

08 September 2000

## Chairman's Statement to the 2000 Annual General Meeting

During the three month period since the year end on 6th May 2000, the Group's trading performance has been in line with the Board's expectations.

Menzies Wholesale has increased sales on last year, although magazine growth slowed, reflecting a reduction in the number of new titles and a fall in the women's weekly market. This growth has nonetheless offset the decline in newspaper volumes which continued despite extensive promotional activity in this area.

The intention of Tesco to appoint a single wholesaler for its UK magazine supply continues to create tension in the industry. Independent reports have highlighted the adverse implications that this would have on the existing news network. However, I should emphasise that we have long term contracts in place with the majority of publishers which we are fully committed to honouring. These suppliers have also assured us that they intend to do likewise.

Menzies Aviation Group's reorganisation into three Divisions, Cargo Handling, Passenger and Ramp Handling Services, and Support Services, has enabled management to capitalise on recent organic growth, acquisitions and business start-ups. Further opportunities continue to arise and the outlook for Menzies Aviation Group remains most encouraging.

The acquisition of Ogden Ground Services ("OGS"), the ground handling activities of Ogden Aviation Services, provides a unique opening to propel Menzies Aviation Group into the forefront of the industry internationally, and will provide a strong platform for further growth. Completion is expected around the end of September. Our dedicated integration team has now met with virtually all OGS management and visited the majority of locations. We have also separately met with all of the key international partners of OGS.

We are confident that the acquisition of OGS will enable Menzies Aviation Group to capitalise on the many opportunities offered in an industry which is consolidating globally and at the same time subject to market deregulation and liberalisation.

THE Games has continued to perform well, with Gameboy product sales well ahead of last year, due to the benefit of the Pokemon phenomenon. While the decline of the N64 has continued, the release of certain long awaited titles and launch of Pokemon on the console has assisted this format.

Our contract with Nintendo ends in December this year and we are currently in active discussions about renewal. We remain determined to ensure that any renewal will reduce the Group's exposure to the volatility of this market.

Early Learning Centre's turnaround continues in a highly competitive retail toy market. Turnover through all channels has increased by 2 per cent in the year to date. We believe that the business will return to profit in the current year, although it remains reliant on the Autumn/Winter season.

Overall, the Group is performing to the Board's expectations, confirming our belief that our strategy will deliver sustainable growth in shareholder value."