



**Interim Results Presentation  
for  
6 months to 3 November 2001**



## Overview

- Fully focused International Support Services Group
- Cash generative Distribution business supports aviation growth
- Current aviation climate will create opportunities



## Key Financials

(£m)

6 Months

	<u>Oct-01</u>	<u>Oct-00</u>
Turnover – continuing operations	583.0	475.8
Operating profit – continuing operations	9.9	14.3
Headline PBT (including discontinued)	2.7	16.1
Headline EPS (pence)	0.5p	19.0p
Interim dividend (pence)	5.5p	5.5p

# Business and Strategic Overview





## Strategic Focusing

Jan 2002 - Menzies Group - Support Services Sector

September 2001 - Sale of Early Learning Centre

February 2001 - Exit from THE Games

November 2000 - Acquisition of Ogden

August 2000 - Sale of THE

March 2000 - Sale of interest in Samas

May 1998 - Sale of John Menzies Retail

Dec 1997 - John Menzies plc - Retail Sector

Portfolio

Re-structure



## Group Structure

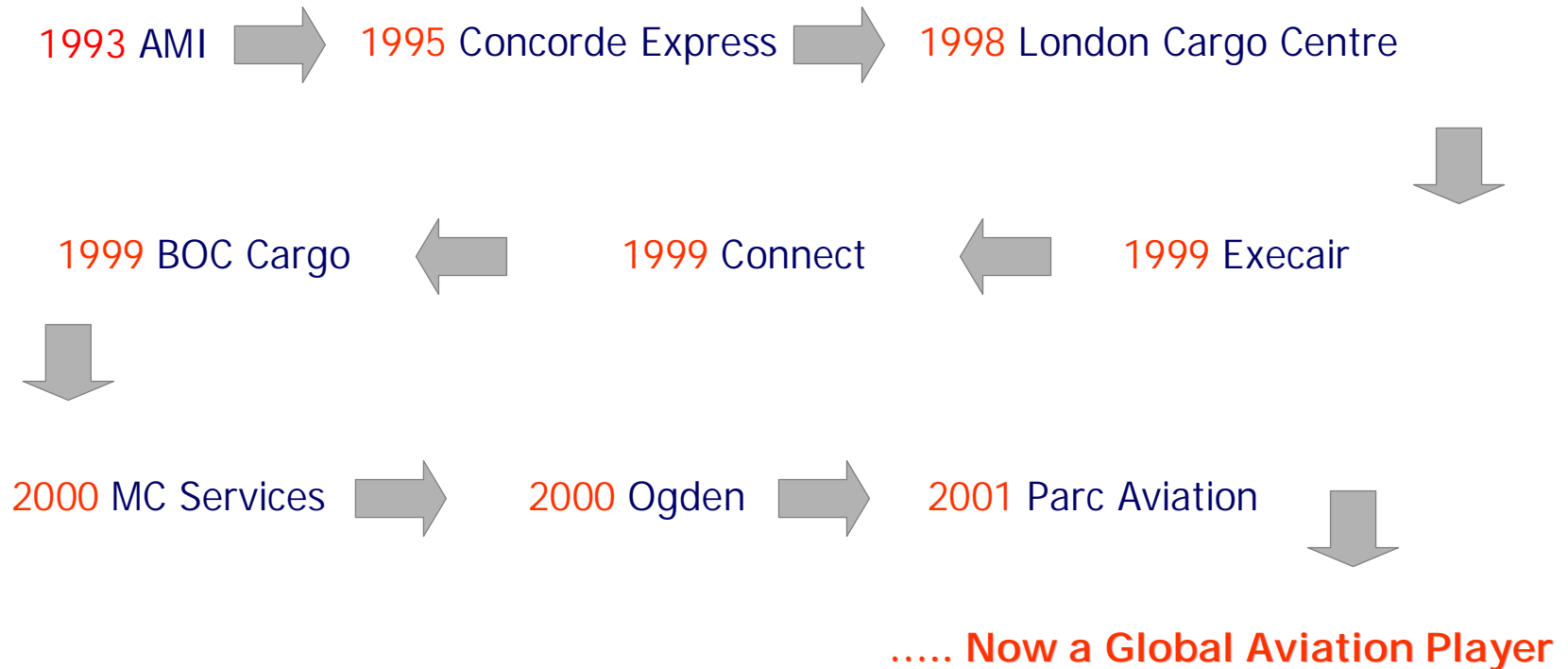


**International Support Services Group**

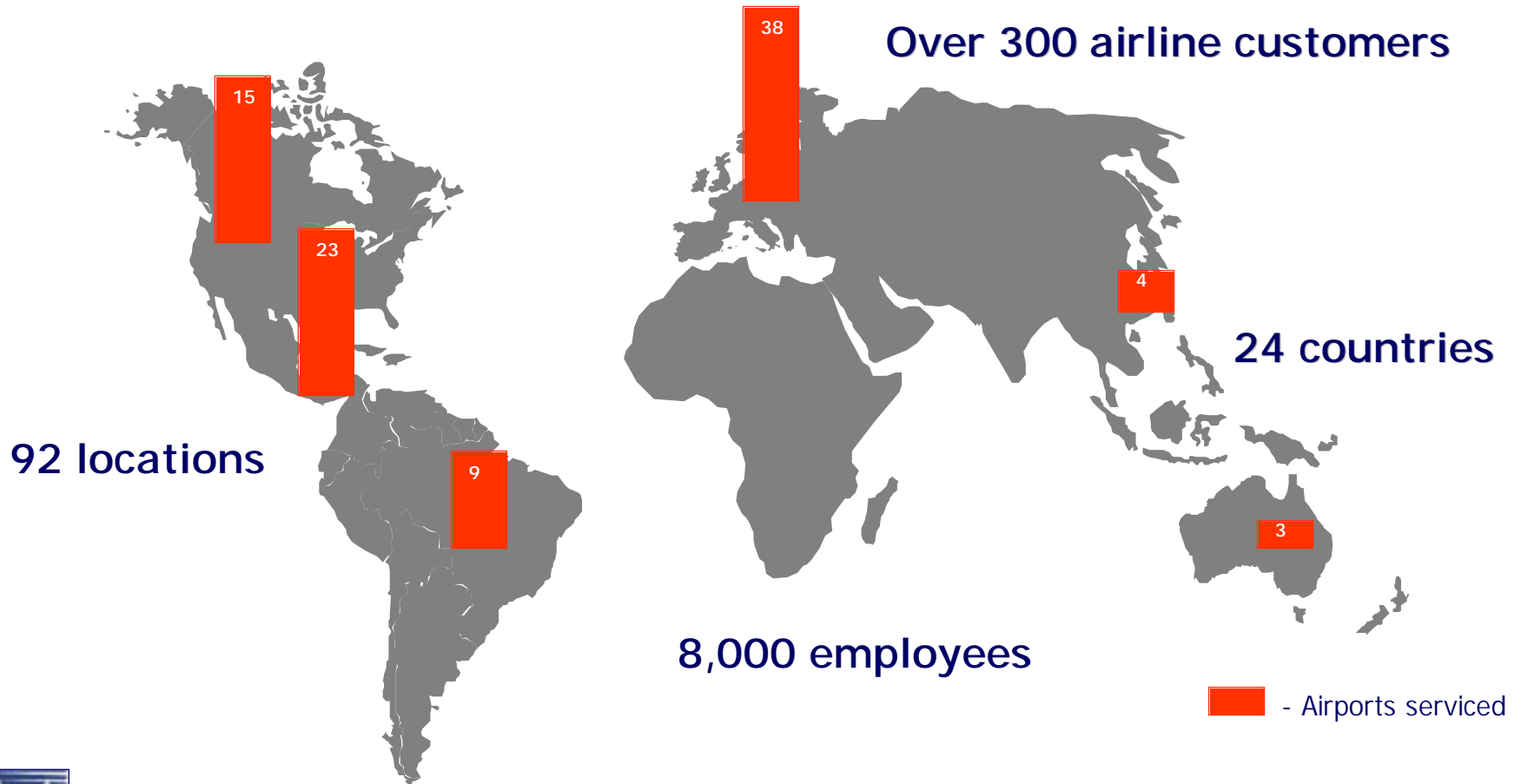




## In the Beginning ....



## Global Player





## Cargo Services

- Receiving and break-up/break-down
- Ramp transfer
- Load planning
- Real time track and trace facilities
- Customs services
- Door to door services
- Freight sales, freight deliveries
- Out-sourced manpower

## Support Services

- Passenger and baggage transfer
- Inter-terminal bussing
- General out-sourced services
- Airside vehicle maintenance

## Ground Services

(Ground handling & passenger services)

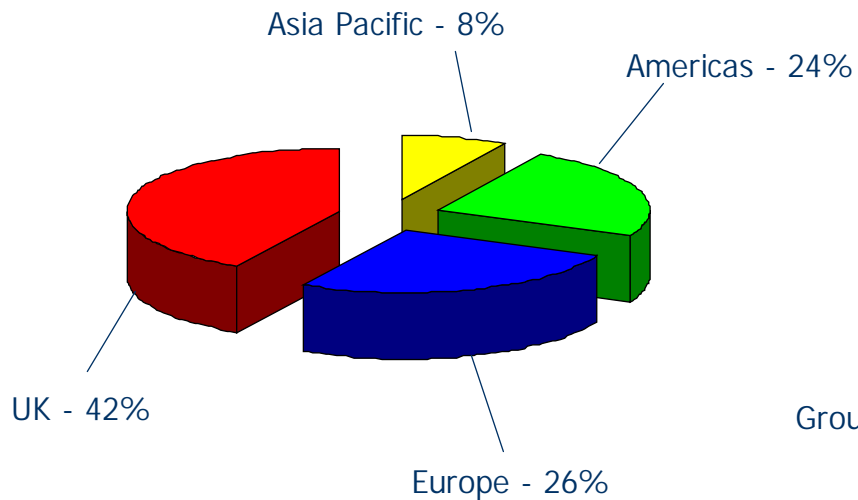
- Ticketing
- Passenger check-in
- Aircraft loading and unloading
- Departure control systems
- Push back
- VIP Lounges
- Cabin cleaning

## Fixed Based Operations

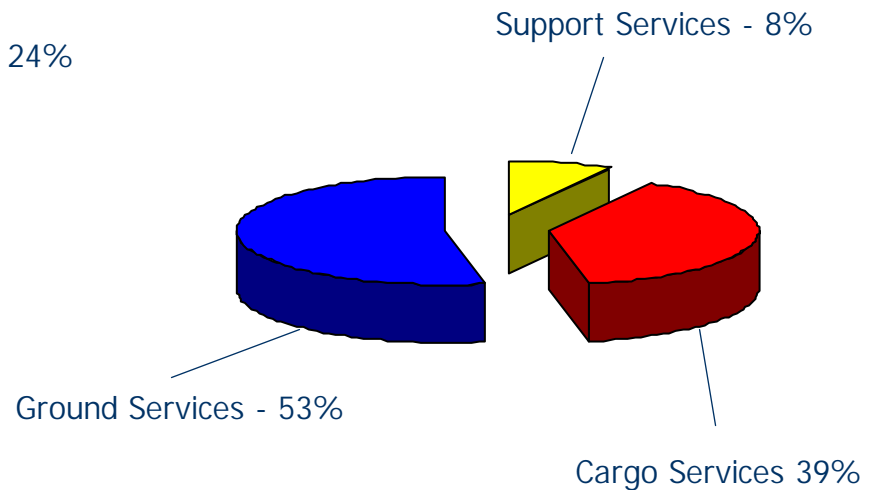
- Executive aircraft handling
- Ground handling & fuelling
- Private lounge facilities
- Executive transfer services



## Geographical Spread



## Sector Spread



Total Revenues (6 months) - £129m



## Continuing Progress

- Strong performance in Macau, Rome, Lima
- Market entry in Spain
- Execair expanding - new operations in Cardiff, Dublin and Prague
- "Connect" - star performer
- AMI - leading edge cargo logistics





## Ogden Integration

- Cargo terminal rationalisation at Heathrow
- Schiphol improved
- Hong Kong cash neutral
- Regional network rationalisation complete



### Impact on Worldwide Aviation Market

- Volume reductions
- Certain airlines in financial difficulties
- Passenger uncertainty
- Insurance



### 11 September Industry Issues

### Key Factors For MAG

- Cost & credit control
- Airline capacity reductions
- Recovery of insurance costs
- Over-supply at certain airports

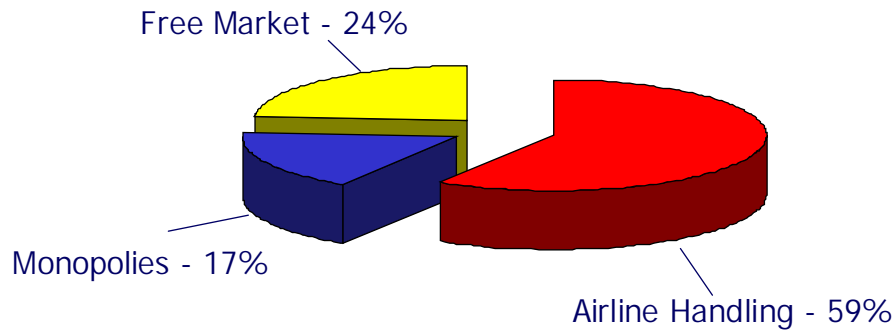


### Reinforces Drivers of Change

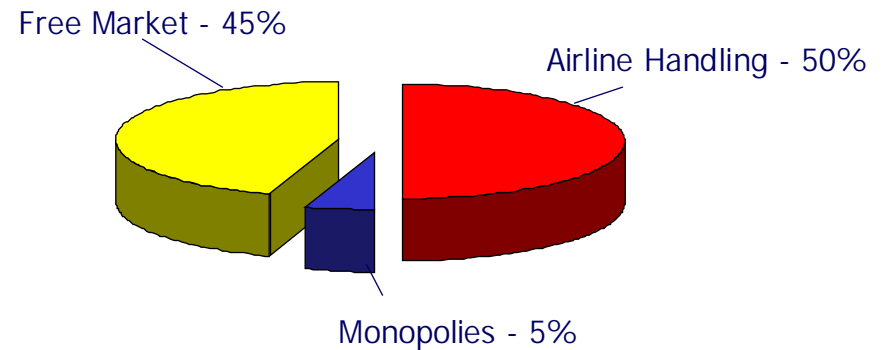
- Significant growth opportunities
- Further industry consolidation
- Out-sourcing by airlines
- Liberalisation

## Market Potential

2000



2010



CAGR Accessible Market  
2000 - 2010  
9.5%

Source : Industry Sources



## Outsourcing Drivers

- ➔ Airlines/airports focus on core competencies
- ➔ Legislative changes promote liberalisation
- ➔ Cost and efficiency consideration - especially for smaller airlines

## Outsourcing Opportunities

- ➔ Major airlines are re-considering ownership of operations at hubs
- ➔ Where airlines lack critical mass they will out-source service provision
- ➔ With a current global 'captive' market of c.US\$20bn such trends offer significant opportunities





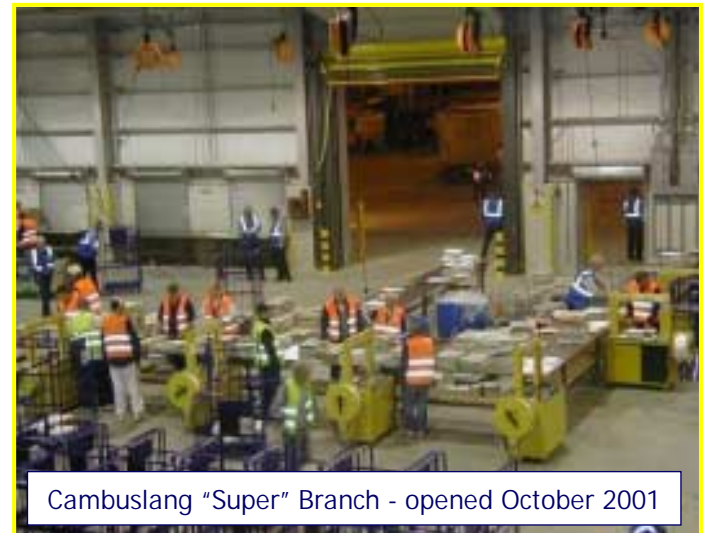
## Resilient markets

- Newspaper cover price increases - revenues up
- Increased magazine activity (new launches, partworks, etc)
- Magazine cover prices on the move



## Strong investment in UK branch network

- £15m project - 10 branches into 4
- Cambuslang - first “super branch” opened on time and on budget
- Productivity and financial benefits





## Investment in industry development

- Leading force in Joint Industry Working Group
- Strong relationships with Publishers
- Drive pace of development for multiple retailer interface





## Investment in expansion

- Acquisition of Turners (Sheffield and Guildford)
  - Immediately earnings enhancing
  - Completion 3 December for £6.3m cash
  - Publisher support
  - Market share now 26%



Menzies Distribution Coverage



# Financial Review



# Headline Results

(£m)

	<u>6 Months</u>					
	<u>Oct-01</u>			<u>Oct-00</u>		
	<u>Cont</u>	<u>Disc</u>	<u>Total</u>	<u>Cont</u>	<u>Disc</u>	<u>Total</u>
Turnover	583.0	55.4	<u>638.4</u>	475.8	165.1	<u>640.9</u>
Operating profit	9.9	(5.7)	4.2	14.3	1.1	15.4
Interest			<u>(1.5)</u>			<u>0.7</u>
Headline PBT			<u>2.7</u>			<u>16.1</u>
Headline EPS (pence)			0.5p			19.0p



# Segmental Turnover

(£m)	<u>6 Months</u>	
	<u>Oct-01</u>	<u>Oct-00</u>
Distribution Services	454.2	428.4
Aviation Services	128.8	47.4
Continuing operations	<u>583.0</u>	<u>475.8</u>



# Segmental Operating Profit

(£m – pre goodwill)

6 Months

	<u>Oct-01</u>	<u>Oct-00</u>
Distribution Services	13.0	13.0
Aviation Services	(2.5)	2.0
	<hr/>	<hr/>
	10.5	15.0
Central services	(3.1)	(3.2)
Pension credit	2.5	2.5
	<hr/>	<hr/>
Continuing operations	9.9	14.3
	<hr/>	<hr/>



# Discontinued

(Operating Profit – £m)

6 Months

	<u>Oct-01</u>	<u>Oct-00</u>
ELC	(5.7)	(5.5)
THE Games	-	7.9
THE	-	(1.3)
Total	<u>(5.7)</u>	<u>1.1</u>



# Exceptionals

£m

## Operating Exceptionals

Aviation rationalisation

(4.4)

## Super Exceptionals

ELC:

Disposal

(4.2)

Goodwill previously written off

(8.5)

(12.7)



# Free Cash Flow

(£m)

6 Months

	<u>Oct-01</u>		<u>Oct-00</u>	
	<u>Total</u>	<u>Disc</u>	<u>Total</u>	<u>Disc</u>
Headline EBITDA	13.0	(3.6)	22.4	3.7
Working Capital	(9.7)	(5.5)	(1.9)	7.0
Operating exceptional payments	(1.6)		-	
Pension credit	(2.5)		(2.5)	
Other non cash items	(3.8)		0.4	
Net capex	(16.3)	(1.8)	(8.4)	(2.6)
Net interest + Preference and JV / Associate dividends	0.5		(0.2)	
Tax (Paid)/Received	(4.0)		0.9	
<b><u>Free cash flow</u></b>	<b><u>(24.4)</u></b>		<b><u>10.7</u></b>	



# Overall Cash Flow

(£m)	<u>6 Months</u>	
	<u>Oct-01</u>	<u>Oct-00</u>
Free Cash flow	(24.4)	10.7
Dividends paid	(7.1)	(6.8)
Acquisitions	(1.4)	(9.0)
Disposals	21.4	2.1
<b><u>Overall cash flow</u></b>	<u>(11.5)</u>	<b><u>(3.0)</u></b>
Net debt at 5 <sup>th</sup> May 2001	<u>(24.2)</u>	
Net debt at 3 <sup>rd</sup> Nov 2001	<b><u>(35.7)</u></b>	



# Balance Sheet

(£m)	<u>6 months</u>	
	<u>Oct - 01</u>	<u>Oct - 00</u>
Stocks	7.2	61.1
Trade Debtors	72.0	87.7
Trade Creditors	(85.9)	(153.3)
	<u>(6.7)</u>	<u>(4.5)</u>
Pension prepayment (net of deferred tax)	30.9	27.4
Fixed assets & others	135.1	65.5
Net (debt) / cash	(35.7)	41.0
	<u>123.6</u>	<u>129.4</u>



# Early Learning Centre - Sale

<u>Consideration</u>	<u>£m</u>	<u>£m</u>
Cash	26.3	
Loan note	3.3	
Gross		29.6
<u>Applied towards</u>		
Repayment of Group funding	(9.0)	
Net assets disposed	(22.2)	
		(31.2)
		(1.6)
Disposal costs		(2.6)
Loss before goodwill		(4.2)
Goodwill previously written off to reserves		(8.5)
Net loss on disposal		(12.7)



# The Future



## Drivers of Growth

Menzies Distribution

Counter-cyclical  
Expansion opportunities  
Highly cash generative  
Ancillary products

Menzies Aviation

Good growth prospects  
Move up the value chain  
Liberalisation  
Industry consolidation  
Outsourcing opportunities

Well funded

Strong balance sheet resources  
Supportive bankers  
Highly cash generative core



## Outlook

- Strong counter-cyclical Distribution business
- Well positioned for aviation growth in recovery market
- Airline outsourcing likely to accelerate - significant opportunities
- Robust balance sheet

