2013 Overview

- Aviation EBIT up 11%, momentum continues
- Cargo turnaround drives margin increase
- Three acquisitions broaden the Aviation platform
- Distribution impacted by weak magazine sales
- Continued strong cost focus - £5m savings
- Over 80% of publisher revenues secured through renewals to 2019
- Strong balance sheet and cash generation
- Full year dividend up 5% - reflects future confidence
## Financial overview

<table>
<thead>
<tr>
<th>£m</th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>2,000.3</td>
<td>1,996.8</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>60.1</td>
<td>61.0</td>
</tr>
<tr>
<td>Total interest</td>
<td>(7.0)</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Underlying profit before tax</td>
<td>53.1</td>
<td>54.5</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>68.3</td>
<td>64.3</td>
</tr>
<tr>
<td>Underlying effective tax rate</td>
<td>25.0%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Underlying EPS</td>
<td>65.6p</td>
<td>68.8p</td>
</tr>
<tr>
<td>Dividend</td>
<td>26.5p</td>
<td>25.2p</td>
</tr>
</tbody>
</table>

*2012 re-stated for IAS19R
## 2013 Financial review

### Segmental performance

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>EBIT</th>
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<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Ground handling</td>
<td>454.0</td>
<td>422.1</td>
</tr>
<tr>
<td>Cargo handling</td>
<td>149.8</td>
<td>158.6</td>
</tr>
<tr>
<td>Cargo forwarding</td>
<td>119.0</td>
<td>116.5</td>
</tr>
<tr>
<td><strong>Aviation Total</strong></td>
<td>722.8</td>
<td>697.2</td>
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<tr>
<td>Distribution</td>
<td>1,277.5</td>
<td>1,299.6</td>
</tr>
<tr>
<td>Corporate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,000.3</td>
<td>1,996.8</td>
</tr>
</tbody>
</table>

*2012 re-stated for IAS19R

**at constant currency
Menzies Distribution – Performance overview

Underlying operating profit (£m)

- Newspapers: (3.3)
- Magazines: (5.8)
- Collectibles: (1.7)
- Cost Savings: 5.4
- New Business: 3.1
- Other: (0.9)

2013 Financial review

2012: 27.5
2013: 24.3
2013 Financial review

Cash flow and net debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Opening net debt</th>
<th>Operating cash flow</th>
<th>Tax and interest</th>
<th>Capital Expenditure</th>
<th>Acquisitions</th>
<th>Dividends</th>
<th>Pension &amp; other</th>
<th>Closing net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>(93.0)</td>
<td>68.3</td>
<td>(14.8)</td>
<td>(20.9)</td>
<td>(12.7)</td>
<td>(15.9)</td>
<td>(14.5)</td>
<td>(103.5)</td>
</tr>
</tbody>
</table>
2013 Financial review

Balance sheet

<table>
<thead>
<tr>
<th>£m</th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets and investments</td>
<td>140.6</td>
<td>144.3</td>
</tr>
<tr>
<td>Goodwill, intangibles &amp; other assets</td>
<td>126.8</td>
<td>124.4</td>
</tr>
<tr>
<td>Working capital and other</td>
<td>(31.0)</td>
<td>(44.1)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(103.5)</td>
<td>(93.0)</td>
</tr>
<tr>
<td>Pension liability (net of deferred tax)</td>
<td>(36.6)</td>
<td>(48.1)</td>
</tr>
<tr>
<td>Net assets</td>
<td>96.3</td>
<td>83.5</td>
</tr>
</tbody>
</table>

* Re-stated for IAS19R

• Facilities in place to support growth agenda
### 2013 Overview

**Performance**

- Step change in weekly magazine sales
  - title closures exacerbate volume weakness
- Newspaper sales value better than expectations

**Achievements**

- Over 80% of 2013 revenue secured through contract renewals
- Efficiency initiatives deliver £5m savings
- Orbital Marketing in line with expectations - further opportunities

**Looking ahead...**

- Network rationalisation identified and planned
  - commences 2014
- Continuing to explore opportunities away from the core
Core product categories

Sales performance

Magazines
- Celebrity sector badly affected by volume decline
  - step change in sales
- High profile title closures

Newspapers
- Stable trends continue
- Strong daily market fuelled by cover price growth
**Top Customers**

- Guardian
- Johnston Press
- Northern & Shell
- Independent
- Seymour
- Telegraph Group
- Comag
- News International
- Mirror Group
- Frontline
- Marketforce
- Associated
- Others

**Securing the core**

- Good progress made
- Over 80% of 2013 revenue secured through to 2019
- Negotiations underway with others
- Stable platform for future plans
- Basis for further rationalisation
Network rationalisation

Maximising operational efficiency

- Large scale rationalisation plan
- Accelerated centralisation of magazine packing
- Reduction in newspaper packing spokes
- Increased efficiencies from new network
- Commences Q1 2014 – completion date Q4 2015
Business development

- Orbital acquisition is delivering against all its targets
- Integrated model
- Next steps being evaluated
Menzies Aviation – Business overview
Craig Smyth, Managing Director
## 2013 Overview

### Targets delivered

- 11% EBIT growth at constant currency
- Underlying business performs well
- Resilience through customer, geographical and product diversity

### Momentum continues

- Ground handling turns  LFL 2%  \[\uparrow\]  Absolute 9%  \[\uparrow\]
- Cargo turnaround delivered
- Building the business organically & through selective acquisitions

### Looking ahead...

- Underlying volume recovery upside
- Following our “rifle shot” plan for growth
- Development pipeline strong - contracts/licences/acquisitions
Ground handling

Continuing to build market share

- Excellent volume growth – underlying and contract wins
- Like for like turns suppressed by UK scheduling changes
- Yield pressure evident at renewals
- Improved EBIT to £21.9m

Turns performance year on year

Absolute turns momentum

CAGR 11%
Cargo handling & forwarding

Continuing to improve

• Profit and margin improvements
• Rationalisation now complete
• Attractive margin product in the right markets
• Forwarding profit growth continues
• Good expansion opportunities in niche global market

Handling Volume

Forwarding EBIT

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operating profit £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010*</td>
<td>1.9</td>
</tr>
<tr>
<td>2011*</td>
<td>2.8</td>
</tr>
<tr>
<td>2012*</td>
<td>3.8</td>
</tr>
<tr>
<td>2013</td>
<td>4.2</td>
</tr>
</tbody>
</table>

* 2010 - 2012 restated
Business development

### Contracts renewed
- **114 contracts renewed**
  - Cargo handling £36.2m
  - Ground handling £67.9m

### New Stations
- **18 new stations**
  - Europe: 1
  - Africa: 2
  - Australasia: 5
  - North America: 5
  - Latin America: 5

### Revenue growth
- **£45m additional revenue**
- **£67.5m**
- **£(22.2)m**

### Contract Wins
- **66 net contract wins**
- **92**
Business development - acquisitions

£13m Invested in three acquisitions

- **Desacol – Colombia**
  - Acquisition of ground and cargo handler at 5 locations
  - Strong anchor customer & deepens several customer relationships
  - Strategic entry into Latin America

- **Skystar – Australia & New Zealand**
  - Ground handling business located at 8 stations – 5 new stations
  - Strong anchor customers gained & existing relationships deepened
  - Consolidation play into existing market with good regional density

- **Moose Aviation – Scandinavia**
  - Acquisition of small ground handler at Stockholm Arlanda Airport
  - Enhances regional strength in key product
  - Broadens product offering, adding ancillary revenue around the core
2014 and beyond ....

• **Our markets**…
  - Aircraft manufacturer order books are very full
  - Market growth dynamics remain strong
    - LCC’s continue to win market share
    - Out-sourcing trend continues
  - Fragmented market
    - Consolidation opportunities

• **Our actions**…
  - Strong platform established
    - Excellent track record
    - Strong ground handling reputation
  - Cargo handling portfolio re-shaped
  - Refined growth model with clear targets
  - Contract pipeline very healthy
Group summary
Paula Bell, Group Finance Director
Summary

- 2013/14 contract renewals – progressing well
- Refocus on cost rationalisation across the Group
- Solid growth in Aviation, robust operating model
- Improving performance from cargo handling
- Acquisitions delivered and performing well
- Global reach strengthened

Looking ahead with confidence
Appendix 1

Menzies Aviation – Market dynamics and growth ambitions
Looking to the future

Boeing / Airbus Projections 2012 – 2031

Passenger aircraft fleet

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2031</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15,556</td>
<td>32,551</td>
</tr>
</tbody>
</table>

Freighter aircraft fleet

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2031</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,615</td>
<td>2,938</td>
</tr>
</tbody>
</table>

Air traffic has doubled every 15 years

Air traffic will double in the next 15 years

20-year world annual traffic growth 4.7%

Pax traffic growth next 20 years

4.7% CAGR

Freight traffic growth

4.9% CAGR

Source: Boeing CMO 2012 – 2031 & Airbus Global market forecast
Industry dynamics – strong fundamentals

Ground handling outsourcing is expected to continue to increase

Independents have been gaining share

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airlines</td>
<td>16</td>
<td>59</td>
<td>52</td>
<td>49</td>
<td>35</td>
</tr>
<tr>
<td>Airports Operators</td>
<td>59</td>
<td>59</td>
<td>52</td>
<td>49</td>
<td>5</td>
</tr>
<tr>
<td>Independent Ground and Cargo Handlers</td>
<td>24</td>
<td>25</td>
<td>33</td>
<td>39</td>
<td>57</td>
</tr>
</tbody>
</table>

Outsourcing drivers

- Airport deregulation opening market to independent handlers
  - up to 15-25% cost decrease

- Address costs from non core activities
  - GH costs being one of the key addressable cost elements for airlines (3-11% of operating revenue)

- New entrants with cost advantages compared to incumbents
  - More focus on workforce cost effectiveness

- Operations less critical and less complex for airlines and easier to outsource

- Until recently, airlines were reluctant to outsource large hub operations
  - Airlines reluctant to put at risk their flagship airports in terms of safety, efficiency, quality
  - Higher complexity at bigger airports

- However partial outsourcing at large hubs or full outsourcing in mid-sized hubs is growing

1. Hypothesis: 40% of outsourced GH in hubs, 60% in secondary hubs and 80% in spoke stations in 2018-2022, mix 20-80 for the rest between airport operators and airlines; mostly driven by secondary hubs

Source: Respective Airline 2008 Financials, Interviews, BCG analyses
### Industry dynamics – strong fundamentals

<table>
<thead>
<tr>
<th><strong>GROWTH</strong></th>
<th></th>
</tr>
</thead>
</table>
| Air traffic volume growth | • Long term growth expected to be c5%pa for passenger & cargo  
• Total distance travelled by air expected to double every 15 years |

<table>
<thead>
<tr>
<th><strong>INDEPENDENT PLAYERS</strong></th>
<th></th>
</tr>
</thead>
</table>
| Liberalisation and outsourcing | • Independent handlers continue to strengthen their position  
• Competitive pressures drive airlines to out-source ground operations  
• Independent players market share forecast to rise significantly |
| Development of low cost carriers | • Low cost carriers aggressively gaining market share  
• Low cost model is to out-source ground operations |

<table>
<thead>
<tr>
<th><strong>COMPETITION</strong></th>
<th></th>
</tr>
</thead>
</table>
| High barriers to entry | • Security, training, certifications, initial investment, reputation, ISAGO  
• Insurance – significant cover levels required |
| Consolidation | • Airlines favour international players with consistent service delivery  
• Financial issues point to further consolidation – best will win out |

Source: Boeing CMO 2012 – 2031 & Airport Airside Services – Aug 2011
Low Cost Carriers (LCC’s)

- Menzies Aviation is the world’s No1 handler of LCC’s
- Based on fleet orders LCC’s are the fastest growing aviation market
- Good opportunities with existing and potential customers

Source: ACAS; Flightglobal Pro Database. Data as at October 2013
Growth – managing our risk profile

Structured, targeted approach

Macro Risk
- Country
- Labour
- Competition
- Customer
- Operational

Micro Risk
- GDP profile
- Political environment / stability
- Flexibility of labour market
- Available labour
- Less than three handlers
- Size/scale of competition
- Anchor customer with +4k turns
- Attractive airline profile
- Airport infrastructure
- Available licence

Outcome
- Profitable station + Platform for growth
Structured growth model – in practice

- **New Country**
  - Namibia – Entry into new country with well known customer
  - Acquisition in Colombia bringing entry into new region and with new customers

- **New Airport**
  - Mexico – entry into several new airports
  - Australia – Darwin
    - Significant anchor customer at new airport

- **Existing Airport**
  - UK – Manchester
    - Existing customer added to existing location
  - UK – Edinburgh
    - New customer added to existing location

**Customers**

- **Existing**
- **New**
Appendix 2

Additional financial information
## Profit before tax reconciliation

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£m</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td>53.1</td>
<td>54.5</td>
</tr>
<tr>
<td>Non recurring items in operating profit</td>
<td>(0.7)</td>
<td>(18.4)</td>
</tr>
<tr>
<td>Non recurring items in finance costs</td>
<td>(0.7)</td>
<td>-</td>
</tr>
<tr>
<td>JV’s and Associates tax</td>
<td>(1.6)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Contract amortisation</td>
<td>(6.6)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(1.4)</td>
<td>(1.8)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>42.1</td>
<td>28.1</td>
</tr>
</tbody>
</table>

*2012 re-stated for IAS19R
## Free Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012*</td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>60.1</td>
<td>61.0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>19.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Dividends from JV’s and Associates</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Working capital movement</td>
<td>(13.0)</td>
<td>(17.9)</td>
</tr>
<tr>
<td>Net pension movement</td>
<td>0.7</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Other non cash items</td>
<td>(3.3)</td>
<td>(2.6)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>68.3</td>
<td>64.3</td>
</tr>
<tr>
<td>Tax</td>
<td>(10.1)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Net capex</td>
<td>(20.9)</td>
<td>(15.9)</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(4.7)</td>
<td>(4.2)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>32.6</td>
<td>34.7</td>
</tr>
</tbody>
</table>

*2012 re-stated for IAS19R
<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free cash flow</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td>(15.9)</td>
<td>(15.3)</td>
</tr>
<tr>
<td>Acquisitions and investments</td>
<td>(12.7)</td>
<td>(14.9)</td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td></td>
<td>(4.0)</td>
<td>(10.0)</td>
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<tr>
<td>Additional pension payment</td>
<td>(10.4)</td>
<td>(6.5)</td>
<td></td>
</tr>
<tr>
<td>Net spend on shares</td>
<td></td>
<td>(1.8)</td>
<td>(3.0)</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td></td>
<td>(12.2)</td>
<td>(15.0)</td>
</tr>
<tr>
<td><strong>Net debt at start of year</strong></td>
<td></td>
<td>(93.0)</td>
<td>(80.1)</td>
</tr>
<tr>
<td>Currency translation</td>
<td></td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Net debt at end of the year</strong></td>
<td></td>
<td>(103.5)</td>
<td>(93.0)</td>
</tr>
</tbody>
</table>

*2012 re-stated for IAS19R
### Key foreign exchange rates

<table>
<thead>
<tr>
<th>Currency</th>
<th>2013 Actual average rate</th>
<th>2014 Rate @ 28 Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Dollars</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Euro</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Indian Rupee</td>
<td>91.8</td>
<td>103.9</td>
</tr>
<tr>
<td>US Dollar</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>South African Rand</td>
<td>15.1</td>
<td>18.0</td>
</tr>
</tbody>
</table>
Appendix 3
Further information
Menzies Aviation services

**Ground handling**
- Check-in & boarding
- Baggage, ramp handling and de-icing
- Cleaning
- Lounges
- Other passenger services

63% of total revenue

**Cargo handling**
- Build & break
- Roll-through
- Trucking (airside & landside)
- Manpower provision
- Documentation processing

21% of total revenue

**Cargo forwarding**
- World’s largest wholesale freight forwarder
- Air freight & express
- Support major passenger carriers as well as freighters
- £103m spend in 2013

16% of total revenue
Menzies Aviation network

144 stations
31 countries
6 continents
19,500 employees
500 airlines
77m passengers
1.5m tonnes of cargo
1.0m aircraft turns
Our underlying strength – customers

Through our customer base

- Deliberate focus on “attractive airlines”
- Top 10 account for 39% of revenue
- Leverage strong customer relationships as we grow

Good spread of “attractive” customers
Our underlying strength – geography

Through our geographical spread

- No over reliance on one geography
- Geographical split allows creation of regional densities
- International presence increasingly important

Resilient set of geographies
Core distribution network

Newspaper & Magazine Wholesale

- 4.7m Newspapers EVERY DAY
- 2.0m Magazines EVERY DAY
- 3,800 Employees
- 25,000 Customers EVERY DAY
- 10 Hub branches

[Map of distribution network showing coverage across the UK and Ireland]