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MENZIES GROUP AND LUFTHANSA FORM CARGO HANDLING JOINT VENTURE

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John Menzies plc ("Menzies") and Lufthansa Airport and Ground Services ("LAGS") will be forming a joint venture, London Cargo Centre ("LCC"), to acquire and operate Lufthansa Cargo AG's ("Lufthansa") cargo terminal at Heathrow.

Lufthansa Cargo is one of the world's leading cargo airlines and is one of the largest cargo handlers at Heathrow airport. In addition to servicing its own flights, Lufthansa also provides cargo handling services for Cathay Pacific, Thai Airways, and South African Airways. Menzies, through its subsidiary Concorde Express, is a leading independent provider of cargo handling and airside trucking services to airlines at Heathrow. LCC, which is expected to commence operations in April 1998, will have a five year contract to handle all Lufthansa's Heathrow cargo.

David Mackay, Chief Executive of John Menzies, said: "I am delighted to announce details of the proposed establishment of the London Cargo Centre, a joint venture with LAGS which will take over and run Lufthansa's cargo terminal at Heathrow. LAGS and Menzies will seek to expand into other joint venture handling projects. This is a tremendous opportunity for Menzies and one which firmly establishes our Menzies Transport Services business as a major UK airport services operator. We look forward to working closely with Lufthansa and LAGS in the years ahead."

Menzies will have a 50 per cent interest in LCC and will appoint the first Chairman and Finance Director. LAGS will appoint the first Managing Director. The business will be managed as a joint venture partnership.

Lufthansa's cargo terminal is close to Menzies' existing cargo facility, and together they will constitute the second largest cargo handling operation at Heathrow. With handling capacity of over 130,000 tonnes and 20,000 flights per year, LCC will employ 260 staff and operate from a 150,000 sq.ft. transit shed.

LCC is expected to have an initial annual turnover of around £13m and to be profitable at the operating level in its first year.

The consideration for the business will be £21.2m payable in cash, and will be split on a 50:50 basis between Menzies and LAGS and staged over six years. The £21.2m will be applied in acquiring net assets from Lufthansa of the same value.

The agreement, which is subject to European Union approval, is expected to be completed within the next two weeks.