

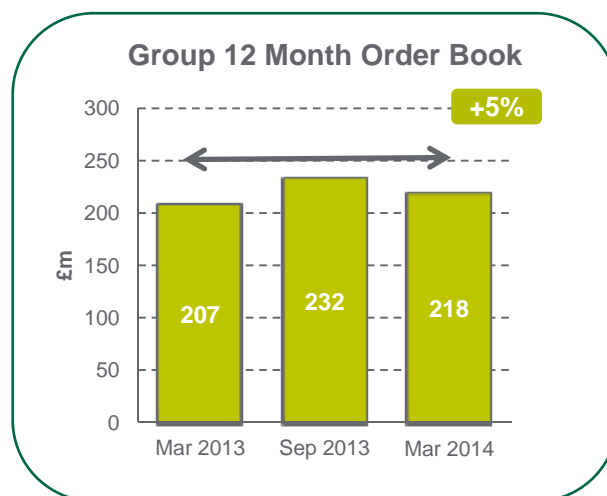
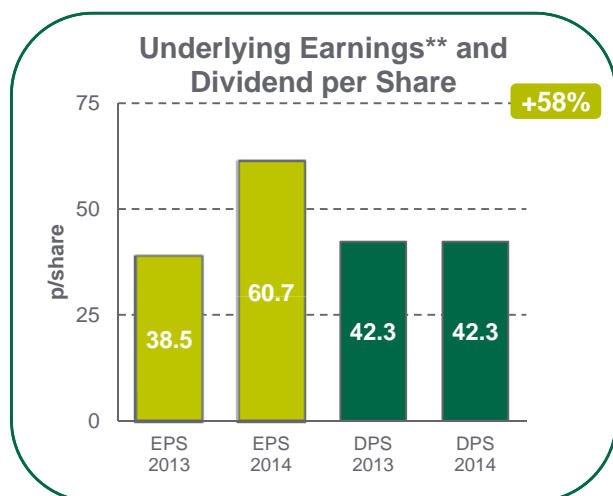
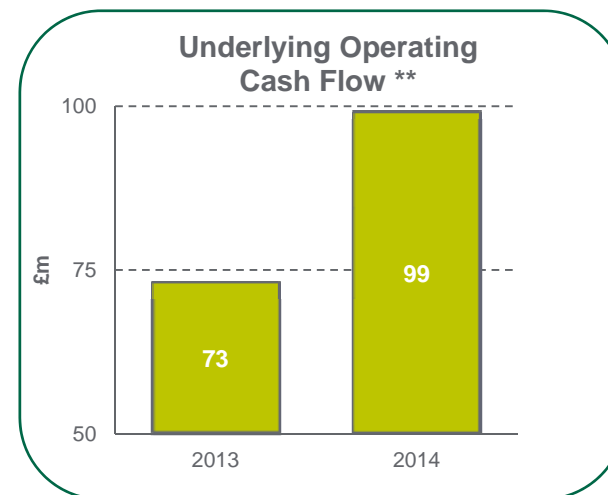
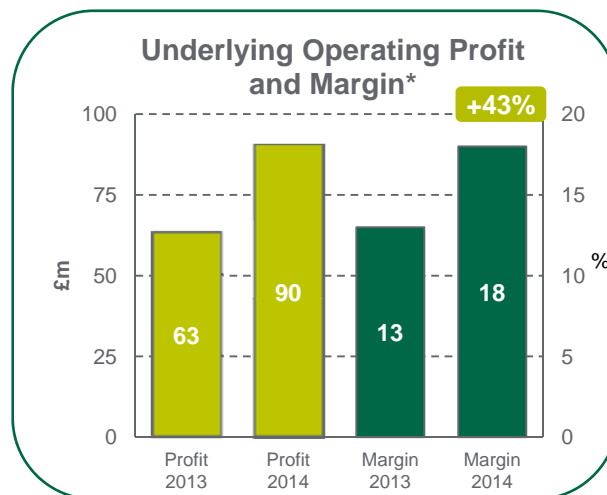
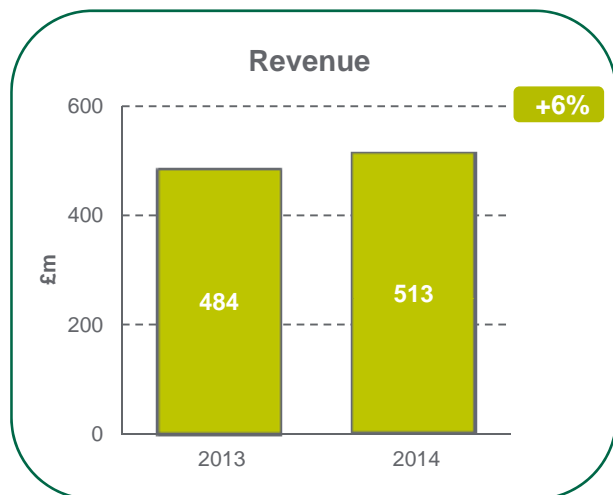


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# De La Rue plc

Full Year Results  
28 May 2014

# Group Headlines



- ### Summary
- Good order book
  - Pricing pressure in Currency
  - Further operational efficiency opportunities available
  - Unchanged expectations for 2014/15



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# Financial Results

Colin Child  
Chief Operating Officer

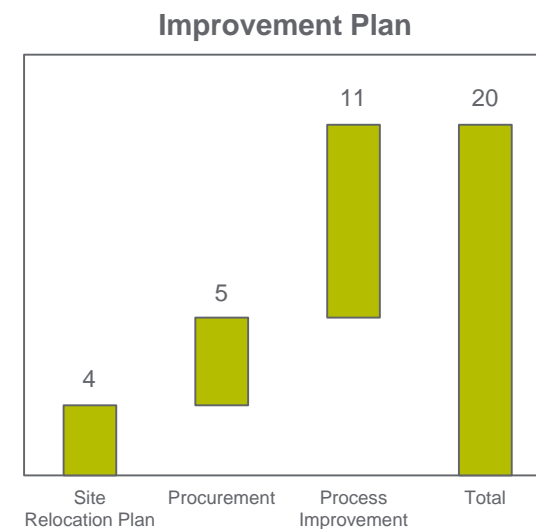
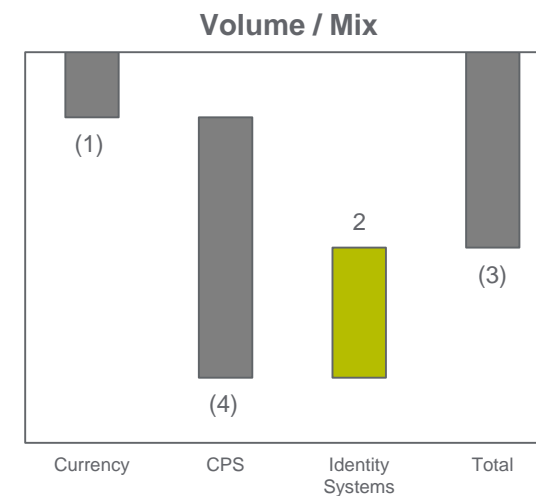
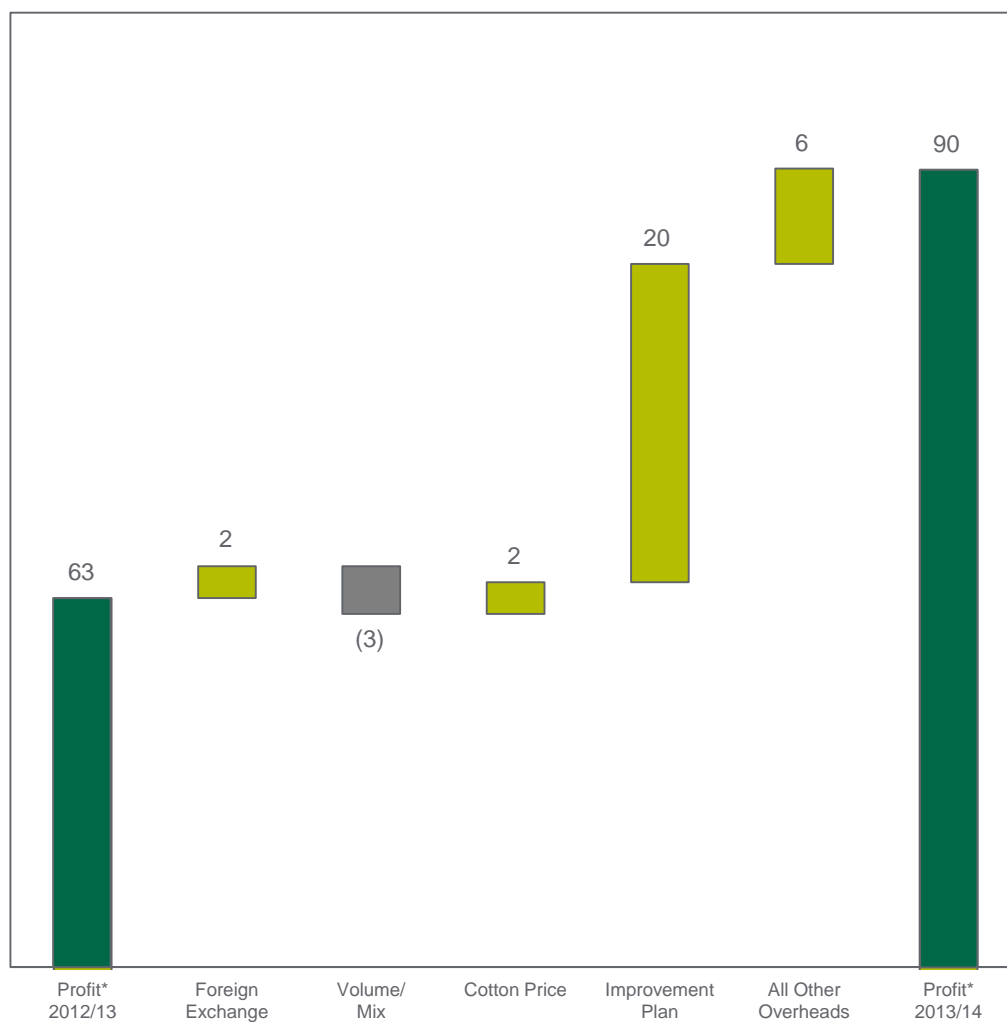
# Financial Results

	2013/14	2012/13*	Change
	£m	£m	
Revenue	513.3	483.7	6%
Underlying operating profit pre IAS 19**	90.5	63.2	43%
<i>Underlying operating margin pre IAS 19</i>	17.6%	13.1%	
Underlying profit before tax**	77.3	51.3	51%
Taxation	(16.1)	(12.0)	
Underlying profit after tax**	61.2	39.3	56%
Underlying earnings per share**	60.7p	38.5p	58%
Dividend per share	42.3p	42.3p	-
Print volume (notes)	6.2bn	6.3bn	(2%)
Paper volume (tonnes)	9,600	8,700	10%

## 2012/13 → 2013/14: Revenue & Operating Profit

Business Units	Revenue*		Operating Profit**		Margin	
	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 %	2012/13 %
<b>Currency</b>	<b>341</b>	<b>296</b>	<b>62</b>	<b>38</b>	<b>18</b>	<b>13</b>
<b>Solutions</b>						
Cash Processing Solutions	53	61	(4)	-	(8)	-
Security Products	42	42	10	9	24	21
Identity Systems	77	85	22	16	29	19
	<b>172</b>	<b>188</b>	<b>28</b>	<b>25</b>	<b>16</b>	<b>13</b>
<b>Total</b>	<b>513</b>	<b>484</b>	<b>90</b>	<b>63</b>	<b>18</b>	<b>13</b>

# 2012/13 → 2013/14: Operating Profit Trail



# Underlying Operating Cash Flow and Net Debt

	2013/14 £m	2012/13 £m		2013/14 £m
Underlying operating profit	89.3	61.5		
Depreciation	28.3	26.3		
Working capital	(18.5)	(14.8)		
Underlying operating cash flow	99.1	73.0	Opening net debt	(76.7)
Capital expenditure	(34.9)	(37.1)	Net cash flow	(13.2)
Special pension fund contributions	(11.5)	(16.2)	Closing net debt	(89.9)
Net cash cost of exceptional items	(4.0)	(17.3)		
Tax, interest and dividend	(58.0)	(53.1)		
Other	(3.9)	(1.2)		
Net cash flow	(13.2)	(51.9)		

# Exceptional Items

	2013/14	2012/13
	£m	£m
Improvement Plan	(3.5)	(7.6)
Legacy indirect tax issue	(2.2)	-
Gain on sale of fixed assets	4.5	-
CPS asset impairment	(14.2)	-
Other	(2.1)	-
<b>Total exceptional items</b>	<b>(17.5)</b>	<b>(7.6)</b>
<b>Net cash cost of exceptional items</b>	<b>(4.0)</b>	<b>(17.3)</b>
<b>Tax credit on exceptional items</b>		
Credit in period	0.9	2.1
Prior year tax credits	3.3	4.4
<b>Total tax on exceptional items</b>	<b>4.2</b>	<b>6.5</b>





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# Operational Performance

Colin Child  
Chief Operating Officer

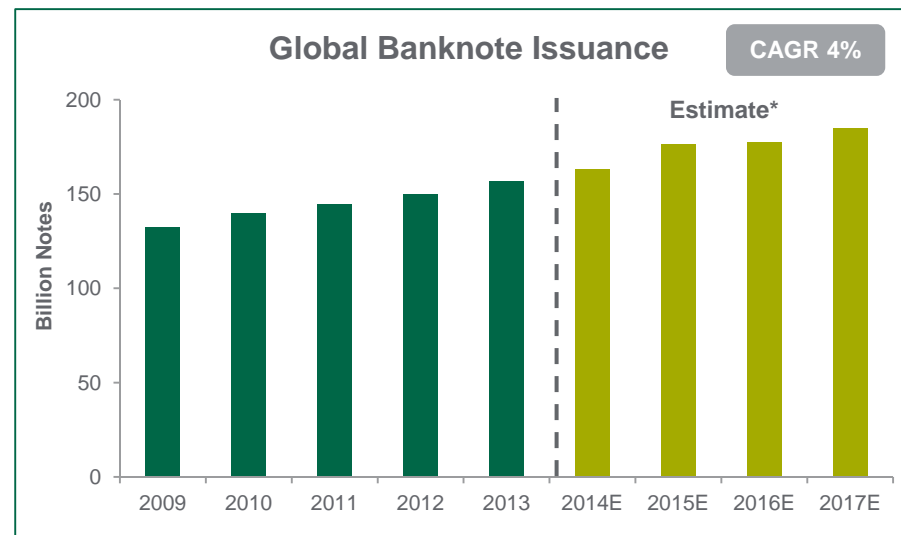
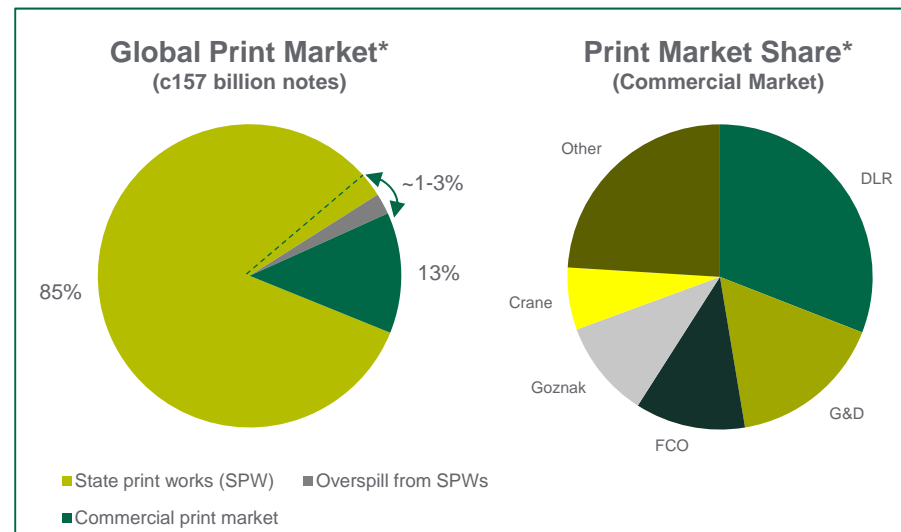
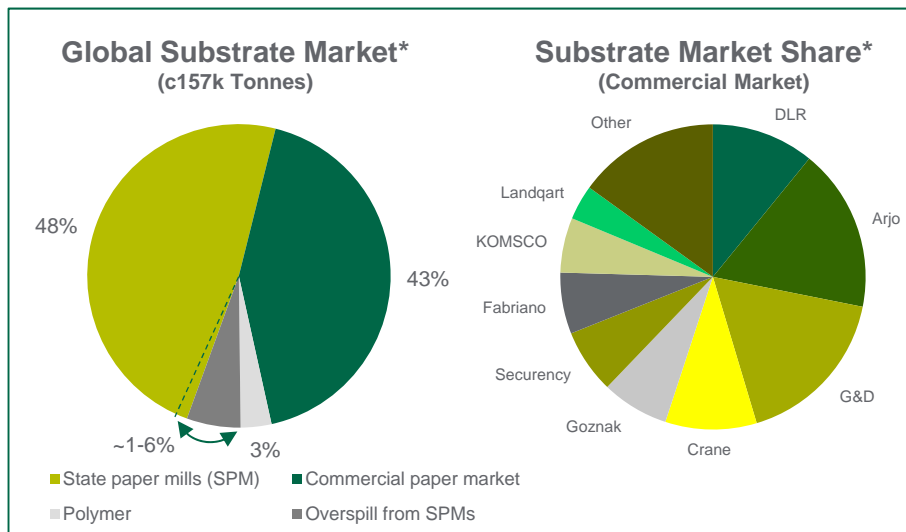
# De La Rue Business Overview

## Proportion of Group 2013/14

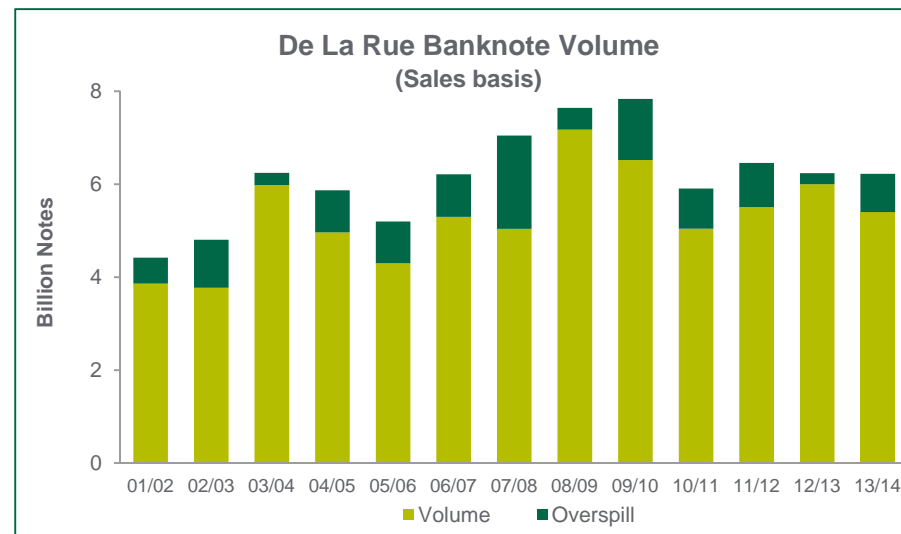
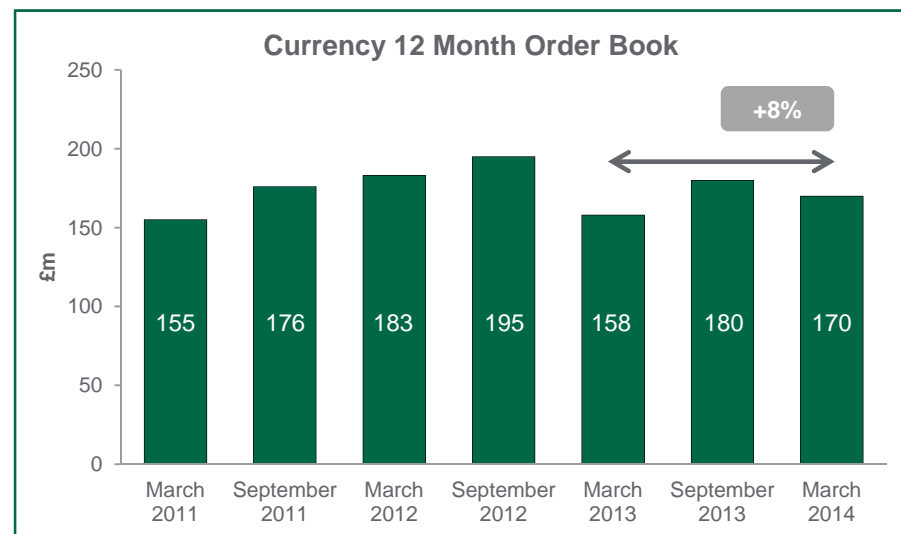
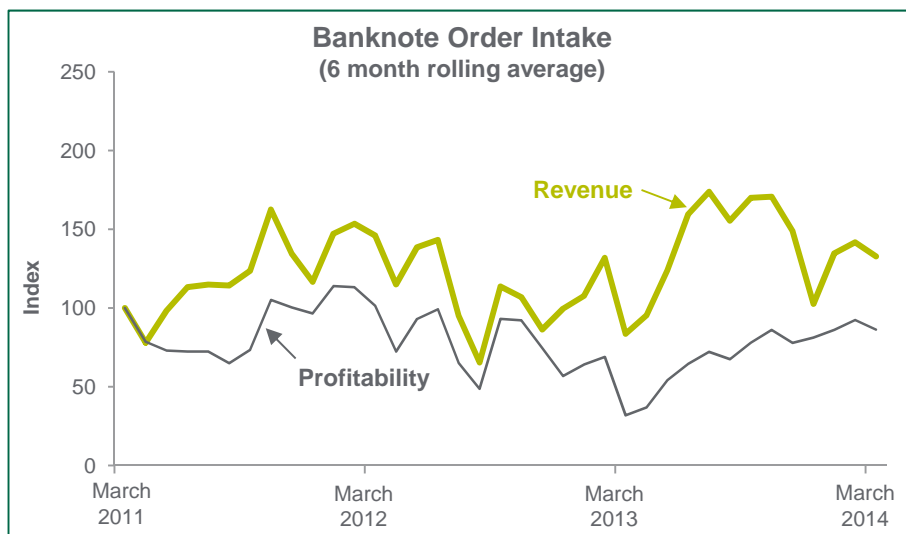
Revenue    Operating Profit\*

			Revenue	Operating Profit*
Solutions	<b>Currency</b>	<ul style="list-style-type: none"> <li>Banknotes – design, origination and printing</li> <li>Substrates – paper and polymer</li> <li>Security Components – threads and holograms</li> </ul>		66%    69%
	Cash Processing Systems	<ul style="list-style-type: none"> <li>High speed cash sorting and inspection equipment</li> <li>Specialist vault management software</li> <li>Service, maintenance and spares</li> </ul>		11%    (5%)
	Security Products	<ul style="list-style-type: none"> <li>Design, origination and print of secure products</li> <li>Secure track and trace software</li> <li>Solution integration and support</li> </ul>		8%    12%
	Identity Systems	<ul style="list-style-type: none"> <li>Design, origination and print of identity documents</li> <li>Identity management and personalisation software</li> <li>Solution integration and support</li> </ul>		15%    24%

# Currency – Market Overview



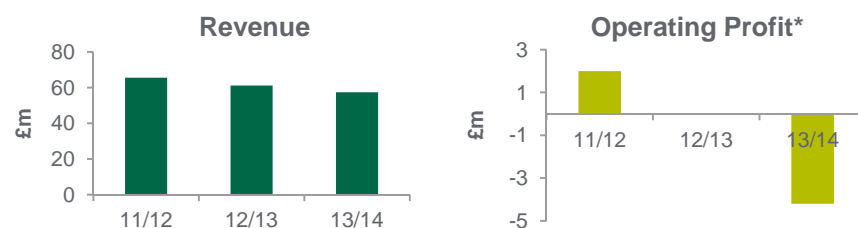
# Currency – Order Book



# Solutions – Cash Processing Solutions

## Overview

- Disappointing performance
  - Competitive pressures and margin erosion
  - Reduced large sorter volumes
  - Reduction in service revenue



## Action Plan

- Target breakeven for 2014/15
  - Re-structured CPS leadership team
  - Cost reduction actions underway
  - Initial focus on capabilities and operational excellence



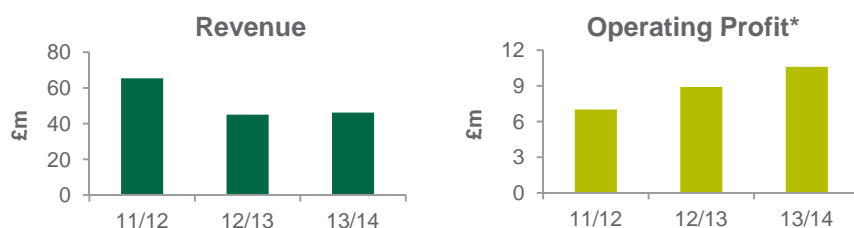
## Market Summary

- Increasing cash in circulation and central bank de-centralisation driving automation
- Market opportunity as central banks continue to replace sorter fleets over the next 3-5 years
- Commercial cash processors seeking to reduce cost and increase efficiency through automation and software

# Solutions – Security Products

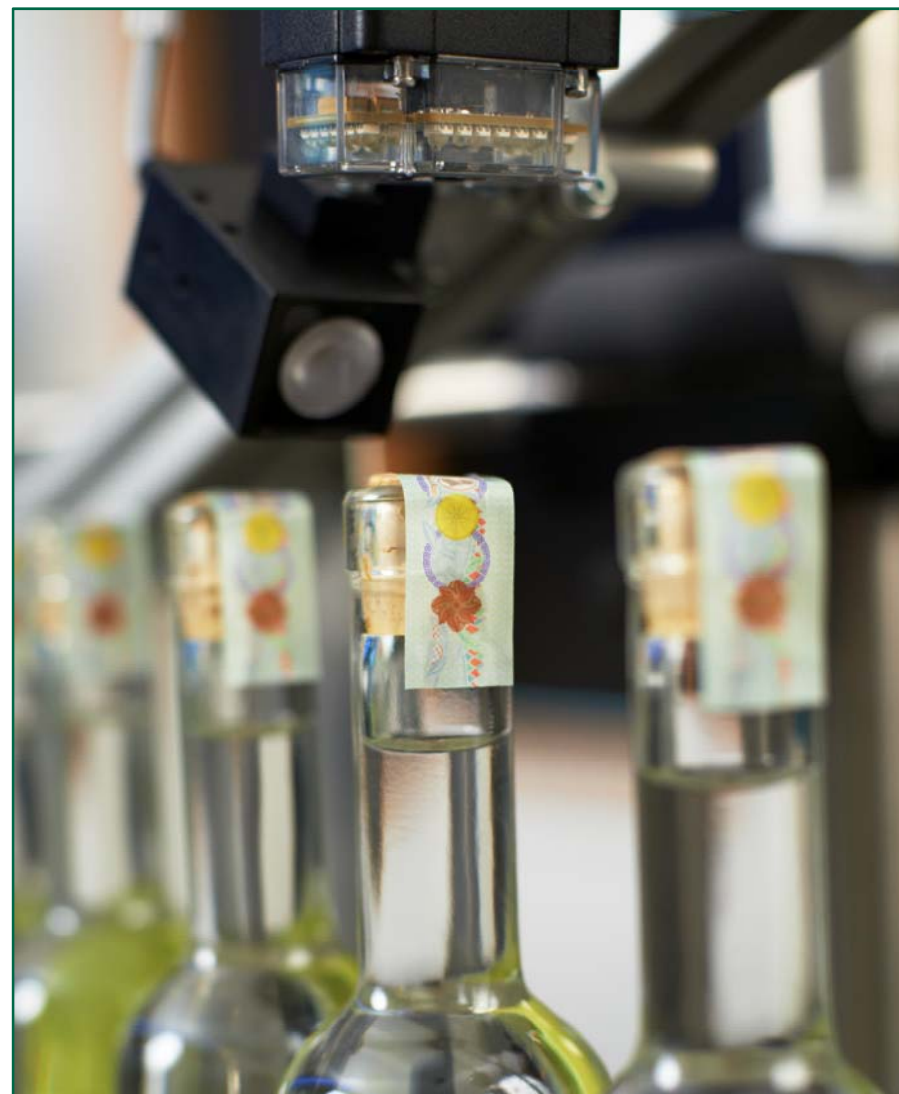
## Overview

- Increased operating profit
  - Benefits from cost reduction programme
  - Full year effects of reduced costs following relocation of manufacturing from Dunstable to Gateshead



## Products and Services

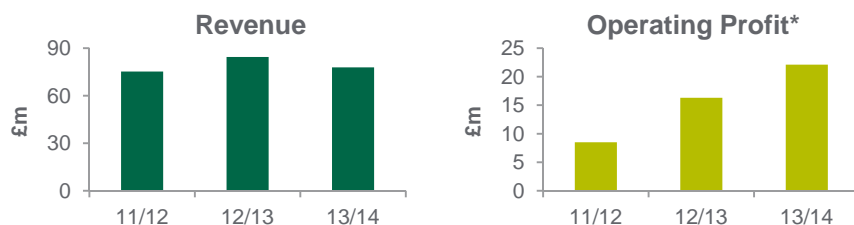
- Diverse portfolio
  - Traditional security print products in mature markets
    - Stamps, security paper, cheques and labels
  - Digital and security print solutions in developing markets
    - Government Revenue Solutions - technically complex, long term contracts



# Solutions – Identity Systems

## Overview

- Strong operational performance
  - Delivered further operating efficiencies
  - Unusually high number of longer term contracts completed

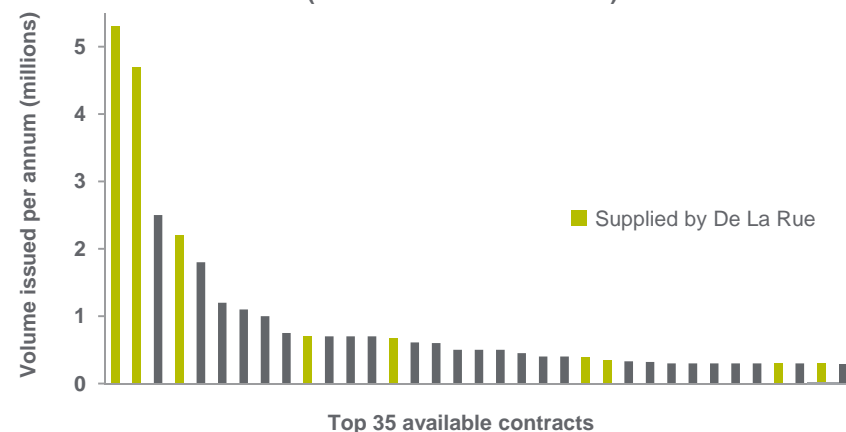


## Products and Services

- Broad portfolio
  - Highly secure ID documents
    - Machine readable passports, ID cards and visa stickers
  - Fully integrated identity solutions
    - ePassports, eID, personalisation solutions
- Focus on higher value, longer term ePassport and ID schemes

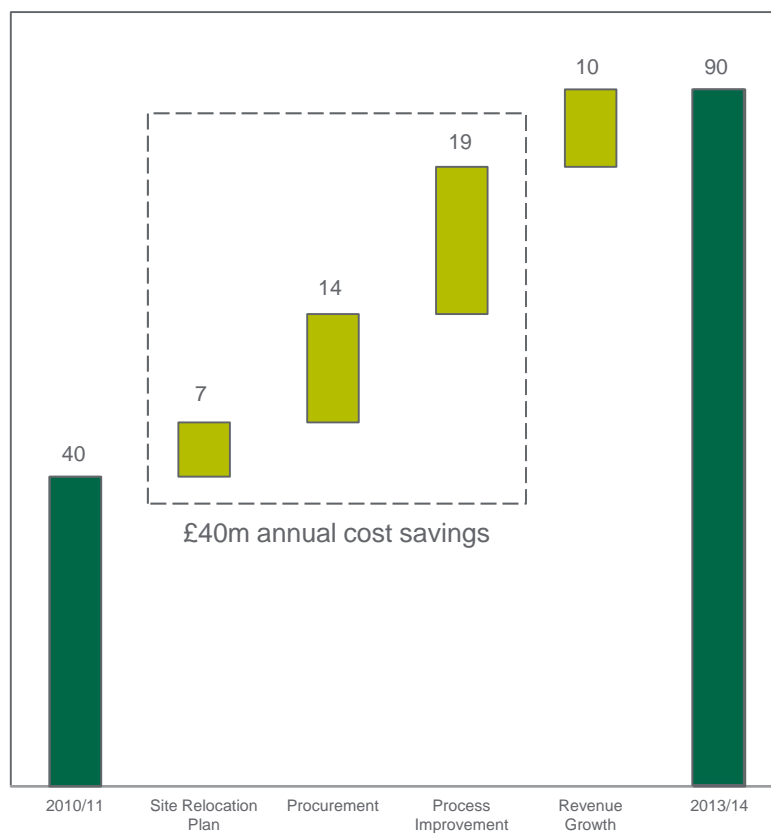


## Commercial Market Annual Passport Issuance\*\* (c.40 million annual issues)



# Improvement Plan

2010/11 – 2013/14 Profit Trail



## Foundations in place for future growth

- Renewed customer focus
- Accelerated innovation
- Greater professionalism
- Focus on quality, cost and delivery
- Operational excellence rolled out

Continuous improvement is embedded in De La Rue's culture





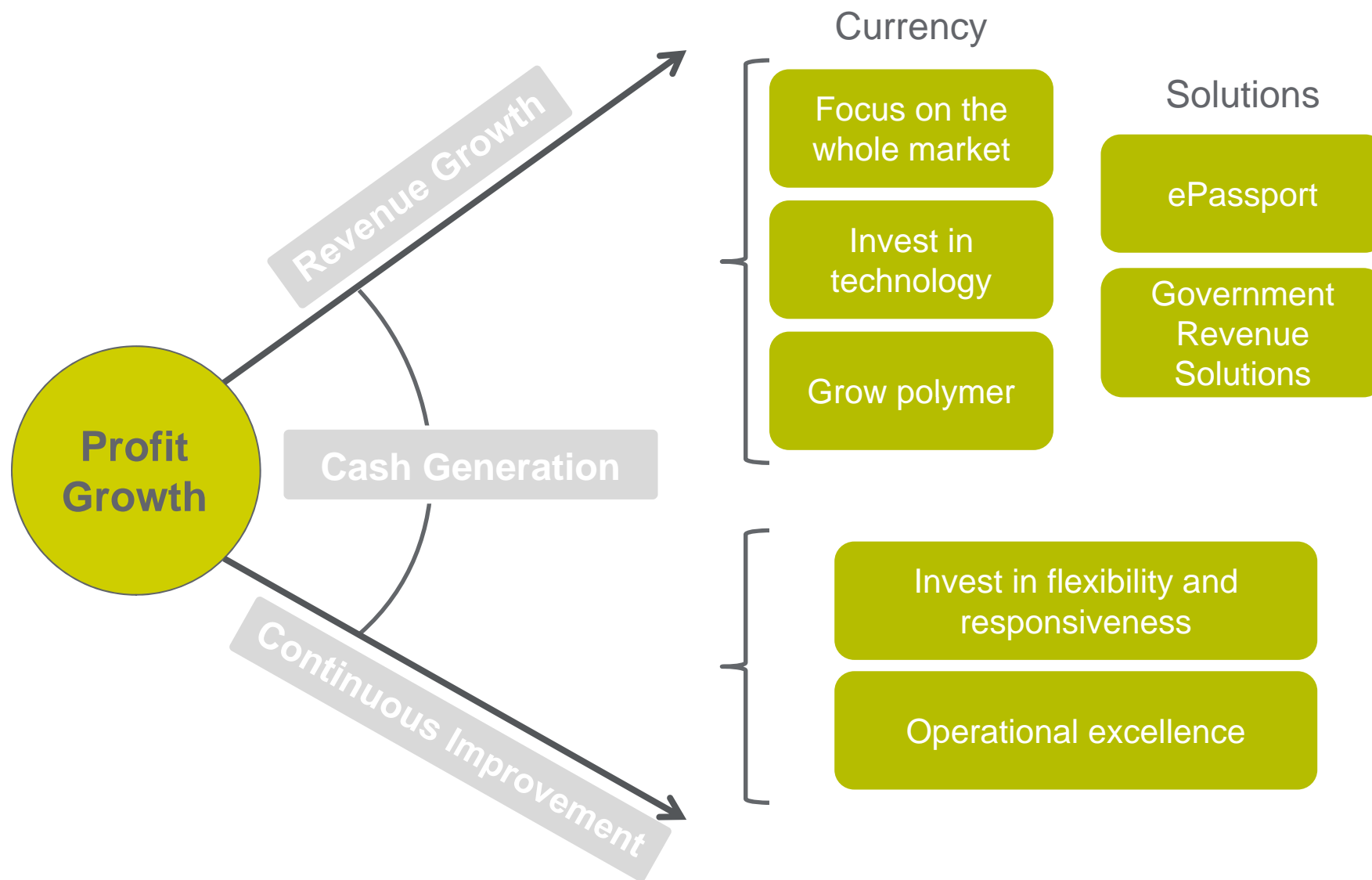
## 2014/15 - The Year Ahead

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- Good order book
- Pricing pressure in Currency
- Target breakeven for CPS
- Identity Systems reverts to typical contract maturity profile
- Further benefits from operational excellence

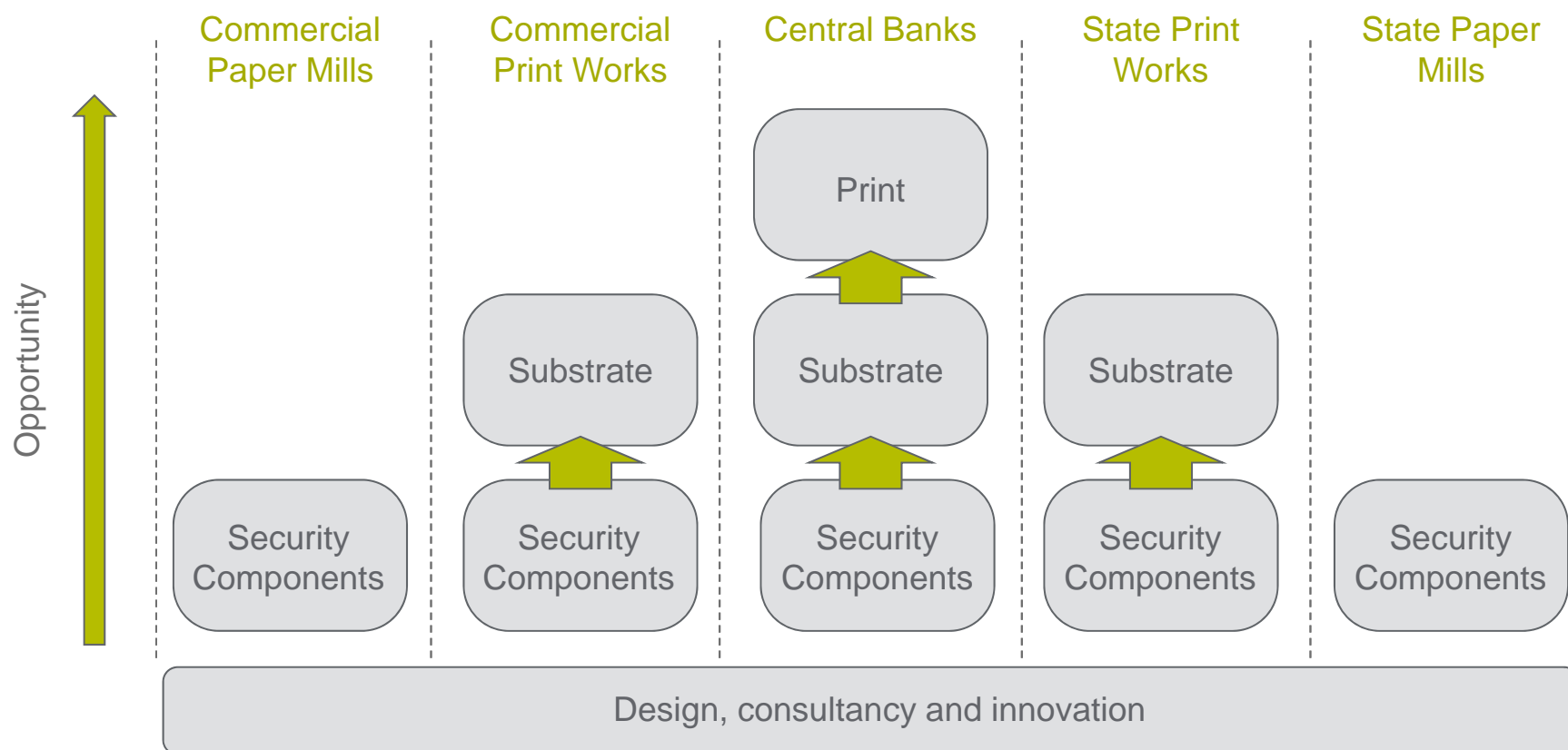
Board's expectations for 2014/15 remain unchanged

# Longer Term – Continued Focus



# Revenue Growth – Currency

Focus on the whole market



# Revenue Growth – Currency

## Invest in technology

- Invested in state of the art micro-optic technology
- Expansion of scientific research team
- Enhanced security features pipeline



### New security features

Supporting Core

- Kinetic StarChrome®
- Spectrum™
- Long Wide Windows



Polymer Acceleration

- Mask™ for polymer
- Iridescent on polymer
- Magnetic ‘thread’ on polymer
- Spark® Orbital™ for polymer

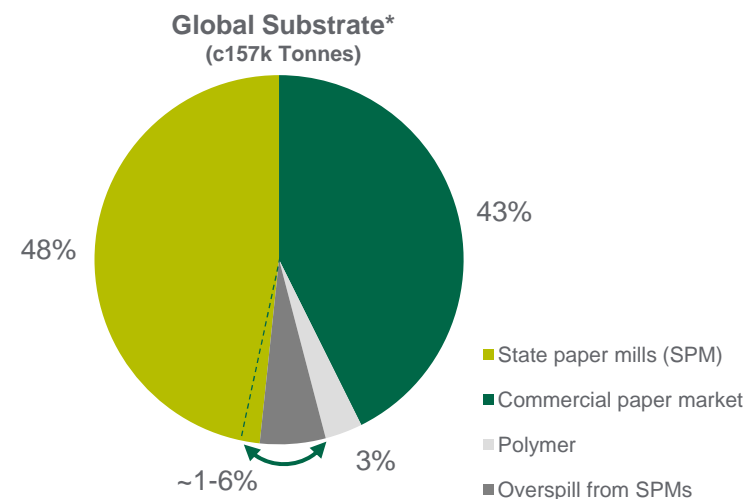


# Revenue Growth – Currency

Grow polymer



## Market



## Opportunity for De La Rue

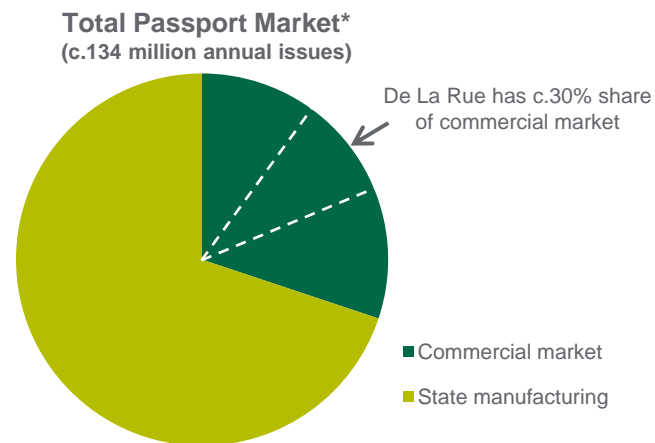
- Small but growing market
- Build on Safeguard™ momentum
- Investing to accelerate progress
- Strong pipeline of new features

# Revenue Growth – Solutions

## ePassports



### Market

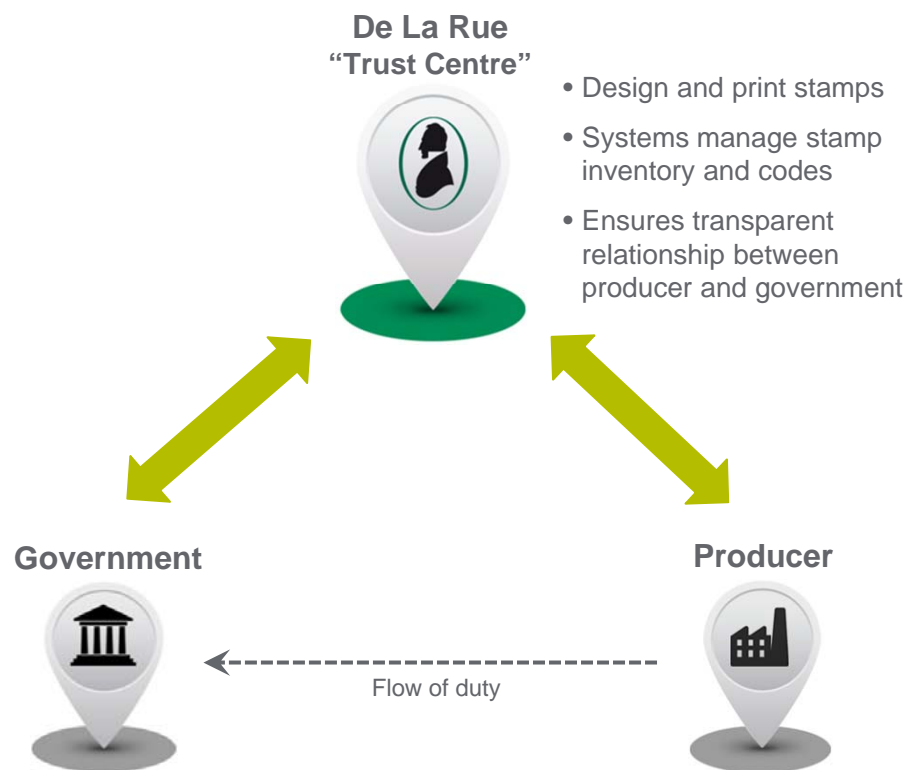


### Opportunity for De La Rue

- Global trend towards ePassports (>50%) - largely N.America and Europe
- Lower level of adoption within the commercial market
- Ideally placed to provide customers with a fully integrated ePassport solution

# Revenue Growth – Solutions

## Government Revenue Solutions



### Market opportunity for De La Rue

- The market is developing quickly as governments seek to optimise indirect taxes and duties
- Predominantly tobacco and alcohol, but increasing market opportunity outside of these areas
- FCTC\* standardising approach to tobacco control and illicit trade
  - FCTC supported by 178 countries
  - 53 countries have signed up to implement the Illicit Trade Protocol



# Continuous Improvement

Invest in flexibility and responsiveness



Reduced lead times

- Improved order management process
- Enhanced machine throughputs

Operational excellence



- Simple, structured methodology
- Improved quality
- Reduced cost through standardised manufacturing processes



# Conclusion

- Good results
- Continuous improvement is embedded into the culture of De La Rue
- Long term opportunities within De La Rue's core markets

Board's expectations for 2014/15 remain unchanged





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