People Powering Performance
Group Highlights & Financial Overview

Paula Bell, Group Finance Director
Group overview

Performance
Delivering against our strategy
Aviation growth on track
Distribution reacting to difficult markets

Acquisitive growth
Orbital Marketing Services delivering expected returns
Aviation invests for growth with two acquisitions
- Consolidation play in Australia & New Zealand
- Strategic entry into Latin America

Financial stability
Strong balance sheet
Robust platform for growth
Increase in interim dividend reflects future confidence

On track to deliver second half progress
## Financial overview

<table>
<thead>
<tr>
<th></th>
<th>H1 2013</th>
<th>H1 2012</th>
<th>FY 2012</th>
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<tr>
<td><strong>Turnover</strong></td>
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<td>988.4</td>
<td>1,996.8</td>
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<td>26.1</td>
<td>27.0</td>
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<td><strong>External interest</strong></td>
<td>(2.1)</td>
<td>(2.0)</td>
<td>(3.8)</td>
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<td><strong>Total interest</strong></td>
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<td>(3.5)</td>
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<td><strong>Underlying profit before tax</strong></td>
<td>22.8</td>
<td>23.5</td>
<td>54.5</td>
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<td><strong>Profit before tax</strong></td>
<td>18.4</td>
<td>16.4</td>
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<td><strong>Basic EPS</strong></td>
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<td><strong>Underlying EPS</strong></td>
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<td><strong>Dividend</strong></td>
<td>7.7p</td>
<td>7.35p</td>
<td>25.2p</td>
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Note: “Underlying operating profit” reflects the changes as a result of IAS19R, as detailed on slide 5. “Pensions interest” reflects the changes as a result of IAS 19R, as detailed in the Appendices on slide 38.
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<td>15.5</td>
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## Menzies Aviation – Overview

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<th>Change</th>
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<td>Turnover (incl. JVs &amp; Assoc.)</td>
<td>361.3</td>
<td>340.2</td>
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<td>14.1</td>
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<td>Operating margin %</td>
<td>4.3%</td>
<td>4.1%</td>
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### Financial Review

- **Turnover (incl. JVs & Assoc.)**
  - H1 2013: £361.3m
  - H1 2012: £340.2m
  - Change: +6%

- **Underlying operating profit**
  - H1 2013: £15.5m
  - H1 2012: £14.1m
  - Change: +10%

- **Operating margin %**
  - H1 2013: 4.3%
  - H1 2012: 4.1%

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### Momentum continues

![Graph showing financial performance](image-url)
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<td>Operating margin %</td>
<td>1.9%</td>
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### Challenging first half

![Bar chart showing financial performance](chart.png)
Cash flow and net debt

Opening net debt

Operating cash flow

Tax and interest

Capex

Dividends

Acquisitions, Investments & exceptionals

Pension & shares

FX on cash & debt

Closing net debt

H1 2013

H1 2012

Strong operating cashflow
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<td>Net assets</td>
<td>92.4</td>
<td>72.5</td>
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Aviation overview

Highlights

- Positive progress made against subdued global economy
- Benefits from cargo closures delivered
- Continued top line momentum through contract wins and renewals
- Some yield sacrifice partially offset by productivity
- Overall EBIT margin up to 4.3%
- Growth strategy being executed with two acquisitions announced
  - consolidation play in Australia and NZ
  - strategic entry in to Latin America

Overall performance in line with expectation

Revenue

£361.3m  +6.0%

Operating profit

£15.5m  +10.0%

Investing for growth

£14.1m invested in two acquisitions
Building market share continues

- Now represents 63% of Aviation turnover
- Turns: absolute 9.1% LFL 2.0%
- Contracts:
  - 36 net wins adding £10m revenue
  - 43 renewed securing £26m revenue
- Continued focus on yield and productivity
- Operating profit maintained at £9.3m

Turns performance year on year

Turns momentum

CAGR 10%

Short term profit constraint, significant opportunities to grow
Refocused portfolio

- Operating profit up 24% to £4.6m, margin 6%
- Now represents 21% of Aviation turnover
- Weak GDP & shed closures
- Tonnes: absolute ↓ 14.5%  LFL ↓ 2.6%
- 12 contract renewals £17m

Continued success

- Operating profit up £0.6m to £1.6m
- Growth from leveraging global platform
- New operations opened in India
- Deepening relationships with key airlines

New formula successfully applied
New contracts and renewals

Contract gains and losses

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<th>2010 H1</th>
<th>2010 H2</th>
<th>2011 H1</th>
<th>2011 H2</th>
<th>2012 H1</th>
<th>2012 H2</th>
<th>2013 H1</th>
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Contract Renewals
Renewed revenue £43.2m

- CH: 17.4
- GH: 25.8

Net Contract Gains
Additional revenue £10.1m

- CH: 14.4
- GH: (4.4)

Good win and renewal track record
Customer penetration update

Formidable track record building customer trust
Our ‘rifle shot’ growth plan

Top 50 new attractive stations

Available turns

NORTH AMERICA

UNITED KINGDOM

EUROPE

LATIN AMERICA

AFRICA / INDIA / ME

OCEANIA / SE ASIA

Other customers
Anchor customers
Completed/pursuing

Actively pursuing our top targets
Summary

- Consideration of £7.7m
- 4th largest independent handler in region
  - 17,000 turns, 340 staff
- Key consolidation play in Australia and NZ
- 8 ground handling stations – incl. 6 new
  - Perth (target station) & 5 regional
  - strengthens 2 existing stations in NZ
- Customers
  - low cost anchor (Jetstar & QantasLink)
  - complements our international platform
  - deepens Qantas relationship
- Further expansion opportunities

Attractive acquisition in successful existing market
Consideration of £6.4m

Second largest player in market
- 60,000 turns, 50,000 tonnes

Ground handling in 5 stations
- 3 target stations + 2 regional stations
- potential growth from new low cost entrants plus increase in US airlines

Cargo handling in Bogota
- Attractive market dynamics
- strong export market
  - coffee, flowers, emeralds

Customers
- regional anchors (COPA & LAN)

4th largest economy in Latin America

Exciting expansion into new market and region
Summary

Continued growth

- 10% profit increase
- Refocus of cargo delivering bottom line improvement
- Competitive pressures impacting margin
- Enviable contract renewal and win track record

Growth strategy

- Targeted growth strategy working
- Focus on attractive customer airlines and attractive stations
- Two targeted acquisitions delivered
- Actively pursuing “rifle-shot” new station opportunities

Good performance with continued strong growth prospects
Highlights

- Expected tough trading conditions
- Contract renewal process progressing well
- Track record in delivering cost reductions
- Additional cost actions identified
- Integration of Orbital on track
  - Growth opportunities identified

Operating profit

£11.8m

Contract Renewals

60% complete

Orbital integration

Delivering expected returns

Full year expectations remain on track
Core product categories

Newspapers

- Increase in volume declines
- Significant cover price increases

Magazines

- Title closures
  - AutoTrader, More, Easy Living
- Celebrity sector badly affected by volume decline

Newspapers continue to benefit from cover price appreciation
Top Customers

Securing the core

- Good progress made
- 60% of revenue secured through to 2019
- Negotiations underway with others
- Provides stable platform

Contract security provides stable platform
Continuous Improvement

- **2010**: £3.5m
- **2011**: £4.6m
- **2012**: £4.9m
- **2013**: £4.0m
- **2014**: £3.0m
- **2015**: £3.0m

**£10m Cost savings targeted**

**£13m Cost savings delivered**

**Operational efficiencies**

**Network rationalisation**

**SAP implementation**

**Headcount reduction**

Continuous improvement through innovation
Volume levels in line with predictions
Delivery being integrated into core network
Now live in:
- London, Kent, East Anglia, NW England

On track to deliver £1m synergies
Combined footprint offers new opportunities
  - potential for national distribution

Synergy delivery on track – opportunities to grow
Summary

Dealing with challenges

Managing declining markets

Diversification businesses gain traction
  - Orbital synergies on track

Further cost actions being implemented to deliver H2

Strategic target

Securing the core
  - Complete remaining contract renewals
  - Deliver further operational efficiencies

Grow diversification ventures
  - Leverage Orbital opportunities
  - Explore national distribution capabilities

Progress made – more to do
Summary & Outlook
Paula Bell, Group Finance Director
<table>
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<th>Summary</th>
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<td><strong>Consistent strategy</strong></td>
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<td><strong>Outlook</strong></td>
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**Strong growth prospects**
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
- £97m spend in 2012

16% of total revenue
Menzies Aviation network

- 144 stations
- 30 countries
- 6 continents
- 500 airlines
- 20,500 employees
- 77m passengers
- 1.6m tonnes of cargo
- 1.0m aircraft turns
Our longer term ambition

**Available Ground Handling Market**

31 Million Turns 2012

- Self Handled: 72.1%
- Outsourced (excl MA): 27.9%

46 Million Turns 2020

- Self Handled: 58%
- Outsourced: 42%

**Approximate Revenue**

- 2012: £26bn
- 2020: £36bn

**Growth over the next 8 years:**

- Market Growth 5%

**Shape of Menzies Aviation in 2020:**

- Revenue £2bn, EBIT £100m
- 40 countries & 250 stations

*Source: OAG of handling market (2011), Boeing Current market outlook*
Core distribution network

Newspaper & Magazine Wholesale

- 14 Hub branches
- 3,700 Employees
- 4.7m Newspapers EVERY DAY
- 2.0m Magazines EVERY DAY
- 25,000 Customers EVERY DAY
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<td>1.7</td>
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<td><strong>Net debt at start of period</strong></td>
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<td><strong>(107.5)</strong></td>
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<td>Ground handling</td>
<td>226.0</td>
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<td><strong>Total</strong></td>
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<td><strong>Total</strong></td>
<td>15.5</td>
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### IAS 19R changes

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