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OUR ROLE IN THE WORLD ECONOMY



THE FUTURE OF CASH

Q&A with **Martin Sutherland**, our Chief Executive Officer

INNOVATING A SECURE WORLD

Q&A with **Selva Selvaratnam**, our Chief Technology Officer



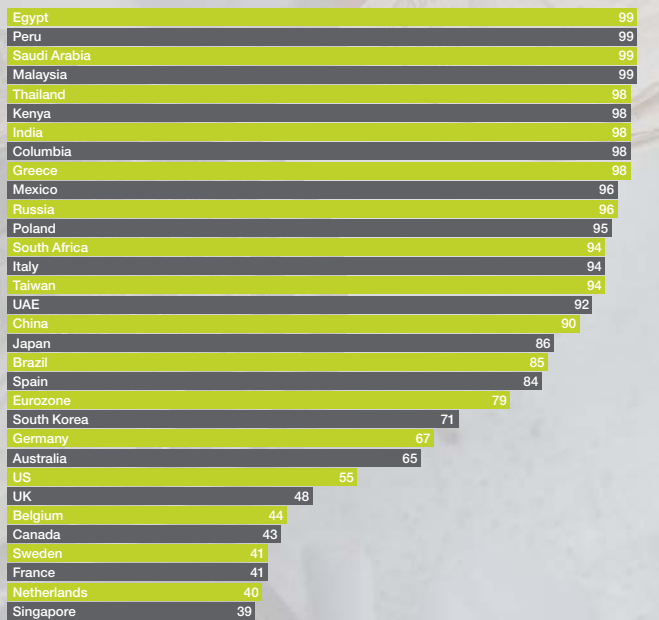
PARTNERING WITH OUR CUSTOMERS

Q&A with **Richard Hird**, our Chief Commercial Officer

01

Martin Sutherland

Our Chief Executive Officer clears up some misconceptions about cash.

**Cash to total payment transactions %**

Source: McKinsey/Mastercard Advisers

THE FUTURE OF CASH



Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

Q: Everywhere you look, people are paying electronically. Isn't it a fact that cash is dead?

A: Absolutely and unarguably no. Have a peek outside the bubble of middle-class western democracies and you'll find that cash is still king. Seventy five per cent of the world's population live in countries where 95% of all transactions are cash based. Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

Even in the developed world, cash plays a vital role in the payment ecosystem. Sixty per cent of European citizens don't have a credit card. Even in the UK, 7% of us don't have a bank account. Check out the queues at ATMs on any Saturday afternoon. You'll quickly understand why even in the UK and Europe cash in circulation is rising by about 5% a year. The most popular payment method in the world isn't about to curl up its toes.

Q: But why not? What's the attraction of cash in a digital world?

A: Firstly, some people don't have the choice. Thirty eight per cent of the world's population don't have a bank account. If you aren't able to open a bank account – for whatever reason – cash is your only option. It's the most universal, classless and socially inclusive payment method.

Cash is instantaneous and free to use. It's also a store of wealth that people turn to in times of trouble. One other important point: there's no hidden agenda with cash. You know that nobody is tracking your whereabouts or picking through your personal data. This is an increasingly big issue.

This isn't about cash versus the rest of the payment methods. This is about inclusivity, availability and security, but above all, freedom of choice. Cash has played an irreplaceable role in the payment ecosystem in the past and will continue to do so for many years to come.

Q: Could cryptocurrency replace cash eventually?

A: A number of central banks are exploring the possibility of creating their own cryptocurrencies. However I can envisage a number of hurdles that will need overcoming.

First of all, money needs to be a medium of exchange, a unit of account and a store of value. Cryptocurrency in its current form simply doesn't meet all the criteria. Secondly, in order for people to transact cryptocurrency requires the extensive availability of technology and infrastructure. With more than 50% of the world's population still not being connected to internet, this is a big ask. There are also questions about security. How secure can the system be under increasingly sophisticated cyber attacks? How well are your crypto assets protected from fraud and theft?

So, still early days for cryptocurrency. But one thing we can be sure about is that cash will continue to exist.

Q: How about mobile money systems such as M-Pesa?

A: M-Pesa promotes financial inclusion – and that's closely aligned with our own purpose at De La Rue and we welcome it. M-Pesa, in effect, acts as a mobile bank account and a mobile ATM. It allows users to deposit and withdraw money from a network of agents. It encourages greater usage of cash because money transfer becomes easier and faster. While the number of M-Pesa-registered users in Kenya increased from zero to 24m in the decade to 2017, Kenya's currency in circulation increased around 10% per year over the same period*. M-Pesa is in fact a great example of how cash and digital finance can co-exist to promote social and financial inclusion.

* Source: Central Bank of Kenya.



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www.delarue.com/ar2018

INNOVATING A SECURE WORLD



It's our intellectual property and technology that sets us apart. They underpin the products and services we offer – so that's what we're building as our platform for the future.



Q: Why is innovation important for De La Rue?

A: Innovation is nothing new at De La Rue. Going back to the envelope folding machine, the perforated stamp and the ATM, we have a long history of being first. And innovation is right at the heart of what we do and how we do it.

Why innovate? Because it's what the counterfeiters do. We need to stay ahead of them, and that requires serious investment, great people with great skills, and a lot of commitment. And as the world changes we need to invest in new products and services that our customers require. Doubling R&D spend by 2020 is our recognition that it's our intellectual property and technology that sets us apart. That's what customers pay for – so that's what we're building as our platform for the future.

Q: How is De La Rue moving to be more technology-driven?

A: Our R&D programme focuses on two areas: digital solutions and the more traditional but highly skilled area of material science which De La Rue is renowned for.

Our team of material scientists needs to continue to produce secure, distinctive and easily recognisable features. We have a systematic approach that ensures we bring new products to market faster and more regularly.

The digital innovation that is happening at De La Rue is perhaps less well known. We offer a suite of digital solutions that complement our more traditional products.

Our software development team has doubled in size this year, and we are sourcing experts and highly skilled employees around the world to ensure we deliver excellence.

We also see opportunities to accelerate our technology development through partnerships and acquisitions.

Our acquisition of DuPont Authentication and the strategic partnerships with Opalux and Optel Group, are great examples – they all have unique technologies that work well with our products.

Q: So what are the new opportunities?

A: Number one, automation. How can we use technology to improve the way we work? Clearly, there are opportunities in the manufacturing stage, especially in how we handle or finish banknotes.

We have seen a major shift in the application of data and insights. Our customers appreciate being able to work with us and draw insights from the data we generate as a business to help them make decisions. Our DLR Analytics™ software is an example of this.

Data is also enabling us to improve the way we work. Analysis of our processes helps to drive manufacturing efficiencies which also open up possibilities to save energy and resources.

Q: What's your view on disruptive technologies, such as blockchain and 3D printing?

A: We believe blockchain technology will have most impact for our product authentication customers. Why? Because it can track products from source to customer, assuring authenticity across continents through checkpoints and other interventions. Blockchain could also have implications for our identity business. We see limited application for a central bank digital currency using blockchain.

3D printing is another area where the upside is qualified by the potential downside. Yes, using it to create banknote printing plates could help us be more efficient – but if we can print our own plates, so too can others. Used unwisely, it could be a counterfeiter's dream.



02

Selva Selvaratnam

Our Chief Technology Officer explains how innovation is shaping the future of De La Rue.



PureImage™ – Our latest holographic thread based on secure and proven technology. It can integrate with covert features such as UV fluorescence and machine readable materials



Ignite™ – A new premium feature combining liquid crystal colour-shift with complex microstructures to create dynamic and distinctive effect for public authentication

03

Richard Hird

Our Chief Commercial Officer provides insight into our new approach to partnerships.



PARTNERING WITH OUR CUSTOMERS



Customers are looking for long-term strategic partnerships based on mutual respect, deep understanding and reliable, flexible support.

Q: Why do customers buy from De La Rue?

A: Our customers value partnership over a supplier relationship. We have many experiences of long term partnerships with our customers. These are defined by continued investment, dedication to their vision and our commitment to deliver on promises.

The products and services we provide are critical to our customers and we treat them with utmost respect. We deliver our high standard products along with ambitious service level agreements. A partnership approach means we work with customers from design, through to delivery and ongoing service.

A new banknote design or a new passport or identity scheme is always a high profile activity. These require public awareness and education campaign planning – extra support that we provide.

Unfortunately our customers sometimes need disaster recovery support, whether due to natural disasters or other shocks. At these times, customers need a trusted partner who delivers no matter what.

Q: Can you give practical examples of how De La Rue does that little bit more for customers?

A: There are many instances of where we've done a lot more. Sierra Leone during the Ebola crisis is a case in point. The central bank had an urgent need for currency, but no airlines were actually willing to deliver. So we chartered our own aircraft and met the bank's deadlines. Some other examples include Haiti, after the 2012 earthquake, countries needing urgent supply during times of hyper-inflation and South Sudan during independence; the list is endless throughout our 200 year history.

We're creative, flexible and reliable no matter what the challenge – that's why customers trust us and want to work with us.

Our industry needs to be built on trust and integrity. De La Rue's strong ethics, our embedded values-driven culture and our awareness and engagement in sustainable development efforts by countries means that we are a partner they can really trust to achieve their social and economic goals.

Q: So what's new about the approach to partnership?

A: Firstly, we see ourselves as a strategic partner of our customers to help them achieve their own social and economic goals, whether that's social inclusion, building capacity of local staff, economic stability, establishing nationhood or tackling counterfeit currency and goods. Our joint venture partnership with the Government of Sri Lanka, and the partner programme in Rwanda and Sierra Leone are excellent examples of that.

We've reshaped our sales organisation to transform the way in which we engage with customers. We're reducing our reliance on third party partners, replacing them where possible with a more dynamic, more focused De La Rue hired and trained sales team that reflects the diversity of our customers in terms of language, ethnicity and cultural outlook. This team is now working out of a series of regional hubs, so we stay as close as possible to our customers.

Innovation is another way in which we're getting closer to customers. The Cash Cycle Partnership programme powered by our latest software product DLR Analytics™ helps central banks to better understand their cash cycles and forecast cash demands so they don't need to worry about running out of cash. It is a great example of how providing better service to customers with data insight goes hand in hand with driving better quality revenue.



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