

All of our business units operate globally within specialist market environments.

Three quarters of our revenue comes from outside the UK.

Currency



Global substrate market*

c157k tonnes pa

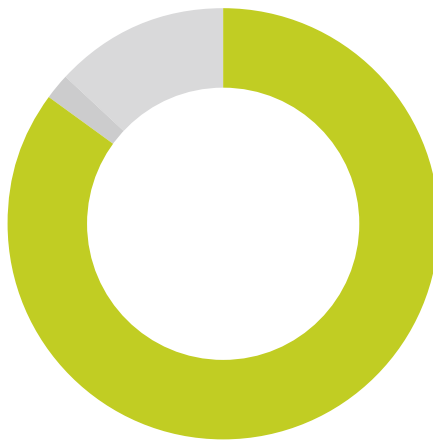
- State paper mills (SPM) 48%
- Overspill from SPMs 6%
- Commercial paper market 43%
- Polymer 3%



Global print market*

c157 billion notes pa

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



Commercial market share: substrate*

- De La Rue 11%
- Other 89%



Commercial market share: print*

- De La Rue 31%
- Other 69%



Market overview

The global demand for banknotes continues to grow on average by c4 per cent annually although the rate of growth for individual countries will vary reflecting local economic circumstances. 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 such as De La Rue (see charts opposite). 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'. As well as the supply of finished banknotes to central banks and substrates to SPWs, De La Rue also supplies security components that SPWs and SPMs can incorporate directly into their products.

Variability in demand is a feature of the market, with short term fluctuations in the timing and size of orders, including overspill, reflecting the decisions taken by central banks. This has the potential to create material volume variation year on year.

Key factors affecting banknote issuance by central banks are note retirement, changes in the underlying level of GDP, and changes in using cash as a means of payment. Of these, note retirement is the most important and is affected by:

- The timing and frequency of changes in note design
- Changes in cash circulation policy and technology
- Growth in automated cash handling requiring notes to be in good condition
- Changes in 'clean note' policy
- Changes in denomination structure
- The introduction of new anti-counterfeiting security features

*Source: De La Rue estimates

Solutions



Cash Processing Solutions



Market overview

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.

Cash processing is an essential aspect of the currency lifecycle as it assists in maintaining the authentication and integrity of all cash in circulation. In addition, to guarantee the quality of currency there is a market requirement within banknote print works for end of line inspection and processing of 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.

De La Rue addresses these needs with its advanced cash sorting machines, market leading vault management software, and single note inspection systems. De La Rue supports and maintains customer solutions via a global network of engineers.



Security Products



Market overview

Security Products' customers fall into two broad categories: governments and commercial brand owners, both of which continue to come under attack from criminal activity.

Governments continue to work hard to protect indirect tax revenues on products such as alcohol and tobacco by minimising illicit trade. By 2013, 168 countries were signed up 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. De La Rue is strongly placed to address this market having delivered its flexible track and trace solution for several customers.

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.

Contracts are often secured on a multi year basis. This means that while sales cycles may be long, once contracts are secured, the business benefits from a good degree of continuity.

Growth in security products will come from building share in the currently fragmented market and opportunities offered by increasing demand for government revenue solutions.



Identity Systems



Market overview

The passport and identity market is increasingly seeking complete integrated solutions, with highly secure passports and ID cards, full integration with other government systems and processes and efficient and reliable personalisation and issuance procedures.

Countries continue to adopt ePassports, which is driving not only the demand for further system integration, but also the need for expertise to manage the project efficiently and without undue risk.

De La Rue is a leading provider of passport and ID solutions and continues to deliver complex projects globally. It is able to offer an in-house passport design and production capability as well as issuance and passport personalisation systems. Additionally, De La Rue's experienced project managers are well versed in complex system roll out and integration projects.

Identity Systems is a contract based business focused on government customers. The nature of this business is such that revenues can be variable and subject to cancellation or delay. Maintaining as broad a portfolio of business as possible and a strong pipeline of opportunities helps mitigate this risk. To maintain market position it is key that De La Rue continues to provide value to its customers through efficient manufacturing and market leading design and security features.