

Regulatory Announcements

15 May 2008

Interim Management Statement

JOHN MENZIES PLC today announces its Interim Management Statement for the period from 30 December 2007 to 14 May 2008.

Despite challenging economic conditions both businesses in the **GROUP** continue to trade in line with expectations.

MENZIES AVIATION has had a satisfactory start to the year with trading overall in line with our expectations.

This year we have undertaken major start-ups in South Africa and India. In South Africa, we have successfully commenced operations at six airports providing ground handling services to 41 airlines. We have secured more contracts than expected, and as a result have incurred a higher level of start-up costs which are reducing short term profitability. However the division is well placed in this region going forward. In India, the opening of Bengaluru Airport, Bangalore has been delayed but we started ground and cargo handling operations at Rajiv Gandhi Airport, Hyderabad in late March. India is an exciting market and we look forward to the opening in Bangalore and exploring other opportunities within the region.

In the USA whilst cargo volumes are broadly flat in Quarter 1, we expect these to soften over the rest of the year and we are experiencing yield pressure from airlines. In addition we are facing some cost pressures particularly in Chicago as we transition to a new facility and, as a result, we expect the results from the USA to be below our expectations.

The excellent contract gain performance highlighted in the preliminary results announcement has continued with new contracts gained across the network from jetBlue, Delta, Sterling, easyJet, British Airways, Aer Lingus and Pacific Blue. The increased level of start-up costs year on year will have a negative effect on first half earnings, however the related contract gains will have a positive contribution for the year as a whole.

Acquisitions made since the year end are performing well. The acquisition of Novia Sverige AB, a ground handling business, continues our expansion in Scandinavia and supports our plans to create regional density. From a standing start in November 2007 we are now the major independent ground handler in the region. The acquisition of MMA Consolidators Pty in South Africa was strategically key for our AMI business and airfreight wholesaling is a distinct product for the division. AMI is now the world's largest trade-only airfreight wholesaler. ACR, a cargo business operating at Johannesburg, Cape Town, Durban and Port Elizabeth acquired in January is trading well and is complementing our ground handling business as we look to expand our product offerings to airlines in the region.

In addition, we disposed of our joint venture interests in Peru. We enjoyed a profitable partnership in Peru but believed the time was right to exit the market in light of the changing local business environment and our partner's desire to diversify away from the core aviation services market. This will result in an exceptional gain in the year.

Rapidly increasing oil prices are putting many of our airline customers under pressure and the market place is challenging. The division, with its industry-leading management team and clear strategy, continues to keep a close eye on costs and is driving the business forward. The team are focussed on pursuing their strategy of targeting attractive airlines in attractive markets, whilst driving forward the benefits of regional densities.

MENZIES DISTRIBUTION is continuing on its stable path and the business is performing in line with our expectations.

The division continues to drive its cost base hard, new initiatives are being implemented and are already starting to deliver benefits.

The magazine market remains challenging. Overall volumes continue to decline with weeklies being broadly flat and monthlies continuing to decline year on year.

Newspapers have performed well, particularly the quality Monday to Friday category, with strong cover price growth more than offsetting any volume decline.

Our joint venture with Eason & Son in the Republic of Ireland started in January. The expansion into the Republic has long been a strategic goal and we are delighted to finally enter this new market.

Our pursuit of new revenue streams is progressing well. We have targeted the regional press market and were delighted to secure the business of Newsquest North East.

D-Cipher, our retail category management service business, continues to prosper and we are confident of adding customers to our current successful relationships with Boots, Marks and Spencer, Eason and Musgrave.

Menzies Digital, a virtual wholesaling venture, launched successfully in April at www.magazinesondemand.co.uk. We have had great publisher support and have secured WH Smith Retail as our launch partner. In the coming months we look forward to adding more customers to bolster this small but exciting venture.

The cash generative nature of this division helps the growth of our Aviation division as well as supporting the strong financial position of the Group.

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