

DE LA RUE PLC

De La Rue secures strategic relationship for its paper business

1 February 2018

- Significant milestone in delivering our strategy to transform De La Rue into a less capital intensive, technology-led product and service provider
- Strengthens De La Rue's balance sheet and enables further investment in innovative technology solutions for the currency, identity and brand protection markets
- Secures long term paper supply for De La Rue's print requirements with a ten year supply contract
- Limits De La Rue's exposure to the external paper market

De La Rue plc ("De La Rue" or the "Group"), the world's leading security and anti-counterfeiting provider for banknotes and personal identity, today announces that it has entered into a strategic agreement with Epiris Fund II ("Epiris") for the Group's paper business, comprising the Overton paper mill and the Bathford paper mill, and to be named Portals De La Rue Limited ("Portals De La Rue").

Under the terms of the agreement, Epiris, together with management, will acquire a 90% shareholding in Portals De La Rue through a newly formed company WhickerCo Limited, for a cash consideration of c£61m payable upon completion. This equates to an enterprise value of £68m and a multiple of 12.8x average adjusted EBIT 2015-18. De La Rue will retain the remaining 10% interest.

De La Rue's paper business has a capacity of c13,000 tonnes per year which is split approximately equally between internal use and external sales. As part of the transaction, Portals De La Rue will commit to supply pre-agreed volumes of paper to De La Rue with a pre-agreed price mechanism for the next ten years. This will meet most of the Group's anticipated internal requirements for finished banknotes and security documents. In addition, De La Rue will be Portals De La Rue's preferred supplier for security features. Following completion, the existing management team of De La Rue's paper business will remain with Portals De La Rue.

This transaction will limit De La Rue's exposure to the external paper market, while securing paper supplies and maintaining the Group's position as the world's leading integrated banknote supplier. It will also enable the Group to strengthen its balance sheet and to focus on providing innovative technology solutions for the currency, identity and brand protection markets.

In the financial year to March 2018, De La Rue's paper business is expected to generate sales of c£120m, of which c£50m is intra-group transactions, and an EBIT of c£10m. Following the transaction, De La Rue expects to reduce its ongoing overhead costs by c£4m by FY2019/20.

De La Rue expects to incur approximately c£4m exceptional cost in relation to the transaction in FY 2017/18. In addition, the Group expects to take a non cash provision of £4m for the possibility that certain prescribed conditions may not be met. The transaction is expected to complete within the first half of this calendar year.

Commenting on the transaction, Chief Executive Officer of De La Rue Martin Sutherland said:

"We are pleased to have found the right partner for our paper business. It is another significant milestone as we transform De La Rue into a less capital intensive, technology-led product and service provider.

“This transaction strengthens our balance sheet and enables us to invest further in technology and the strategic growth areas of Security Features, Polymer, Identity Solutions and Product Authentication.

“De La Rue has been supplying banknotes for central and commercial banks around the world for over 200 years, and will continue to do so supported by Portals De La Rue. As the world’s largest commercial banknote supplier, we remain committed to providing the best integrated currency solutions to our customers. Meanwhile, we are also diversifying our business by strengthening our offerings for the identity and brand protection markets.

“In Epiris, we have found a strong partner with extensive experience in the banknote substrate market that will have a singular focus on growing the paper business for the long term. This is good for De La Rue and its customers, as well as for Portals De La Rue, its customers and employees.”

An analyst call will be held at 8:30am GMT on 1 February 2018. Dial-in for the conference call is 0844 800 3850, passcode: 370 700. An archive of the call is available for a week from 2 February 2018. Dial-in for the archive call is 0800 032 9687, passcode: 7603 9129. The call can be accessible via an audio webcast on our website www.delarue.com.

De La Rue plc’s LEI code is 213800DH741LZWIJXP78.

The person responsible for the release of this announcement on behalf of De La Rue plc is Ed Peppiatt (General Counsel and Company Secretary)

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Notes:

In the financial year ending 25 March 2017, De La Rue’s paper business generated EBIT of £12.0m. The gross assets of the business were £91.5m as at 30 September 2017.

About De La Rue

De La Rue’s purpose is to enable every citizen to participate securely in the global economy. As a trusted partner of governments, central banks and commercial organisations, De La Rue provides products and services that underpin the integrity of trade, personal identity and the movement of goods.

As the world’s largest designer and commercial printer of banknotes, De La Rue designs, manufactures and delivers banknotes, banknote substrates and security features to customers in a world where currency will continue to be a key part of the developing payments eco-system. De La Rue is the only integrated supplier of both paper and polymer banknotes, and creates security features that ensure banknotes are protected against counterfeiting.

De La Rue is the world's largest commercial designer and printer of passports, delivering national and international identity tokens and software solutions for governments in a world that is increasingly focused on the importance of a legal and secure identity for every individual.

De La Rue also creates and delivers secure product identifiers and 'track and trace' software for governments and commercial customers alike to help to tackle the challenge of illicit or counterfeit goods and the collection of revenue and excise duties.

De La Rue is listed on the London Stock Exchange (LSE:DLAR). For further information visit www.delarue.com

Cautionary note regarding forward-looking statements

This announcement may contain statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the directors of De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, prospects and strategies of De La Rue.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond De La Rue's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations and financial condition may differ materially from the impression created by the forward-looking statements contained in this announcement.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.