

Currency

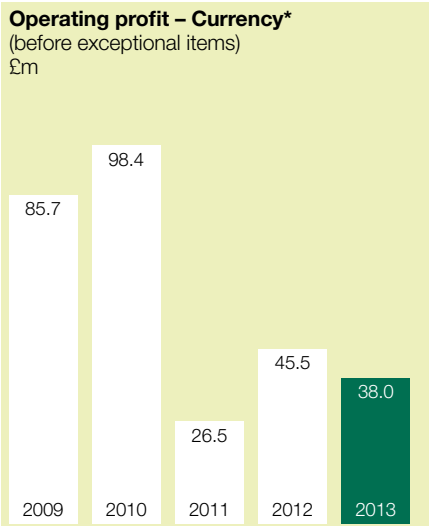
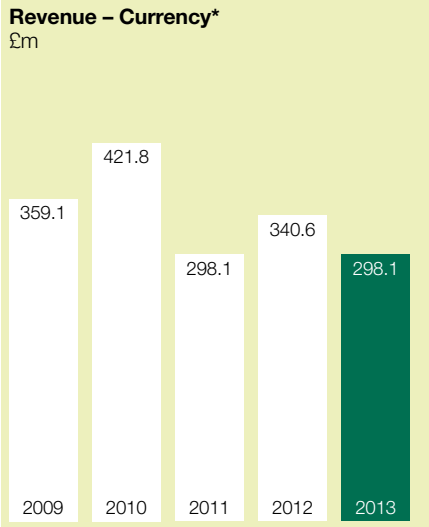
Provides market leading printed banknotes, banknote paper and a comprehensive portfolio of banknote security features. Working in partnership with its customers to provide effective currency solutions, the business also advises on critical issues of currency strategy such as design, demand forecasting, denominational structure and protection against counterfeiting.

Performance in 2012/13

Banknote print volume at 6.3bn notes was similar to the prior year (2011/12: 6.4bn) notwithstanding delayed orders and lower overspill volumes in the market. Paper output volume was, as expected, down 21 per cent at 8,700 tonnes (2011/12: 11,000 tonnes) primarily reflecting more challenging market conditions as a result of excess market capacity.

Revenue decreased by 12 per cent to £298.1m (2011/12: £340.6m) with operating profit down 16 per cent at £38.0m (2011/12: £45.5m). These results reflect the reduced paper and component volumes, a less favourable product mix and pricing pressure in the currency market as a whole. These adverse factors have been mitigated in part by the further benefits of the Improvement Plan and lower raw material and component costs, most notably on cotton, which had a favourable impact of £6m compared with 2011/12.

Order intake in the period was lower than originally expected, reflecting delays in a number of important contracts, lower overspill and the challenging currency market. At the year end, the Currency 12 month order book, excluding currently suspended orders, was down 14 per cent at £158m (2011/12: £183m). However, the pipeline of order opportunities is strong, more than 10 per cent higher than the prior year, with an increased level of overspill prospects compared with the low level experienced in 2012/13. We expect that an appropriate proportion of this pipeline will be converted into orders for delivery in 2013/14.



*The Holographics operation, previously part of Security Products, became part of the Currency business, on which it largely depends, from the first day of the 2012/13 financial year and comparatives have been re-presented accordingly.



Libya

Following the revolution in Libya in 2011, one of the first tasks of the Central Bank of Libya was to replace the banknotes to reflect the new regime. In late 2012 De La Rue was awarded the contract following a robust international tender process and work on the new banknotes began in earnest. Libyan designers provided the original design concepts reflecting iconic images of the country. Working in close cooperation with De La Rue's design team these were transformed into the final banknote designs. On 17 February 2013, to mark the second anniversary of the revolution, the first of the new banknotes was introduced into circulation.



Barbados

A new family of banknotes was issued in Barbados on 2 May 2013. This is the first major redesign of Barbados' banknotes since the first series was issued in 1973.

The six denominations – \$2, \$5, \$10, \$20, \$50 and \$100 – have been retained in this new issue. The imaginative design of the new series includes portraits on the front of famous Barbadians who have made a significant contribution to society, with new reverse images celebrating their achievements. De La Rue has worked closely with the Central Bank of Barbados since it was established, and was delighted to be asked to contribute to the design of the new banknote series.

In addition to designing and producing banknotes for Barbados, De La Rue manufactures the Barbados passport.

Market

The key drivers determining the requirement for, and the type of, banknotes used around the world remain the need to provide security in the banknote ahead of the counterfeiter's capabilities, the durability and efficiency of the banknote in circulation and the level of economic activity.

Market demand for banknotes continues to grow on average at about 4 per cent annually although the rate varies around the world reflecting local circumstances. The market available to commercial providers of banknotes and their components is expected to grow at a broadly similar trend rate.

Variability in demand is a feature of the market, with short term fluctuations in the timing and size of orders reflecting the decisions taken by central banks. This has the potential to create material volume variation year on year for commercial providers such as De La Rue.

De La Rue has continued to invest in R&D to ensure that it can offer its customers the very best security features and innovations. The focus has been on durability and printed features including:

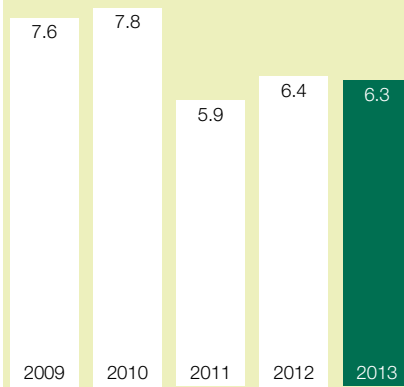
- Safeguard™, De La Rue's polymer substrate product (see page 4 for further information). Our first customer for this product, Fiji, has issued its polymer denomination into circulation (see case study, right) and a number of other customers, one of which has its own printing works, have purchased Safeguard™. Their banknotes will be issued during the course of 2013
- SPARK® Orbital™ (see page 6 for further details). This feature is designed for use on both paper and polymer substrates
- Spectrum™, a new print feature building on proven latent technology (see page 5 for further details)

De La Rue has also improved its capability in thread making, foil application and paper coatings to give more options for customers.

The demand for effective, good value security features remains a strong driver in the market and De La Rue's focus on its R&D portfolio reflects this. During 2012/13 nearly twice as many Currency related patents were filed compared with the previous year.

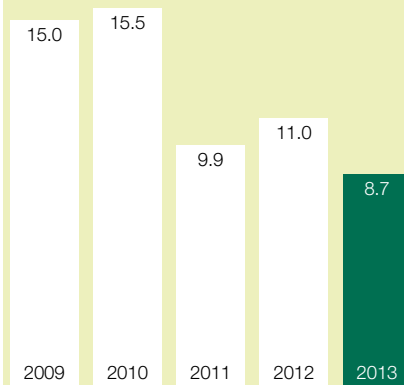
Banknote print volume

Billion notes



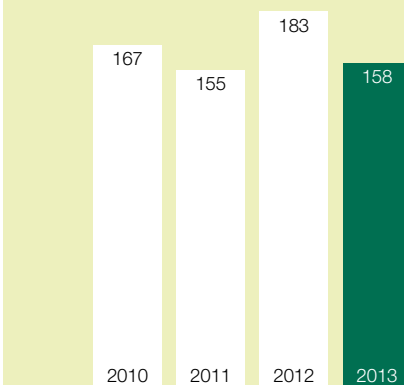
Banknote paper output volume

'000 tonnes



Currency year end 12 month order book

£m



Fiji

In December 2012 the Reserve Bank of Fiji unveiled its new series of banknotes based on flora and fauna designs celebrating Fiji's biodiversity. The entire series, comprising vibrant and elegant images, was designed and printed by De La Rue and incorporates the latest security features. The \$5 denomination within this series is the first banknote in circulation using De La Rue's Safeguard™ polymer substrate.

Solutions

Provides specialist physical and digital products and services, including cash processing, revenue and brand protection, identity solutions, and financial and secure documents.

Cash Processing Solutions (CPS)

Performance in 2012/13

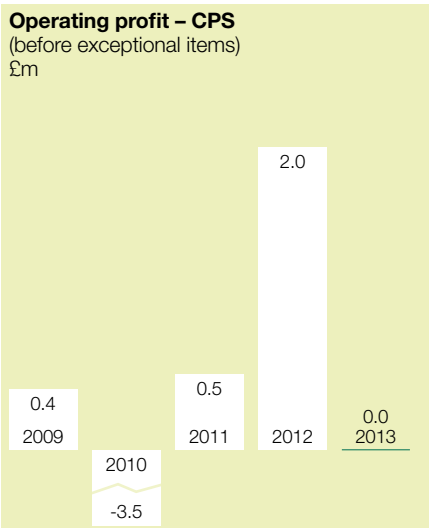
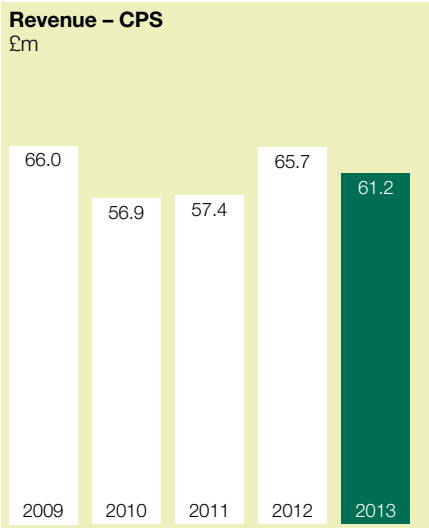
The decreased revenue and operating profit mainly reflect reduced second half volumes and in particular customer related delays in large sorter installations straddling the period end. Service revenues were slightly lower than the prior year but remain an important source of income. The first two DLR 9000 single note inspection machines are now in operation in the Gateshead Currency print facility, with a further machine planned for 2013/14. The level of customer enquiries for this new product has been encouraging.

Market

Maintaining a currency's integrity and minimising the cost of handling cash is an important element of a central or commercial bank's operation.

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 both its advanced cash sorting machines and market leading vault management software. De La Rue supports and maintains customer solutions via a global network of engineers, often working at customer sites.



VAULTEX

Vaultex reaps benefits of ECM™

Vaultex is one of the largest commercial cash processing operations in the UK and has established a longstanding strategic partnership with De La Rue. This close relationship has enabled us to work together to deliver Vaultex's objectives of reducing operational costs and increasing productivity. De La Rue installed its ECM™ Business Intelligence software to identify production inefficiencies and monitor improvements. This targeted deployment of new technology increased processing capacity by over 15 per cent since implementation 18 months ago. The key partnership benefit is that both Vaultex and De La Rue use the same data to manage both the process and the infrastructure.

Security Products

Performance in 2012/13

Revenues were adversely affected by reduced volumes but this was more than offset by an improved product mix and the benefits of the Improvement Plan. Notably, the project to move the Dunstable operation into the Gateshead factory was successfully completed ahead of schedule.

To meet the customer need for a flexible solution, in a market that we expect to grow strongly, a significantly enhanced tax stamp track and trace solution is being developed. This project is well advanced and the solution is expected to be available to customers during the 2013/14 financial year.

Market

Governments and commercial brand owners continue to come under attack from criminal activity that affects revenue streams and consumer confidence.

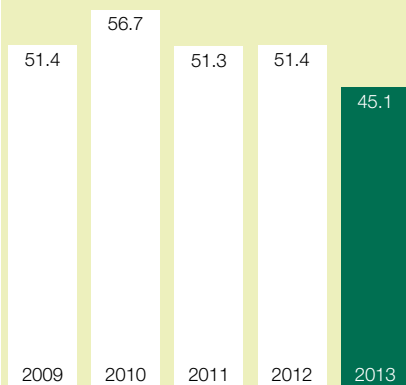
Governments continue to work hard to protect indirect tax revenues on products such as alcohol and tobacco by minimising illicit trade. In 2012, 135 countries signed up to the World Health Organization Framework Convention on Tobacco Control, which is committed to eliminating illicit trade in tobacco products. This will require governments to implement 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. Advanced product technology within labels, linked to digital authentication and tracking solutions, ensures brands are protected and that consumers can be confident of buying genuine products.

Revenue – Security Products*

£m

*All prior year figures are re-presented to exclude the Holographics business

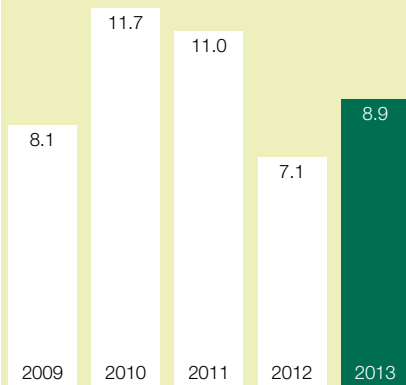


Operating profit – Security Products*

(before exceptional items)

£m

*All prior year figures are re-presented to exclude the Holographics business



Microsoft Windows 8 launch

Working in partnership in the fight against intellectual property and brand piracy, De La Rue began supplying a new security label in July 2012 to support the launch of Windows 8.

The new brand focused security label was jointly developed to reflect the branding for Windows 8 while also incorporating a number of secure features which, when layered together, provide a visual method of authentication. De La Rue worked under an extremely tight schedule to deliver the new label on time to support the global launch date and to accommodate the pre launch build requirements.

Identity Systems (IDS)

Performance in 2012/13

The Identity Systems operation has performed strongly throughout the year, reflecting increased revenues and operating profit within the international part of the business. Performance on the underlying UK ePassport contract remained strong, benefiting from further process improvements within the Improvement Plan. In addition the roll out of a local print solution to Her Majesty's Passport Office's seven UK regional issuing offices was completed. During the period the business achieved the notable milestone of producing the ten millionth UK ePassport since the contract commenced.

Market

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

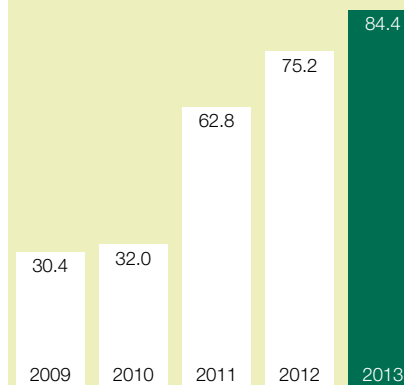
Countries continue to adopt ePassports, which is driving not only the demand for further system integration, but also the need for expertise to take them on the journey and manage the project efficiently and without undue risk.

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 globally.

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.

Revenue – IDS

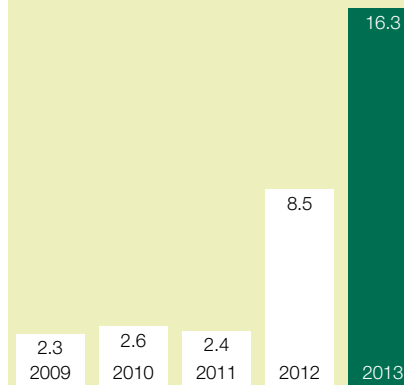
£m



Operating profit – IDS

(before exceptional items)

£m



UK ePassport – local print solutions

Between March and July 2012 De La Rue rolled out a local passport personalisation solution which is critical to Her Majesty's Passport Office's seven regional issuing offices. This enables HM Passport Office to provide eligible customers with a full passport in as little as four hours, for an additional fee.

Working closely with HM Passport Office, the local print solution was designed, implemented and deployed using core functionality from De La Rue's MIDIS™ software product.