

Our integrated portfolio of products and solutions serves unique markets.



Group market overview

Central banks, governments and commercial organisations rely on De La Rue's products and services to secure transactions, protect identity, revenue and brands and to fight counterfeiting and illicit trade. We are either a leader in these markets or are well placed to take advantage of good growth prospects.

Across our business, market drivers and customer behaviours are changing. While physical product is still of high importance there is an increasing emphasis on technology as customers seek premium security features and wider end-to-end authentication solutions, including digital applications.

There is also a shift to more formal, technology led procurement processes. In Currency, while many customers buy the complete note from one supplier, others are moving to specify each element (security components, substrate and print) separately, so several different suppliers may be involved. Tenders and e-tenders are also becoming more common.

Currency market overview

We believe that the demand for banknotes will continue to grow in the long term however, demand has been relatively stable in recent years. Within the short term, the timing and size of orders can result in volatility.

Key factors affecting banknote issuance by central banks are note retirement, changes in the underlying level of GDP, population growth and the level of use of alternative means of payment. Note retirement remains the most important and is affected by several factors including the timing and frequency of changes in note design, changes in cash circulation policy and technology, changes in 'clean note' policy and the introduction of new anti-counterfeiting security features.

The demand for banknotes and the substrates on which they are printed is largely satisfied by state print works (SPW), state paper mills (SPM) and a small number of commercial manufacturers including De La Rue. SPWs or SPMs may turn to commercial providers to supplement their own production capacity to satisfy demand they are unable to meet, known as 'overspill'. SPWs sometimes emerge as competitors in the commercial market as they seek to utilise surplus capacity.

There remains overcapacity in the print and paper markets which is causing pricing pressure and we expect this overcapacity to continue in the short term.

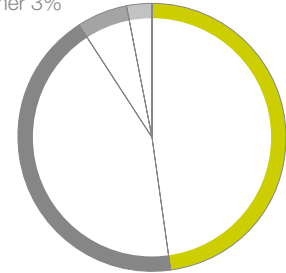
Polymer, which accounts for around 3 per cent of the substrate market, is increasing in popularity due to its greater durability. De La Rue is one of only two suppliers of polymer substrate in the market, which we forecast to grow by c10 per cent per annum over the next 10 years.

Value in banknote production is shifting from print to security components (threads and holograms) as some customers disaggregate note buying into components, substrate and print.

Global substrate market*

c163k tonnes pa

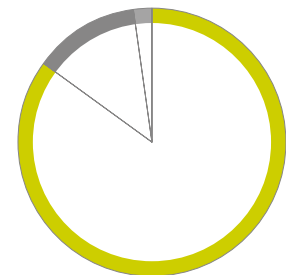
- State paper mills (SPM) 48%
- Commercial paper mills 43%
- Overspill from SPMs 6%
- Polymer 3%



Global print market*

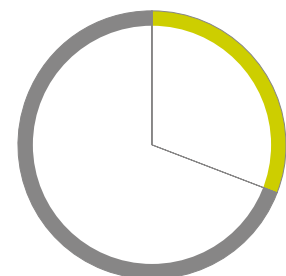
c163 billion notes pa

- State print works (SPW) 85%
- Commercial print works 13%
- Overspill from SPWs 2%



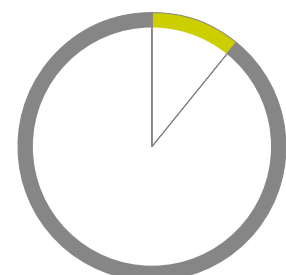
Commercial market share: print*

- De La Rue 31%
- Others 69%



Commercial market share: substrate*

- De La Rue 11%
- Others 89%



*Source: De La Rue estimates



Identity Systems market overview

With increased focus by governments on population authentication and border security, the passport and identity market is increasingly seeking complete end-to-end solutions. This means there is a requirement for the full integration of highly secure passports and ID cards with other government systems and processes, and efficient and reliable personalisation and issuance procedures.

Countries continue to adopt ePassports, although transition has been slower than expected. This is driving not only the demand for further system integration, but also the need for expertise to manage projects efficiently and without undue risk.

Increased focus and value are being placed on security components and the systems and services that surround the physical product, which may be traditional paper based passports or plastic and electronic forms of identification.



Security Products market overview

Governments continue to work hard to protect indirect tax revenues on products such as alcohol and tobacco by minimising illicit trade. A major catalyst for change has been the need to respond to the World Health Organization Framework Convention on Tobacco Control, which is committed to eliminating illicit trade in tobacco products. This will require governments to apply unique and secure codes onto cigarette packs and also the ability to track and trace the products through the supply chain, driving more rapid and broader adoption of authentication solutions.

Revenue loss from counterfeit goods remains a real threat to global brands and consumer confidence. Advanced technology within labels, linked to digital authentication and tracking solutions, ensures brands are protected and that consumers can be confident of buying genuine products. There are market opportunities to utilise track and trace and revenue collection solutions outside the government market, the pharmaceutical industry being an example.



Cash Processing Solutions market overview

Cash processing is an essential aspect of the currency lifecycle to authenticate the cash in circulation and ensure its integrity. There is also a market requirement within banknote print works for end of line inspection and processing of newly printed banknotes.

With the increasing volumes of cash in circulation, both central and commercial banks are under pressure to provide efficient, secure cash processing solutions. Using sophisticated vault software and hardware solutions, much of the process can be automated while also providing the data and controls needed to minimise cost and ensure the quality and integrity of the notes processed.

The ongoing support and maintenance of installed cash processing systems is another market requirement. As well as supplying advanced cash sorting machines, market leading vault management software, and single note inspection systems, De La Rue has a global network of engineers.

The cash processing industry is a mature market with a number of suppliers providing a variety of different products to manage and control the handling of cash.