

**John Menzies plc**  
**Disposal of Early Learning Centre and Trading Update**

**Disposal of ELC**

John Menzies plc (Menzies) today announces that it has sold Early Learning Centre (ELC) to a new company funded by 3i, Barclays and management for a total consideration of £29.6m.

ELC had net assets as at 5<sup>th</sup> May 2001 of £26.3m, and made an operating profit of £1.7m on turnover of £165.0m in the year ended on that date.

The consideration comprises cash of £17.3m and a vendor loan note of £3.3m for estimated net assets at completion of £20.1m together with £9.0m repayment of Group financing. The proceeds will be used to reduce existing borrowings. In addition, Menzies may receive further amounts on any subsequent sale or flotation of ELC within defined time periods.

The disposal will lead to a pre-tax exceptional loss of some £2.5m after disposal costs but before goodwill of £8.5m previously written off to reserves.

This completes the planned series of divestments of non-core businesses undertaken over the past three years. Menzies has now exited all its seasonal businesses, which had extended supply chains and high stock risks. The overall programme has generated proceeds of almost £150m which are being utilised in reducing borrowings and investing in the core businesses of Menzies Distribution, and Menzies Aviation Group (MAG) with its mid and long term growth prospects.

**Trading Update**

Menzies Distribution, a leading distributor of newspapers and magazines in the UK, provides the bulk of the Group's operating profit and cash flow and is trading ahead of expectations.

However, the recent tragic events in the USA have clearly created severe difficulties for the global aviation industry. MAG has been adversely affected by the immediate impact of these events, which have exacerbated the weakness already evident in this market. Further corrective action is already under way across the whole business, including headcount, operational capital expenditure and capacity reductions. We are still reviewing the full implications, but current indications are that the results of MAG for the 12 months to April 2002 will be below the level achieved last year.

Despite the current uncertainty in aviation, the fundamentals of our business have not changed. We believe that the recent events will accelerate the trends of consolidation within the ground handling industry and of airlines seeking to outsource. MAG, with its resilience and depth, is very well positioned to emerge stronger from the current difficulties.

## **Change of Year End**

Menzies also announces that, following the disposal of the highly seasonal ELC with its reliance on Christmas trading, its accounting reference date will be changed to 31<sup>st</sup> December 2001. This will also simplify Group reporting by aligning Menzies' year end with that of the Ogden international network acquired last year. It also intends to announce its results for the current interim period relating to the six months to 3<sup>rd</sup> November 2001 on 18<sup>th</sup> December.

### **David Mackay, Chief Executive, commented:**

“The transformation of ELC from a loss-making business into its present successful format has been a long process, and we have every confidence that the business will prosper under its new ownership. The change to our year end emphasises that Menzies is no longer a seasonal business and is now a group with a broad base and a global spread.

This sale completes the transition of the Menzies Group into a logistics support services business focused on news distribution and on aviation services. Menzies Distribution is strongly defensive, and MAG is well established in a market which we believe has strong mid and long term growth prospects.

As announced at our Annual General Meeting on 7<sup>th</sup> September, a rigorous review of overheads is now well under way throughout the Group, and this will deliver significant annualised savings.

We now have a clear structure and we are in good shape to meet both the challenges and opportunities which arise. We are confident that our strategy will deliver value for our shareholders.”

For further information, please contact:

David Mackay  
John Menzies plc 0131-459-8090

Jonathon Brill  
Bell Pottinger Financial 020-7353-9203

Note for Editors:

The Company's financial calendar covering the change in year end is intended to be:

6 Months to 3<sup>rd</sup> November 2001      Announcement 18th December  
Dividend paid April 2002

8 Months to 31<sup>st</sup> December 2001      Announcement mid March  
AGM May  
Dividend paid June

6 Months to 30<sup>th</sup> June 2002      Announcement early September  
Dividend paid November