



De La Rue plc

**Interim Results
22 November 2011**

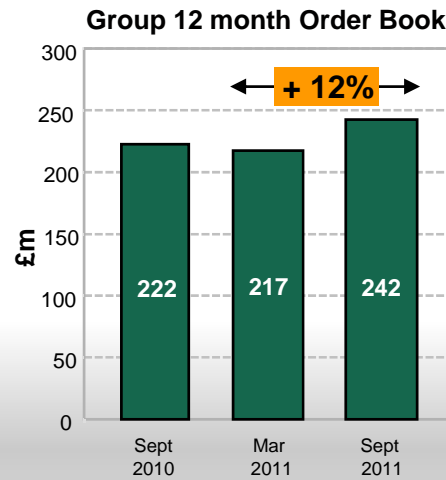
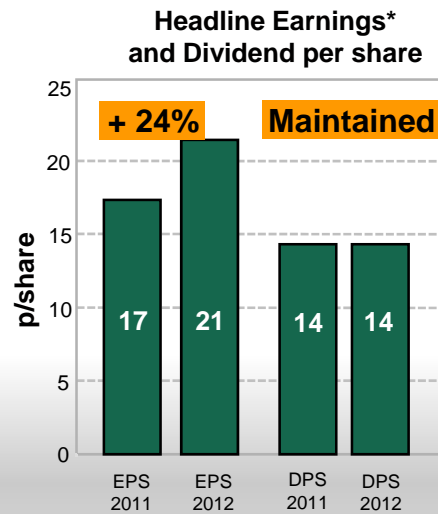
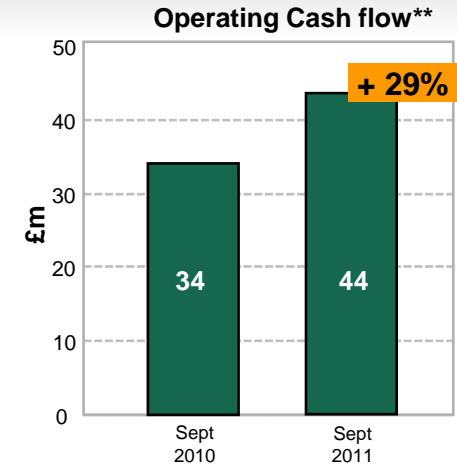
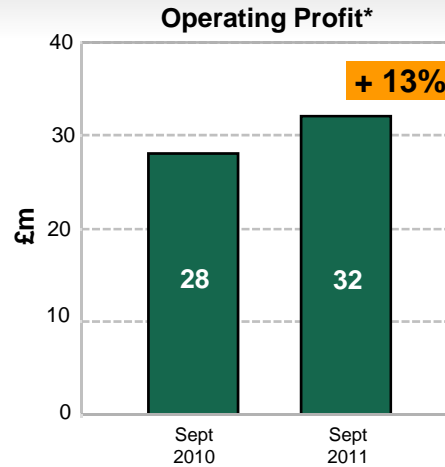
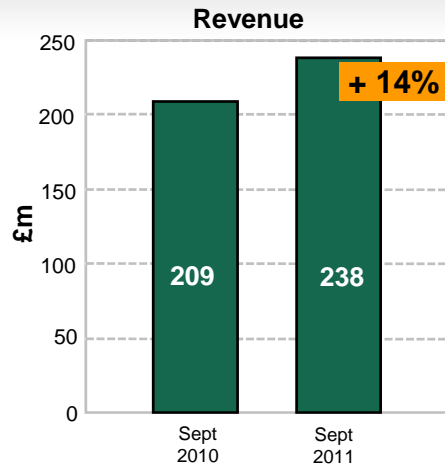


Agenda

- **Group Headlines**
- **Financial Results**
- **Business and Markets**
- **Delivering the Improvement Plan**
- **Outlook**



Group Headlines



Improvement Plan

- On track
- Target Operating Profit >£100m by 2013/14





Financial Results

Colin Child

Group Finance Director



2011/12 Financial Results

	2011/12 Half Year £m	2010/11 Half Year £m	Change
Revenue	238.1	209.2	14%
Operating profit*	31.5	27.8	13%
Exceptional items	(1.9)	45.6	
Finance expense	(2.5)	(4.0)	
Profit before tax	27.1	69.4	

Headline earnings per share*	21.4p	17.2p	24%
Dividend	14.1p	14.1p	-

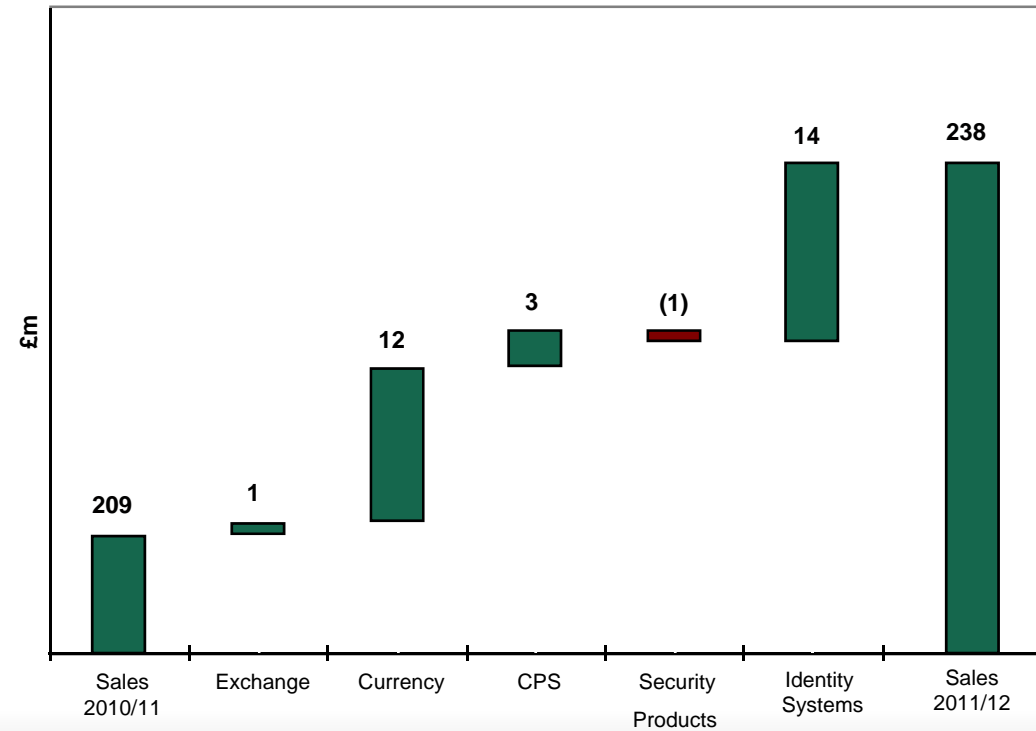
	2011/12	2010/11	Change
Volume			
Print (notes)	2.8bn	2.5bn	12%
Paper (tonnes)	5,300	5,700	(7%)



2010/11 → 2011/12: Revenue*

Business Units	2011/12 Half Year £m	2010/11 Half Year £m
Currency	142	130
Solutions		
Cash Processing Solutions	30	27
Security Products	32	33
Identity Systems	34	20

2011/12 Half Year

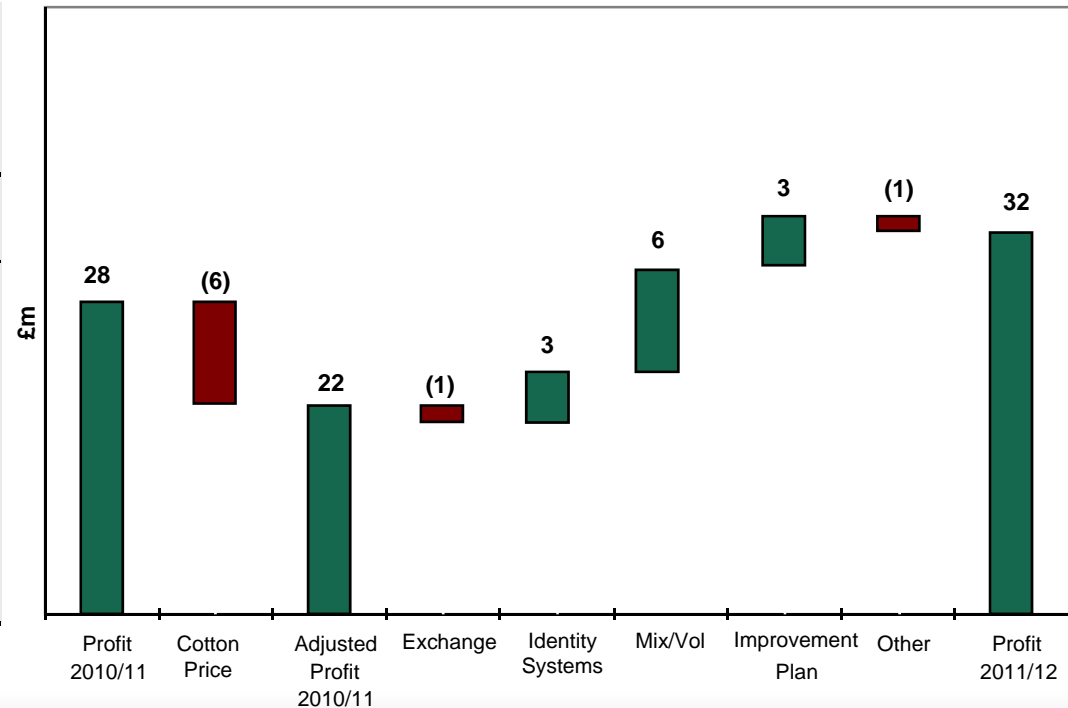




2010/11 → 2011/12: Operating Profit*

Business Units	2011/12 Half Year £m	2010/11 Half Year £m
Currency	23	22
Solutions		
Cash Processing Solutions	1	-
Security Products	4	5
Identity Systems	4	1

2011/12 Half Year





Operating Cash Flow

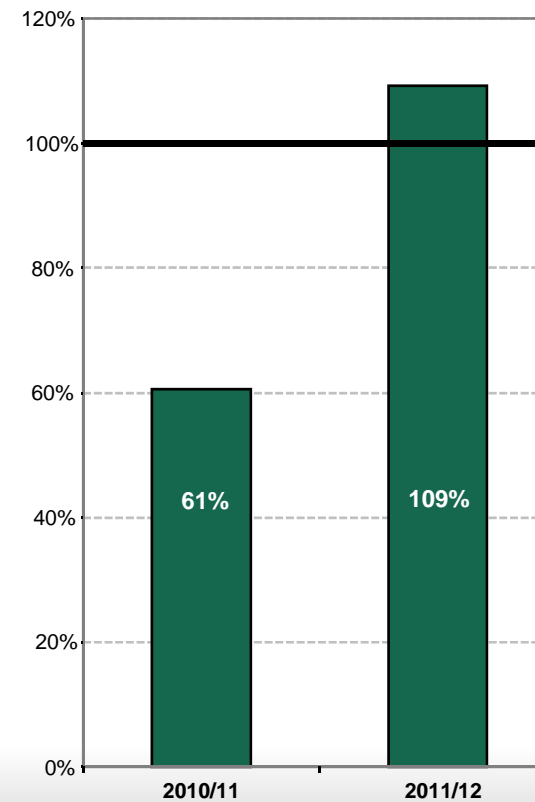
	2011/12	2010/11
	Half Year	Half Year
	£m	£m
Operating profit before exceptional items	31.5	27.8
Depreciation	11.9	11.1
Working Capital	6.4	3.4
Other	(5.8)	(7.8)
Operating cash flow before special pension contribution & operating exceptional items	44.0	34.5
Special pension fund contribution	(7.5)	(35.0)
Cash costs on exceptional items	(1.0)	(16.1)
Cash flow from operating activities	35.5	(16.6)



Net Debt

	2011/12 Half Year £m
Opening net debt	(31.2)
Cash flow from operating activities	35.5
Tax and interest	(4.2)
Capital expenditure	(11.3)
Dividends	(28.0)
Closing net debt	(39.2)

Cash Conversion*





Exceptional Items

	2011/12 Half Year £m	2010/11 Half Year £m
Improvement Plan	(1.9)	-
Curtailment gain on closure of defined benefit pension scheme	-	16.0
Paper production quality issues	-	(23.3)
Profit on sale of Camelot investment	-	52.9
Total exceptional items	(1.9)	45.6

Exceptional charges for the full year to March 2012 are expected to be c£20m



Business and Markets





Tim Cobbold

Chief Executive Officer



De La Rue Business Overview

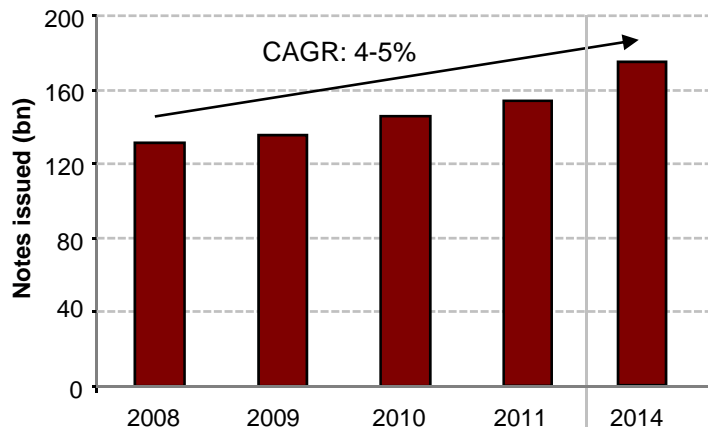
% Proportion of Group
Revenue Operating Profit

Currency		<ul style="list-style-type: none"> Banknote substrates and security features Design, origination and printing 		60%	72%
		Solutions		<ul style="list-style-type: none"> High speed sorting machines Service: maintenance and spares Cash management solutions 	
<ul style="list-style-type: none"> Design, origination and printing of secure products Tax stamp and authentication solutions 				13%	12%
<ul style="list-style-type: none"> Design, origination and printing of identity documents Personalisation solutions 				14%	13%

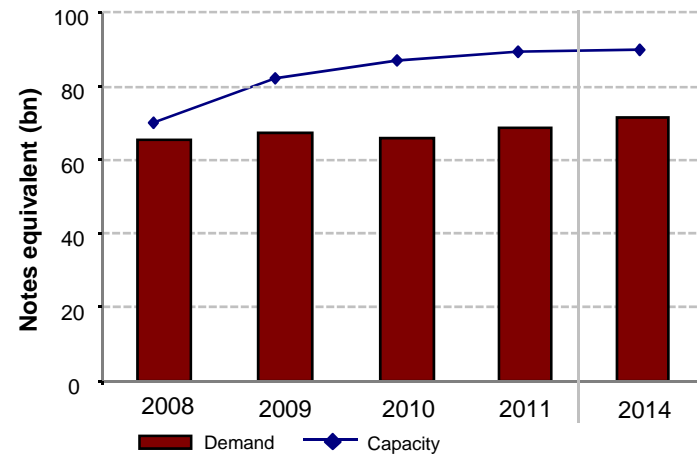


Currency Market – Robust Growth Characteristics

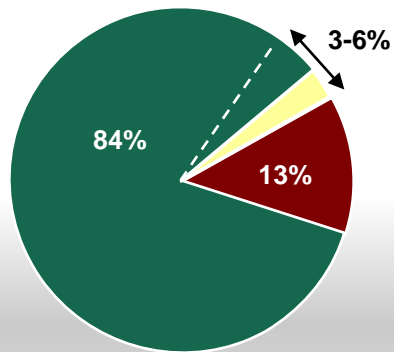
Global Banknote Issuance*



Capacity and Demand – Direct Paper*

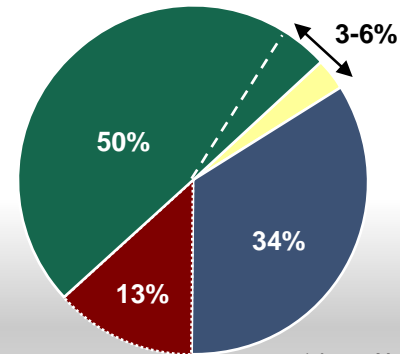


Banknotes: c150bn banknotes



- State paper mills or State print works
- Overspill
- Commercial print market
- Direct paper market

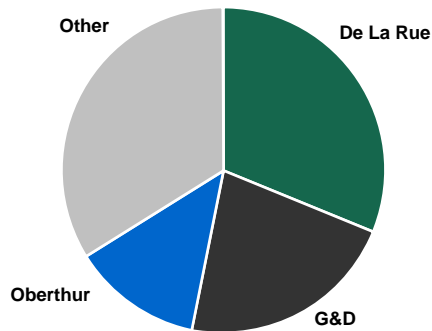
Paper: c150k tonnes



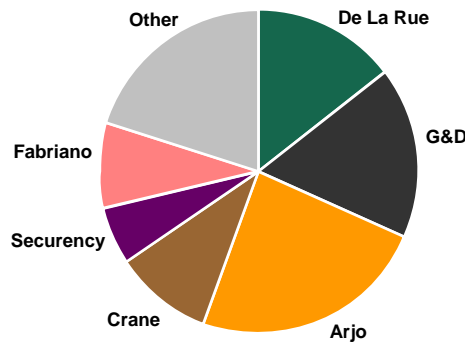


Market Leading – Integrated Presence

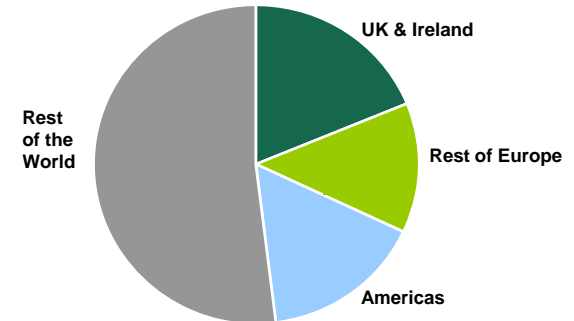
Print: Market Share



Substrate: Overall Market Share



De La Rue Geographical Distribution of Sales*



South Sudan – supporting a new country

- Country wide Currency Solution
- Designed and delivered within 6 months
- CPS equipment supplied



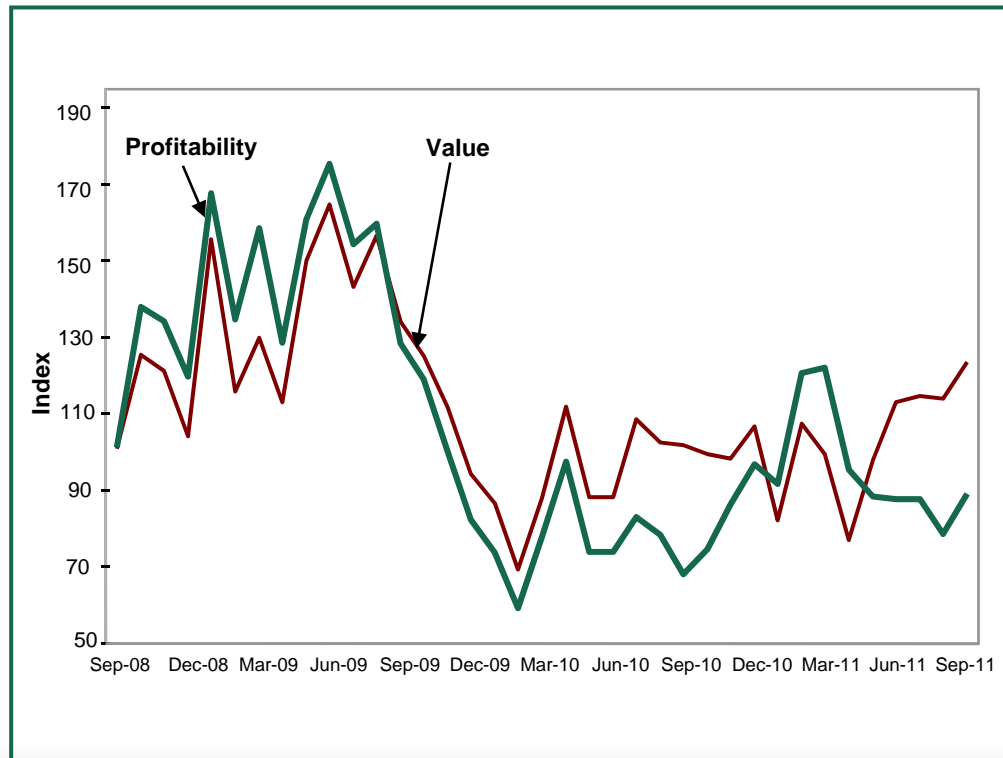
* As per March 2011

Source: Estimates De La Rue 14

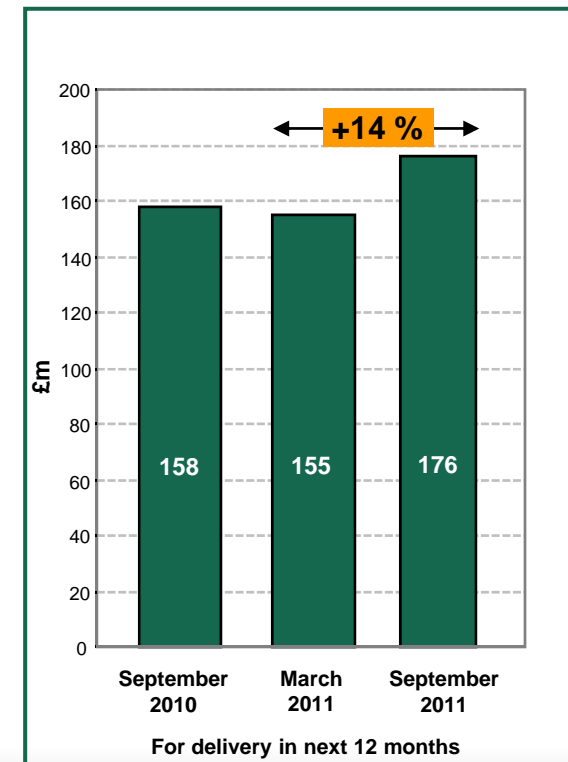


Order Intake and Order Book

**Print Order Intake (indexed to Sept 08)
6 month rolling average**



**Currency 12 month
Order Book**





Solutions

Market Trend

Cash Processing Solutions

Machine



Cash Management Solution

- New Single Note Inspection Machine – DLR 9000
- Development of ECM™ software platform



Security Products

Physical paper, Fiscal stamps & Security documents



Revenue & Brand Protection solution platform

- Enhanced Revenue & Brand Protection platform
- Physical security solution



Identity Systems

Books & cards



Integrated identity system

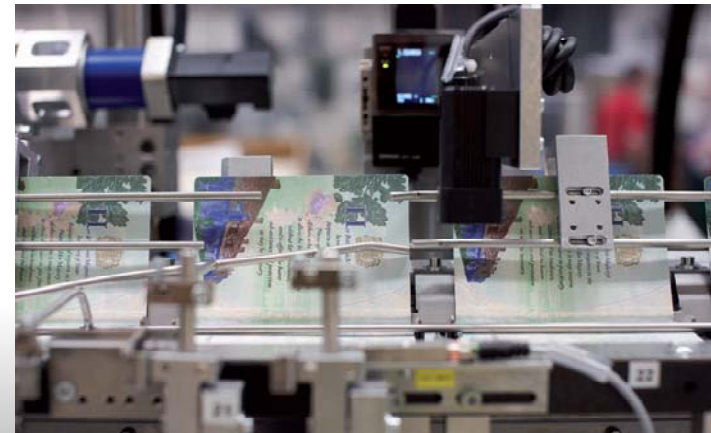
- Upgrade of MIDIS™ system software
- Physical Authentication Solutions





UK Passport

- Robust tender process
- Awarded July 2009
- £400m contract over 10 year period
- Go live October 2010
- 4.5m passports issued in first year





Delivering the Improvement Plan

Tim Cobbold

Chief Executive Officer



Improvement Plan

Fundamental Strengths

- Brand and reputation
- Long standing customer relationships
- Strong integrated competitive position
- Record of innovation
- High margin, cash generative model
- Good presence in niche markets

Opportunities

- Focus, focus, focus
- Deepen and broaden 'One De La Rue'
- Improve Sales and Marketing effectiveness
- Exploit technological capability
- Develop total Supply Chain

Target: Operating Profit >£100m by 2013/14



Improvement Plan

Target: Operating Profit >£100m by 2013/14

Customer Focus

Innovation

Professionalism

Operational Excellence

Initiatives

- Country and regional sales plans

- Product innovation
- New business models and partnerships

- Standardise processes
- Talent and reward

- Procurement
- Process improvement
- Facility optimisation

Outcomes

- Top line growth
- Margin protection
- Market share

- Top line growth
- Market share
- Competitive positioning

- Best practice
- Lower "cost"
- Engagement

- Low "cost"
- Quality
- Margin

Revenue Growth

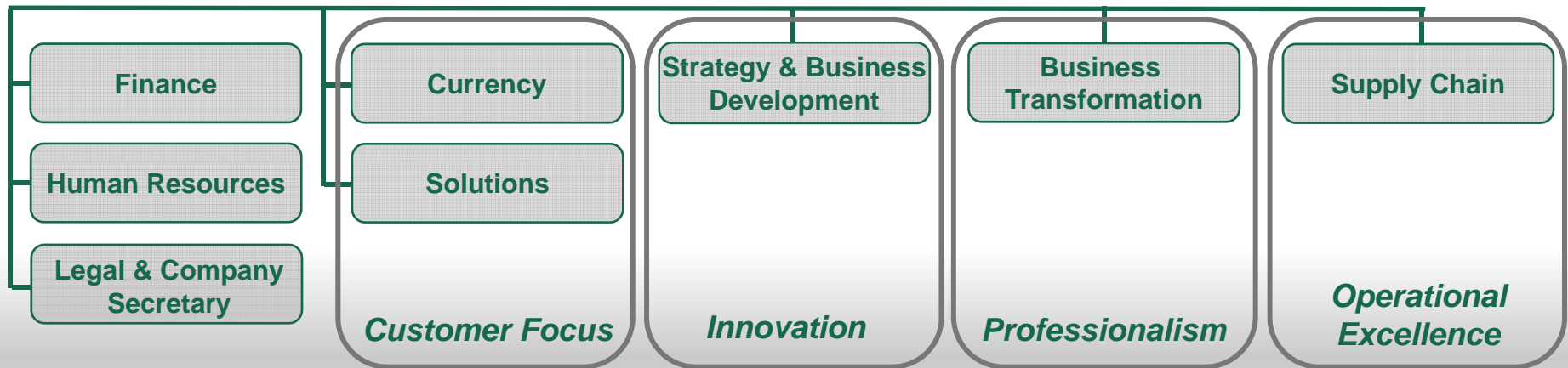
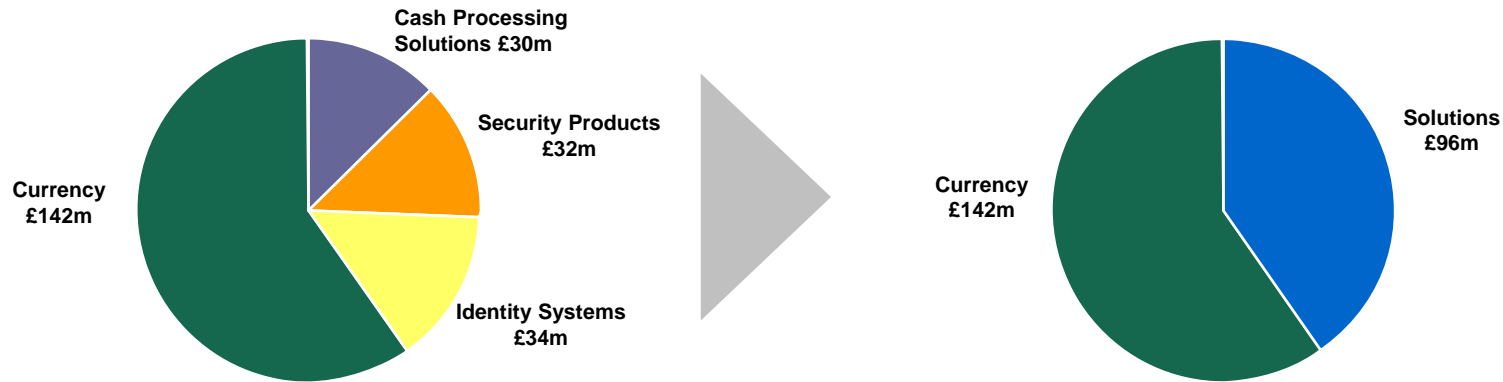
Cost Reduction



New Structure & Organisation Implemented



Revenue*





Customer Focus – Country Plans



Status of Countries in Phase I

Sales pipeline
collation &
analysis



17 target
countries
identified



9 countries
chosen in
Phase I



Country	Stage 1	Stage 2	Stage 3
1	✓	✓	✓
2	✓	✓	✓
3	✓	✓	✓
4	✓		
5	✓	✓	
6	✓		
7	✓		
8	✓		
9	✓	✓	

Stage 1 – All known opportunities identified and scoped

Stage 2 – Vision and strategic targets set with clear timescales

Stage 3 – Strategic actions executed and resource allocated

Identifies strong potential opportunities over 5 year period



Innovation

Polymer - Flexycoin™



Wide Thread - StarChrome®



Wide Thread - InSight™



**Digital Authentication
Revenue Protection Capability**



New, Industry Leading Technology Centre



Proposed Exterior – artist's impression & precedent image Proposed Laboratory Interiors – precedent images

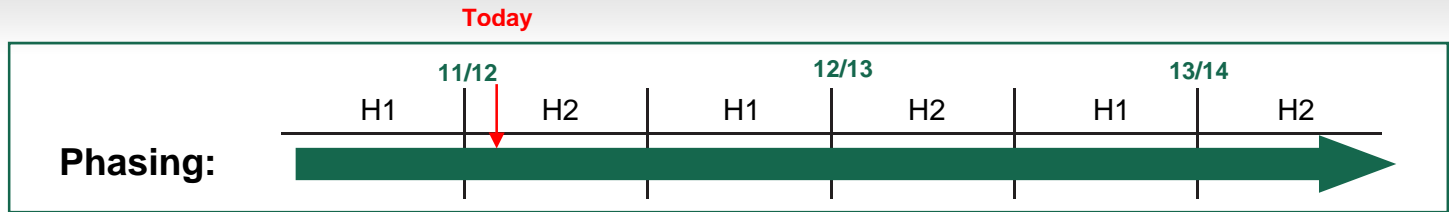


Single Note Inspection Machine - DLR 9000



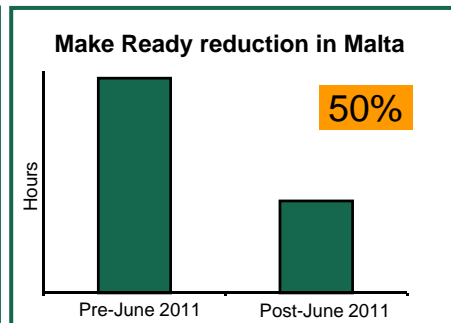
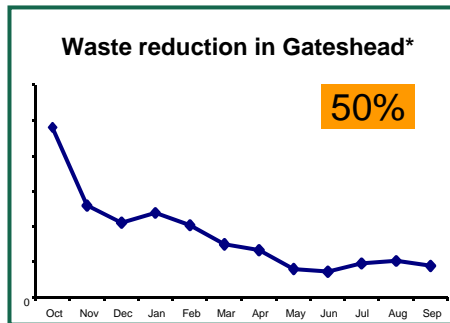
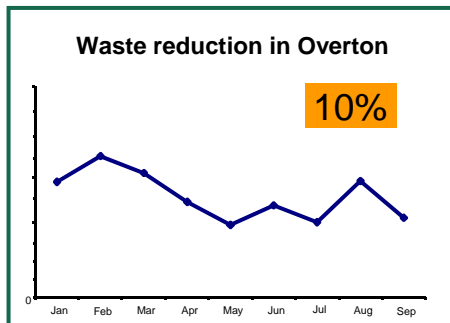


Operational Excellence – Process Improvement



- Focus: Quality improvement, cost reduction, shorter lead times – QCD
- Investment in new printing technologies & inspection equipment
- Continuous Improvement Methodology

Waste Reduction

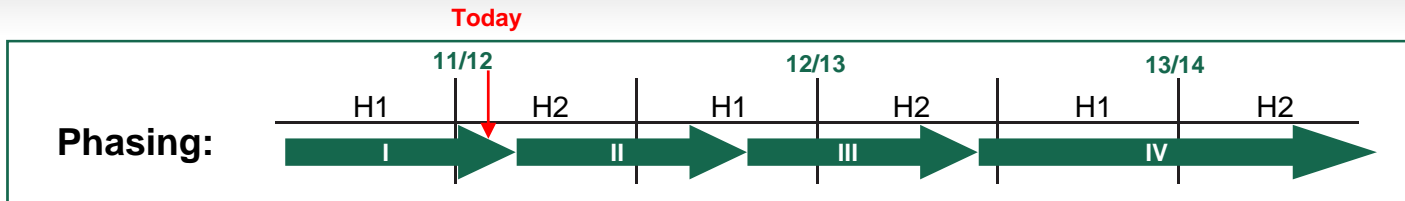


Excellence in workplace management





Operational Excellence – Procurement



- Central Procurement Team
- Phased plan – cost reduction through consolidation of the supply base

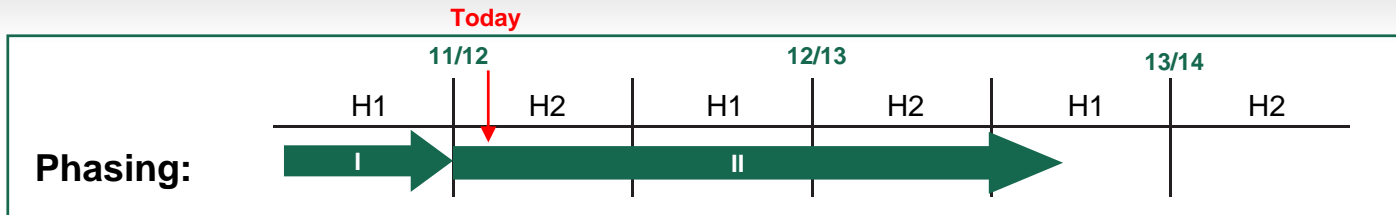
Phase	Addressable Cost £m	Negotiated Savings £m pa
I	29	4
II	62	6
III	114	Planning
IV	Management of Strategic Suppliers	

Reduction in number of Suppliers		
Packaging & Laminates	51	→ 8
Logistics	55	→ 9
Engineering	1300	→ 50



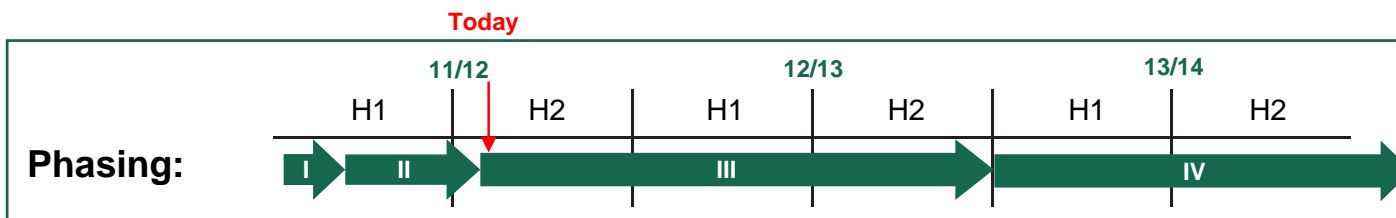


Operational Excellence - Facility Optimisation



- **Phase I: Review completed August 2011**
 - Relocate Dunstable (Security Products) to Gateshead
 - Relocate Stroudley Road (Holographics) to Westhoughton
- **Phase II: Implementation**
 - Consultation and detailed planning well advanced
 - Transfers complete within 18 months
 - Savings c£6m per year

Professionalism - Standardise Processes



- **Phase I: Review of IT systems; Feasibility review – completed May 2011**
- **Phase II: Process definition – Report completed by Deloitte September 2011**
 - Extensive preparation required prior to standardising IT systems
- **Phase III: Process preparation**
- **Phase IV: Implementation**



Improvement Plan Generating Value for Shareholders

Target

- Historic revenue growth 4%
- Cost reduction £30m
- Operating profit in excess of £100m by 2013/14

Investment

- Exceptional costs ~ £25m
- Capital Expenditure phased towards second and third years ~ £20m

Confidence in delivery



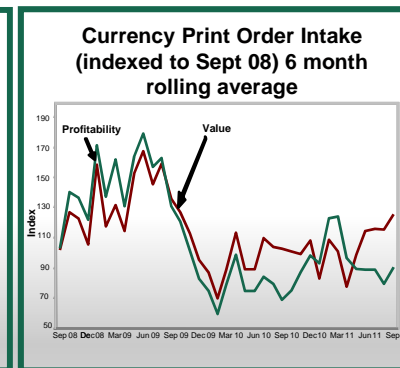
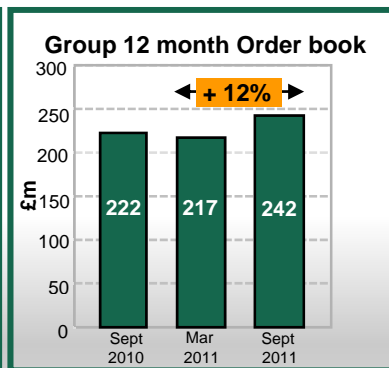
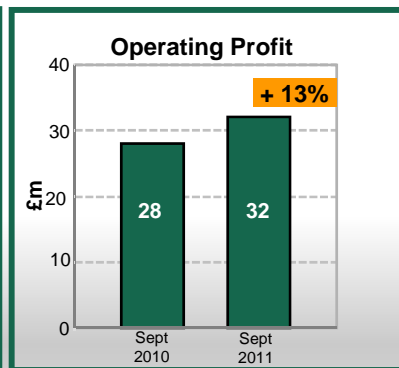
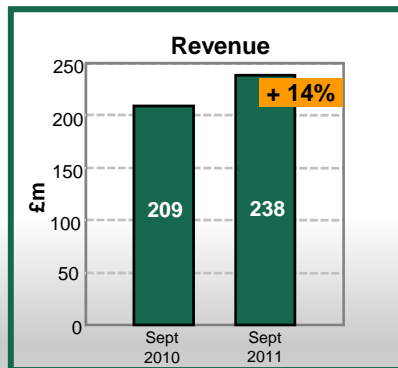
Outlook

High Quality Business

- Robust long term growth market
- High margin, cash generative business model
- Market leading position
- Experienced people

Recovering Strongly

- H1 Banknote volumes up 12%
- Good H2 order coverage, strong pipeline for H1 2012/13
- Good progress with Improvement Plan
- Current trading in line with the Board's expectations





DeLaRue