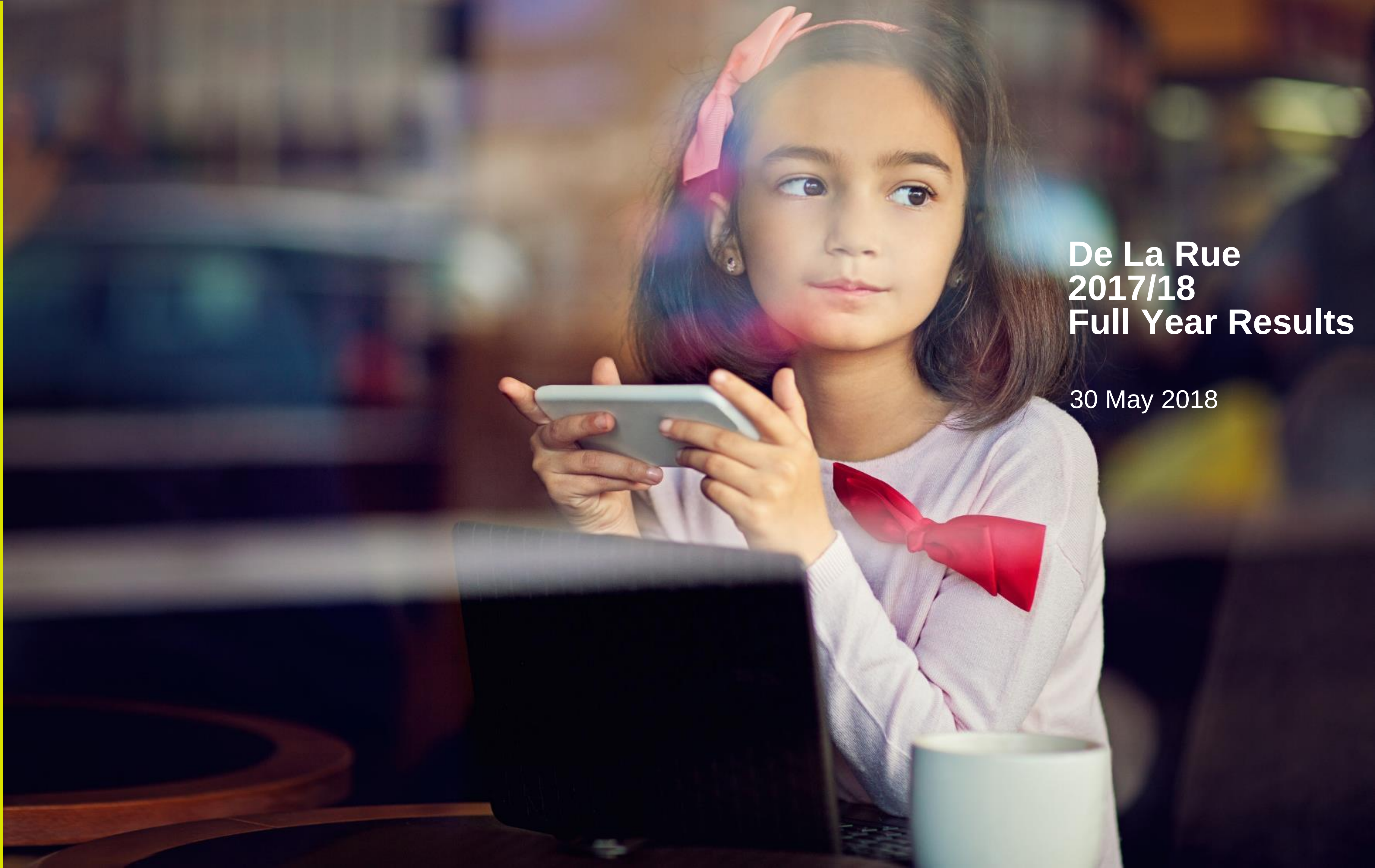
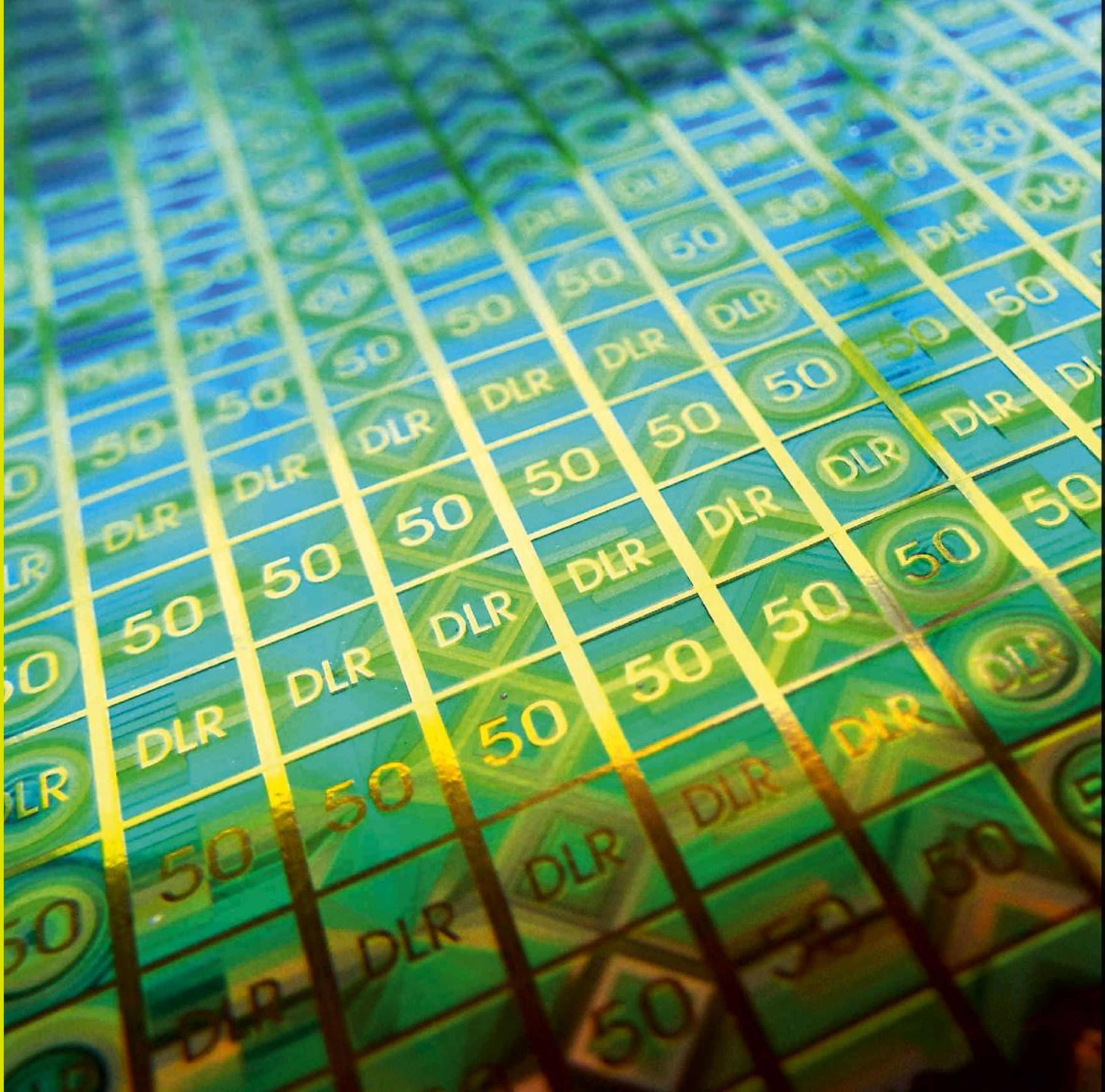
DeLaRue



De La Rue 2017/18 Full Year Results

30 May 2018



Agenda

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Helen Willis

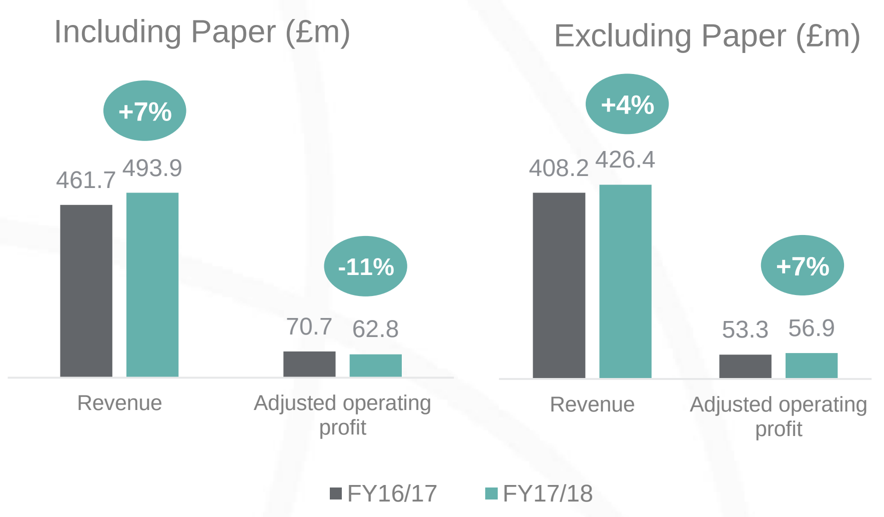
Strategic Update
Martin Sutherland

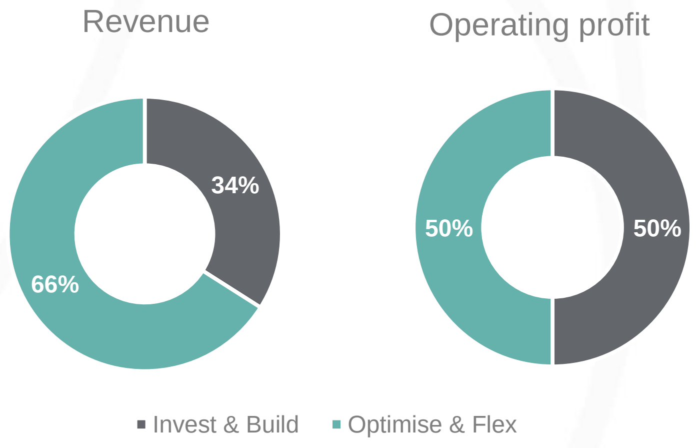
Operational Review
Martin Sutherland

Q&A

Performance highlights

- Another year of **good strategic progress**
- Completed sale of the paper business and secured paper supply with a ten year agreement
- Strengthened balance sheet through the proceeds of the paper transaction, better working capital management and the pension deficit reduction
- Invest & Build product lines show good forward momentum
  - Polymer volumes more than doubled
  - International ID & PAT order intake up 100%





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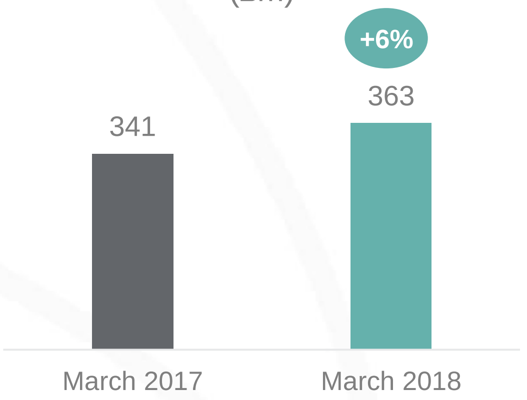
Income statement

	2017/18* £m	2016/17* £m	Change %
Revenue	**493.9**	461.7	+7%
Adjusted operating profit**	**62.8**	70.7	-11%
Adjusted operating margin**	**12.7%**	15.3%	-260bpts
Reported operating profit	**123.0**	70.2	+75%
Adjusted profit before tax	**53.4**	58.7	-9%
Reported profit before tax	**113.6**	58.2	+95%
Effective tax rate	**15.5%**	15.8%	-30bpts
Adjusted basic earnings per share	**42.9p**	47.1p	-9%
Reported earnings per share	**93.7p**	47.2p	+99%
Dividend per share	**25.0p**	25.0p	0%

Group 12 month order book (£m)



- Adjusted operating profit down 11% on last year, up 7% on an excluding Paper pro forma basis
- Net exceptional gain of £60.9m related predominantly to pension deficit reduction offset by impairment on sale of paper business

* Continuing operations only, excluding Cash Processing Solutions sold in May 2016
**Before exceptional items and amortisation of acquired intangible assets

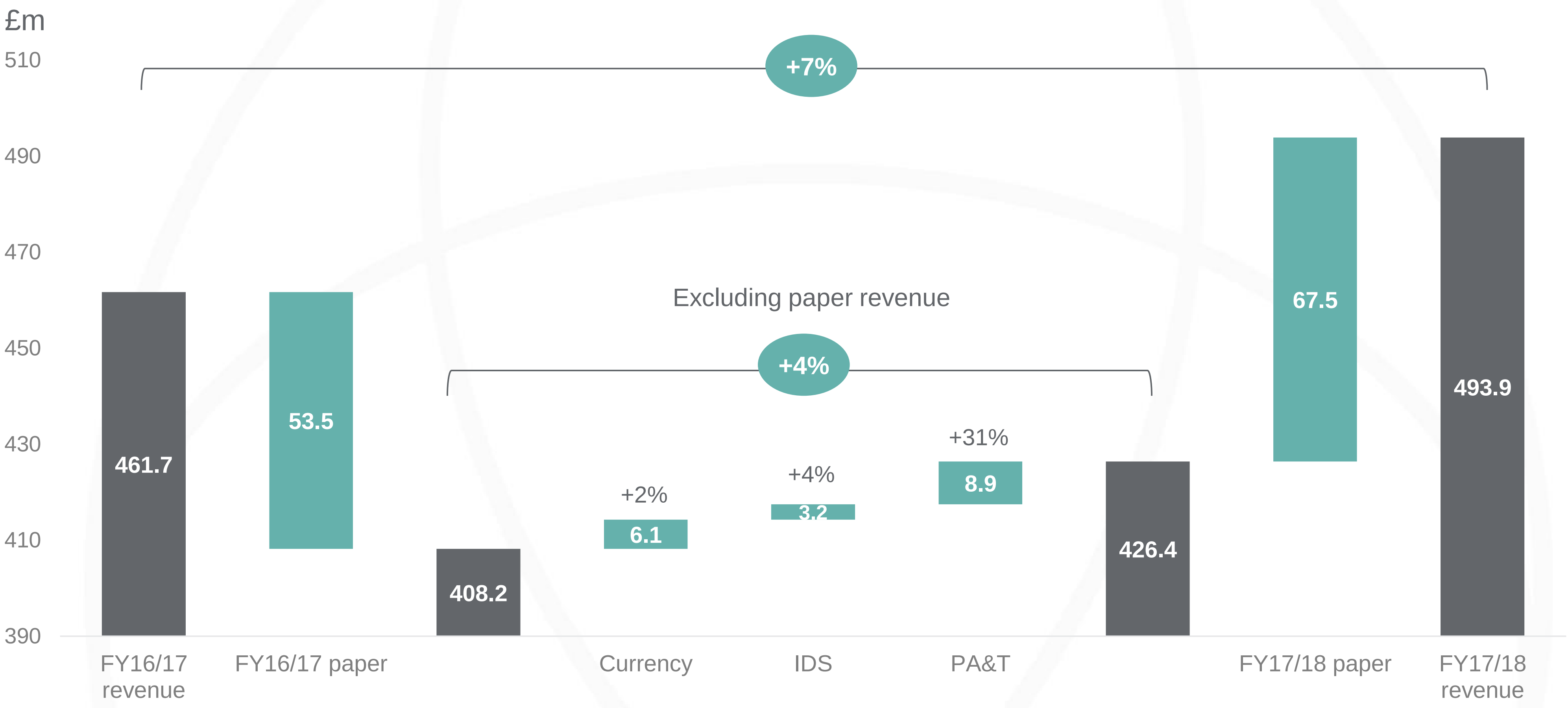
Pro forma segmental revenue and adjusted operating profit*

	2017/18 £m				2016/17 £m				Change %			
	Currency	IDS	PA&T	Group	Currency	IDS	PA&T	Group	Currency	IDS	PA&T	Group
Revenue												
Reported	371.8	82.0	40.1	493.9	349.5	80.6	31.6	461.7	+6%	+2%	+27%	+7%
Paper	(59.8)	(5.6)	(2.1)	(67.5)	(43.6)	(7.4)	(2.5)	(53.5)	+37%	-24%	-16%	26%
Pro forma	312.0	76.4	38.0	426.4	305.9	73.2	29.1	408.2	+2%	+4%	+31%	+4%
Adjusted operating profit*												
Reported	45.1	8.3	9.4	62.8	50.3	11.4	9.0	70.7	-10%	-27%	+4%	-11%
Paper	(4.6)	(1.2)	(0.1)	(5.9)	(13.9)	(2.5)	(1.0)	(17.4)	-67%	-52%	-90%	-66%
Pro forma	40.5	7.1	9.3	56.9	36.4	8.9	8.0	53.3	+11%	-20%	+16%	+7%

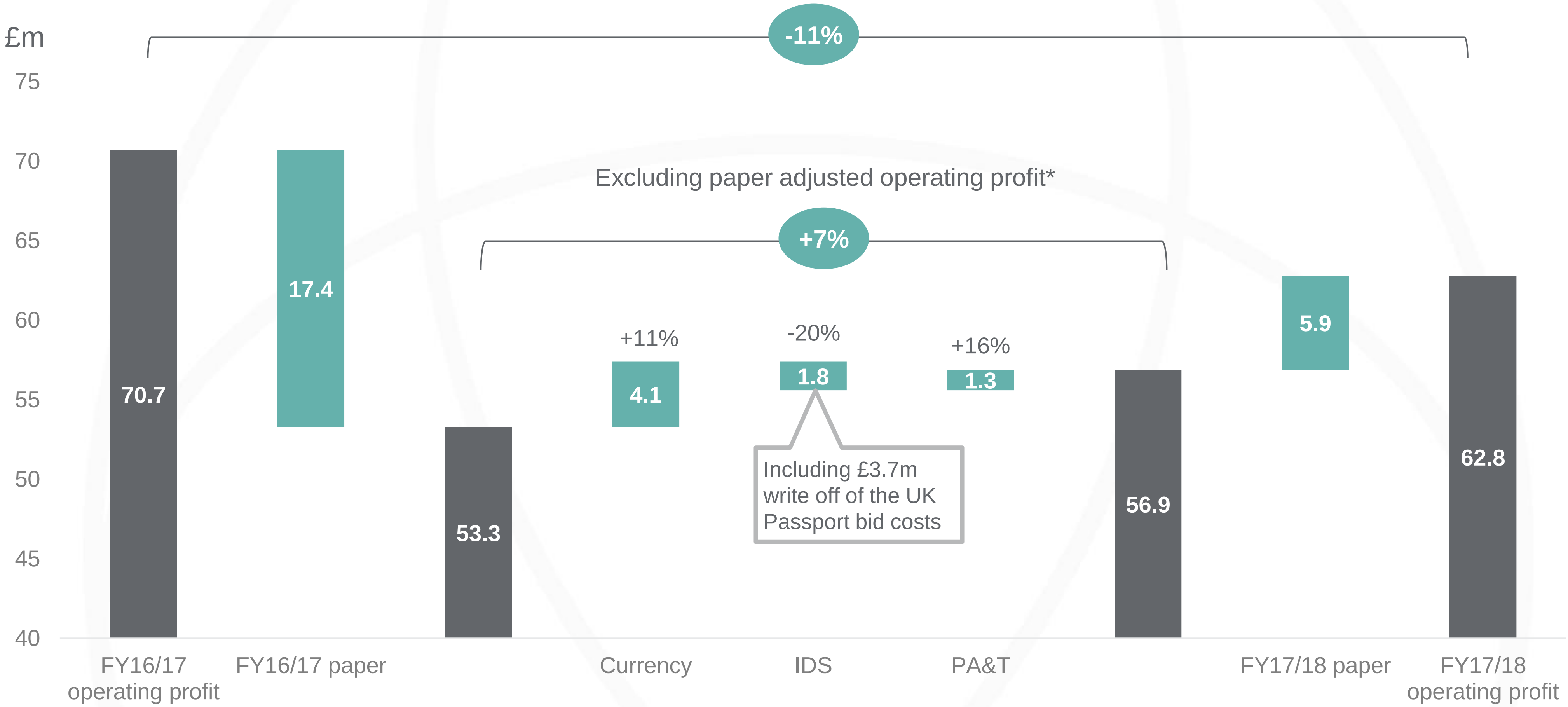
Including £3.7m write off of the UK Passport bid costs

* Before exceptional items and amortisation of acquired intangible assets

Revenue bridge



Adjusted operating profit* bridge



* Before exceptional items and amortisation of acquired intangible assets

Exceptional items

	2017/18 £m	2016/17 £m
Pension scheme (net of costs)	**79.5**	-
Sale of paper business	**(14.4)**	-
Finance transformation programme	**(2.2)**	(1.7)
Footprint restructuring	**(1.8)**	1.5
DAS acquisition	**(0.2)**	(0.9)
Warranty provisions	**-**	0.5
Sale of land	**-**	0.2
Exceptional items in operating profit	**60.9**	(0.4)
Total tax (charge)/credit on exceptional items	**(9.7)**	0.6

Balance sheet strength – working capital movement

			Year on year movement		
	2017/18 £m	2016/17 £m	Paper business £m	Group excluding paper £m	Total Group £m
Net trade receivables	63.3	89.5	2.3	23.9	26.2
Inventories	37.0	67.8	16.1	14.7	30.8
Trade payables	(59.6)	(46.5)	8.4	4.7	13.1
Total	**40.7**	**110.8**	**26.8**	**43.3**	**70.1**

- Trade receivables decreased following focus on AR and strong cash collections
- Inventories were lower due to structural changes and a focus on inventory management at sites
- Higher trade creditors resulting from proactive vendor management

Balance sheet strength – pension and net debt

Pension

- FY17/18 cash contribution was £13.5m
- Pre tax UK pension deficit decreased by £149.4m to £87.6m (FY 2016/17: £237.0m), reflecting:
  - £80.5m gain on revaluation of measurement (RPI to CPI)
  - Re-measurement on pension obligations
  - £18.4m return on scheme assets netted against interest and charges of £7.9m
- Funding plan agreed in June 2016 will remain in place until the conclusion of the new triennial valuation commenced in April 2018
- FY18/19 cash contribution is expected to be £20.5m

Net debt

0.66x

Net debt/EBITDA ratio*
2016/17: 1.25x
Covenant: ≤3.0x

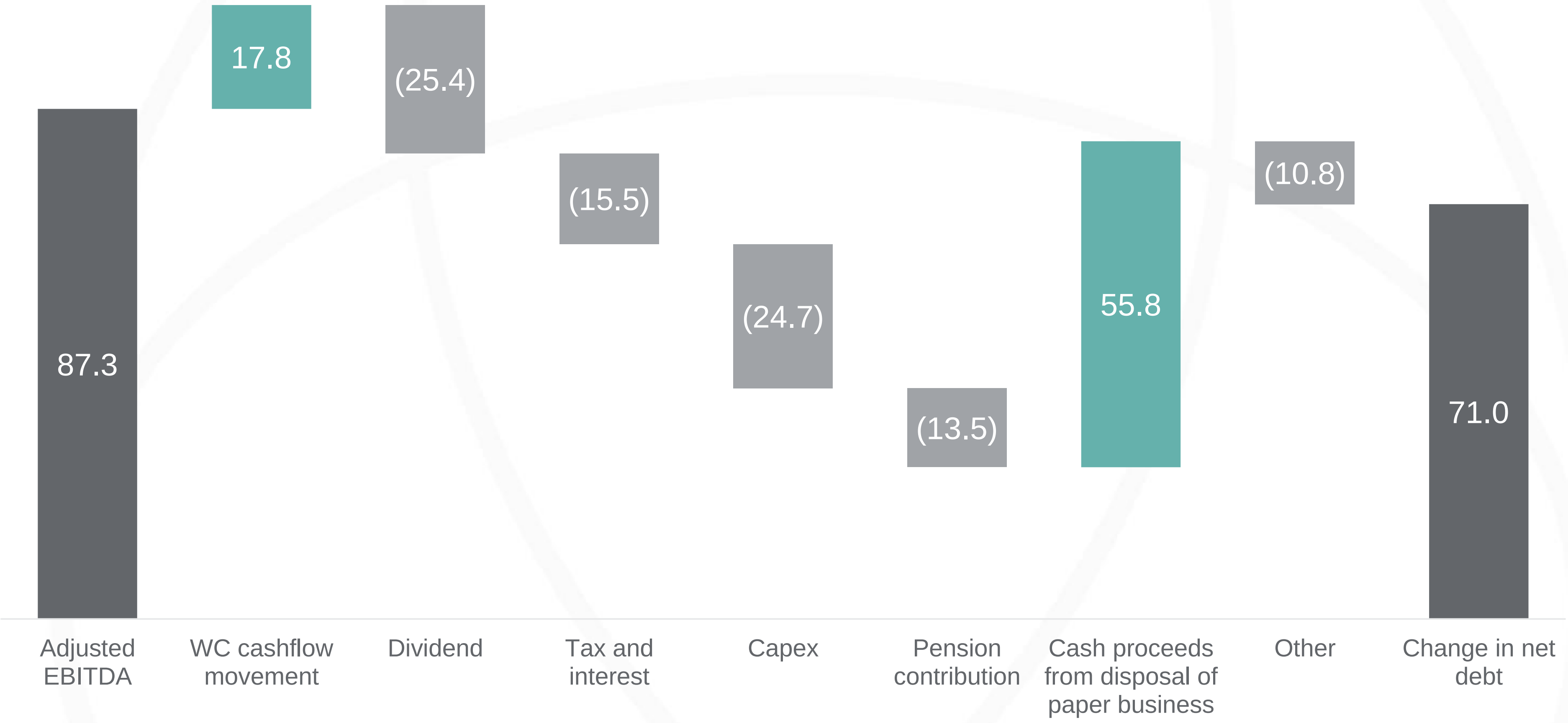
14.0x

EBIT/net interest ratio*
2016/17: 16.1x
Covenant: ≥4.0x

	2017/18 £m	2016/17 £m
Gross debt	**(65.4)**	(132.1)
Cash and cash equivalents	**15.5**	11.2
Net debt	**(49.9)**	(120.9)

*All numbers stated include discontinued operations
**Adjusted net debt/EBITDA ratio as per covenant definition

Cash flow


87.3
17.8
(25.4)
(15.5)
(24.7)
(13.5)
55.8
(10.8)
71.0
Adjusted EBITDA
WC cashflow movement
Dividend
Tax and interest
Capex
Pension contribution
Cash proceeds from disposal of paper business
Other
Change in net debt

Financial summary

- Solid performance excluding paper:
  - Revenues were up
  - Adjusted operating profit was up
  - Operating margin % stable
  - Order book is up 6% for the current year
- Net debt has reduced by over a half
- Pension deficit has reduced significantly

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Delivering on our strategy

De La Rue in 2015

We had

- Excellent brand
- Loyal customer base
- Scale
- Skilled workforce

…But

- Lagged behind in R&D, marketing, and sales capabilities
- Weak balance sheet – £111m net debt (profit good but cash poor)
- Large pension deficit
- Complacent culture

Strategic priorities

Optimise & Flex

- Divest non core business
- Limit exposure to paper market volatility
- Improve predictability and competeveness in banknote print

Invest & Build

- Grow Group revenue by mid-single digit CAGR 2015-20
- Diversify revenue stream by growing IDS and PA&T

Strengthen balance sheet

- Improve cash flow
- Reduce pension deficit

Drive culture change

- Dynamic, high performing culture
- Diverse and skilled workforce with high ethical standards

2020 goals

A less capital intensive, more technology led product and service provider with

- ✓ Better business mix
- ✓ Better quality of earnings
- ✓ Better return on capital
- ✓ High performing culture

Delivering on our strategy

Strategic priorities

Optimise & Flex

- ➢ Divest non core business
- ➢ Limit exposure to paper market volatility
- ➢ Improve predictability and competiveness in banknote print

Invest & Build

- ➢ Grow Group revenue by mid-single digit CAGR 2015-20
- ➢ Diversify revenue stream by growing IDS and PA&T

Strengthen balance sheet

- ➢ Improve cash flow
- ➢ Reduce pension deficit

Drive culture change

- ➢ Dynamic, high performing culture
- ➢ Diverse and skilled workforce with high ethical standards

Progress

Optimise & Flex

- ✓ Sold Cash Processing Solutions
- ✓ Sold Paper – reduced exposure to volatility to the paper market
- ✓ Reduced capacity in print and increased flexibility

Invest & Build

- ✓ Group revenue +5% CAGR FY15-FY18
- ✓ Established good position in polymer market
- ✓ Acquired DuPont Authentication

Strengthen balance sheet

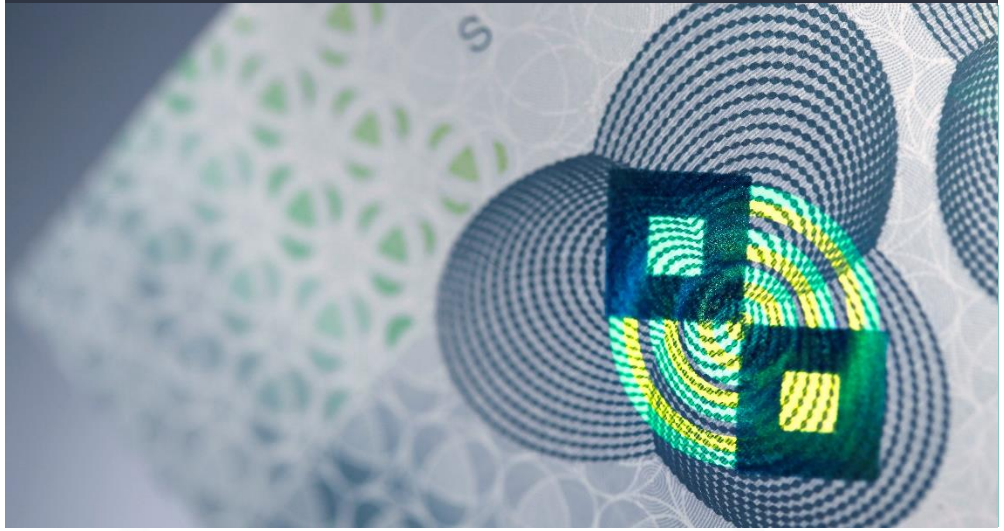
- ✓ Reduced net debt to £49.9m and improved working capital
- ✓ Reduce pension deficit to £87.6m

Drive culture change

- ✓ Restructured and streamlined the business
- ✓ Changed incentive plan and introduced performance management

Update on strategic progress

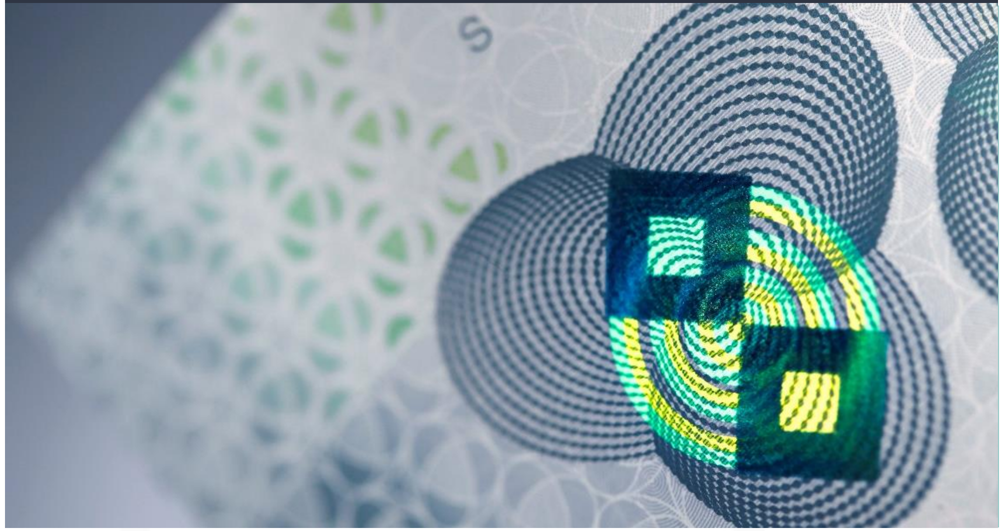
Invest & Build



Optimise & Flex

Update on strategic progress

Invest & Build



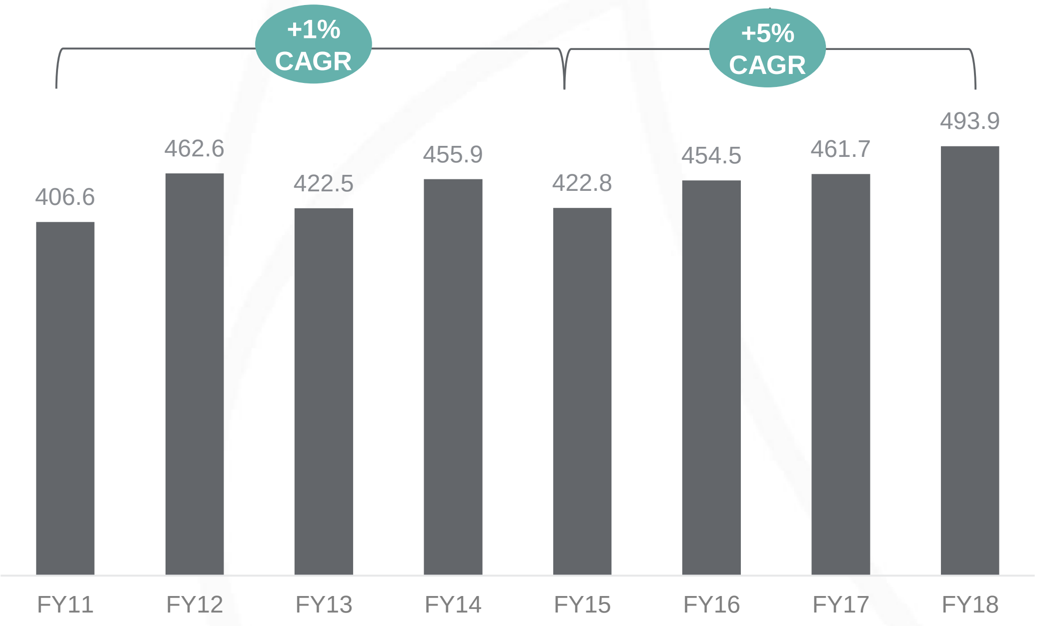
Optimise & Flex

Update on strategic progress

Strong sales performance reflected in consistent growth in revenue and order book

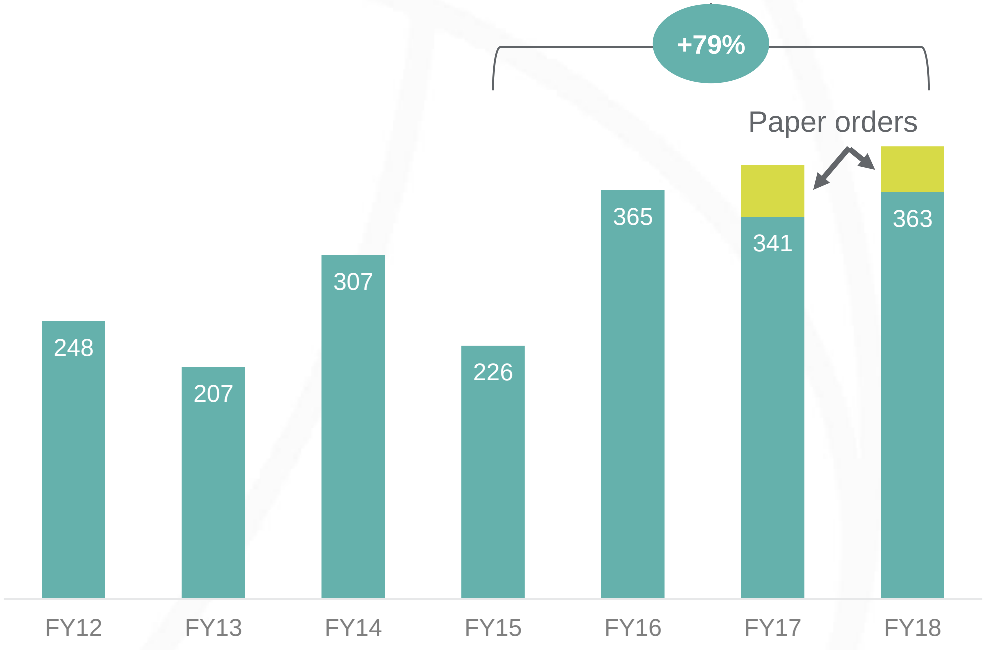
Stable mid single digit revenue growth since FY15

Group revenue* (£m)



Order book has never been stronger

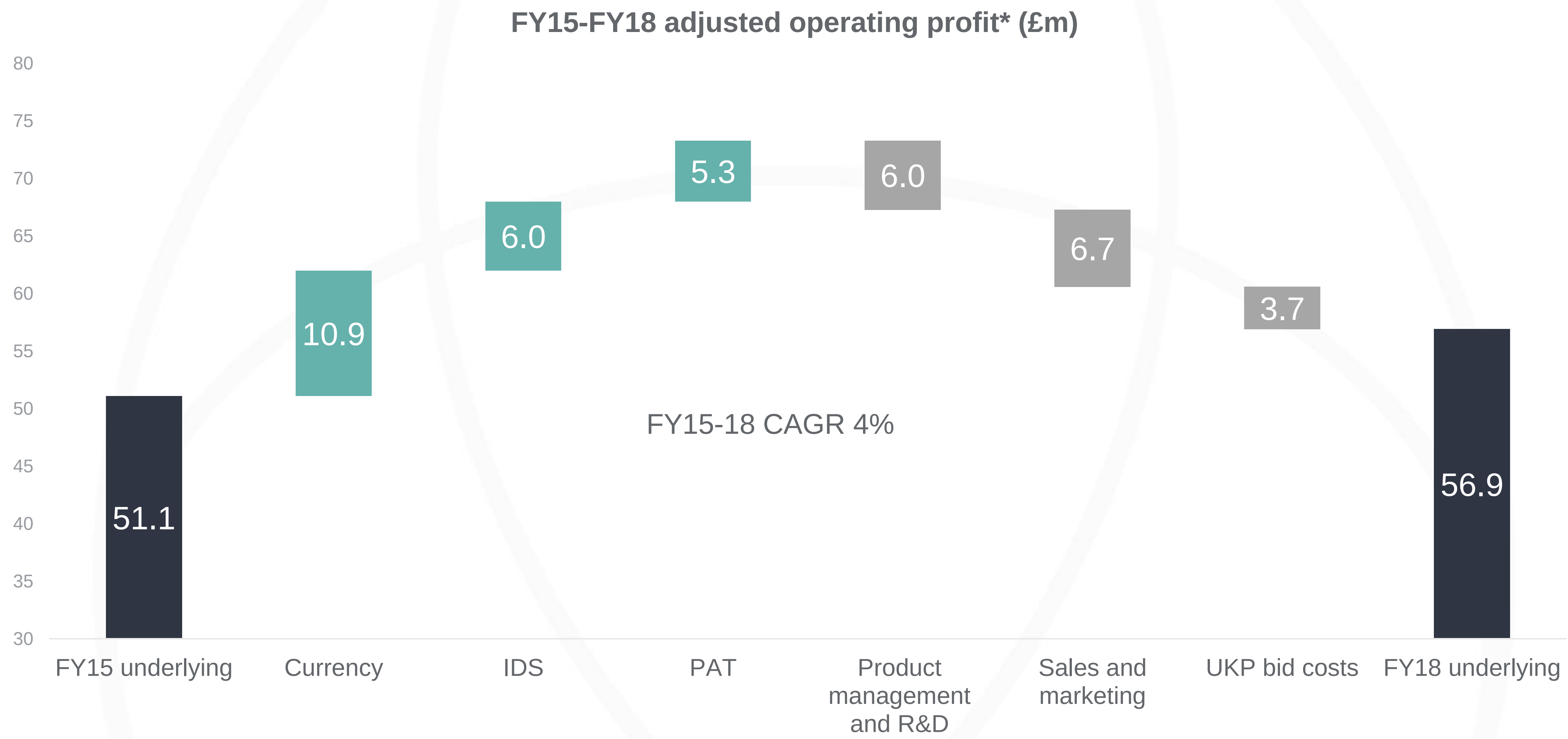
Group 12 month order book (£m)



*Historic numbers have been adjusted for CPS sold in May 2016

Update on strategic progress

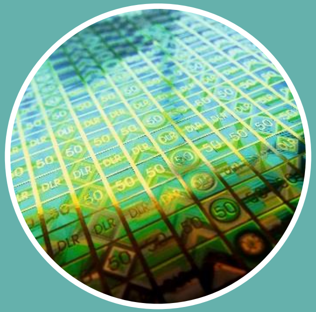
Good growth in operating profit offset by investment programme



* Excluding CPS sold in May 2016 and Portals De La Rue sold in March 2018

Invest for long term growth

Three areas of focus



Product management and R&D

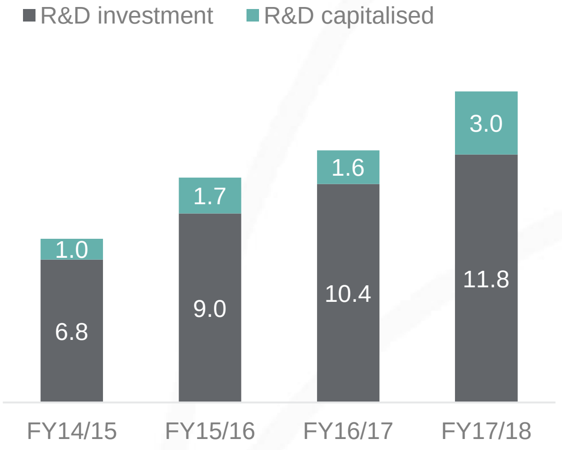
Sales and Marketing

Capability and Efficiency

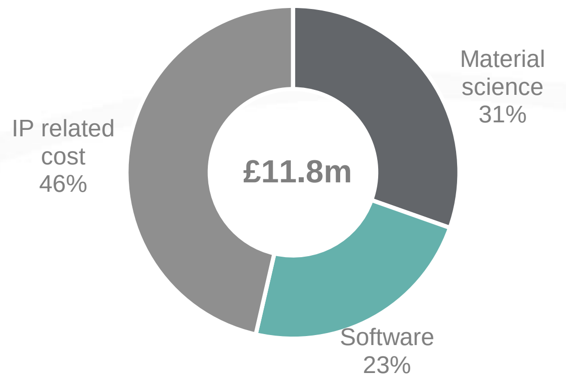
Invest for long term growth

Investing in product management and R&D for sustainable growth

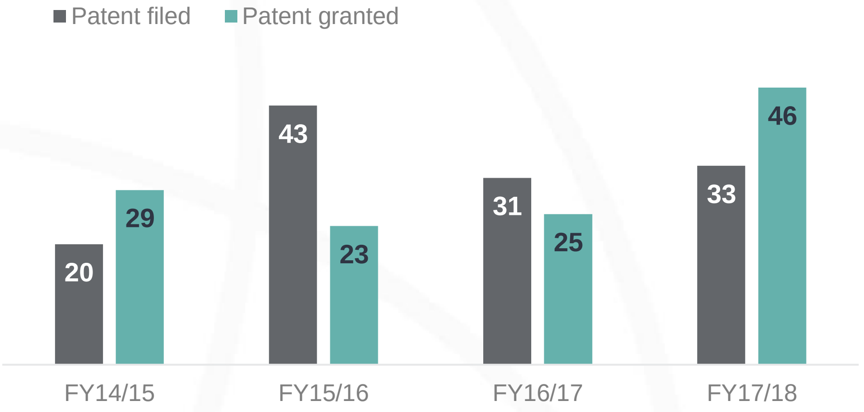
R&D investment* (£m)



R&D investment split FY17/18



Number of patents filed and granted



- Established Product Management function
- R&D focusing on two areas:
  - Centralised material science development
  - Software/solution development
- Accelerate technology development through partnerships and acquisitions

107
Patents filed in the last 3 years

94
Patents granted in the last 3 years

* FY14/15 and FY15/16 numbers have been adjusted to exclude CPS sold in May 2016

Invest for long term growth

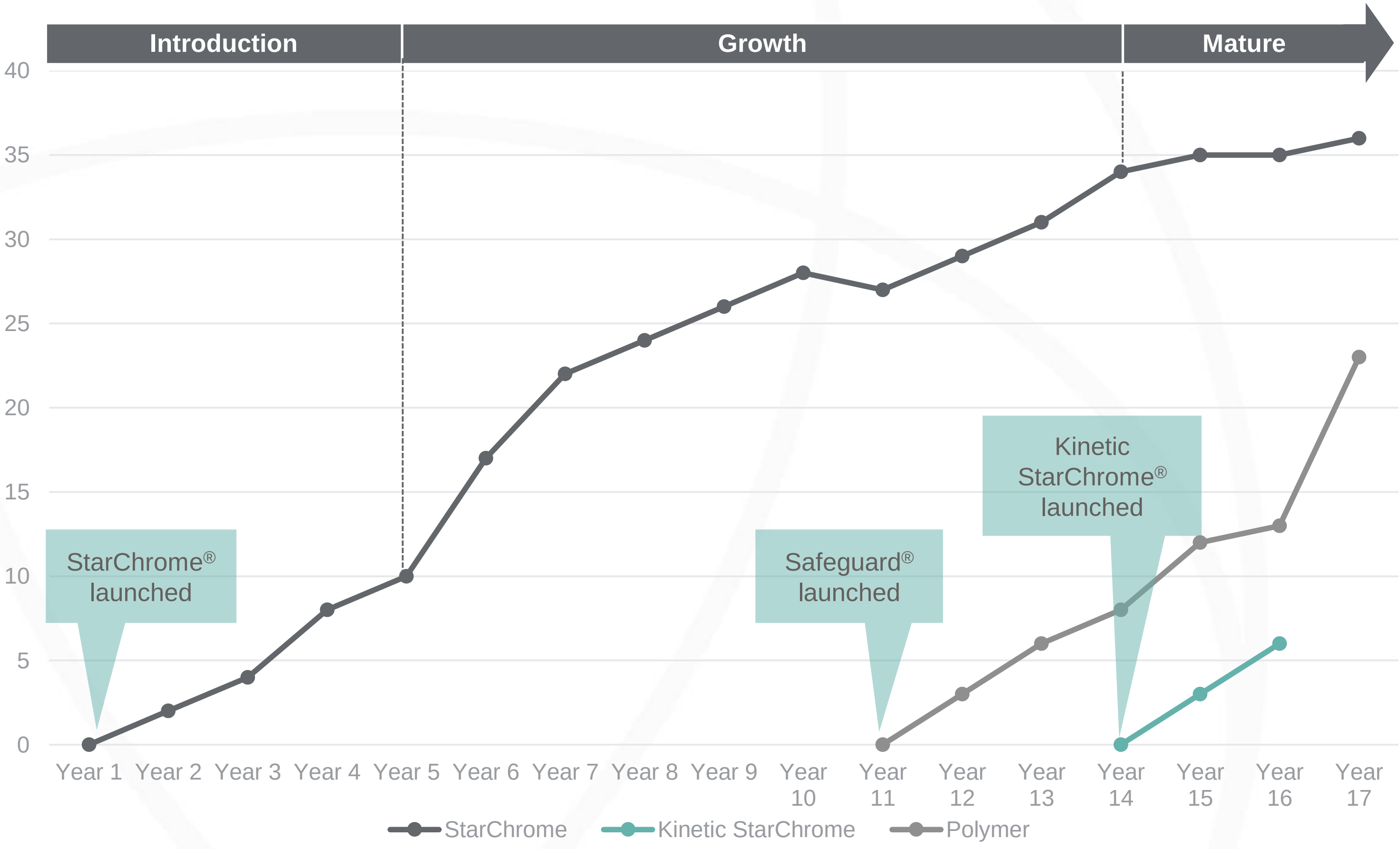
Investing in product management and R&D for sustainable growth

11

new product and service launches in the last 3 years vs. historic average 1-2 a year

- Leveraging cross technology platform creates longer term value & higher security products
- Differentiated service offerings that build customer relationships

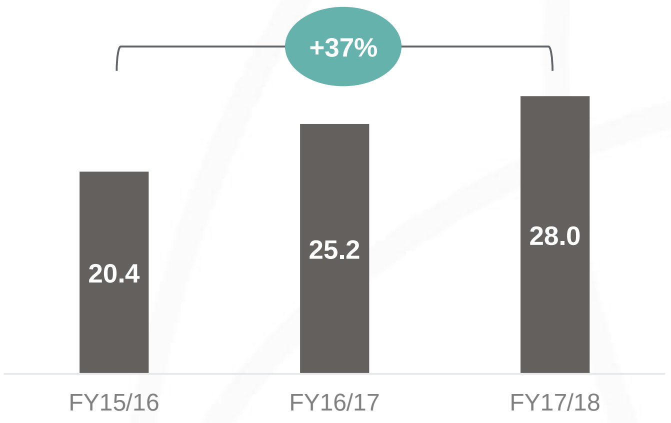
Examples of product adoption by number of issuing authorities



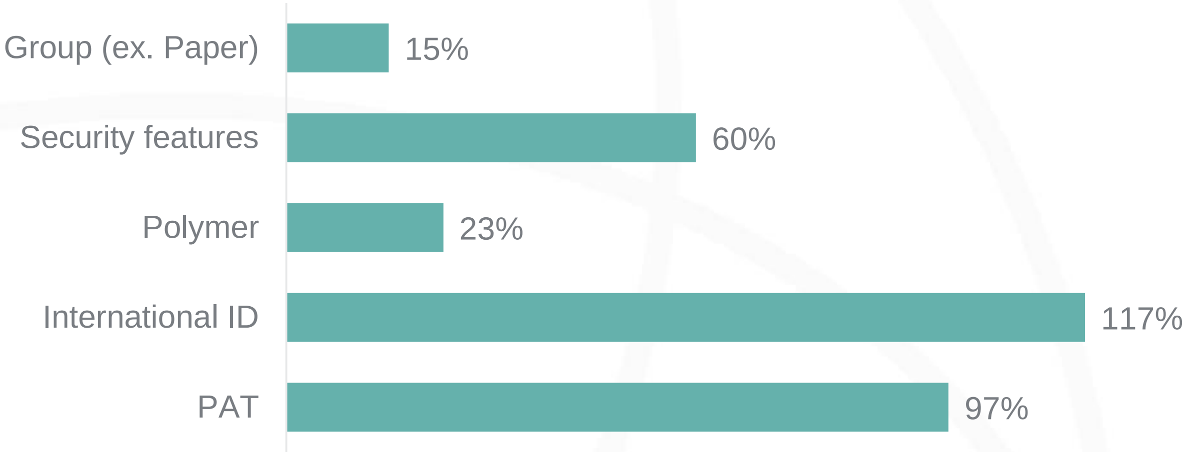
Invest for long term growth

Strengthening sales team and marketing

Total Sales & Marketing cost



Order intake growth FY17/18



Established Marketing function

- Refreshed brand proposition
- Increased market outreach

Professionalised and upskilled sales team

- Added resources focusing on solution sales skills
- TPP transition

Improved commercial management

- New CRM system
- Redefined value proposition and improved bid processes

+39%

Number of bids in FY17/18

71%

Win rate up from 66% in FY16/17

Invest for long term growth

Enhancing manufacturing capability and efficiency

Polycarbonate line in Malta

- Filled the gap in our end to end passport solutions
- Layered security increases value add
- Essential component for ID card – strengthening our ability for ID market

New security print line in Malta

- Increases capability for a fast growing PA&T market
- +3bn secure label capacity from Q2 FY19
- More efficient production – 5x faster, 3x wider

New banknote varnishing line in Kenya

- Upgrade capability to match the UK sites – wider range of jobs
- Expect 30% increase in productivity

Update on strategic progress

Invest & Build

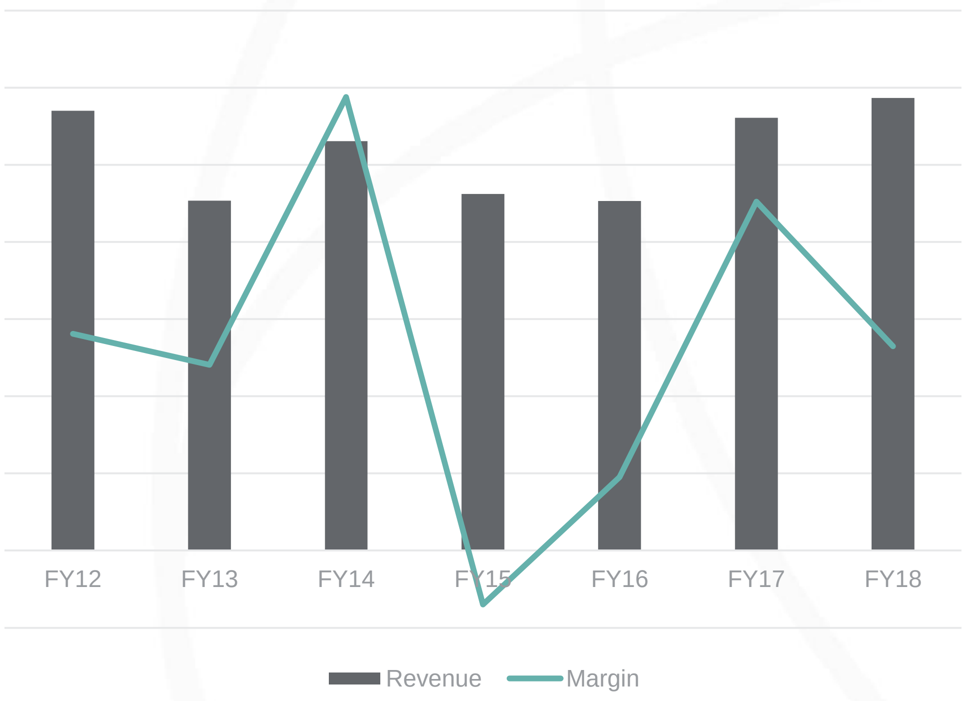
Optimise & Flex

Update on strategic progress – reducing volatility

Paper transaction reduced the Group's exposure to the volatility of paper market

Reduce exposure to the volatility of the commercial paper market which has long term oversupply issues

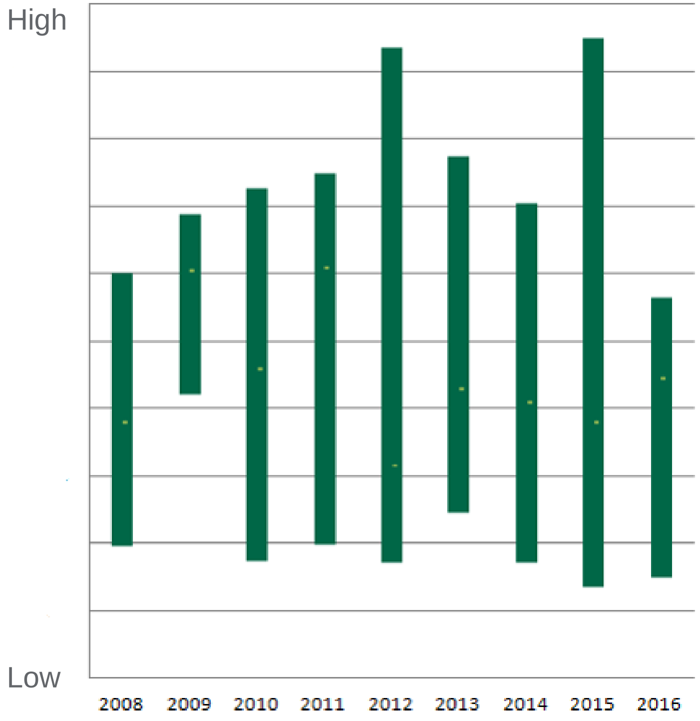
Banknote Paper revenue and operating profit margin*



* Adjusted for quality of earnings

10 year supply contract with fixed volume and price mechanism eliminates price volatility

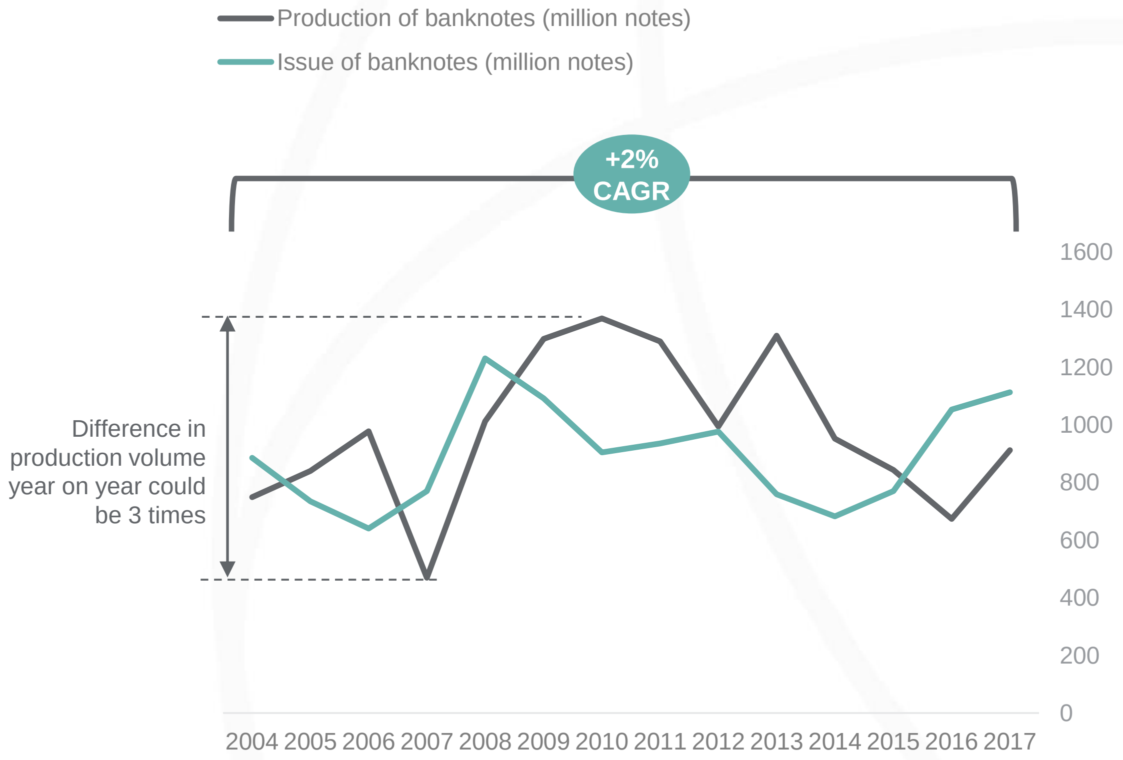
Price per tonne varies significantly, no historic trend



Update on strategic progress – reducing volatility

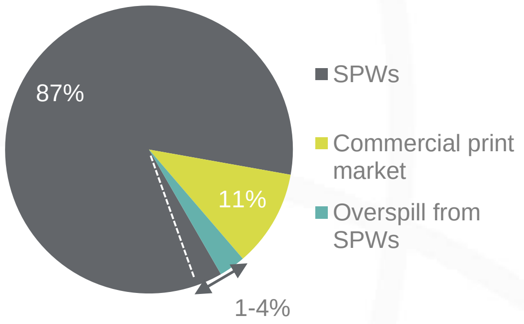
Two causes of volatility in Banknote Print

Little correlation between note issuance and note production. Irregular demand patterns create difficulties in forecasting and planning



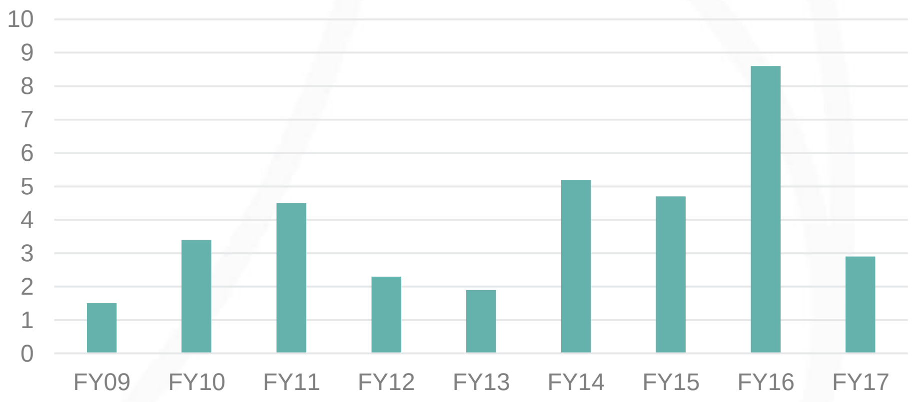
*Source: Bank of England

Global banknote print market (171bn notes)



Fluctuating overspill from state print works drives market volatility

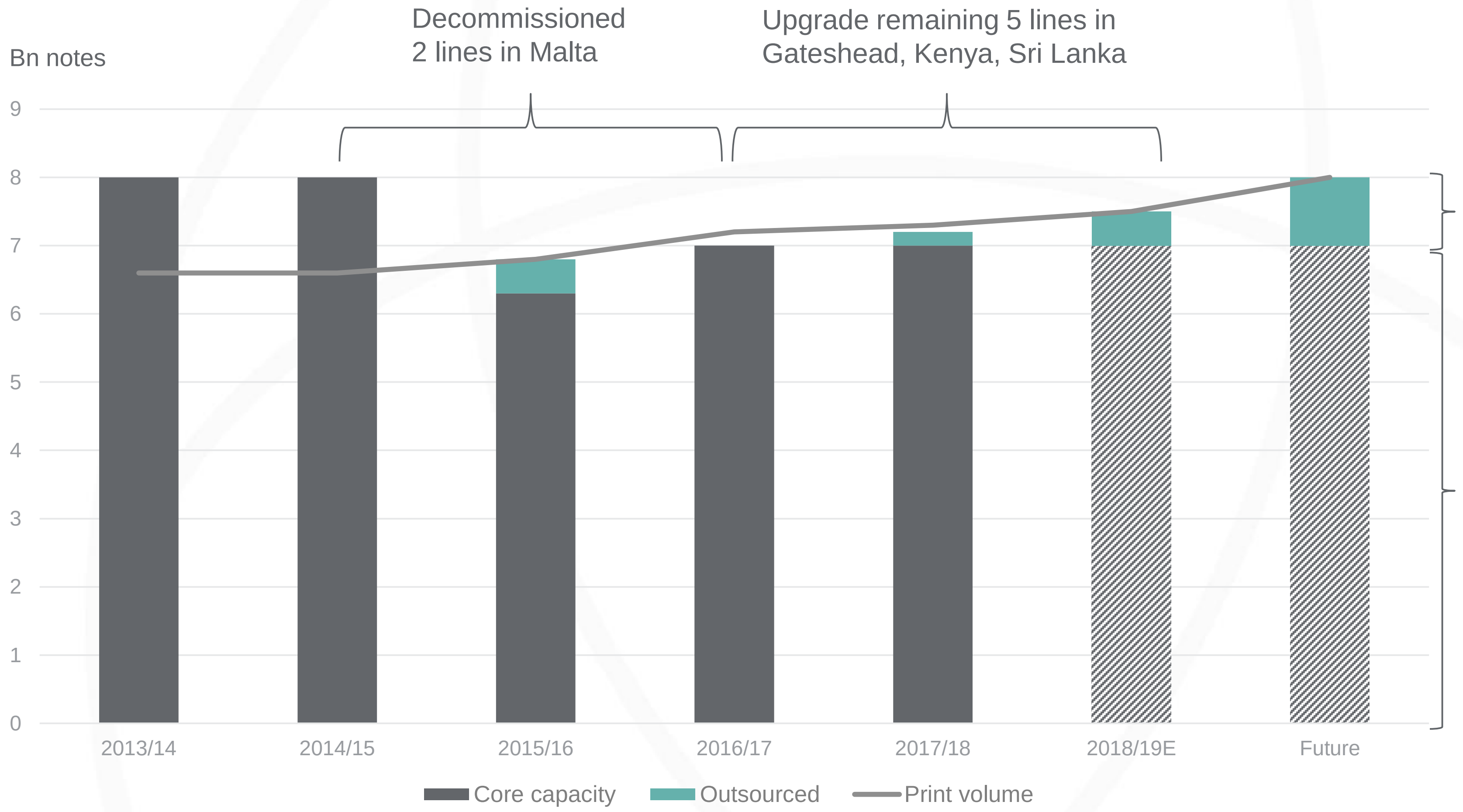
Banknote print market overspill (bn notes)



Have we addressed the volatility in the business?

Optimising internal capacity and increasing flexibility

Match core capacity with long term market demand, reducing fixed costs for unutilised capacity



More flexibility to deal with demand surge – work with third party partners where possible

Standardised footprint with upgraded capability and common practice – fewer but more efficient production lines

Update on progress – improving predictability

A long journey to a more predictable business model

- **DLR Analytics™**
  - Cloud-based software
  - Consultancy services
- **Benefits to De La Rue**
  - Unique customer proposition
  - More predictable buying behaviour
  - Building stronger relationships and opening up new opportunities
- **Direct approach** – localising sales and account management to be closer to our customers, providing imminent support and market intelligence

70

Central banks signed up

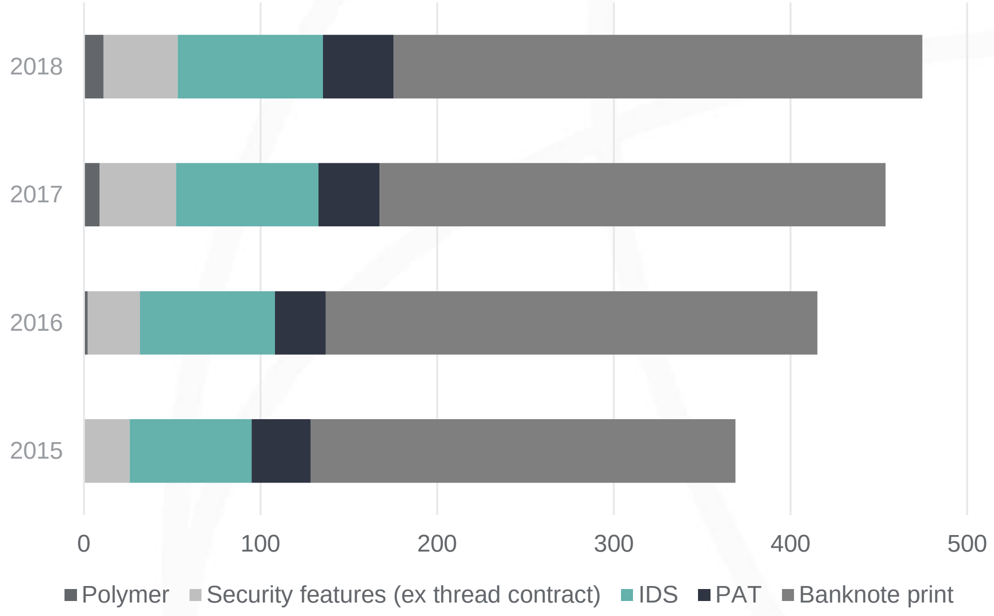
1/3

of which are new to De La Rue

Update on progress – improving predictability

More diversified revenue streams and balanced customer base

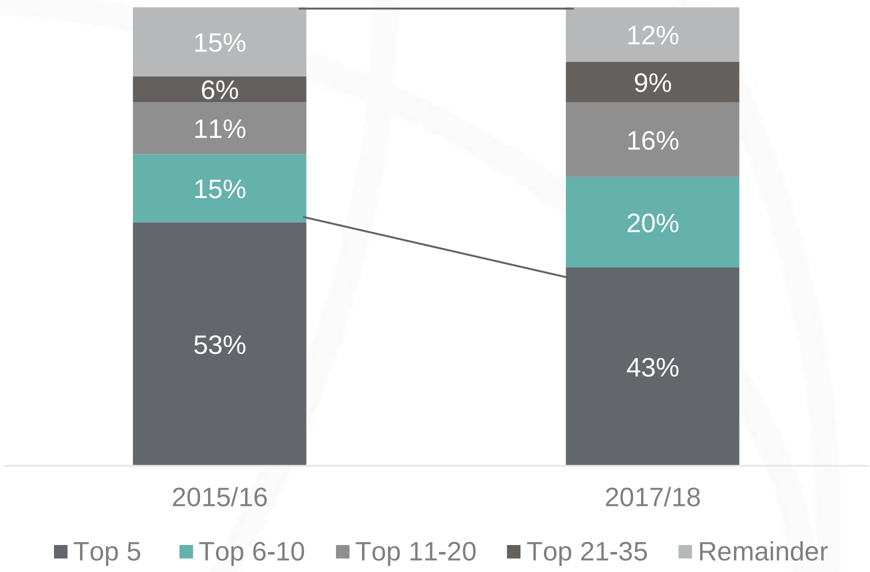
More diversified revenue streams



- Invest & Build product lines +8% CAGR* FY15 – FY18
- 1/3 of Group revenue and 50% of Group adjusted operating profit

More balanced customer base

Customer concentration



- Growing number of customers
- Growing revenue per customers

*Excluding the material security features contract ended in December 2015

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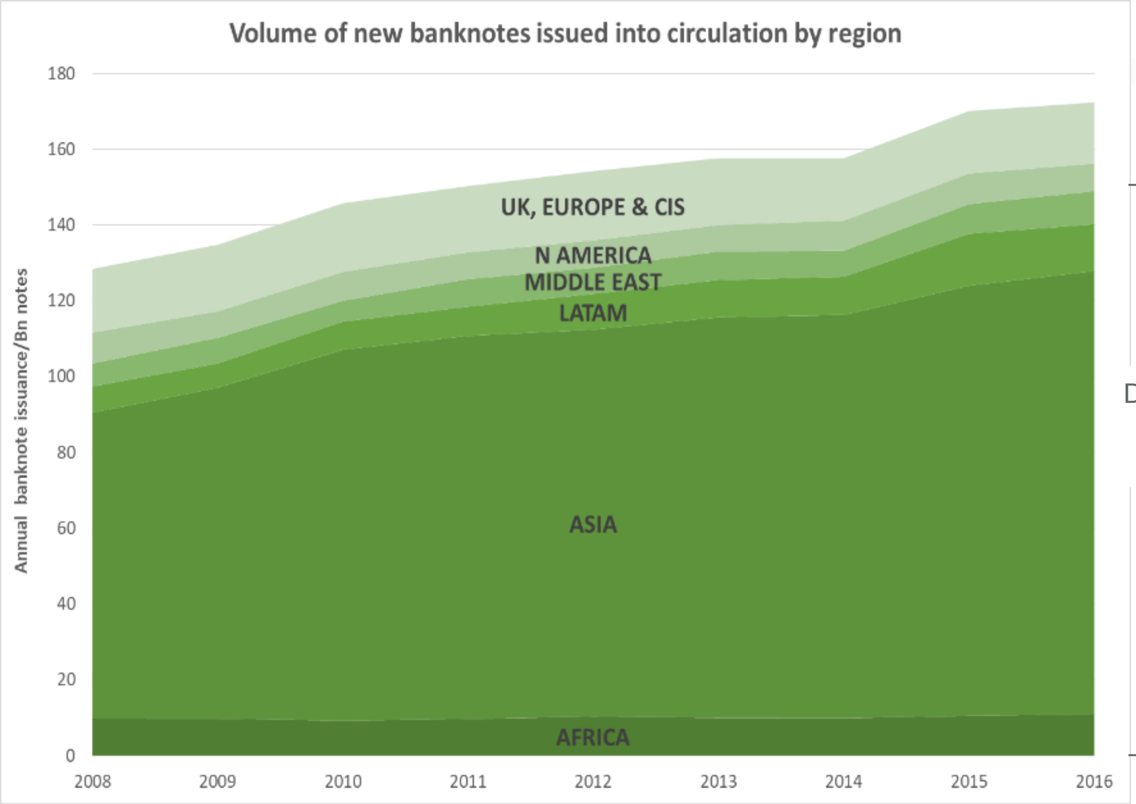
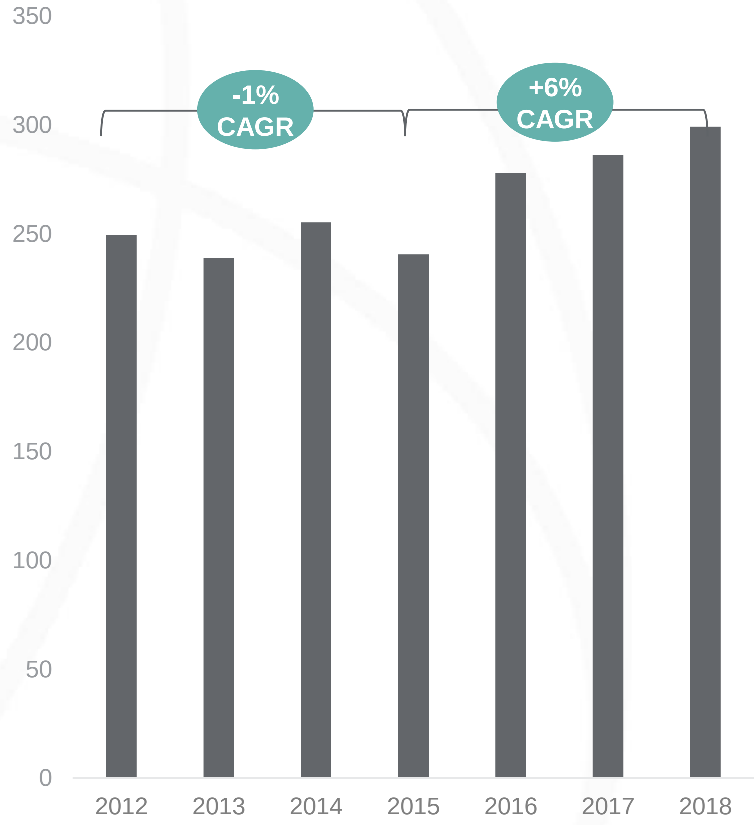
New note issuance continues to grow

De La Rue is growing ahead of the market



De Le Rue core international market

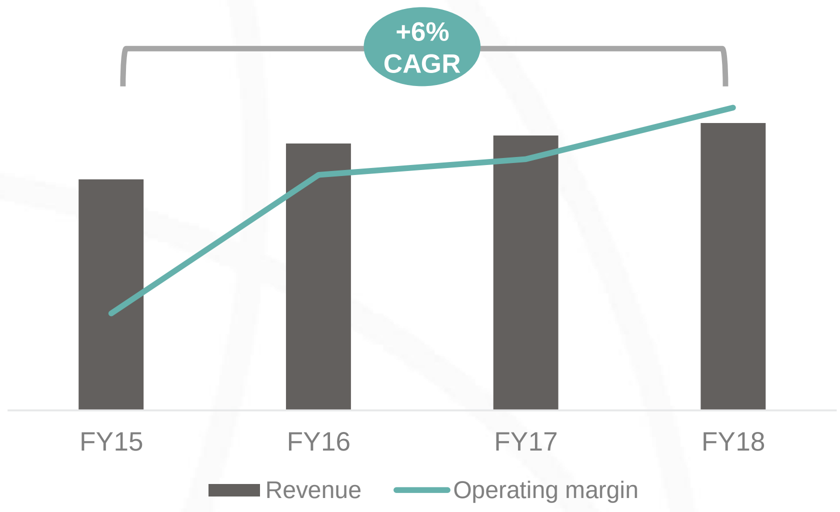
De La Rue banknote print revenue (£m)



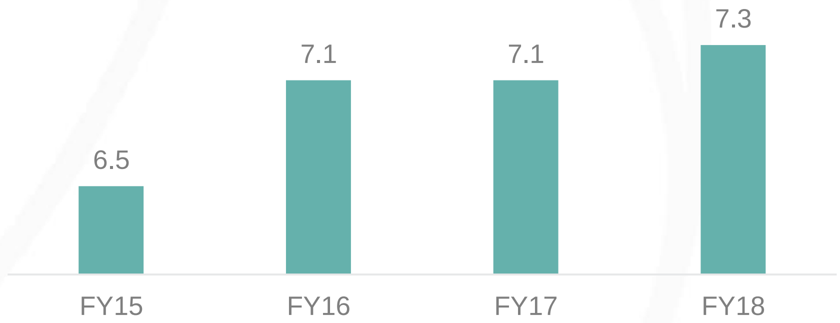
Banknote Print

- Demand remains strong – higher volumes and average price
- Good progress in building long term customer relationships
  - Renewed two LTAs with extended terms
  - Added one more
- Improvement programme continues to deliver standardised footprint and improve efficiency
  - Print line upgrades in Kenya and Sri Lanka ongoing
  - Added a new banknote varnishing line in Kenya
  - Plan for rolling out monitoring and note inspection system in place
- Establishing stronger relationships with manufacturing partners – successfully outsourced printing of 113m notes

Revenue & operating margin trends



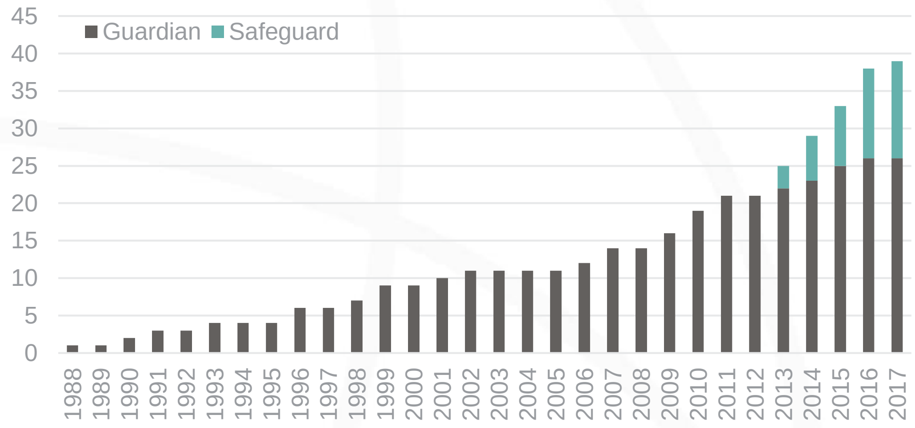
Banknote print volumes (bn notes)



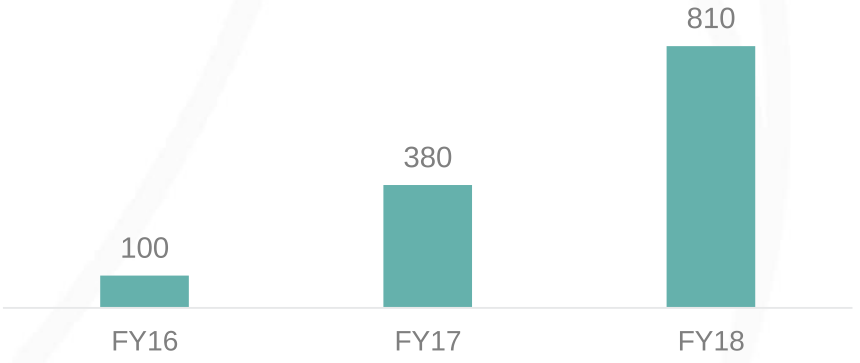
Polymer

- Momentum has gathered pace
  - Doubled volumes to 810 tonnes – 11% market share
  - Added 11 customers and 22 denominations, including BoE, Botswana, and a West African country state print work
  - Qualification process with Canada, Australia and New Zealand ongoing
- Development of differentiating new features is progressing

No of Issuing Authorities



Polymer volumes (tonnes)



Security Features

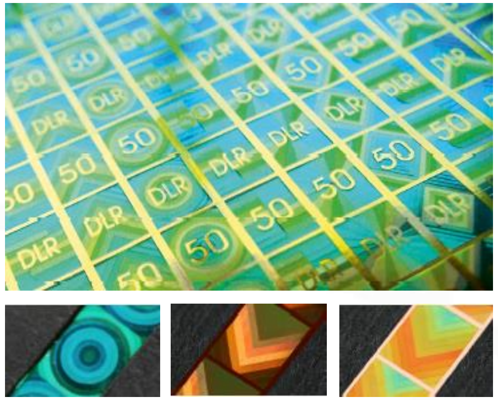
- Good uptake of premium feature KineticStarChrome™ launched in 2014

Macedonia
2000 Dinar

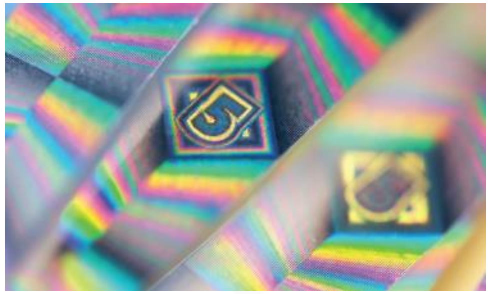
Seychelles
100 Rupee

Bangladesh
100 Taka

- Newly launched features saw traction
  - Kinetic StarChrome Portrait™ secured 1st order
  - Enhanced Gemini™ in 1st banknote design
- R&D focus continued to deliver good results
  - Launched two new premium features – Ignite™ and PureImage™
  - New feature for passport – Cooper™
  - Lippmann hologram new form factor for brand protection - Blulock™

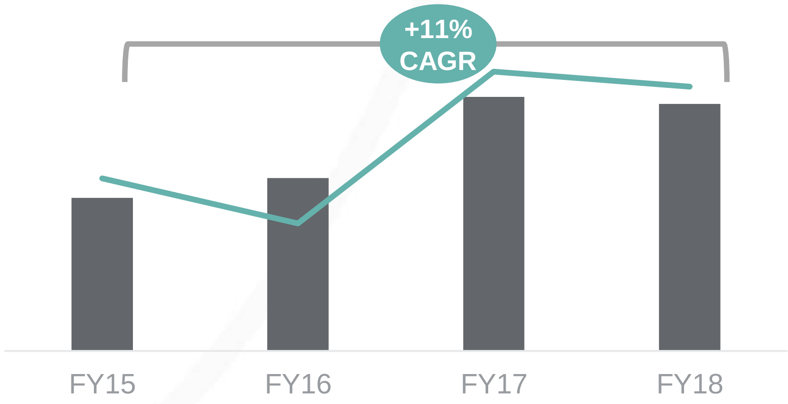


Ignite™ – combining colour-shift and microstructure technologies



PureImage™ - machine readable next generation holographic thread with clear imagery and bold movement

Revenue & operating margin trends*



* Excluding the material security features contract ended in Dec 2015

Identity Solutions

- Malta Centre of Excellence opened – polycarbonate line in operation with Kenya new ePassport
- Good progress on increasing software/services revenue
- Strong momentum in international ID sales through leveraging existing relationships – order intake +117%
  - Bangladesh 5m passport top up
  - Malta eID solution
  - ePassport solution for an East African nation
  - Design and development contract for Australia next generation passport due to be issued in 2020
  - Design contract for Dominican Republic
- Accelerate product development through Opalux partnership
  - Joint development on personaliseable feature for identity products
  - Exclusive sales agreement
- UK Passport impact

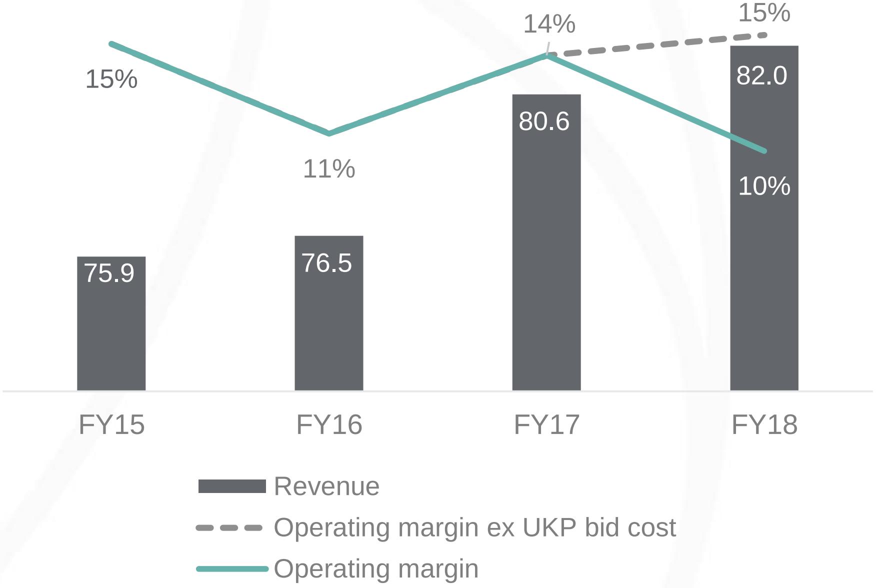
+28%

Software/service revenue yoy increase

30%

Software/service as % ID excl. UKP in FY17/18 (FY16/17: 25%)

Revenue & operating margin trends



Product Authentication & Traceability

- Good momentum in Government Revenue Services (GRS)
  - Secured a five year tax stamp solution contract with Federal Tax Authority in the UAE – good reference in the region
  - Increasing demand in EU market driven by EU TPD (Tobacco Products Directive)
- Brand protection progressing well
  - De La Rue Authentication Solutions exceeded plan – extending to Industrials market with a pilot programme with Cummins
  - Strategic partnership with Optel – further enhanced our track and trace product offering

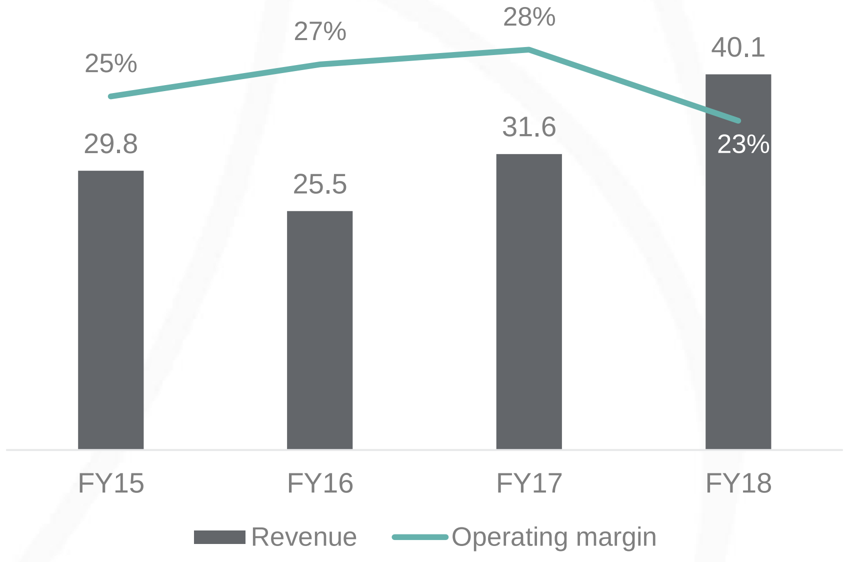
+10%

Revenue growth
CAGR FY15 - FY18

+8%

Operating profit growth
CAGR FY15 - FY18

Revenue & operating margin trends



Summary

1

Underlying performance remains solid, although FY17/18 results mixed

2

Good progress against our strategic goal to become a less capital intensive, more technology led business

3

Balance sheet significantly strengthened, providing with greater flexibility in capital allocation to invest for future growth

4

Outlook:
Strong order book gives good revenue coverage for the year ahead. FY18/19 profit expected to be in line with last year as we will continue to invest in R&D and sales to drive long term sustainable growth

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Agenda

Overview
Martin Sutherland

Financial Performance
Helen Willis

Strategic Update
Martin Sutherland

Operational Review
Martin Sutherland

Q&A

De La Rue
2017/18
Full Year Results

Appendices

Strategic milestones

2014/15
- Announced five year strategic plan

2015/16
- Completed reorganisation
- Launched software product DLR Identify and DLR Certify
- Secured 1st volume customer for Polymer
- Complete manufacturing footprint review

2016/17
- Completed sale of Cash Processing Solutions
- Agreed new pension funding plan
- Acquired brand protection firm DuPont Authentication

May 2017
- Launched cash cycle management software DLR Analytics

Oct 2017
- Won 10 year contract to supply polymer substrate for Bank of England's new £20

Nov 2017
- Agreed pension indexation change, reducing pension liabilities by c£70m

Feb 2018
- Agreed sale of 90% stake in paper business to Epiris and guaranteed paper supply with a 10 year contract

Mar 2018
- Completed the paper transaction, reducing net debt to £50m

Apr 2018
- Entered partnership with Canadian technology firm Optel, strengthening DLR's track & trace solutions

Consolidated income statement – continuing operations

	2017/18	2016/17
	£m	£m
Revenue	**493.9**	**461.7**
Adjusted operating profit*	**62.8**	**70.7**
Exceptional items	60.9	(0.4)
Amortisation of acquired intangibles	(0.7)	(0.1)
Reported operating profit	123.0	70.2
Net finance cost	(9.4)	(12.0)
Adjusted profit before tax**	53.4	58.7
Reported profit before tax	113.6	58.2
Taxation	(16.8)	(8.7)
Adjusted profit after tax**	45.1	49.4
Reported profit after tax	96.8	49.5
Adjusted basic EPS*	42.9p	47.1p
Adjusted diluted EPS*	42.5p	46.5p
Reported basic EPS	93.7p	47.2p
Reported diluted EPS	92.8p	46.6p

* Excludes exceptional net gains of £60.9m (2016/17: net charges of £0.4m) and amortisation of acquired intangible assets of £0.7m (2016/17: £0.1m).
** Excludes exceptional net gains of £60.9m (2016/17: net charges of £0.4m), amortisation of acquired intangible assets of £0.7m (2016/17: £0.1m) and related tax charge of £9.7m (2016/17: credit of £0.6m).
"Adjusted" measures are not on an IFRS basis. For further explanations and reconciliations to equivalent IFRS measures see appendix slides. "Reported" measures are on an IFRS basis.

Cash flow

	2017/18 £m	2016/17 £m
Profit before tax	**110.6**	51.8
Finance income and expense	**9.4**	12.0
Deprecation and amortisation	**25.2**	26.8
Loss on disposal / asset impairment	**-**	5.5
Loss on sale of business	**9.3**	
Working capital movement	**17.8**	(17.2)
Non cash gain on re-measurement of defined benefit pension liability	**(80.5)**	
Pension fund contributions	**(13.5)**	(14.6)
Other	**(4.8)**	-
Cash generated from operating activities	**73.5**	**64.3**
Tax and interest paid	**(15.5)**	(9.9)
Capital expenditure	**(24.7)**	(26.1)
Proceeds from sale of business (net of cash disposed)	**55.8**	-
Acquisition of subsidiary (net of cash acquired)	**(1.1)**	(17.9)
Advanced payment – non trading	**5.0**	-
Dividend	**(25.4)**	(25.4)
Net repayment of borrowings	**(67.0)**	(12.4)
Proceeds from sale of CPS	**3.0**	2.1
Other	**0.6**	(1.4)
Net cash (outflow)/inflow	**4.2**	**(26.7)**

Non-IFRS measures

De La Rue publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. The measures the Group uses along with appropriate reconciliations where applicable are shown below.

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	2017/18 £m	2016/17 £m
Operating profit from continuing operations on an IFRS basis	**123.0**	70.2
- Amortisation of acquired intangible assets	**0.7**	0.1
- Exceptional items – operating	**(60.9)**	0.4
Adjusted operating profit from continuing operations	**62.8**	70.7

Non-IFRS measures

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average number of ordinary shares dual share in issue. It has been calculated by dividing the adjusted operating profit from continuing operations for the period by the weighted average number of ordinary shares in issue.

	2017/18 £m	2016/17 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**95.4**	47.9
- Amortisation of acquired intangible assets	**0.7**	0.1
- Exceptional items	**(60.9)**	0.4
- Tax on exceptional items	**8.5**	(0.6)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**43.7**	47.8
Weighted average number of ordinary shares for basic earnings	**101.9**	101.6
	pence per share	pence per share
Basic earnings per ordinary share for continuing operations on an IFRS basis	**93.7p**	47.2p
Adjusted basic earnings per ordinary share for continuing operations	**42.9p**	47.1p

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Thank you