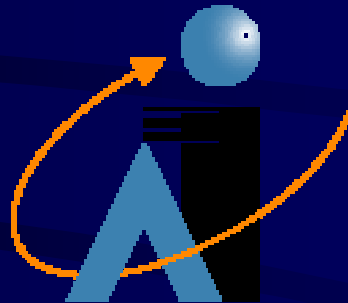


Aero Inventory plc

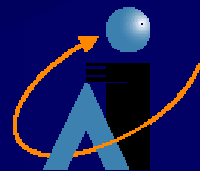


Preliminary results for the year ended 30 June 2003

Major new contract with SR Technics

Placing to raise £15m

3 October 2003



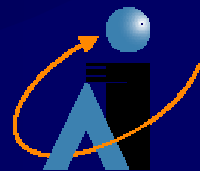
Management

Frank Turner
(Non-executive Chairman)

Rupert Lewin
(Chief Executive)

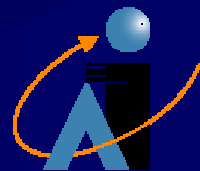
Laurence Heyworth
(Executive Deputy Chairman)

Hugh Bevan
(Finance Director)



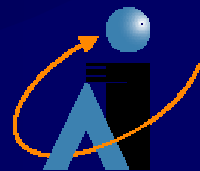
Introduction to Aero Inventory

- **Procurement and inventory management service**
 - parts service provider to the aerospace industry
 - focus on rotatable spares
- **Proven system**
 - seven years development and refinement
 - ISO 9001:2000 certification and FAA accreditation
- **Increasing financial resources**
 - listed on AIM in May 2000 raising £3.1m – mkt cap £8.6m
 - four subsequent institutional placings raising £12.6m in aggregate
 - £10m revolving credit facility from RBS
 - mkt cap prior to current placing £48.5m
- **Present business**
 - UK contracts: B/E Aerospace and Britax Rumbold
 - Asia Pacific contracts: HAECO and TAECO
 - Consultancy agreement: DARA



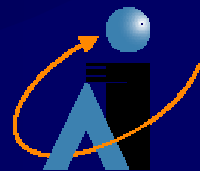
Business rationale

- **Why aerospace?**
 - need for wide range of parts
 - fragmented supplier base
 - requirement for traceability
 - trend towards outsourcing
- **The Aero Inventory service**
 - sole-supplier basis
 - all aspects of procurement and inventory management
 - financing of customer inventory
 - comprehensive data, and electronic invoicing
- **Customer benefits**
 - fewer shortages, therefore faster turnaround times
 - reduction in direct costs
 - working capital savings



Rewards for Aero Inventory

- **Profitable business, without charging separately for service**
 - margin achieved through optimising procurement
- **Potential benefits from increased scale**
 - enhanced purchasing position
 - pooling of inventory, where appropriate
- **Objective of building a portfolio of long-term, cash-generative, sole-supplier contracts with world-class aerospace companies**



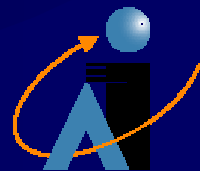
Market and competition

- **Annual multi billion dollar market for aerospace parts**
 - demand both from manufacturers and for maintenance and repair
- **Broad range of potential customers for procurement and inventory management service**
 - aerospace manufacturers, airlines, aircraft maintenance and repair facilities, and government agencies
- **Main source of “competition” is in-house**
 - customers need to be persuaded of case for outsourcing
- **Considerable third party competition in fasteners**
 - mainly from specialist distributors
- **Less competition in rotatable spares**



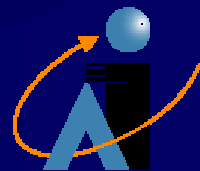
Results for year ended 30 June 2003

	Year ended 30 June	
	2003 £m	2002 £m
Turnover	15.9	9.1
Operating profit	3.1	1.7
Pre-tax profit	2.8	1.6
Fully diluted EPS(p)	19.5	13.9
Shareholders' funds	18.1	7.7
Net debt	2.2	2.5
Stocks	19.2	9.7
Debtors	2.5	2.3
Gearing	12%	33%



Highlights of 2003 results

- **Turnover £15.9m, up 74% on prior year**
 - final quarter severely impacted by SARS and associated delay in new business
 - Asia Pacific region £13.0m
- **Operating profit £3.1m, up 83%**
 - two separately identified elements of profit totalling £0.5 million
- **Pre-tax profit £2.8m, up 74%; fully diluted EPS 19.5p, up 41%**
- **Net debt reduced to £2.2m**
 - placings in October 2002 and June 2003 raised £8.9m
 - RBS facility increased to £10m
- **Stock level**
 - purchases from HAECO and Cathay Pacific
 - purchases to provision new parts subsequently added to new HAECO contract
 - figure needs to be seen in relation to a full year of new HAECO contract unaffected by SARS



Customers and contracts

UK FY03 SALES £2.8M

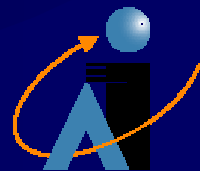
- **B/E Aerospace (UK)**
 - manufacture of aircraft galleys and crew rests
 - supplier of small parts since early 1996; new three year contract commenced August 2003
- **Britax Rumbold**
 - manufacture of aircraft seats, galleys and lavatories
 - sole-supplier agreement since September 1998; automatically renewed for further three years in September 2001

ASIA PACIFIC FY03 SALES £13.0M

- **Hong Kong Aircraft Engineering Company (HAECO)**
 - maintenance and repair of rotables and other aircraft components
 - new contract signed August 2002 to run to end 2005, renewable for a further five years subject to certain conditions
- **Taikoo (Xiamen) Aircraft Engineering Company (TAEKO)**
 - aircraft heavy maintenance and passenger-to-freighter conversions
 - five-year, sole-supplier contract signed in March 2002

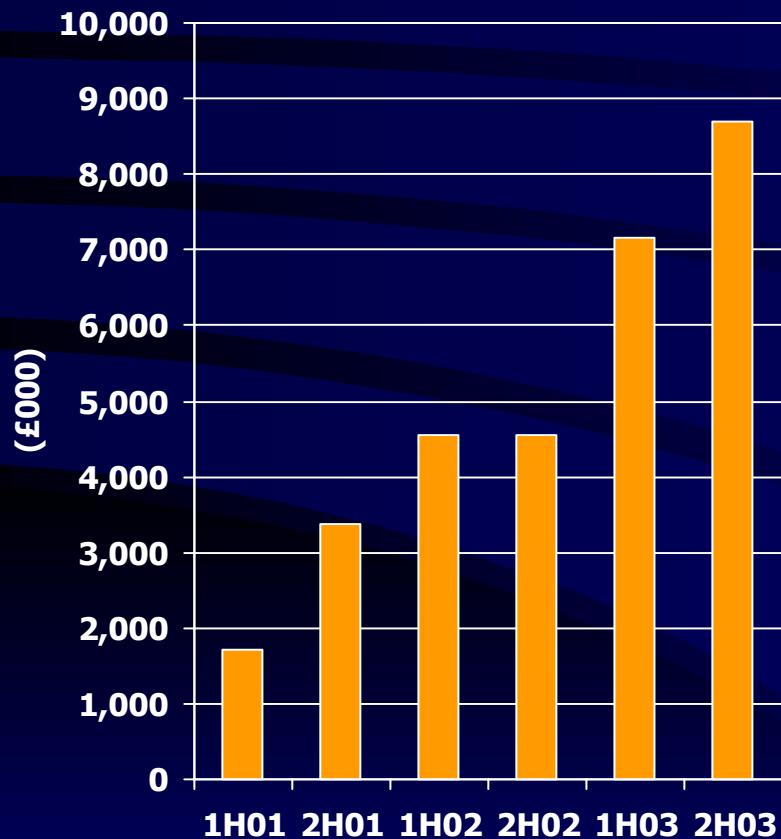
CONSULTANCY AGREEMENT

- **Defence Aviation Repair Agency (DARA)**
 - government-owned maintenance and repair facility
 - six months consultancy
 - objective of long-term partnering agreement

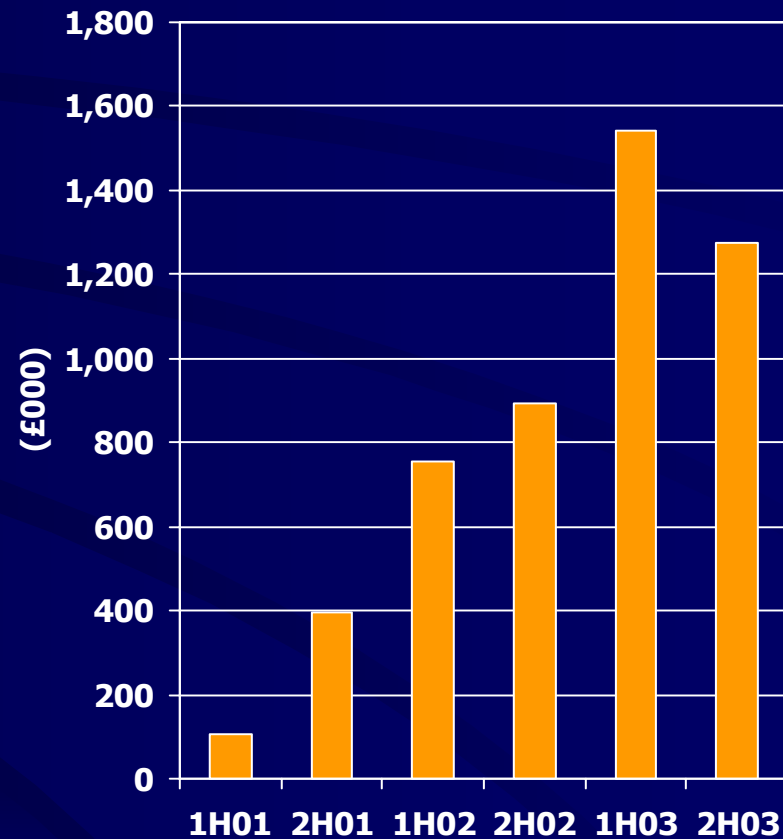


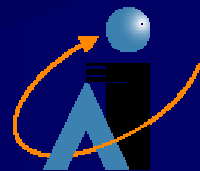
Financial record

Sales



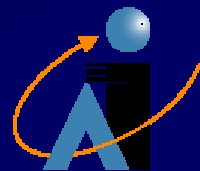
Pre-tax





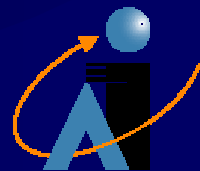
SR Technics contract

- **Contract commences 1 December 2003**
 - immediate contribution to sales based on monthly usage
- **Scale:**
 - exclusive supplier to SR Technics of a range of aircraft parts for consumption in Switzerland
 - historic annual value SFr 50.0m (US\$37.9m) in calendar 2002, SFr 29.2m (US\$22.1m) in first eight and a half months of 2003
 - the largest contract AI has secured to date
- **Duration:**
 - five years, renewable, by mutual consent, for a further five years
- **Stock purchase:**
 - AI to acquire SR Technics' existing relevant inventory for US\$20m
 - excess stock may be sold to third parties
- **Scope to grow alongside SR Technics**
- **Provides AI with diversification by geography and aircraft type**



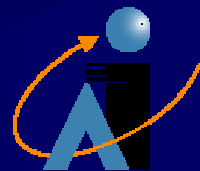
Background on SR Technics

- **One of the world's largest aircraft maintenance and repair companies**
 - sales of SFr 1,080m (US\$818m) in 2002; just under 3,000 staff
- **Broad range of European and Asian customers**
 - largest customer SWISS approx. 40% of revenues
- **Important position in Airbus repair and maintenance**
 - leading role on A320, A330 and A340 aircraft
- **Proponent of "total care" solutions, fleet management, and component pooling**
- **Majority of share capital owned by 3i and 3i managed funds and Star Capital Partners**



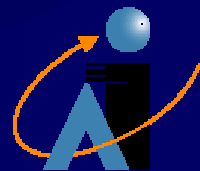
Current trading and prospects

- **Substantial growth expected in year to 30 June 2004**
 - seven months contribution from the SR Technics contract
 - full year contribution from the new HAECO contract
 - possible contribution from other new business
- **Second half weighting because 1H affected by :**
 - continuing effects of SARS on Asia Pacific business, particularly in Q1
 - increased overheads, and start-up costs relating to SR Technics contract
 - only one month's contribution from SR Technics contract in 1H
- **Enhanced opportunity to establish AI as leading aerospace parts service provider in field of rotatable spares**
 - two substantial contracts with world class MROs underline AI's industry credentials



The Placing

- **Placing**
 - 4,225,000 new shares at 375p each raising £15.0m (net of expenses)
 - underwritten by Evolution Beeson Gregory
 - US\$20.0m (£12.0m) to purchase SR Technics inventory
 - provides working capital and debt capacity for SR Technics contract and other potential contracts
- **Timetable**
 - EGM 27 October
 - Admission to trading and payment 28 October



Summary

- **SARS and delay in finalising new business have affected 2H03 and 1H04**
- **2H04 will show a step change in turnover levels**
- **Scope for FY05 to be enhanced by further contracts**
 - significant degree of operational gearing
- **Two dimensions of value creation**
 - building a portfolio of substantial long-term, sole-supplier contracts with world-class aerospace companies
 - capitalising on first mover advantage, and establishment of market leadership in field of rotatable spares