

MOLINS

Half-Year Results Presentation 2011

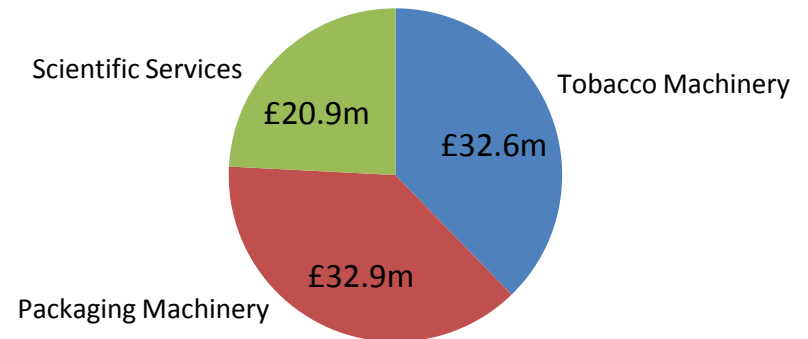
25 August 2011

- 2011 Half-Year Highlights
- Business Overview
- Financial Review
- Growth Initiatives
- Summary & Outlook

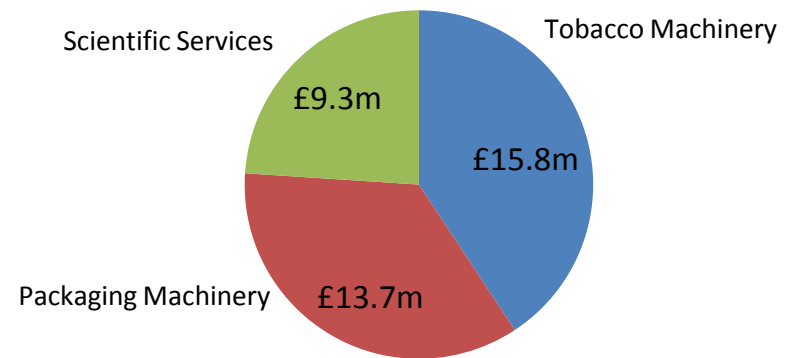
- Order intake significantly higher than previous year
- Group sales decreased by 4% to £38.8m (2010: £40.3m)
- Increase in underlying operating profit to £1.7m (2010: £0.8m)
- Increase in underlying EPS to 6.3p (2010: 2.5p)
- Net funds of £6.3m, following expected cash outflow
- Interim dividend maintained at 2.5p per share
- Group expected to show progress in the year

- An international specialist engineering and services group
- Serving a number of markets worldwide through three operating divisions:
 - Scientific Services
 - Packaging Machinery
 - Tobacco Machinery
- Innovative analytical, processing and product handling technologies across the Group
- Well positioned to grow organically and through targeted acquisitions in Scientific Services

2010 full-year sales by division



2011 half-year sales by division



- 24% of 2010 Group sales and 57% of 2010 Group underlying operating profit

Cerulean

- Market leading supplier of quality and process control instrumentation to the tobacco industry
- International sales and service operations

Arista Laboratories

- Leading smoke and tobacco constituent testing laboratory serving the tobacco industry and regulatory authorities
- Accredited laboratories in the US & UK

Arista Labs – US
Arista Labs Europe – UK
Cerulean – UK
Cerulean – US
Cerulean Shanghai – China
Cerulean – India
Cerulean – Germany

Customers include:

- Altria
- British American Tobacco
- China National Tobacco Corporation
- Imperial Tobacco
- Japan Tobacco
- Philip Morris International
- Independent & state-owned manufacturers



	2011 Jun £m	2010 Jun £m	2010 Dec £m
Sales	9.3	10.0	20.9
Operating profit	0.9	0.8	2.1
Return on sales	9.7%	8.0%	10.0%
Employees (period end)	130	129	123

Cerulean

- Order intake increased by 10%
- Slightly lower sales but operating profit maintained
- Continued commitment to product development – both of current range and to widen product portfolio
- Good level of order book for delivery in the second half but competitive market conditions

Arista Laboratories

- Sales and operating profit improved slightly
- US regulatory system being developed by FDA
- Investing in method development, process capability and quality systems
- Short term prospects are similar to 2010 but with positive market development expected in the medium term

- 38% of 2010 Group sales and 27% of 2010 Group underlying operating profit
- Leading supplier of complex high speed packaging and specialist processing equipment
- Innovative technologies that address the product handling and processing requirements of specific market niches
- Key supplier to a number of market leading FMCG and pharmaceutical multinationals
- Operating globally with a growing installed machine base in Asia, Europe and the Americas, with increasing activity in emerging markets

Sectors served:

- Pharmaceutical
- Health care
- Consumer products
- Beverages

Langen Americas – Canada
Langen Europe – Netherlands
ITCM – UK
Cerulean Packing – UK



	2011 Jun £m	2010 Jun £m	2010 Dec £m
Sales	13.7	15.0	32.9
Operating (loss)/profit *	(1.0)	0.4	1.0
Return on sales	n/a	2.7%	3.0%
Employees (period end)	234	240	245

- Order intake in Langen Packaging Group significantly higher; intake in ITCM at similarly low levels to first half of 2010
- Sales lower by 9% but a strong order book in Langen Packaging Group to be delivered in the second half of the year
- Loss making in the period, reflecting lower sales levels and lower activity, but well placed to significantly improve performance in the second half
- Emphasis on key customer account development leading to repeat orders
- Product development and key account management initiatives will drive performance, although market conditions remain uncertain

* Before exceptional items

- 38% of 2010 Group sales and 16% of 2010 Group underlying operating profit
- Major supplier of machinery and aftermarket services to the cigarette making industry worldwide
- Global presence with a number of sales and service operations
- Fully developed lower cost supply chain with manufacturing facilities in Czech Republic & Brazil
- Central product development and logistics functions in the UK

Customers include:

- British American Tobacco
- China National Tobacco Corporation
- Eastern Tobacco
- Imperial Tobacco
- Japan Tobacco
- Philip Morris International
- Independent & state owned manufacturers

Molins Tobacco Machinery – UK

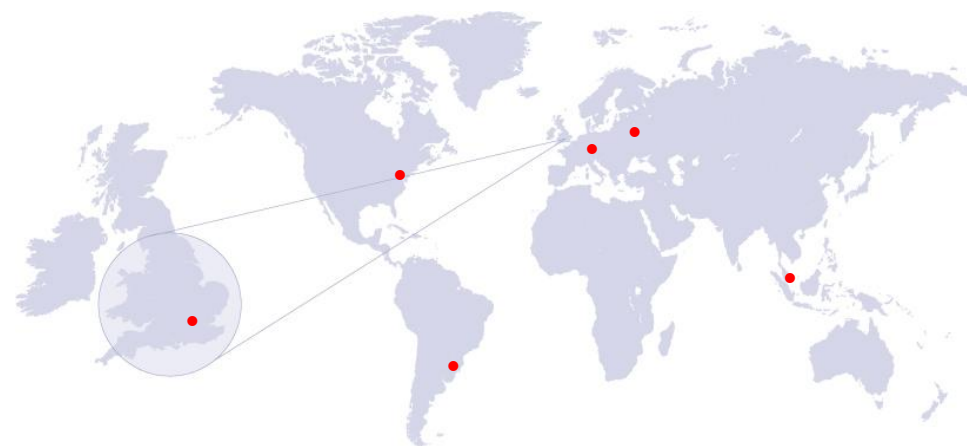
Molins Richmond – USA

Molins do Brasil – Brazil

Molins – Czech Republic

Molins Far East – Singapore

Molins CIS – Russia



	2011 Jun £m	2010 Jun £m	2010 Dec £m
Sales	15.8	15.3	32.6
Operating profit/(loss) *	1.8	(0.4)	0.6
Return on sales	11.3%	n/a	1.8%
Employees (period end)	331	379	334

* Before exceptional items

- Order intake increased
 - slightly higher demand for new machinery and rebuilds in a very competitive environment
 - strong aftermarket orders
- Sales at similar levels; profitability significantly improved with favourable product mix, strong activity levels and cost reductions
- Sales mix and strong activity levels not expected to be as favourable in second half
- Market opportunities for new machinery orders are currently limited, with consolidation of the customer base and strong competition

Financial Review – Income Statement

Half-Year Results Presentation 2011

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Sales	38.8	40.3	86.4
Underlying operating profit*	1.7	0.8	3.7
Exceptional items	(0.3)	(0.1)	(1.6)
Operating profit	1.4	0.7	2.1
Interest income	2.4	1.0	2.0
Profit before tax	3.8	1.7	4.1
Taxation	(1.4)	(0.6)	(1.2)
Profit for the period	2.4	1.1	2.9
Underlying EPS [§]	6.3p	2.5p	13.9p
Basic EPS	12.8p	5.7p	15.3p

- Sales decreased in period by 4%
- Strong growth in underlying profit before tax and underlying EPS
- Exceptional items relate to reorganisation in Packaging Machinery and Tobacco Machinery (2010 Tobacco Machinery only)
- Interest is mainly pensions related
- Taxation effective rate of 30% on underlying profits (6 month to June 2010: 42%; 12 months to December 2010: 28%)

* Before exceptional items

§ Before exceptional items and net financing income on pension scheme balances

	2011	2010	2010
	Jun	Jun	Dec
	£m	£m	£m
Net cash from operating activities	(0.1)	2.0	9.2
Net cash from investing activities	(2.1)	(2.5)	(3.9)
Net cash from financing activities	(0.6)	(0.6)	(1.2)
Discontinued operations	-	-	(0.1)
Net cash flow	(2.8)	(1.1)	4.0
Exchange	0.1	-	-
Opening net funds	9.0	5.0	5.0
Closing net funds	6.3	3.9	9.0

- Full year 2010 cash flow benefited from early receipts from customers which was not repeated in the period, contributing to an expected unfavourable working capital movement of £2.4m
- Cash from operating activities also includes:
 - reorganisation payments of £0.3m
 - tax payments of £0.4m
 - pension payments of £0.9m
- Capital & development expenditure lower than 2010 and with a different mix:
 - net expenditure on plant, property & equipment of £0.6m (2010: £1.7m incl £1.2m re MTM UK site move)
 - expenditure on product development of £1.6m (2010: £0.5m), with expenditure on uprated Octave in Tobacco Machinery, method development at Arista and increased expenditure in Cerulean
- Dividends of £0.5m paid

		2011	2010	2010
		Jun	Jun	Dec
		£m	£m	£m
Value of assets	- UK	327.0	301.9	328.6
	- US	14.1	14.1	14.5
	- Total	341.1	316.0	343.1
IAS 19 valuation	- UK	12.8	(34.7)	9.9
	- US	(3.6)	(5.0)	(3.7)
	- Net before tax	9.2	(39.7)	6.2
	- Deferred tax	(3.1)	10.4	(2.0)
	- Net after tax	6.1	(29.3)	4.2

Current service costs	(0.6)	(0.6)	(1.2)
Interest on obligations (IOO)	(8.9)	(9.5)	(18.9)
Expected return on assets (ERA)	11.3	10.5	21.0
	1.8	0.4	0.9
Curtailment costs	-	-	(0.7)
Net pensions credit before tax	1.8	0.4	0.2

- Valuation of UK scheme at December 2010 and beyond has benefited from decision to use CPI for certain increases
- Funding valuation at 30 June 2009 resulted in deficit of £12.1m – agreed deficit recovery plan of £0.1m per month, commencing July 2010
- Current service costs included within underlying operating profit
- IOO & ERA included within interest income

- UK committed borrowing facilities of £11.1m to December 2012, secured on the Group's assets - in addition ancillary facilities in place to cover Group's bonding, guarantees and foreign exchange requirements
- Refinancing discussions with lenders in process, with the aim of renewing facilities before the end of 2011

Scientific Services

- Investment at Arista in preparation for impact of FDA legislation in North America

Packaging Machinery

- Further development of standardised side load and top load carton machinery
- Further development of niche product handling technologies
- Global key account management

Tobacco Machinery

- Further development of Octave range of mid-speed cigarette makers

Group

- Acquisition search focused on instrumentation businesses, but with consideration also given to laboratory businesses

- Performance in the first half was stronger than had been expected through a combination of favourable product mix, strong activity levels and cost reductions
- Orders well ahead of last year as expected and order prospects for the second half remain in line with plans set at the beginning of the year, although mindful of the uncertain economic conditions
- Expect the Group to show progress in the year

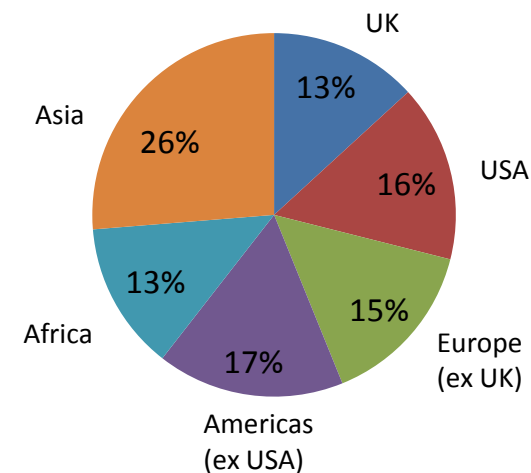
FINANCIAL APPENDICES

Divisional Trading Results

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Sales			
Scientific Services	9.3	10.0	20.9
Packaging Machinery	13.7	15.0	32.9
Tobacco Machinery	15.8	15.3	32.6
	38.8	40.3	86.4
Underlying operating profit/(loss)*			
Scientific Services	0.9	0.8	2.1
Packaging Machinery	(1.0)	0.4	1.0
Tobacco Machinery	1.8	(0.4)	0.6
	1.7	0.8	3.7

* Before exceptional items

Dec 2010 sales by destination



Taxation

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Underlying tax charge [§]	0.5	0.3	1.0
Tax charge on pension scheme balances	0.9	0.3	0.6
Tax credit on exceptional items	-	-	(0.4)
Total tax charge	1.4	0.6	1.2
Effective rate on underlying profits	30%	42%	28%

§ Before exceptional items and net financing income on pension scheme balances

Earnings Per Share

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Underlying EPS	6.3p	2.5p	13.9p
Profit before exceptional items and net financing income on pension scheme balances	£1.2m	£0.5m	£2.6m
Basic EPS	12.8p	5.7p	15.3p
Profit for the period	£2.4m	£1.1m	£2.9m
Average number of shares in issue (000's)*	18,968	18,968	18,968
Number of shares in issue at period end (000's)	20,172	20,172	20,172

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

Cash Flow

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Underlying operating profit *	1.7	0.8	3.7
Depreciation, amortisation and impairment charge	1.5	1.6	3.5
Pension service costs	0.6	0.6	1.2
Other non-cash items	0.1	(0.2)	(0.1)
Pension payments (excl. reorg.)	(0.9)	(0.4)	(1.2)
Working capital movements	(2.4)	0.3	3.8
Cash generated from operations	0.6	2.7	10.9
Reorganisation (inc. pension payments)	(0.3)	(0.2)	(1.0)
Taxation paid	(0.4)	(0.5)	(0.7)
Net cash from operating activities	(0.1)	2.0	9.2

* Before exceptional items

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Interest received	0.1	0.1	0.1
Proceeds from sale of assets (net of payments)	0.1	(0.4)	(0.3)
Capital and development expenditure	(2.3)	(2.2)	(3.7)
Net cash from investing activities	(2.1)	(2.5)	(3.9)
Interest paid	(0.1)	(0.1)	(0.2)
Dividends paid	(0.5)	(0.5)	(1.0)
Net cash from financing activities	(0.6)	(0.6)	(1.2)
Discontinued operations	-	-	(0.1)
Net cash flow	(2.8)	(1.1)	4.0
Exchange	0.1	-	-
Opening net funds	9.0	5.0	5.0
Closing net funds	6.3	3.9	9.0

Working Capital Movements

	2011 Jun £m	2010 Jun £m	2010 Dec £m
Inventories (increase)/decrease	(2.0)	(0.5)	3.4
Debtors (increase)/decrease	(3.2)	1.6	2.2
Creditors increase/(decrease)	2.9	(1.0)	(1.8)
Provisions (decrease)/increase	(0.1)	0.2	-
Net working capital (increase)/decrease	(2.4)	0.3	3.8

Balance Sheet

	2011	2010	2010
	Jun	Jun	Dec
	£m	£m	£m
Net assets include:			
- Intangible assets - goodwill	10.1	10.5	10.2
- product development	4.6	3.7	3.6
- Inventories	18.1	18.6	15.6
- Customer deposits	(5.0)	(5.1)	(3.4)
- Employee benefits	9.2	(39.7)	6.2
- Deferred tax (net)	(3.5)	11.3	(2.5)
Net funds	6.3	3.9	9.0
Equity	50.1	13.2	47.1
Net assets per share	248p	65p	233p

Pensions

UK Scheme

- Funding valuation as at 30 June 2009 agreed in February 2010 (subject to review by the Pensions Regulator)
 - funding level of 96% of liabilities, representing deficit of £12.1m
 - recovery payments of £1.2m per annum in monthly instalments, commencing July 2010 – nine year recovery plan, subject to review as at June 2012
 - Company contributions for ongoing benefits reduced to 7.9% & 3.3% (from 11.0% & 5.0%)

UK Scheme (cont)

- IAS 19 surplus at June 2011 of £12.8m before tax (Dec 2010: £9.9m surplus)
 - assets £327.0m, liabilities £314.2m
- Payments to the scheme in period
 - regular costs of £0.3m
 - deficit recovery payments of £0.6m

US Schemes

- IAS 19 deficit of £3.6m before tax (Dec 2010: £3.7m)
 - assets £14.1m, liabilities £17.7m
- No cash contributions required in 2011

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