



Preliminary Results Presentation

19 March 2002





International Support Services Group

- Clear strategy in place - transformation complete
- Strong cash generative distribution business
- Significant growth opportunities for aviation
- Distribution cash fuels aviation growth



Group Structure





The Outlook is Positive

- Year end change completes the reshaping of the Group
- Distribution performing well
- Aviation well positioned for market recovery
- Dividend level maintained



A wide-angle photograph of a busy warehouse interior. Numerous workers in orange high-visibility vests are working at long tables, handling stacks of boxes and materials. The warehouse is filled with blue metal shelving units, yellow pallet jacks, and various equipment. Large circular lights hang from the ceiling, and a large clock is visible on the wall in the background.

Strong performance from Distribution
£15m investment programme delivering efficiencies
£7.1m acquisition of Turners News
- earnings enhancing

Investing For The Future



Acquisition of FR8 in the Netherlands
Major capacity rationalisation complete
Significant contract wins and renewals

Martyn Smith, Group Finance Director

Financial Review



Key Financials

(£m - continuing)	8 months to 29 Dec 2001	12 months to 5 May 2001
Turnover	760.0	1,024.6
Operating Profit	11.3	28.7
Headline PBT	9.4	28.6
Headline EPS (pence)	7.5	33.9
Total Dividend (pence)	12.1	18.1



Headline Results

(£m)	Pro-forma	
	12 months to Dec 2001	12 months to Dec 2000
Turnover - continuing	1,145.3	972.0
Continuing	21.1	31.3
Discontinued	(3.9)	17.9
Operating Profit	17.2	49.2
Interest	(2.6)	0.4
Headline PBT	14.6	49.6



Segmental Turnover

(£m)	Pro-forma	
	12 months to Dec 2001	12 months to Dec 2000
Distribution	900.9	867.7
Aviation	244.4	104.3
Continuing	<u>1,145.3</u>	<u>972.0</u>



Segmental Operating Profit

(£m)	Pro-forma	
	12 months to Dec 2001	12 months to Dec 2000
Distribution	26.1	29.1
Aviation	(2.6)	3.8
	<hr/> 23.5	<hr/> 32.9
Central Services	(7.4)	(6.6)
Pension credit	5.0	5.0
Continuing	<hr/> 21.1	<hr/> 31.3



Distribution

(£m)	Pro-forma	
	12 months to Dec 2001	12 months to Dec 2000
Turnover	900.9	867.7
Operating Profit	26.1	29.1
Net Assets	31.5	19.5



Aviation

(£m)	Pro-forma	
	12 months to Dec 2001	12 months to Dec 2000
Turnover	244.4	104.3
Operating (Loss)/Profit	(2.6)	3.8
Net Assets	123.2	125.3



Discontinued

(£m)	Exit Date	Pro-Forma	
		12 months to Dec 2001	12 months to Dec 2000
ELC	Sep-01	(11.1)	1.5
THE Games	Feb-01	7.2	17.6
THE	Aug-00	-	(3.3)
SUOS	Mar-00	-	2.1
Operating (Loss)/Profit		(3.9)	17.9



Exceptional Costs

(£m)		Actual 8 months to Dec 2001
Operating Exceptionals		
Distribution		1.4
Aviation rationalisation		9.8
		<hr/> 11.2 <hr/>
Super Exceptionals		
ELC	4.2	
GlobeGround UK	(1.4)	2.8
	<hr/>	
Goodwill previously written off		8.5
		<hr/> 11.3 <hr/>



Taxation

		Actual 8 months to Dec 2001
(%)		
UK Rate		30.0
Non-deductibles	3.2	
Unrelieved overseas losses	43.7	46.9
	<hr/>	
Overseas rate impact		(10.2)
		<hr/>
Headline Rate		66.7
		<hr/>



EPS

	Actual	
	8 months to 29 Dec 2001	12 months to 5 May 2001
(pence)		
Continuing Headline	7.5	33.9
Headline	0.4	62.8
Overall	(38.7)	2.7



Dividends

	Actual	
	8 months to Dec 2001	12 months to May 2001
(pence)		
Interim	5.5	5.5
Final	6.6	12.6
	12.1	18.1



Free Cash Flow

(£m)		Actual 8 months to Dec 2001
Operating Profit		3.4
Adjust for non-cash items		
- Depreciation	11.0	
- Amortisation	2.2	
- Pension surplus	(3.3)	
- Other	<u>(4.0)</u>	5.9
Dividends from JVs & Associates		3.3
Exceptionals		(7.8)
Working capital movement		(4.5)
Cash Flow From Operating Activities		<u>0.3</u>
Tax		(4.3)
Net capex		(20.8)
Preference dividends & interest		(4.3)
Free Cash Flow		<u>(29.1)</u>



Cash Flow

(£m)	Actual 8 months to Dec 2001
Free Cash Flow	(29.1)
Dividends	(7.1)
Acquisitions	(7.4)
Disposals	21.0
Overall Cash Flow	(22.6)
Net Debt at start of period	(24.2)
Net Debt at end of period	(46.8)



Balance Sheet

(£m)	Dec 2001	May 2001
Fixed assets (incl investments)	195.8	201.0
Stocks	11.2	30.3
Debtors <1 year	92.6	99.7
Creditors <1 year	<u>(155.7)</u>	<u>(180.7)</u>
	(51.9)	(50.7)
Pension prepayment	45.0	41.7
Deferred tax	<u>(13.5)</u>	<u>(12.5)</u>
Net pension prepayment	31.5	29.2
Other creditors >1 year	(12.2)	(12.5)
	<u>163.2</u>	<u>167.0</u>
Equity funds	95.0	115.2
Preference shares	21.4	21.4
Minority interest	-	6.2
Net debt	46.8	24.2
	<u>163.2</u>	<u>167.0</u>



FRS 17

	Long term rate of return (%)	Value at Dec 2001 (£m)
Equities	8.5	134.4
Bonds	6.0	21.7
Cash	3.0	2.2
Market value of assets		158.3
Present value of scheme liabilities		(148.2)
Surplus		10.1
Deferred tax		(3.0)
Net Pension Asset		7.1



David Mackay, Chief Executive
Business and Strategic Overview



Overview of business

- Independent and neutral of publishers
- Role of value added wholesaler strengthened
- Strong, excellent cash generative business
- Stable platform for future expansion



Investment in branch network

- Efficiencies being realised
- Productivity and financial benefits
- Delivering on time and on budget



Cambuslang Branch - opened October 2001

Turners Acquisition

- £7.1m completed on 3 December 2001
- Successful integration
- Immediately earnings enhancing
- Strong publisher support



Menzies Distribution Coverage



Industry Issues

- OFT Investigation
 - Menzies position clear
 - Active co-operation
 - Should re-affirm value of present industry structure





Opportunities

- Cover price increases
- Magazine launches
- Ancillary products - phone cards, batteries, cameras etc.
- New business





Achievements

- Lead role in industry projects - driving change
- Secured business - long term contracts
- Award winning added value services
 - Super League
 - Space Ranger



Business and Strategic Overview



Full Service Provider

(Ground handling & passenger services)

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

Ground Services

Cargo Services

Support 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 and deliveries
- Out-sourced manpower

- Passenger and baggage transfer
- Inter-terminal bussing
- Out-sourced passenger complaints
- General out-sourced services

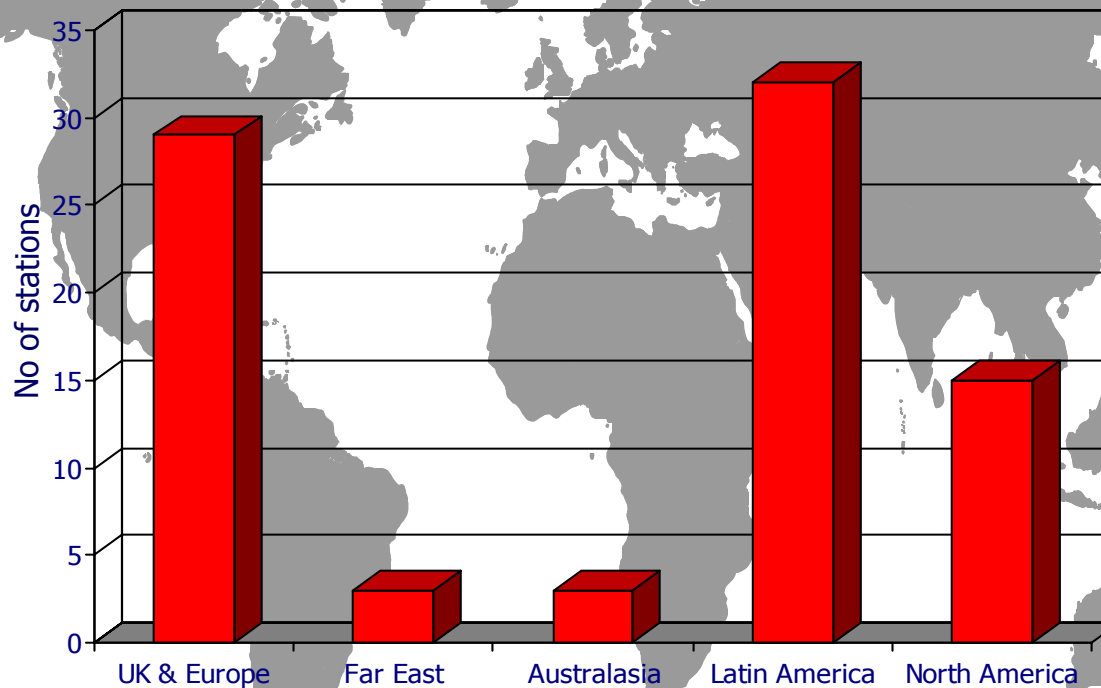
Fixed Base Operations

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



Distinctive Global Player

80 locations



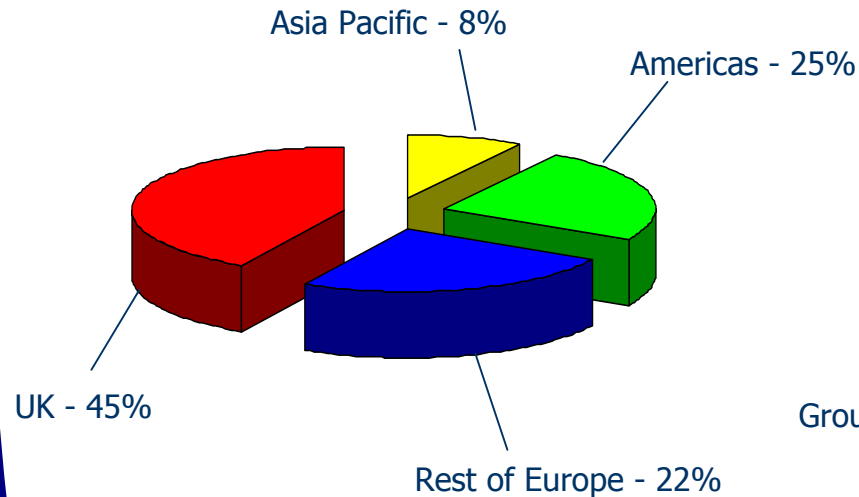
22 countries

7,300 employees

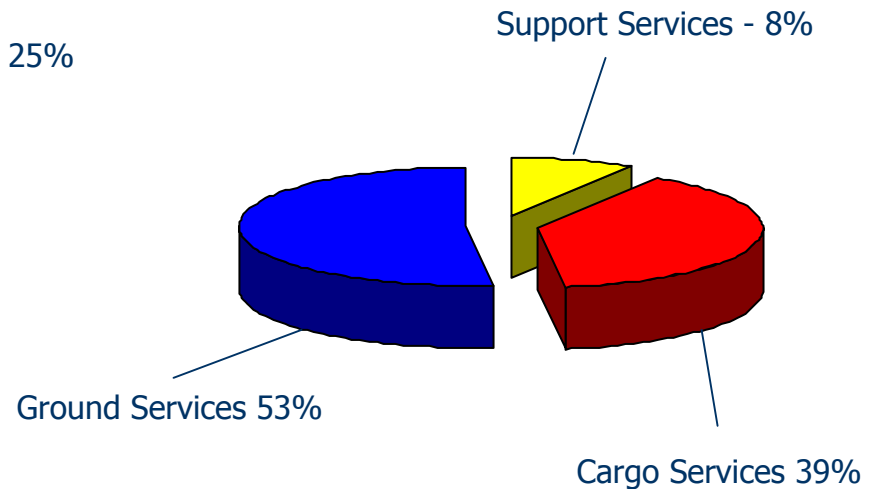
Over 300 airline customers



Geographical Balance



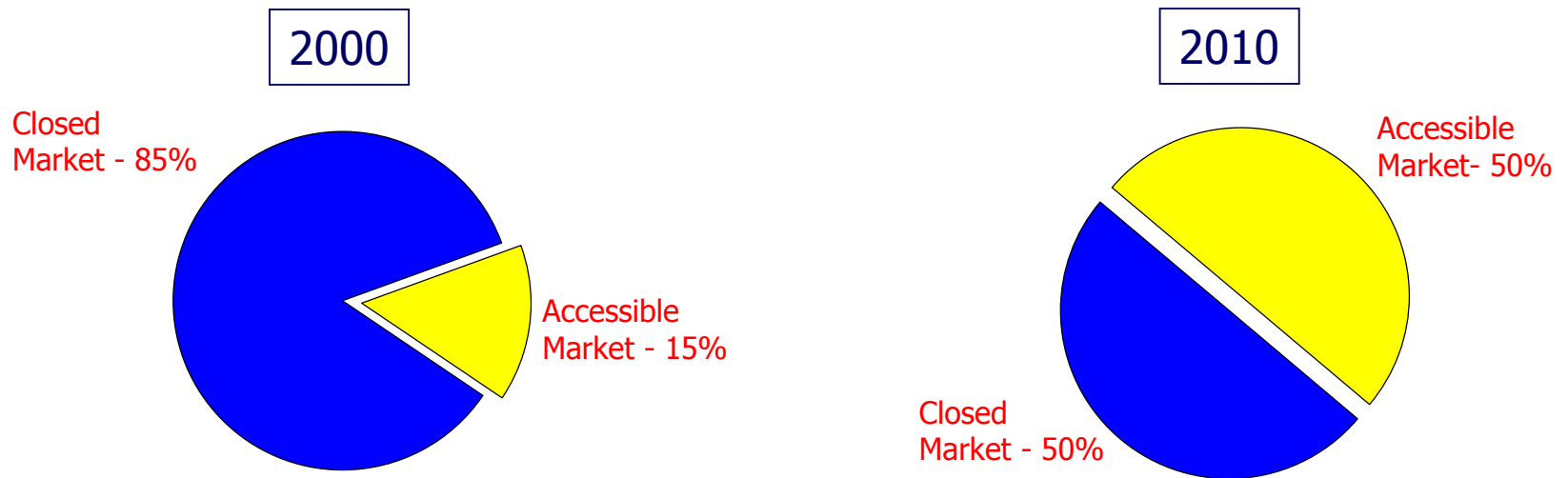
Sector Spread



Source : 12 months turnover to December 2001

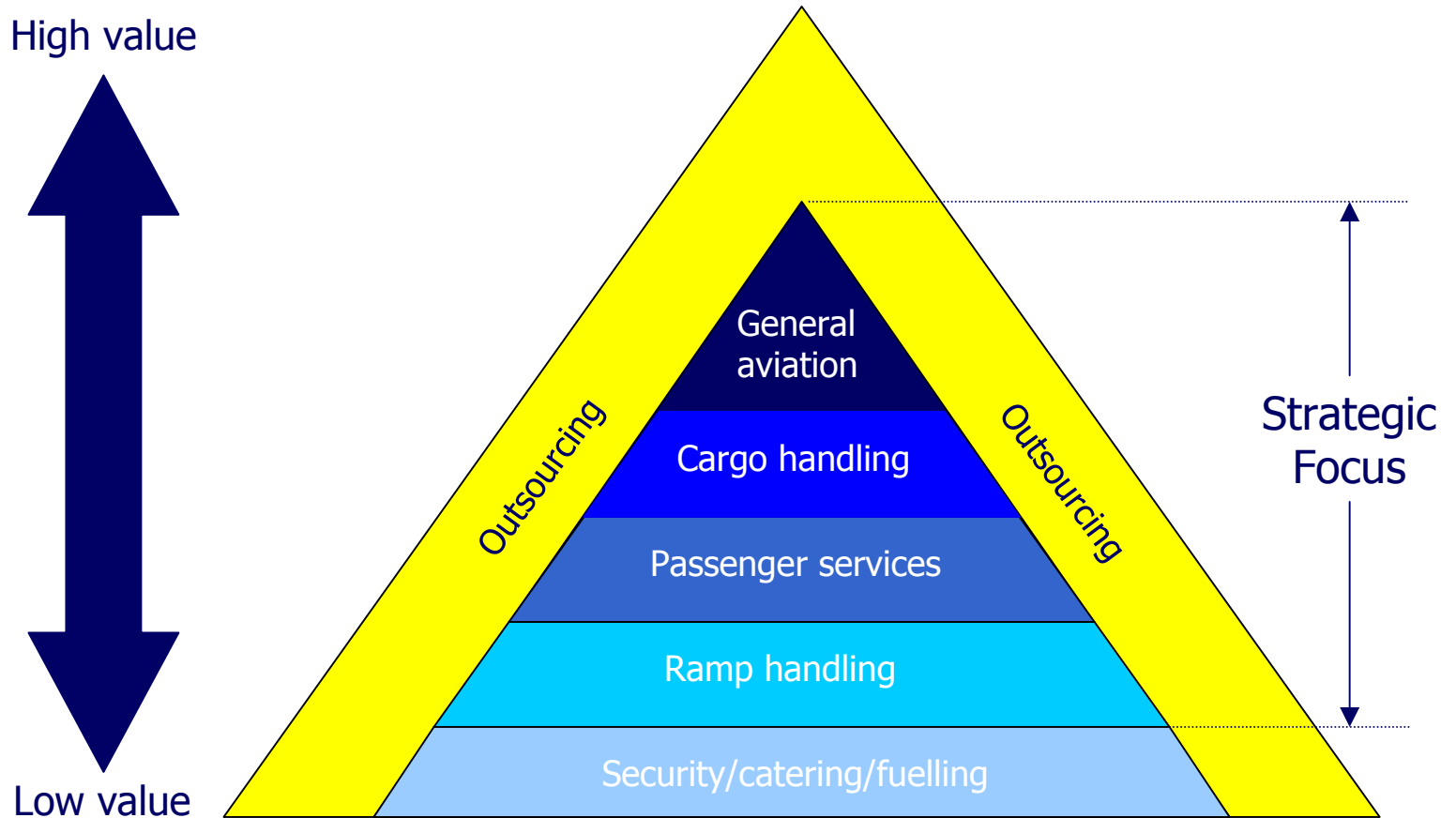
Market Potential

The market share of independents is projected to rise to 50% by 2010



Source : Industry Estimates

Aviation Services Value Chain



Outsourcing Drivers

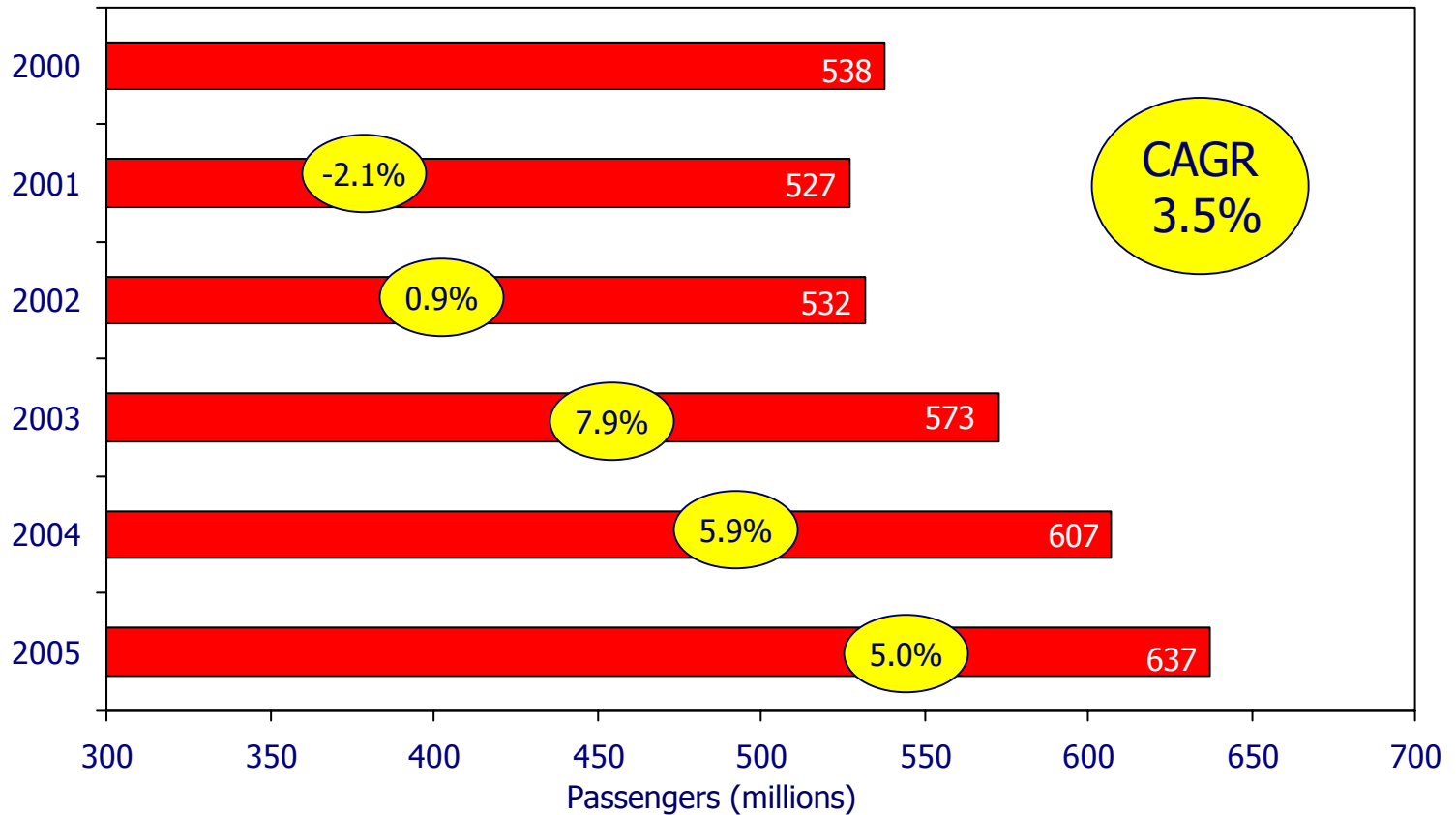
- ➔ Airlines/airports focus on core competencies
- ➔ Legislative changes promote liberalisation
- ➔ Cost and efficiency consideration

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

Recovery Underway

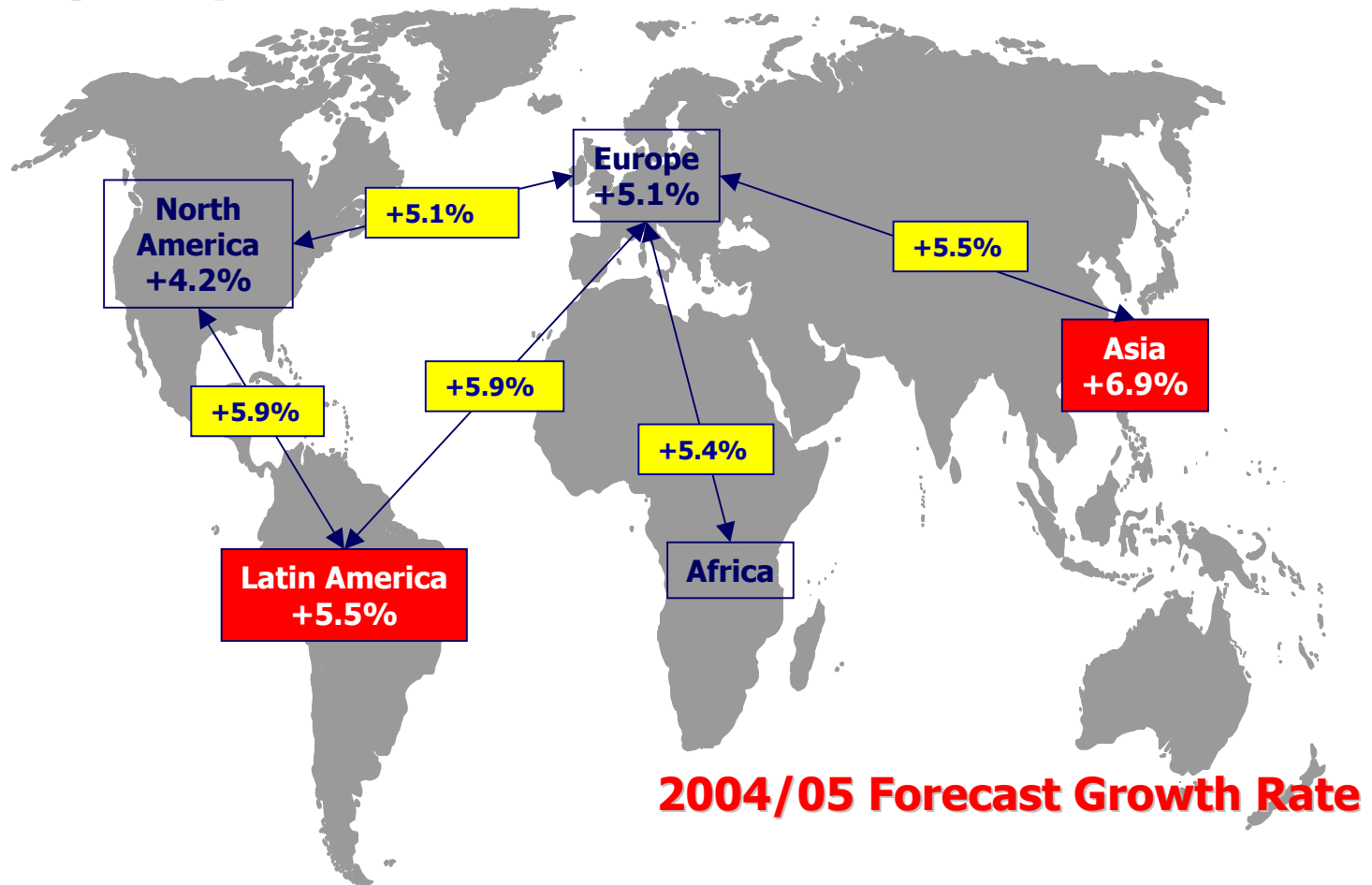
International Forecast Growth Rates & Passenger Numbers - Post 11 September



Source : IATA Passenger Forecasts - January 2002



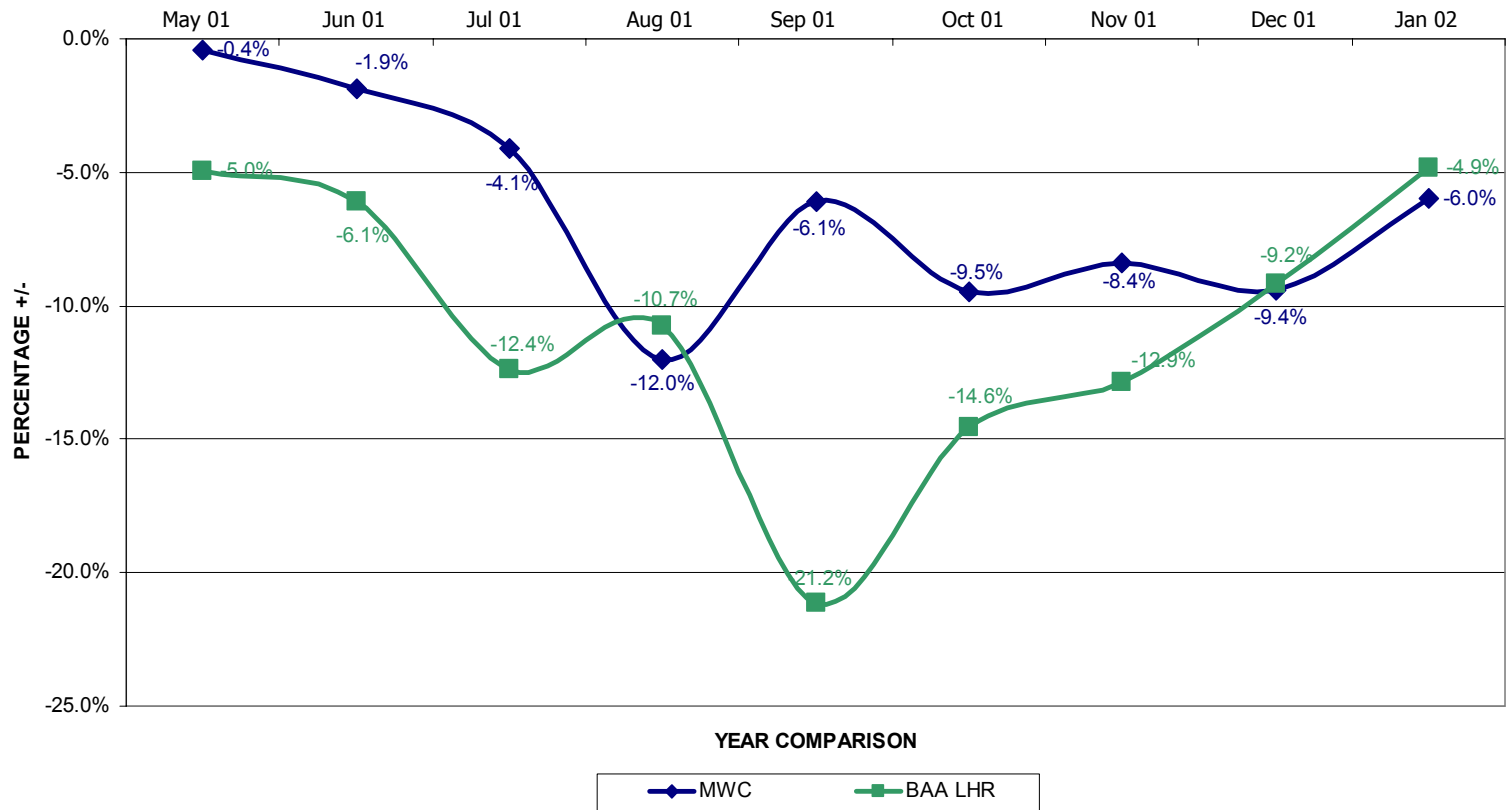
Strategic Expansion



Source: IATA Passenger Forecast - January 2002

Volumes Recovering

Comparison Year on Year of MWC Vs BAA Heathrow





Managing Turbulent Times

- Regional rationalisation completed
- Global workforce reduced by over 1,200
- Overhead cost substantially reduced
- Insurance costs
- Discretionary capex curtailed
- Key senior management recruited





Actions

- Germany sold
- Hong Kong cash neutral
- Amsterdam turnaround
- Cargo rationalisation at Heathrow - excess capacity reduced
- New "Hermes" cargo management system



Star Performers

- Far East
 - Macau - strategic Chinese gateway
- Latin America
 - Lima, Peru - strong joint venture
- Caribbean
 - Niche market
- Execair
 - Dublin and Prague added, more to come
- Connect
 - Expansion opportunities
- AMI
 - Leading edge cargo logistics - 25% of bookings online





Opportunities

- FR8
 - Largest independent cargo handler in Netherlands
 - 320,000 tonnes per annum
 - Earnings enhancing in Year 1
- Others in the pipeline





Looking Ahead

- Industry stabilising
- Outsourcing trend set to accelerate
- More growth to follow - organic and acquisitions
- Strategic expansion
 - Latin America
 - Far East
- No dominant market player
- Strong management team in place

The end of the beginning





Summary





Summary

- Strategic re-positioning complete
- Financial strength - “fire power”
- Menzies Distribution - counter cyclical - strong cash generator
- Menzies Aviation - significant growth opportunities despite short term market conditions





Appendix 1

Financial Calendar

Dec 2001	Financial Year End
Mar 2002	Final Results
May 2002	Annual General Meeting
Jun 2002	Final Dividend
Sep 2002	Interim Results
Nov 2002	Interim Dividend

Appendix 2

Headline Results

	Actual	
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Discontinued	<u>(5.7)</u>	<u>22.9</u>
Operating Profit	5.6	51.6
Interest	(2.0)	-
Headline PBT	<u>3.6</u>	<u>51.6</u>
(pence)		
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THE Games	-	22.6
THE	-	(1.4)
Operating (Loss)/Profit	<u>(5.7)</u>	<u>22.9</u>

ELC Disposal

(£m)

Consideration:

**2001
Cash
Effect**

Cash	26.3		26.3
Loan note	<u>3.3</u>	29.6	
Net assets disposed		(31.2)	(3.6)
		<u>(1.6)</u>	
Disposal costs		<u>(2.6)</u>	(1.7)
Loss before goodwill		(4.2)	
Goodwill previously written off to reserves		(8.5)	
Net loss on disposal		<u>(12.7)</u>	
			<u>21.0</u>