (net)**
  - **£3.5m revolving credit facility from RBS agreed in May 2001**



## Why aerospace?

- Need for large range of parts
  - **alpha-numeric part numbers, susceptible to computer manipulation**
- Requirement for full traceability
- Deficiencies of in-house procurement and inventory management
- Trend towards outsourcing
- Rising appreciation of the benefits of e-solutions

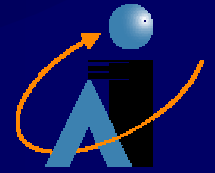


## The Aero Inventory service

- Sole supplier for agreed list of parts
- Delivery to point of use
- Inventory management at point of use
- AI operator(s) on site
- Financing of customer inventory
- Comprehensive delivery, usage and cost data
- Electronic invoicing
- Traceability maintained

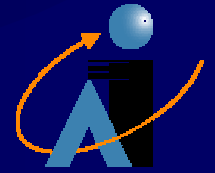
### Functions taken over (all or in part)

- Planning
- Purchasing
- Receiving
- Inspection
- Documentation
- Storage
- Kitting
- Quality assurance
- Financing of inventory



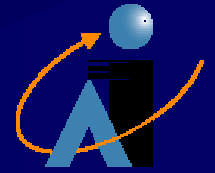
## Technology behind the service

- IT systems driven by actual usage ...
- ... operating through series of databases
  - **ASSIST stock control system**
- Internet-intensive
  - **communications with customers and suppliers**
  - **use of internet exchanges**
- Website ([www.aero-inventory.com](http://www.aero-inventory.com))
  - **customer usage and inventory data**
  - **order form for non-list parts**
  - **electronic invoicing**



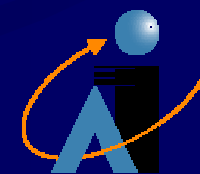
## Benefits to the customer

- Improved efficiency
  - notably fewer stockouts
- Reduction in direct costs
  - purchasing, stores and quality assurance
- Less time spent securing parts from stores
  - estimated 5-10% saving in direct labour costs when inventory held at point of use
- Better usage information
- Elimination of customer inventory
- Paperless solution



## Rewards for Aero Inventory

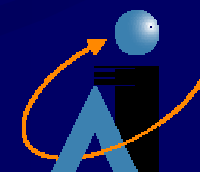
- Profitable business, without charging separately for service
  - **margin achieved through optimising procurement**
  - **sole supplier agreements capture contribution previously shared among many suppliers**
- Customer pricing pressures mitigated by purchasing position
- Scope to extend sole supplier agreements to include further parts



## Profit & Loss account – FY02 interims

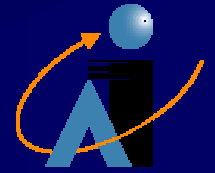
Year-end: 30 June	1997	1998	1999	2000	2001	2001	FY02
(£000)						six months	six months
Turnover	1,665	2,477	3,278	3,249	5,110	1,723	4,547
Operating profit	122	107	138	61	470	80	775
Net interest	(56)	(87)	(107)	(100)	35	27	(53)
Pre-tax profit	66	20	31	(39)	505	107	722

- 1H turnover up 163%
  - driven by Asia Pacific turnover which was minimal in corresponding period
- 1H operating profit £775,000 vs £80,000
  - operating expenses up less than turnover
- 1H net interest payable £53,000 vs net interest receivable of £27,000
  - draw downs under revolving facility
- 1H estimated effective tax charge 31.6% vs 27.1%
  - move into higher tax band
- 1H fully diluted EPS 6.36p, up 473%



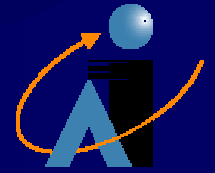
## Balance sheet – 1H02

Year end: 30 June	1997	1998	1999	2000	2001	2002 (1H)
<b>(£000)</b>						
<b>Fixed assets</b>						
Tangible fixed assets	59	82	144	106	492	508
<b>Current assets</b>						
Stocks	365	340	521	762	3,710	7,202
Debtors	374	764	1,103	732	2,465	2,476
Cash	2	1	184	2,238	562	1,248
	741	1,105	1,808	3,732	6,737	10,926
<b>Creditors: amounts falling due within one year</b>	(765)	(1,133)	(1,833)	(666)	(2,256)	(6,151)
<b>Net current assets / (liabilities)</b>	(24)	(28)	(25)	3,066	4,481	4,775
<b>Total assets less current liabilities</b>	35	54	119	3,172	4,973	5,283
<b>Creditors: amounts falling due after more than one year</b>	(17)	(18)	(62)	(40)	(23)	(9)
<b>Provisions for liabilities and charges</b>	-	-	-	-	(25)	(25)
<b>Net assets</b>	<b>18</b>	<b>36</b>	<b>57</b>	<b>3,132</b>	<b>4,925</b>	<b>5,249</b>
<b>Capital and reserves</b>						
Called up share capital	25	25	25	88	96	96
Share premium and P&L accounts	(7)	11	32	3,044	4,829	5,153
<b>Shareholders' funds</b>	<b>18</b>	<b>36</b>	<b>57</b>	<b>3,132</b>	<b>4,925</b>	<b>5,249</b>



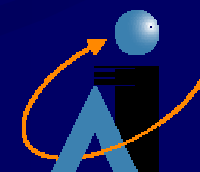
## Financial prospects for FY02 and FY03

- Strong FY02 1H performance
- Sales in January and February well up on corresponding period, notwithstanding:
  - **continuing effects of 11 September particularly on our UK business**
  - **seasonal slowdown in Asia Pacific associated with Chinese New Year**
- Results for remainder of year will reflect:
  - **rate of build-up in business from new and prospective contracts**
  - **degree to which additional costs are put in place to facilitate a much higher level of activity**
- Objective of achieving further substantial growth in FY03
  - **ensure successful start to our most recent contract**
  - **bring to a conclusion some important new business discussions**



## New opportunities

- Ongoing marketing programme
  - **aerospace manufacturers, airlines and aircraft maintenance and repair facilities**
- No shortage of new opportunities ... but we are being selective given our strong new business position
  - **seek customers who will benefit operationally and financially from our service but are prepared for us to maximise financial returns, subject to our meeting cost and performance targets**
- Asia Pacific likely to remain prime geographical focus



## Directors' biographies

### **Frank Turner, Non-executive Chairman (aged 58)**

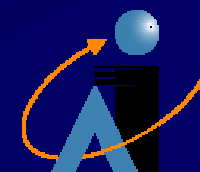
Frank Turner joined the Company as a non-executive director in May 2000. He was appointed non-executive Deputy Chairman in June 2001 and became non-executive Chairman in July 2001. A fellow of the Royal Academy of Engineering, he spent 33 years at Rolls-Royce plc becoming a main board director in 1988. He was Managing Director of Lucas Aerospace Limited as well as a director of Lucas Industries plc from 1992 to 1995. He was Chief Executive of British Midland Aviation Services Limited from 1996 to 1999 as well as a main board director of British Midland plc from 1997 to 1999. He is currently Chairman of Mettis Group Limited and of Potenza Group Limited, a non-executive director of ASW Holdings plc, Wagon plc, Mott MacDonald Limited and Material Logistics plc, and an advisor on aerospace to Bridgepoint Capital, Star Capital Partners and UBS Capital. A former Council Member of the Society of British Aerospace Companies, he is currently a Council Member of the Royal Aeronautical Society. He is also a Council Member of the International Federation of Airworthiness.

### **Laurence Heyworth, Executive Deputy Chairman (aged 46)**

Laurence Heyworth, who has been a principal shareholder in the Company since 1994, joined the board as non-executive Chairman in February 2000 and became executive Deputy Chairman in July 2001. He worked for Robert Fleming, now part of JP Morgan Chase, between 1980 and 2000, largely in equity research. He specialized in the technology and telecommunications sectors, and had, at different times, management responsibility for the Group's European and Global Emerging Markets research. Between 1999 and 2000, he was Head of European Equity Capital Markets for, successively, Robert Fleming and Chase. He is also the proprietor of Newco Research.

### **Rupert Lewin, Chief Executive (aged 46)**

Rupert Lewin has had overall responsibility for the direction and management of the company since 1994. Between 1977 and 1991, he worked as a research analyst for a number of City firms, including Scott, Goff Hancock & Co. (1977-80), Moy, Vandervell & Co. (1980-82), Sheppards and Chase (1982) and Robert Fleming (1982-91). He was a director of Robert Fleming Securities Limited between 1987 and 1991 and, for part of this time, Head of Corporate Broking. Between 1992 and 1994, he was Chief Executive of SI Industries Limited.



## Directors' biographies (continued)

### **Martin Dodge, Commercial Director (aged 39)**

Martin Dodge joined the company at the same time as Rupert Lewin in 1994. He has been closely involved in all areas of the business. Since December 1998 he has been Commercial Director with a focus on procurement and supplier relationships. In January 2001 he re-located to Hong Kong to oversee the company's business in Asia Pacific. From 1988 to 1994 he worked as Business Development Manager at SI Industries Limited. He joined Courage Limited (part of the Imperial Group plc) in 1985 where he progressed to the position of Promotions and Marketing Manager.

### **Stuart Nathan, Finance Director (aged 50)**

Stuart Nathan joined the company in February 1999 as Financial Controller, subsequently becoming Finance Director. He is a Chartered Accountant and from 1974 to 1997 worked for Rank Film Distributors Limited, a subsidiary of Rank Group plc, becoming Finance Director in 1993.

### **Nigel McCorkell, Non-executive Director (aged 54)**

Nigel McCorkell joined the company as a non-executive Director in April 2000. A Chartered Accountant, he was Finance Director of Flight Refuelling plc (Cobham plc) from 1981 to 1984. After purchasing an equity interest in Meggitt plc in 1984, he was Finance Director, becoming Managing Director between 1991 and 1994. He was Deputy Chairman of Meggitt between 1994 and 1996. In 1996 he became Chairman of Cork Industries Limited until the company was acquired in 1999. He is a non-executive Director of FfastFill plc and Bowman Power Limited. He is a non-executive director of St Mary's Hospital Paddington NHS Trust. He is also Chairman of the board of governors of Bournemouth University.