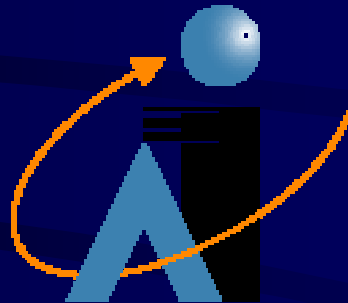
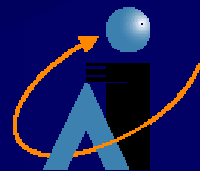


Aero Inventory plc



**Interim Results
for six months ended 31 December 2003**

22 March 2004



Board

Frank Turner
(Non-executive Chairman)

Laurence Heyworth
(Executive Deputy Chairman)

Rupert Lewin
(Chief Executive)

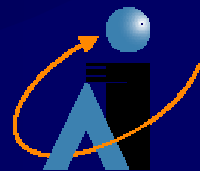
Hugh Bevan
(Finance Director)

Martin Dodge
(Asia Pacific Director)

Nigel McCorkell
(Non-executive Director)

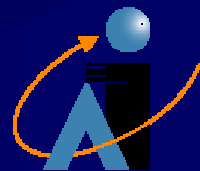
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▶ MoU regarding FLS Aerospace	9
▶ Current trading	10
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Note. This presentation derives from published company information. In all cases, published information takes precedence



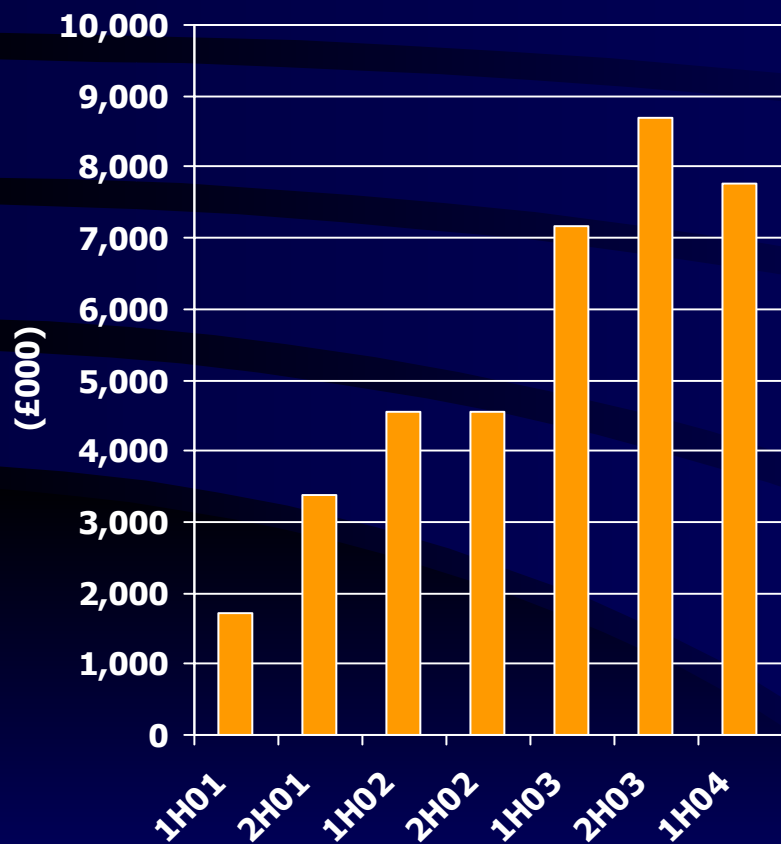
Summary

- Fall in 1H profits
 - **after-effects of SARS**
 - **increased overheads and start-up costs associated with new contracts**
 - **only one month's contribution from new SR Technics contract**
- Reduced expectations for 2H
 - **build-up in recent sales from existing contracts slower than expected**
 - **contribution now unlikely from potentially substantial FLS Aerospace business in 2H**
 - **impact of weak US dollar**
- Very strong new business position
 - **additional contract with SR Technics in support of Dragonair**
 - **MoU with SR Technics regarding FLS Aerospace**
 - **new contact (announced today) with GAMCO**

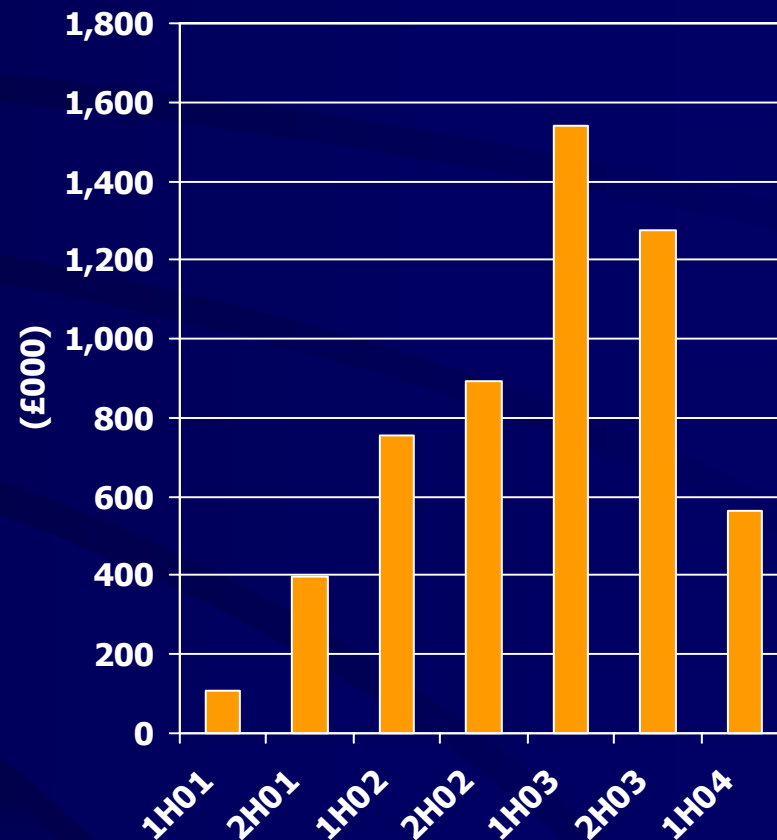


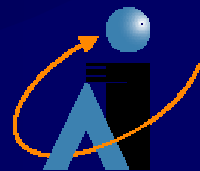
Financial record

Sales



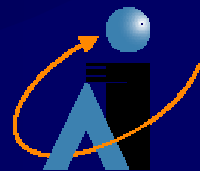
Pre-tax





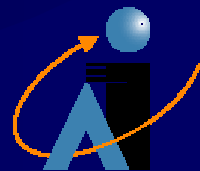
Financial review – FY04 Interims

- Turnover of £7,774K, up 8.4% YoY
 - **only one month's contribution from SR Technics contract**
- Operating profit of £668K, down from £1,624K
 - **increased overhead and start-up costs associated with new contracts**
 - **disruption to normal purchasing caused by SARS**
 - **effect of weak dollar**
- Net interest paid £106K, vs £82K
- Pre-tax profit £562K, down from £1,542K
- Fully diluted EPS 2.97p
 - **fall in after-tax earnings combined with 38% increase in average shares in issue**
- Maintained interim dividend of 3.0p



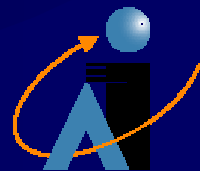
Financial review – FY04 Interims (cont.)

- Stocks £32,890K vs £19,174K at 6/03
 - **US\$20m stock purchase in connection with the SR Technics contract**
- Debtors £3,589K vs £2,528K at 6/03
 - **first month of SR Technics contract and recovery from low point for Asia Pacific business**
- Net debt £1,628K vs £2,227K at 6/03
 - **takes into account the net proceeds of £15,108K from October 2003 institutional placing and SR Technics stock purchase**
- Debt facility recently increased from £10m to £25m



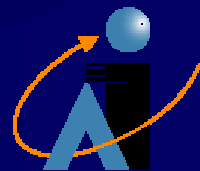
Operational review – FY04 Interims

- HAECO contract
 - **FY04 1H more affected by SARS than FY03 2H**
 - **considerable maintenance work deferred into calendar 2004**
- SR Technics contract
 - **successful commencement on 1 December 2003**
 - **5 year contract renewable, by mutual consent, for further 5 years**
 - **slower than expected start due to unusual mix and start-up factors**
- UK contracts
 - **B/E Aerospace contract renewed for further 3 years with effect from 1 September 2003**



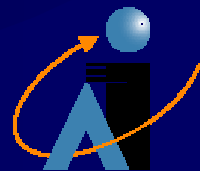
New contracts

- Further contract with SR Technics, in support of Dragonair
 - **supply on exclusive basis of range of aircraft parts in Hong Kong**
 - **commenced February 2004 and runs to January 2008**
 - **expected to give rise to useful increase in AI's Asia Pacific business**
- Contract with Gulf Aircraft Maintenance Company ("GAMCO")
 - **leading Middle Eastern MRO, 60% owned by the Government of Abu Dhabi and 40% by Gulf Air**
 - **supply on exclusive basis of range of aircraft parts**
 - **2 year contract renewable, by mutual consent, every 2 years**
 - **small initial value, but potential for this to increase significantly as new parts are added**



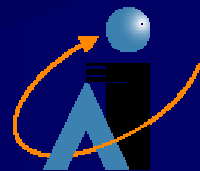
MoU with SR Technics re FLS Aerospace

- SR Technics agreement in February to acquire FLS Aerospace
 - **combination will be the world's leading independent aircraft maintenance, repair and overhaul organisation**
 - **FLS Aerospace supports over 500 Boeing and Airbus aircraft on long-term contracts**
- Memorandum of Understanding ("MoU") between AI and SR Technics
 - **AI to become the exclusive, long-term supplier to FLS Aerospace of all the classes of parts currently supplied to SR Technics**
 - **start date as soon as possible after completion of SRT Technics/FLS Aerospace acquisition**
 - **AI to purchase FLS Aerospace's existing stocks of parts in line with AI's normal business model**
- AI intends to fund contract with debt



Current trading

- Slower than expected build-up in recent sales from existing contracts
 - **HAECO business affected by tail-end of SARS**
 - **SR Technics business affected by unusual mix and various start-up factors**
 - **sales have yet to reach US\$5m+ potential monthly run rate**
- No longer likely to be a contribution from potentially substantial FLS Aerospace business in 2H
 - **overheads to support this business already largely in place**
- Impact of weak US dollar greater in 2H
- AI's profits are very operationally geared
 - **shortfall in sales has a disproportionate effect on profits**



Conclusion

- Business model works
 - **for AI and its customers**
 - **notwithstanding revised outlook for FY04 profits**
- Major opportunity for value creation
 - **building a portfolio of substantial profitable and cash-generative, long-term, sole-supplier contracts with world-class aerospace companies**
 - **capitalising on first mover advantage to establish market leadership position**
- Objectives for FY05
 - **absorb FLS Aerospace business**
 - **establish platform of substantial profitability and cash generation without a requirement for further new business in the year**