



Preliminary Full Year Results

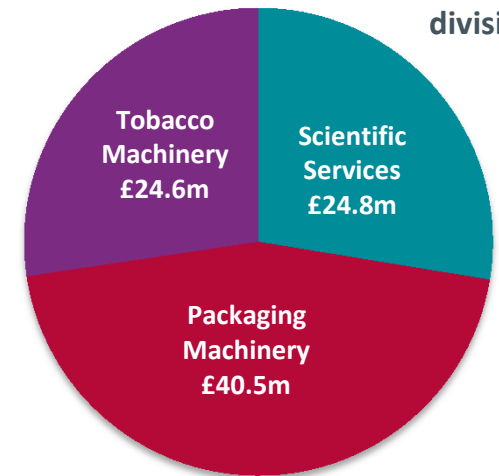
Year to 31 December 2014



The Business

- Well-established international specialist technology and services group
 - high performance instrumentation, machinery and analytical services
 - market-leading expertise
 - reputation for high service levels
- Three core areas of operation
 - Scientific Services
 - Packaging Machinery
 - Tobacco Machinery
- International presence – 90% of sales are non-UK
- Main sectors of focus are nutrition, beverages, healthcare, pharmaceutical & tobacco

2014 sales by division



2014 sales by destination



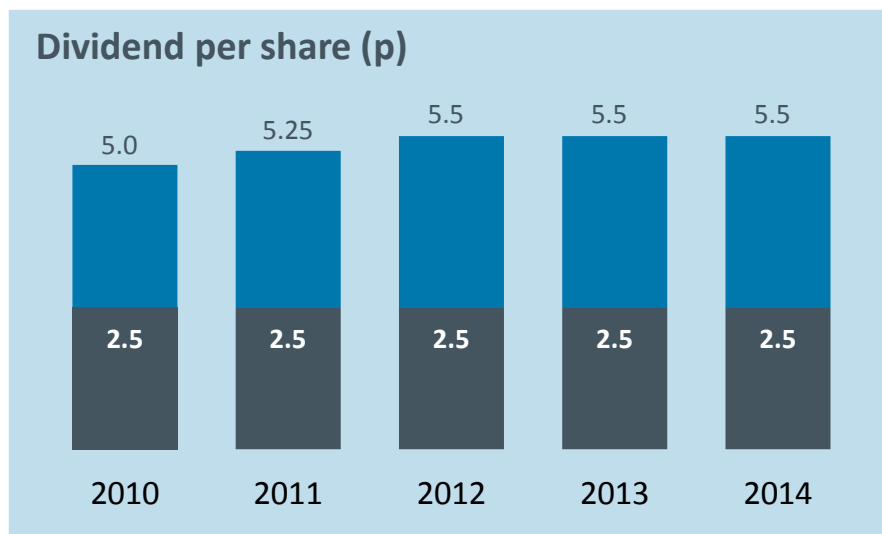
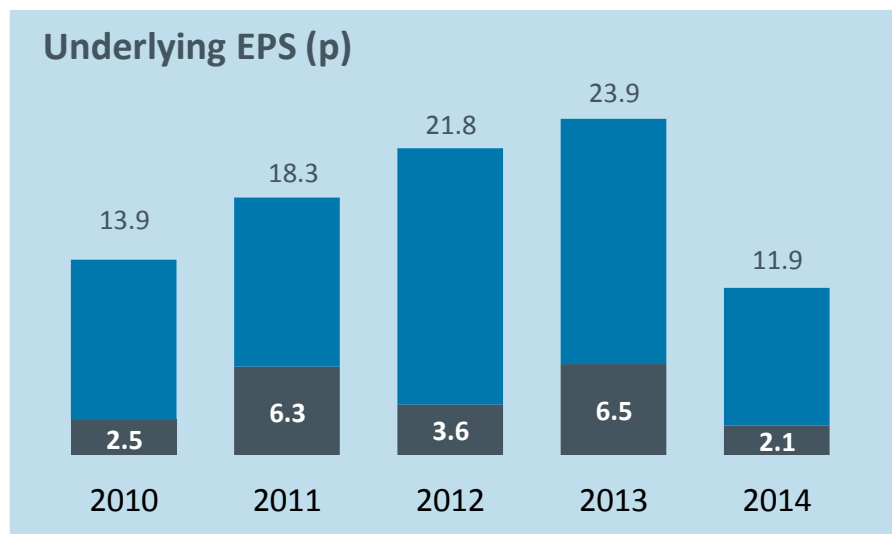
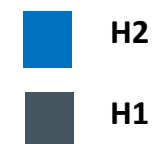
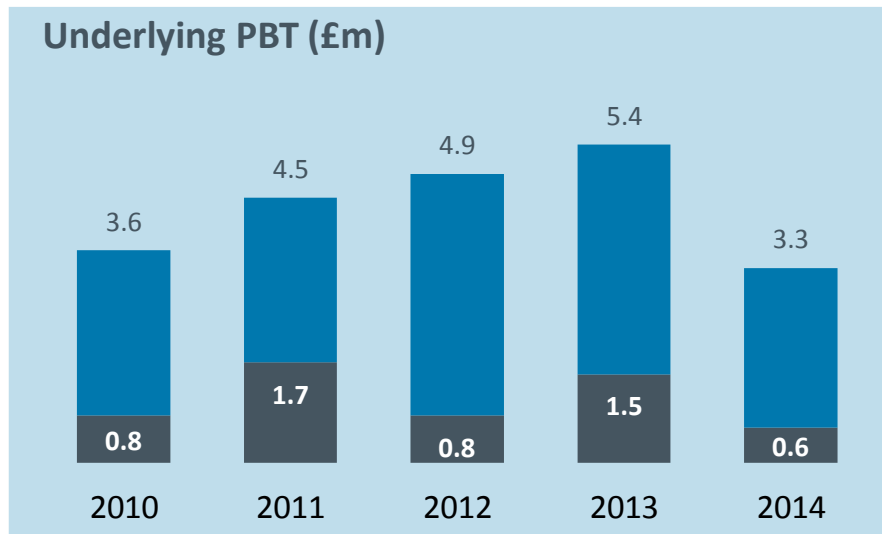
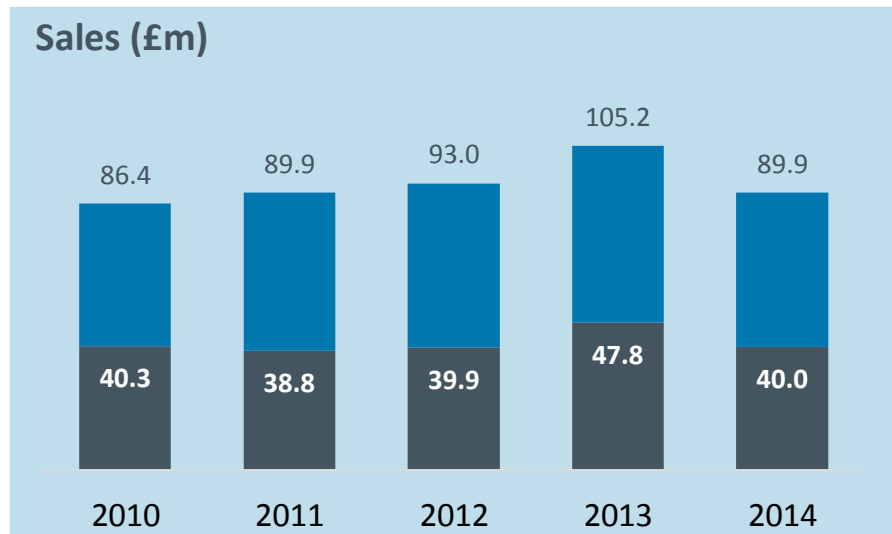
Results: Operational Key Points

- Results in line with market expectations
- Improved profitability in both the Scientific Services and Packaging Machinery divisions
- Tobacco Machinery impacted by geopolitical environment and weak market conditions
- Continuing product development across the divisions
- Analytical services business in USA continues to be hampered by ongoing delays in the introduction of tobacco testing requirements, resulting in a strategic review of options
- Shares admitted to trading on AIM in June 2014
- Order book at the start of the year is encouraging, but with significant second half weighting of performance expected

Results: Financial Key Points

- Sales of £89.9m (2013: £105.2m)
- Underlying PBT of £3.3m (2013: £5.4)
- Underlying EPS of 11.9p (2013: 23.9p)
- Net debt of £2.1m (Dec 2013: £5.2m net funds)
- Proposed final dividend of 3.0p per share, taking total to 5.5p per share (2013: 5.5p)

Financial Results



Financial Review: Income Statement

	2014 £m	2013 £m
Sales	89.9	105.2
Underlying operating profit*	3.4	5.5
Non-underlying items	(2.8)	(0.9)
Operating profit	0.6	4.6
Net interest expense	(0.3)	(0.8)
Profit before tax	0.3	3.8
Taxation	(0.6)	(0.3)
(Loss)/profit for the period	(0.3)	3.5
Underlying EPS*	11.9p	23.9p
Basic EPS	(1.3)p	18.0p

- Sales affected mainly by challenges in the tobacco sector (Tobacco Machinery sales down by £9.8m) and strength of sterling (reduced reported sales by £4.0m)
- Commensurate reduction in underlying operating profit
- Non-underlying items include pension administration costs (£0.9m), reorganisation costs (£0.5m) and goodwill impairment in respect of analytical services business (£1.6m)
- Net interest is mainly pensions related (£0.2m; treated as non-underlying)
- Taxation rate of 31% on underlying profits (2013: 14%)

* Before non-underlying items

Financial Review: Cash Flows

	2014 £m	2013 £m
Cash flows from operating activities	(0.5)	4.1
Cash flows from investing activities	(4.8)	(4.4)
Cash flows from financing activities	(1.5)	(1.6)
Net cash flows	(6.8)	(1.9)
Opening net funds	5.2	7.4
Exchange	(0.5)	(0.3)
Closing net (debt)/funds	(2.1)	5.2

- Cash flows from operating activities:
 - £3.7m working capital increase reflecting lower customer deposits and trade creditors (due to high level of sales in last part of the previous year)
 - £1.8m pension deficit payments (2013: £1.5m)
 - £1.0m tax paid (2013: £1.0m)
- Cash flows from investing activities includes:
 - £1.9m net capital expenditure (2013: £2.4m)
 - £3.1m product development expenditure (2013: £2.2m), reflecting activity in all three divisions
- Cash flows from financing activities includes:
 - £1.1m dividends paid (2013: £1.1m)

Financial Review: Balance Sheet

Net assets		2014 £m	2013 £m
Intangible assets:	Goodwill	8.6	10.0
	Product development	7.1	5.2
Property, plant & equipment		12.1	12.0
Net working capital (exc. pensions & tax)		14.6	11.7
Pension schemes (after tax)		(15.2)	(3.9)
Current & deferred tax (exc. pensions)		0.8	0.3
Net (debt)/funds		(2.1)	5.2
Equity		25.9	40.5
Net assets per share		128p	201p

- Goodwill comprises amounts in respect of Scientific Services businesses (Cerulean £7.3m and Arista £1.3m after impairment of £1.6m in year)
- Property, plant and equipment includes £0.8m of investment property
- Tax balance includes £0.2m (2013: £1.2m) of current tax payable
- Main equity movements in period include £11.9m of actuarial losses (net of tax), £1.3m of translation losses and dividends paid of £1.1m

Divisional Trading Results

Sales	2014 £m	2013 £m
Scientific Services	24.8	26.5
Packaging Machinery	40.5	44.3
Tobacco Machinery	24.6	34.4
Total	89.9	105.2
Underlying operating profit/(loss)*		
Scientific Services	1.8	1.1
Packaging Machinery	1.8	1.5
Tobacco Machinery	(0.2)	2.9
Total	3.4	5.5

* Before non-underlying items

Scientific Services: Business Overview

Quality & Process Control Instrumentation

- Market-leading testing/measuring instrumentation and machines
 - quality control instrumentation and smoke capture machines
 - carton testing, air sampling, pack seal testing
- International sales & service operations – based in UK, USA, China & India

Smoke & Tobacco Testing Services

- Leading smoke and tobacco constituent testing laboratory
- Fully equipped laboratory in Virginia, USA



Customers include

- Tobacco: Altria, British American Tobacco, China National Tobacco Corp, Eastern Tobacco, Imperial Tobacco, Japan Tobacco, Philip Morris International, independent and state-owned manufacturers
- Non-tobacco: Unilever, Procter & Gamble, Colgate, Ecolabs

Scientific Services: Operating Performance

	2014	2013
Sales	£24.8m	£26.5m
Operating profit*	£1.8m	£1.1m
Return on sales*	7.2%	4.2%

* Before reorganisation costs of £0.1m (2013: £0.1m)

Quality & Process Control Instrumentation

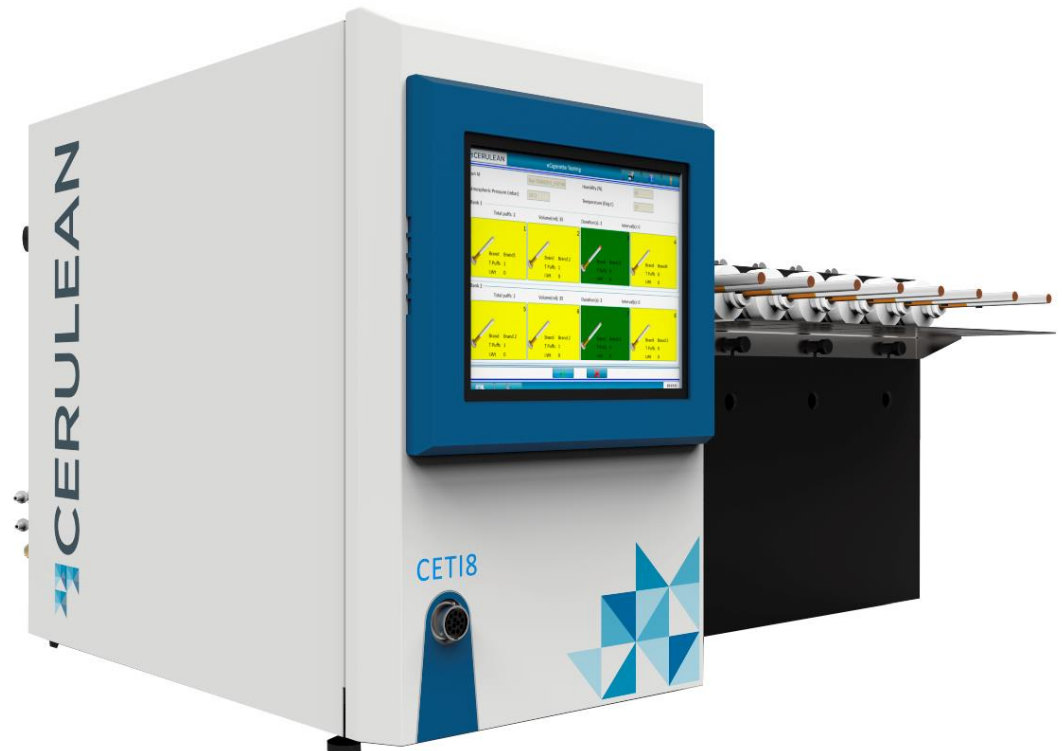
- Sales strong but marginally down on previous year which benefited from large one-off project
- Demand for aftermarket products contributed 30% of sales
- Launch of e-cigarette testing instrument with strong market interest
- Technical innovation led to sales of specialised instruments
- Favourable product mix led to improved margins

Smoke & Tobacco Testing Services

- Lower sales, with no new regulatory testing requirements in USA; reduced costs led to slightly improved trading position
- FDA changed prospective date for an announcement in respect of testing requirements for sixth and seventh time since 2012
- Strategic review of business expected to be concluded in first half of 2015

Scientific Services: New Products

- E-cigarette testing machine
 - allows e-cigarette manufacturers to verify product designs and ensure compliance with market regulations as they develop
 - enables segregated testing of e-cigarettes, avoiding risk of contamination from tobacco products
- Lower capital costs than standard smoke capture machines
- Positive response from the market



Packaging Machinery: Business Overview

- Leading supplier of complex high-speed packaging & processing equipment and technical consultancy
- Innovative technology tailored for specific niches within the following sectors
 - nutrition
 - beverages
 - healthcare
 - pharmaceutical
 - tobacco
- Key supplier to a number of leading FMCG and pharmaceutical multinationals
- Global presence with locations in UK, Netherlands, Canada and Singapore
 - increasing activity in emerging markets



Packaging Machinery: Operating Performance

	2014	2013
Sales	£40.5m	£44.3m
Operating profit	£1.8m	£1.5m
Return on sales	4.4%	3.4%

- Order intake increased by more than 20% in local currencies, with Asian region contributing strongly
- Sales in local currencies broadly flat
- Margins improved with strategy of introducing more standardised range of machines contributing to performance
 - improvement diluted by under-utilisation of resources in early part of year
- Growth in aftermarket targeted through concentration on key product applications
- “Hygienic” variants of standard machines well received by the market
- Strong order book entering 2015 and well placed to continue to progress

Packaging Machinery: New Products

- New Vento high-speed cartoning machine
- Incorporates a range of hygienic design features that reduce the risk of microbial contamination
- Strong interest from a number of current and prospective customers
- First orders delivered



Tobacco Machinery: Business Overview

- Major supplier of machinery and aftermarket services to tobacco industry worldwide
- Global presence – UK, USA, Brazil, Singapore, Czech Republic, Russia & Egypt
- Fully developed lower cost supply chain, with manufacturing facilities in Czech Republic and Brazil
- Central product development and logistics functions in the UK
- Customers include
 - Altria
 - British American Tobacco
 - China National Tobacco Corp
 - Eastern Tobacco
 - Imperial Tobacco
 - Japan Tobacco
 - Philip Morris International
 - Independent and state-owned manufacturers



Tobacco Machinery: Operating Performance

	2014	2013
Sales	£24.6m	£34.4m
Operating (loss)/profit*	£(0.2)m	£2.9m
Return on sales*	(0.8)%	8.4%

* Before reorganisation costs of £0.4m (2013: £nil)

- Trading conditions toughened after promising start to year
 - mix of geopolitical issues and widespread market slowdown
- Performance affected by reduced order demand and aftermarket activity
 - termination of order from the Middle East (received in 2012) which was expected to trade in the year
- Competitive pricing pressures experienced
- Costs reduced, with 8% reduction in number of employees
- No material improvement in market conditions expected in short-term, but development of Alto cigarette-making machine and cigarette-packing machine expected to have positive impact on activity in medium term

Tobacco Machinery: New Products

- Alto - 10,000 cigarettes per minute making machine – field trial expected to conclude in Q1 2015
- Incorporates new wider tobacco hopper and gentler product handling features leading to reduced tobacco degradation
- Initial market interest positive



Summary & Outlook

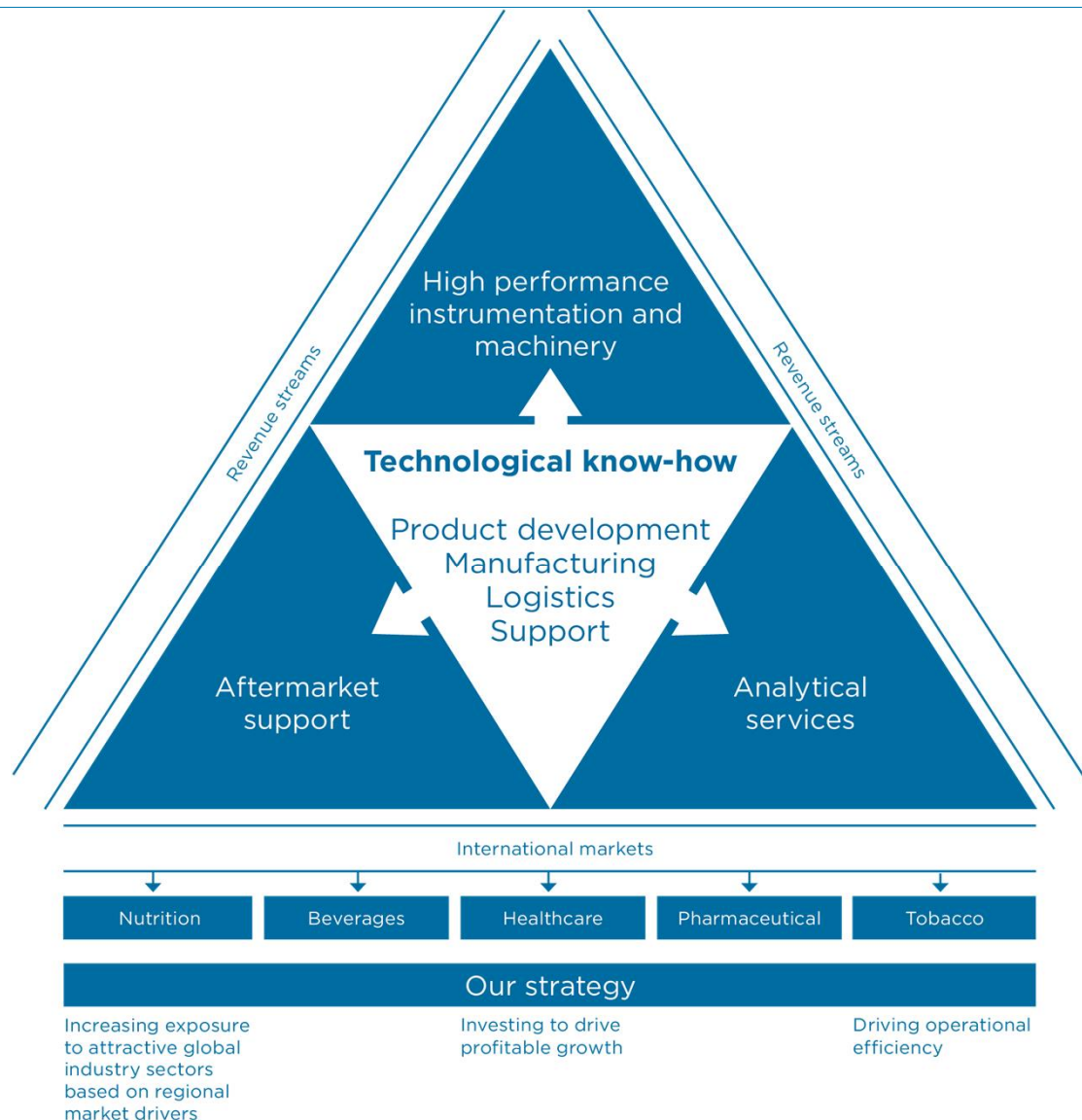
- Performance in line with market expectations
- Challenges in tobacco machinery market and strategic review of analytical services business underway
- Improved profitability in both Scientific Services and Packaging Machinery
- Acquisition opportunities being sought
- Good progress with product development in all three divisions
- Entered 2015 with a strong order book in Packaging Machinery and division is well placed to progress
- Overall, order book at the start of the year is encouraging; as in previous years, we expect to see a significant weighting of performance in the second half of the year

Supplementary Information



Business Overview: Business Model

We apply our technological know-how to delivering high performance instrumentation and machinery, aftermarket support and analytical services to a range of markets around the world.



Financial Appendices

Guidance 2015

- Underlying taxation rate expected to be similar to that of 2014 (31%)
- Net financing expense on pension scheme balances will increase from £0.2m in 2014 to £0.7m in 2015, following an increase in the valuations of the deficits at 1 January 2015 compared with twelve months earlier
- Defined benefit pension scheme payments expected to be £1.8m (2014: £1.7m) in the UK plus £0.1m (2013: £0.1m) in the USA

Taxation & EPS

Taxation

	2014 £m	2013 £m
Underlying tax charge	0.9	0.8
Tax credit on pension scheme balances	(0.1)	(0.5)
Tax credit on reorganisation costs	(0.2)	-
Total tax charge	0.6	0.3
Effective rate on underlying profits	31%	14%

Earnings per share

	2014	2013
Underlying EPS	11.9p	23.9p
Profit before non-underlying items	£2.4m	£4.6m
Basic EPS	(1.3)p	18.0p
(Loss)/profit for the period	£(0.3)m	£3.5m
Average number of shares (000's)~	19,492	19,399
Number of shares in issue (000's)	20,172	20,172

~ Average number of shares used for non-diluted EPS calculations excludes shares held by employee trust

Cash Flow

	2014 £m	2013 £m
Underlying operating profit*	3.4	5.5
Depreciation & amortisation	3.0	3.2
Other non-cash items	0.1	0.2
Pension payments (ex. reorganisation)	(1.8)	(1.5)
Working capital movements	(3.7)	(1.6)
Cash flows generated from operations	1.0	5.8
Reorganisation (inc. pension payments)	(0.5)	(0.7)
Taxation paid	(1.0)	(1.0)
Net cash flows from operating activities	(0.5)	4.1

* Before non-underlying items

	2014 £m	2013 £m
Interest received	0.2	0.2
Capital expenditure (net)	(1.9)	(2.4)
Development expenditure	(3.1)	(2.2)
Net cash flows from investing activities	(4.8)	(4.4)
Interest paid	(0.3)	(0.3)
Purchase of own shares	(0.1)	(0.2)
Dividends paid	(1.1)	(1.1)
Net cash flows from financing activities	(1.5)	(1.6)
Net cash flows	(6.8)	(1.9)
Opening net funds	5.2	7.4
Exchange	(0.5)	(0.3)
Closing net (debt)/funds	(2.1)	5.2

Working Capital

	2014 £m	2013 £m
Inventories increase	(0.7)	(1.0)
Receivables increase	(1.9)	(3.4)
Payables (decrease)/increase	(0.9)	2.4
Provisions (decrease)/increase	(0.2)	0.4
Net working capital increase	(3.7)	(1.6)

Banking Facilities

- UK committed borrowing facilities of £13.0m renewed in October 2013, committed to September 2018, secured on the Group's assets
- In addition, ancillary facilities in place to cover Group's bonding, guarantees and foreign exchange requirements

Pensions

		2014 £m	2013 £m
Value of assets	UK	347.9	337.9
	US	15.4	14.3
	Total	363.3	352.2
Net deficit	UK	(14.1)	(2.5)
	US	(6.5)	(3.1)
	Net before tax	(20.6)	(5.6)
	Deferred tax	5.4	1.7
	Net after tax	(15.2)	(3.9)

Other operating income	0.2	-
Pension administration costs	(0.9)	(0.8)
Interest cost on pension scheme balances	(0.2)	(0.7)
Net pension charge before tax	(0.9)	(1.5)

- Accounting deficit increased mainly as a result of reduced real interest rates; net discount rate:
 - UK valuation: 1.5% (2013: 1.9%)
 - USA valuations: 0.7% (2013: 1.5%)
- Funding of UK scheme at £1.8m (+2.1%) per annum (17 year recovery period as from July 2012)
 - next funding valuation scheduled as at June 2015
- Pension administration costs are funded by the pension schemes
- Interest cost calculated by applying the discount rate at the beginning of the year to the opening IAS 19 valuation

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