

CHAIRMAN'S STATEMENT

Nicholas Brookes
Non-executive Chairman



With a good order book and pipeline of opportunities, and notwithstanding the more challenging market for banknote paper, the Board's expectation for the current financial year remains unchanged.

Group results

De La Rue has achieved strong growth in revenue and operating profit during 2011/12 as well as making good progress in implementing the first phases of the Improvement Plan. The Plan is on track and we remain confident that the Group will achieve its target of a 2013/14 operating profit in excess of £100m.

Group revenue increased by 14 per cent to £528.3m (2010/11: £463.9m) with strong performances in both the Currency and Solutions business units. Operating profit (before exceptional items) was up 56 per cent to £63.1m (2010/11: £40.4m), as a result of revenue increases, an improved Currency product mix and the initial benefits of the Improvement Plan. Group operating profit margin (before exceptional items) was 11.9 per cent (2010/11: 8.7 per cent).

Profit before tax and exceptional items increased by 73 per cent to £57.7m (2010/11: £33.3m) reflecting the trading improvement noted above and lower finance costs of £5.4m (2010/11: £7.1m). Headline earnings per share, before exceptional items, increased by 81 per cent to 43.5p (2010/11: 24.0p).

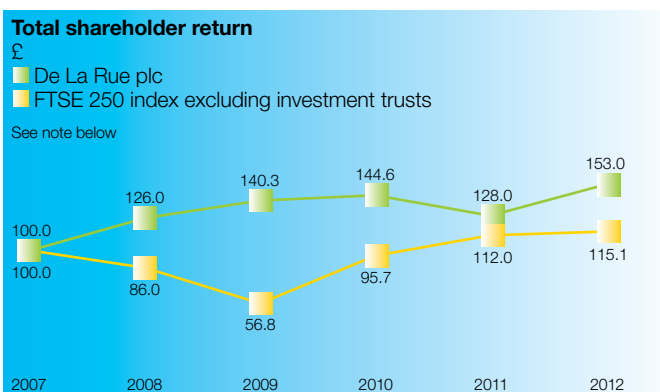
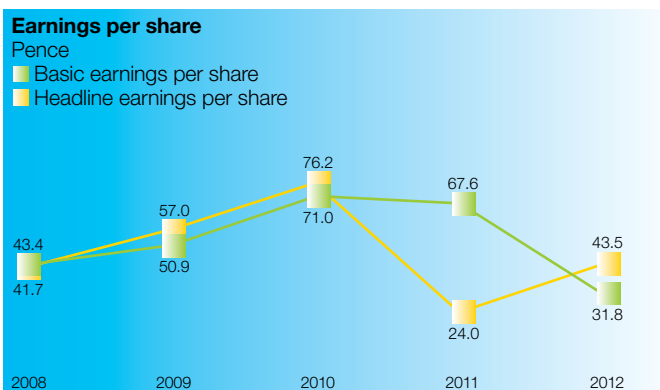
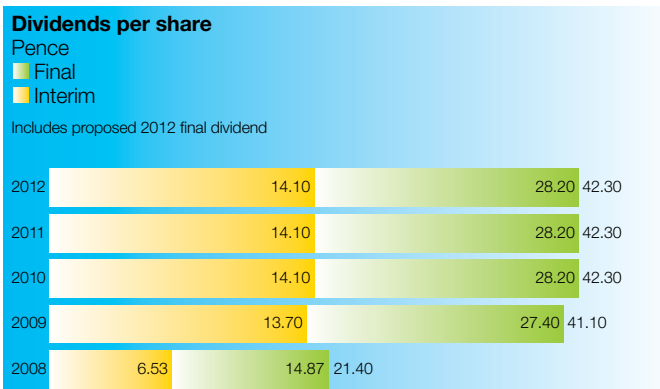
Exceptional charges in the year totalled £24.8m (2010/11: £15.6m) predominantly in relation to the implementation of the Improvement Plan. This includes the costs of site transfers as well as business reorganisation and restructuring. In 2010/11, a non operating exceptional profit of £55.1m was recognised relating to the sale of the Group's investment in Camelot, the UK national lottery operator. Basic earnings per share was 31.8p (2010/11: 67.6p including the non operating exceptional profit).

Cash inflow from operations was £78.4m reflecting the improved trading performance. At the year end, the Group net debt was £24.8m (2010/11: £31.2m). Interest cover, before exceptional items, remained strong at 15 times (2010/11: 11 times).

Dividend

The Board is recommending a final dividend of 28.2p per share (2010/11: 28.2p per share), reflecting its continuing confidence in both the strength of the business and in delivering the Improvement Plan. Together with the interim dividend paid in January 2012, this will give a total dividend for the year of 42.3p per share (2010/11: 42.3p per share).

Subject to approval by shareholders, the final dividend will be paid on 2 August 2012 to shareholders on the register on 6 July 2012.



The graph shows the value, on 31 March 2012, of £100 invested in De La Rue plc on 31 March 2007 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. (Source: Thomson Reuters)

Strategy

De La Rue is focused on delivering the Improvement Plan that we announced in May 2011. The Plan has a target to return the business to a 2013/14 operating profit in excess of £100m through a combination of revenue growth and a reduction in operating costs. This will ensure that De La Rue is a more focused, effective and efficient business, allowing it to capitalise better on its fundamental strengths and to generate value for all stakeholders in the future.

2010 paper production issues

Discussions remain ongoing with the principal customer concerned and the authorities, and therefore there remains uncertainty as to the ultimate outcome of these issues, including their financial impact (described more fully in note 25).

Board changes

After 15 years as a Director of De La Rue, the past eight years as Chairman, I shall retire from the Board following the Annual General Meeting on 26 July 2012. I am delighted that Philip Rogerson, who joined the Board as a Non-executive Director on 1 March 2012, will succeed me as Chairman. Philip is a highly experienced chairman and non-executive director with considerable international expertise and well proven leadership skills.

I am pleased to be handing over to Philip a business with a strong senior management team and a dedicated and loyal workforce which is making good progress following the challenges of 2010/11.

I should like to thank my fellow Board members and all employees and colleagues for their support, dedication and contribution and wish them all the very best for the future.

Outlook

With a good order book and pipeline of opportunities, and notwithstanding the more challenging market for banknote paper, the Board's expectation for the current financial year remains unchanged.

The Improvement Plan is on track to achieve a target 2013/14 operating profit in excess of £100m through both restoring revenue growth and delivering significant cost reductions.