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De La Rue plc

**Interim Results
23 November 2010**

Introduction

Nicholas Brookes
Executive Chairman



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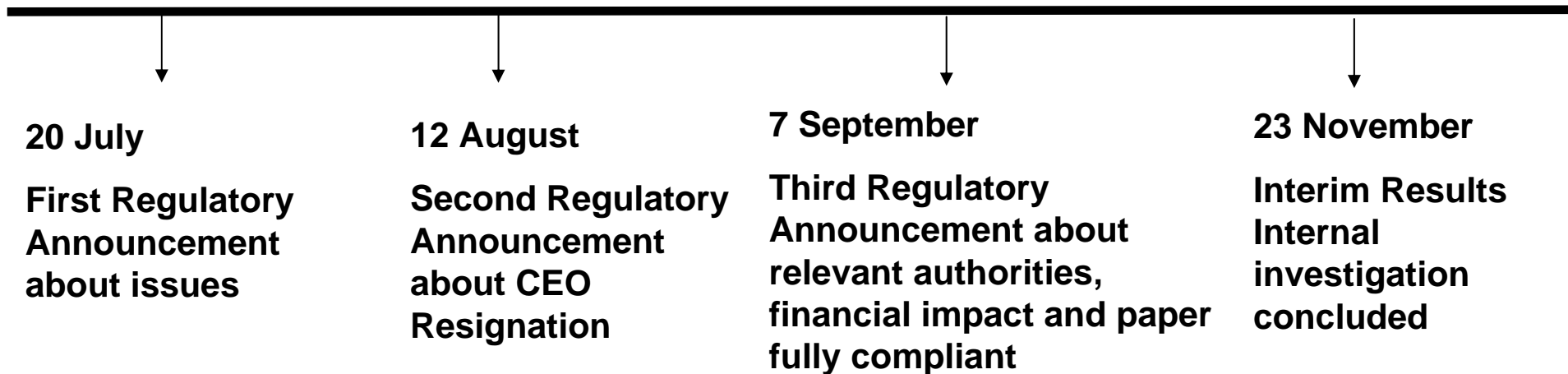
Interim Results 2010/11

AGENDA

- Group Headlines
- Financial Results
- Business Overview
- Outlook
- Q&A



Paper Production Issues - Timeline



Paper Production Issues - Actions

- Confident necessary steps have been taken to address the underlying cause:
 - New operational management appointments
 - Paper production process upgraded
 - All paper production fully compliant with customer specifications
 - Independent certification for all future paper supplies
 - Engaging with and reassuring all our customers
- All other activities of the Group remain unaffected



First Half Headlines

- Paper production issues impacted first half financial performance: decisive action taken
- Banknote paper volumes down 29% driven by production issues
- Banknote print volumes down 30%, unrelated to production issues
- UK Passport launched successfully
- Encouraging level of recent orders in paper and print
- Maintained interim dividend of 14.1p



Financial Results

Colin Child

Chief Operating Officer and Group Finance Director



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Group Financial Headlines – First Half 2010/11

- Group revenue down 17% to £209m
- Operating profit* down 45% to £28m
- Headline EPS* down 51% to 17.2p
- £35m impact of paper production issues confirmed
- Gain on Camelot sale of £53m
- PBT increased to £69m due to exceptional items
- Net debt £5m



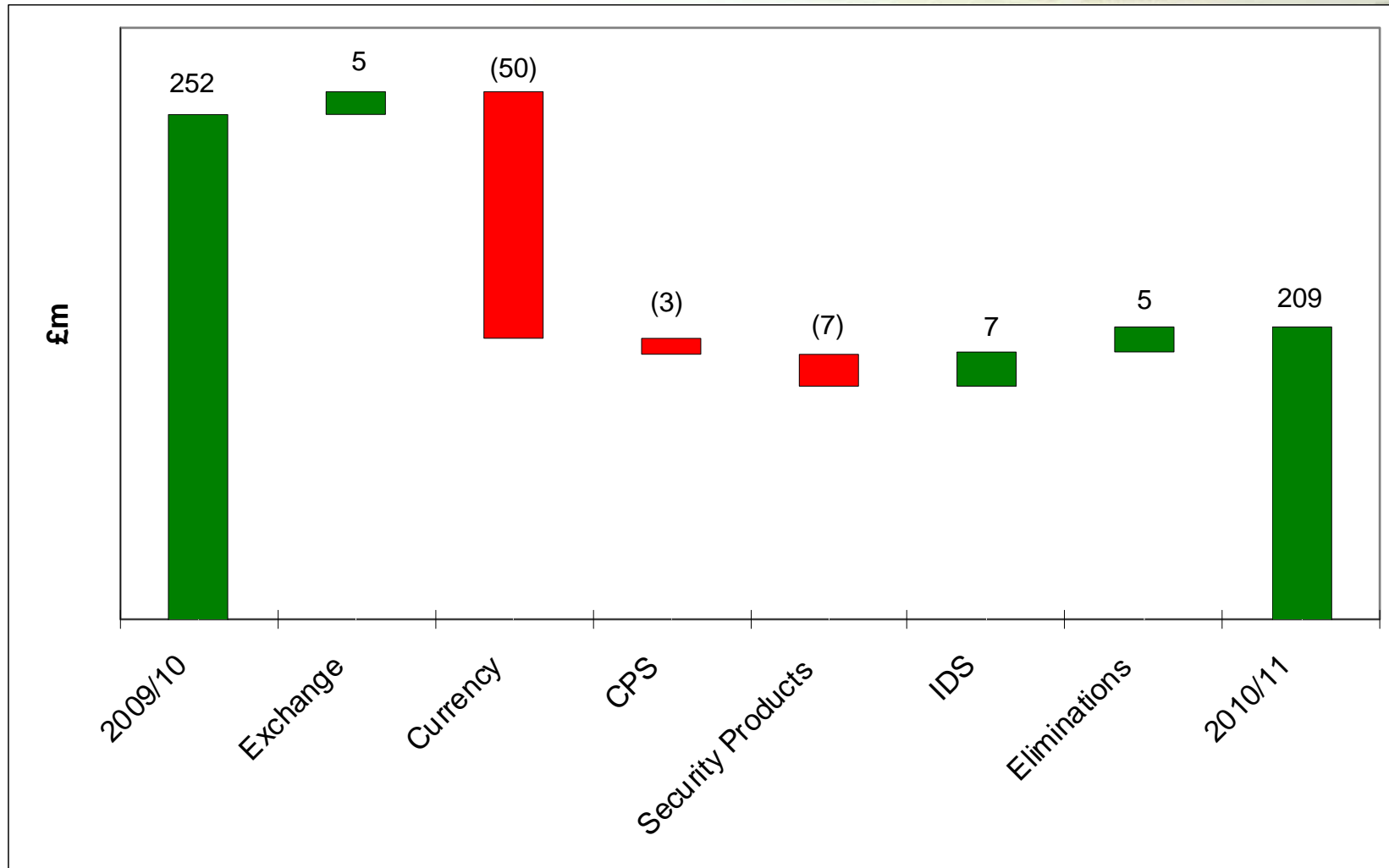
Financial Results

Half Year ended 25 September 2010

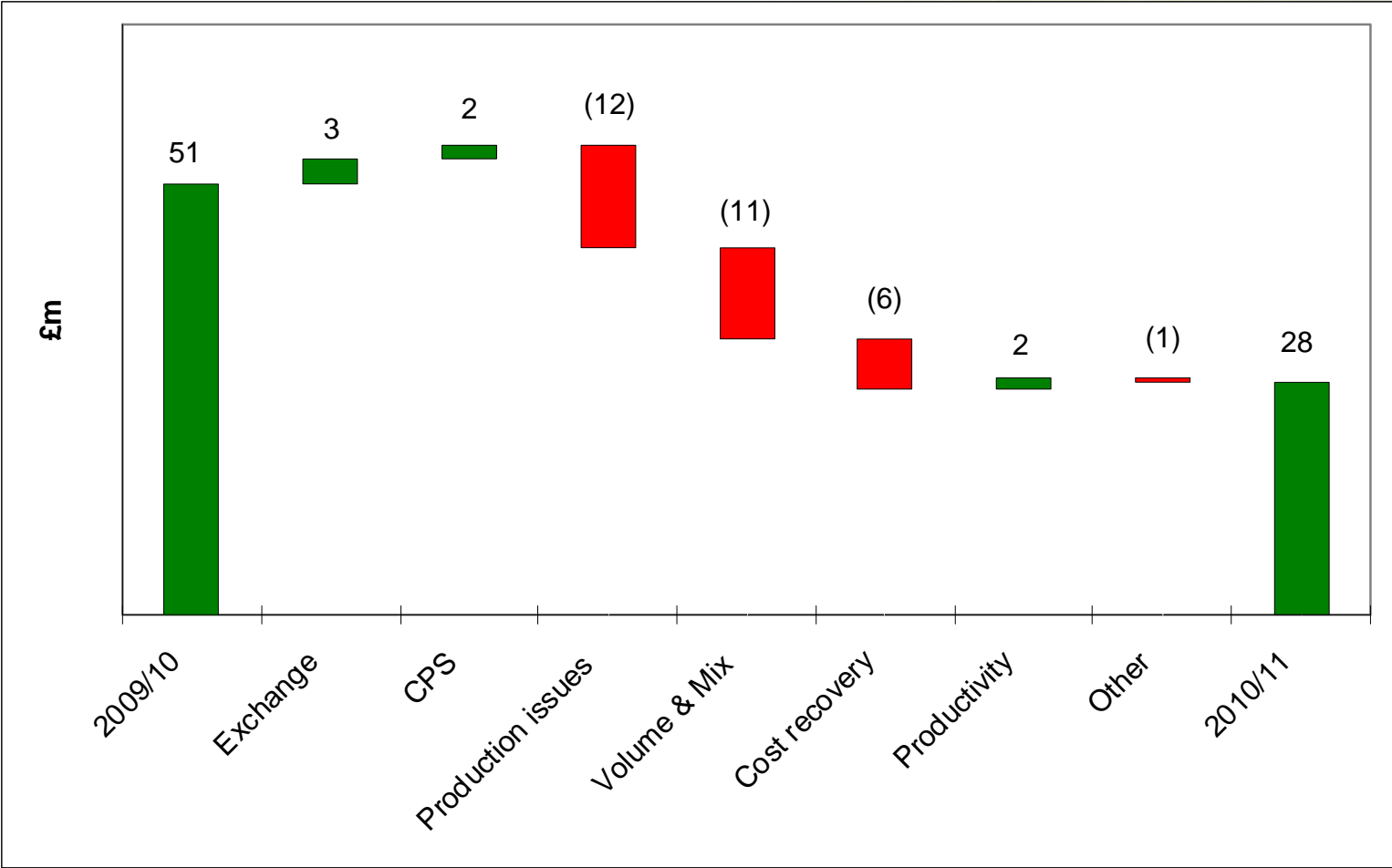
	First Half 2010/11 £m	First Half 2009/10 £m	
Revenue	209.2	252.2	-17%
Operating profit before exceptional items	27.8	51.0	-45%
Associates and finance costs	(4.0)	(3.0)	
Profit before tax and exceptional items	23.8	48.0	-50%
Exceptional items	45.6	(3.8)	
Profit before tax	69.4	44.2	
Tax	(3.0)	(12.8)	
Headline earnings per share	17.2p	35.1p	-51%



Revenue Analysis



Operating Profit Analysis



Exceptional items

	First Half 2010/11 £m	First Half 2009/10 £m
Paper production quality issues	(23.3)	-
Pension closure credit	16.0	-
Gain on sale of Camelot holding	52.9	-
Legacy overseas indirect tax	-	(2.5)
CPS reorganisation	-	(1.3)
Total exceptional items	45.6	(3.8)

- Quality – stock write off, investigation and rectification costs
- Pension – reduction in liability following closure of scheme to further accruals from 2013

Operating Cash Flow

	First Half 2010/11 £m	First Half 2009/10 £m
Operating profit pre-exceptional items	27.8	51.0
Depreciation	11.1	11.3
Working capital	(13.7)	(24.9)
Other	(6.8)	(0.2)
Operating cash flow before pension contributions	18.4	37.2
Special pension fund contribution	(35.0)	(5.0)
Cash flow from operating activities	(16.6)	32.2
Closing net debt	(5.3)	(11.0)





Business Overview



Currency – First Half 2010/11

- Paper production issues impact paper output in first half
- Print volume significantly lower in first half
- Encouraging level of new orders and enquiries in recent weeks

	First Half 2010/11 £m	First Half 2009/10 £m
Revenue	132.7	181.2
Operating profit	21.5	44.7
<i>Operating profit margin</i>	16.2%	24.6%



Currency – Paper

	First Half 2010/11	First Half 2009/10
Banknote paper output ('000 tonnes)	5.7	8.0

- 29 per cent volume reduction primarily due to production issues
- £12m profit impact of issues compared with previous year
- Paper process changes will reduce maximum output levels in the short term
- Recover to recent capacity levels with further process changes and modest capital expenditure



Currency – Print

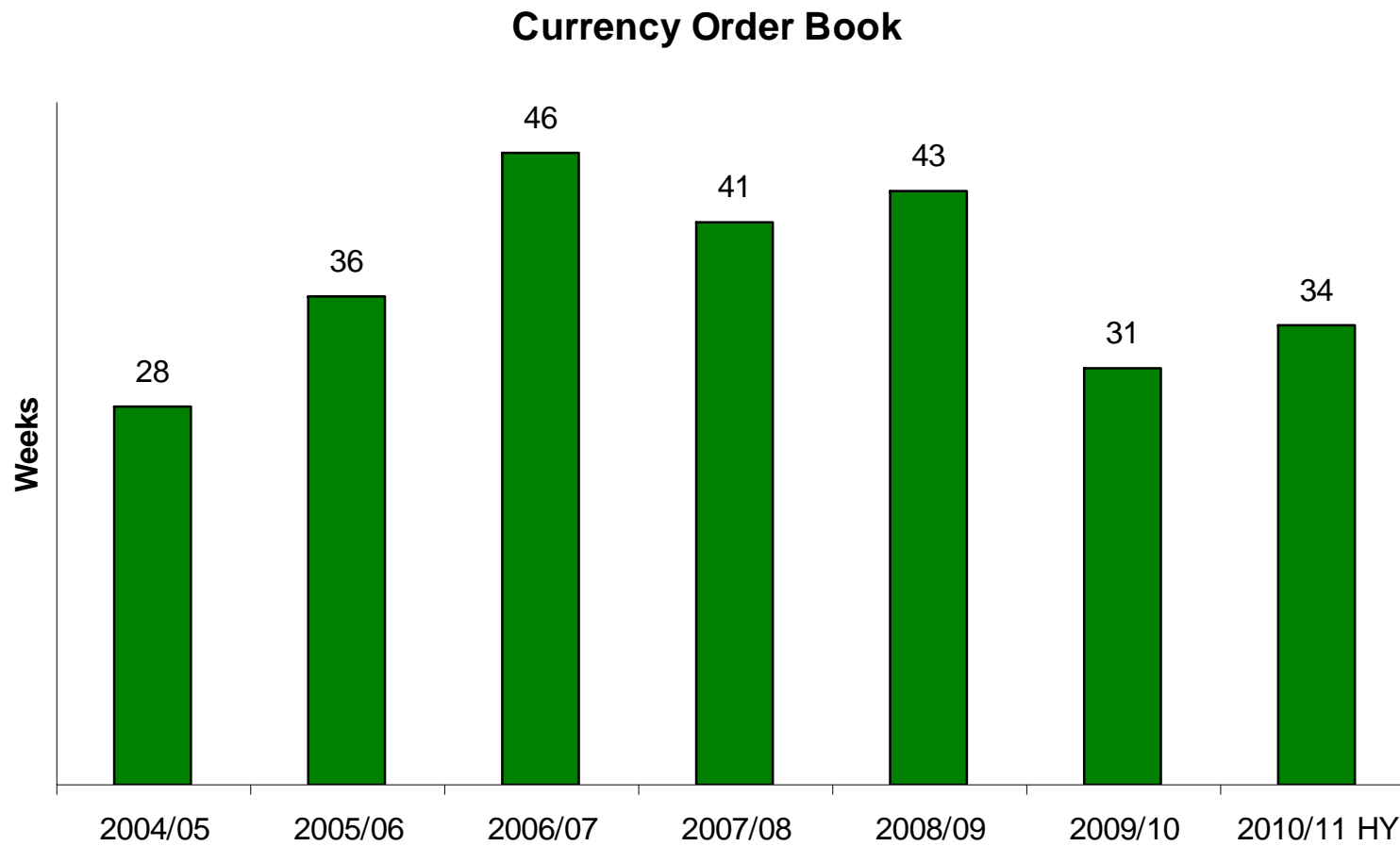
	First Half 2010/11	First Half 2009/10
Banknote print volume (billion notes)	2.5	3.5

- As indicated, weighting biased towards 2nd half
- Full year expectation of 20 per cent volume reduction to 6.2bn due to:

	bn
Orders received later than expected	(0.5)
Expected orders not yet placed	(0.4)
Volume changes	(0.3)
Tenders expected but not won	(0.4)

Not related to paper production issues

Currency Order Book



Ratio: Closing order book to previous 12 months sales

Cash Processing Solutions – First Half 2010/11

- Rationalisation of product and manufacturing base on track
- Break-even achieved
- Order receipts progressing well benefitting from greater co-operation with Currency

	First Half 2010/11 £m	First Half 2009/10 £m
Revenue	27.2	28.4
Operating profit	0.0	(1.6)
<i>Operating profit margin</i>	0.0%	-5.6%



Security Products – First Half 2010/11

- Holographics business impacted by lower banknote production
- Other trading steady
- Recent significant fiscal stamp order

	First Half 2010/11 £m	First Half 2009/10 £m
Revenue	32.6	38.0
Operating profit	5.3	7.0
<i>Operating profit margin</i>	16.3%	18.4%



Identity Systems – First Half 2010/11

- UK Passport contract launched on schedule in October
- Revenue increased due to recovery of upfront costs on UK contract
- Order intake progressing well including eID award

	First Half 2010/11 £m	First Half 2009/10 £m
Revenue	20.1	13.0
Operating profit	1.0	0.9
<i>Operating profit margin</i>	5.0%	6.9%



UK Passport Contract

- Design, manufacture and personalisation
- Multiple sites and large capital investment
- Highly secure network and systems infrastructure
- Sophisticated IT environment
- Significantly enhanced security and quality functions
- Highly secure new design

... all delivered on time



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Outlook

Nicholas Brookes
Executive Chairman



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Outlook

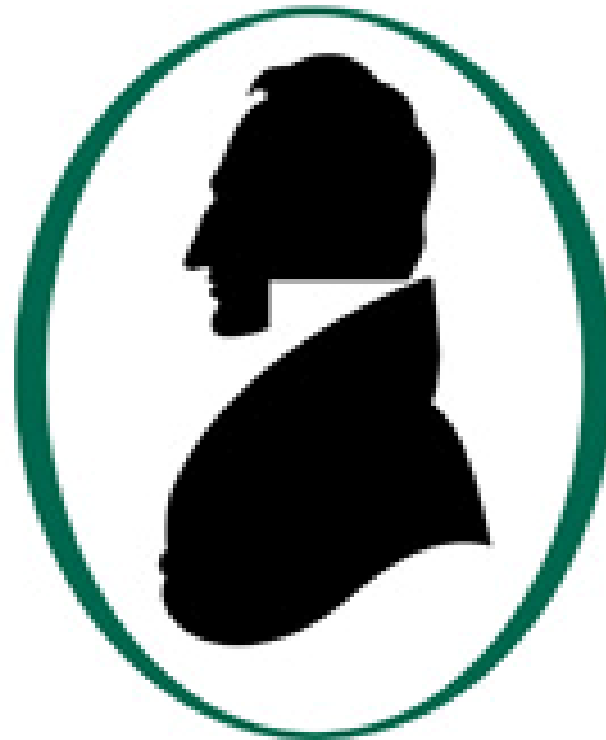
- Shortfall in first half banknote print volumes will not be recovered: full year volumes will be c. 20% lower than 2009/10
- Consequent reduction in Security Products internal sales
- Paper volumes remain uncertain as discussions related to production issues are yet to be concluded
- The financial impact for the full year and subsequent years remains unclear
- Medium term outlook for underlying Currency growth unchanged at 2-3% per annum, but subject to normal short term variability



De La Rue: building on our core strengths

- Global brand
- Strong customer relationships
- Loyal, experienced and highly skilled workforce
- Continued investment in design capability and technical innovation
- Improved cost base and efficiency through One De La Rue
- Restructured and strengthened senior management team





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SUPPLEMENTARY SLIDES



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Segmental Performance

	Revenue		Operating Profit		Margin	
	First Half 2010/11 £m	First Half 2009/10 £m	First Half 2010/11 £m	First Half 2009/10 £m	First Half 2010/11 £m	First Half 2009/10 £m
Currency	132.6	181.2	21.5	44.7	16.2%	24.6%
CPS	27.2	28.4	0.0	(1.6)	0.0%	(5.6%)
Security Products	32.6	38.0	5.3	7.0	16.3%	18.4%
Identity Systems	20.1	13.0	1.0	0.9	5.0%	6.9%



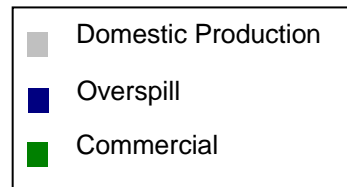
Movement in Net Debt

	2010/11 £m	2009/10 £m
Opening Net Debt	(11.0)	(33.1)
Operating cash flow before pension contributions	18.4	37.2
Special pension contributions	(35.0)	(5.0)
Associates	73.2	3.1
Interest and tax	0.7	(8.5)
Capital expenditure	(21.8)	(16.3)
Ordinary dividend	(27.9)	(27.0)
Other	(1.9)	(3.8)
Closing Net Debt	(5.3)	(53.4)

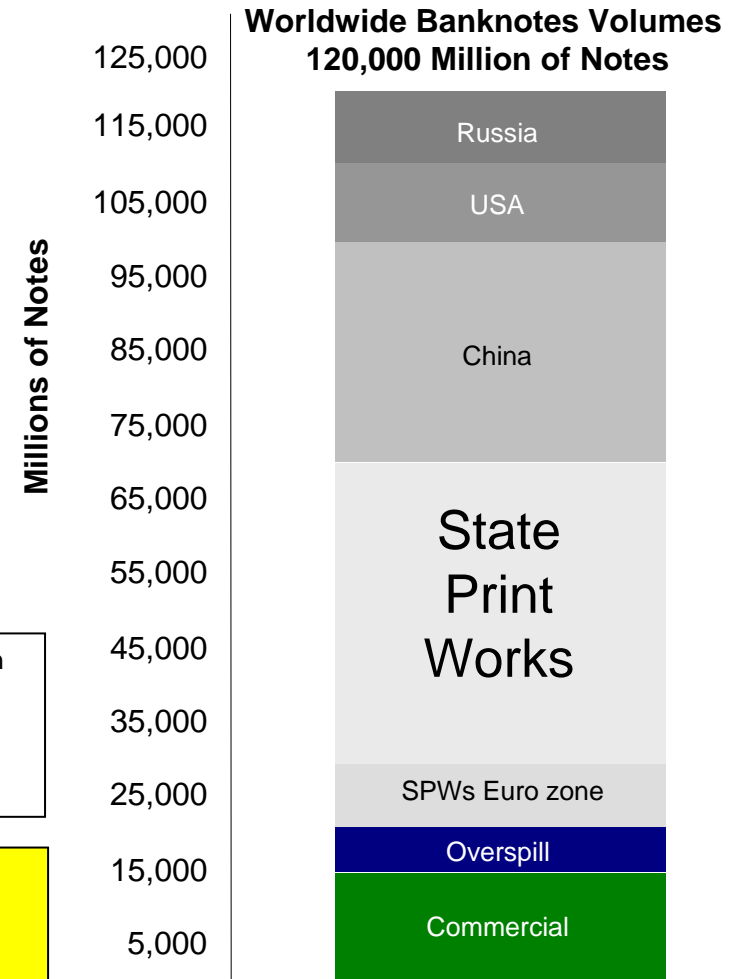


Currency Market - Long term volume drivers

- 1) Underlying Banknote market long term volume growth
c2-3% pa
- 2) Migration of State Print Works in last 25 years from public to private sector has grown available market from c8% of world volume to c15% today
- 3) Central Bank policy



High barriers to market entry for new competitors



Central Bank Policy – Volume and Value Drivers

- New note design
- Increased security features
- Change in denominational structure
- Increased mechanisation of cash handling
- Change of policy on note cleanliness

We estimate that over 80% of short to medium-term banknote demand comes from central bank policy

