



De La Rue plc

Strong Fundamentals
2011 Results
24 May 2011

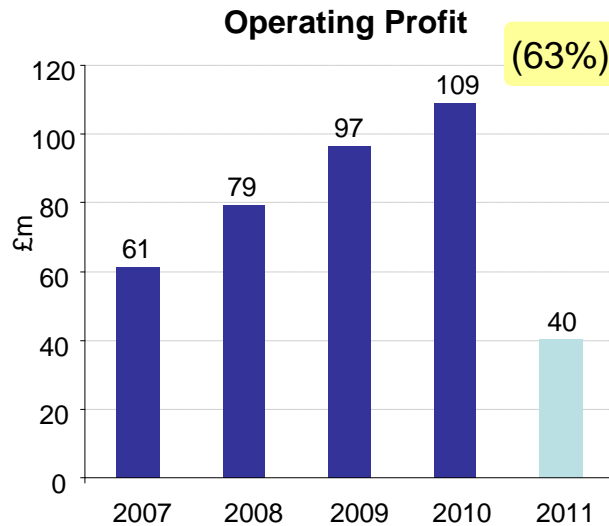
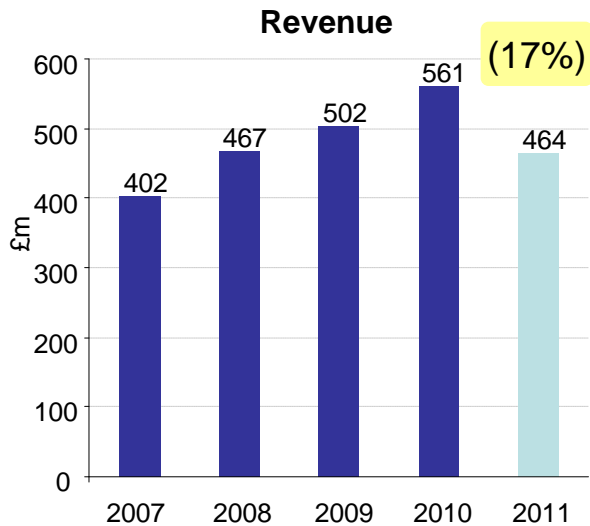
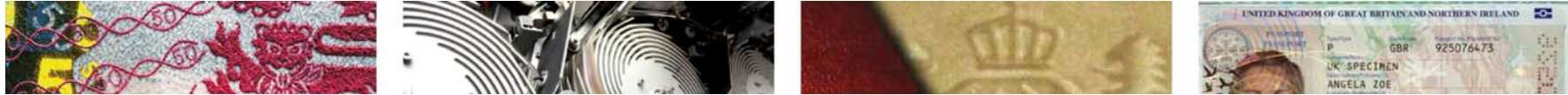
2011 Results



AGENDA

- **Group Headlines**
- **Financial Results**
- **De La Rue and its Markets**
- **Improvement Plan**
- **Outlook**

Group Headlines



UK Passport Launch and Camelot sale

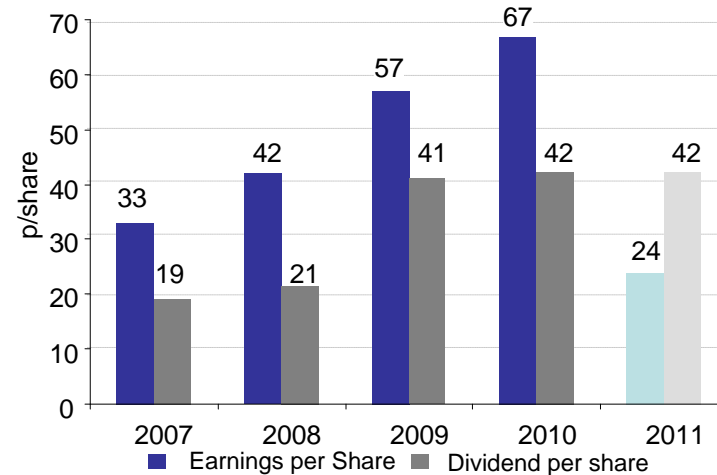


Improvement Plan

- Operating Profit >£100m within 3 years
- Build on fundamental strengths
- Address opportunities

Headline Earnings and Dividend per share

EPS: (5%)
DPS: HELD



Financial Results



Colin Child
Group Finance Director



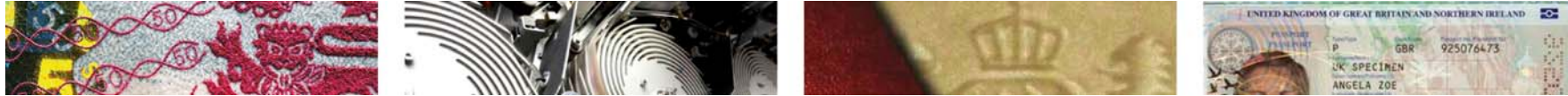
2010/11 Financial Results



	2011 £m	2010 £m	Change
Revenue	463.9	561.1	(17%)
Operating profit*	40.4	109.2	(63%)
Exceptional items	39.5	(7.5)	
Finance expense	(7.1)	(11.4)	
Income from associates	-	6.3	
Profit before tax	72.8	96.6	(25%)
Headline earnings per share	24.0p	76.2p	(69%)
Basic earnings per share	67.6p	71.0p	(5%)
Dividend	42.3p	42.3p	-
Volume	2011	2010	Change
Print (notes)	5.9bn	7.8bn	(24%)
Paper (tonnes)	9,900	15,500	(36%)

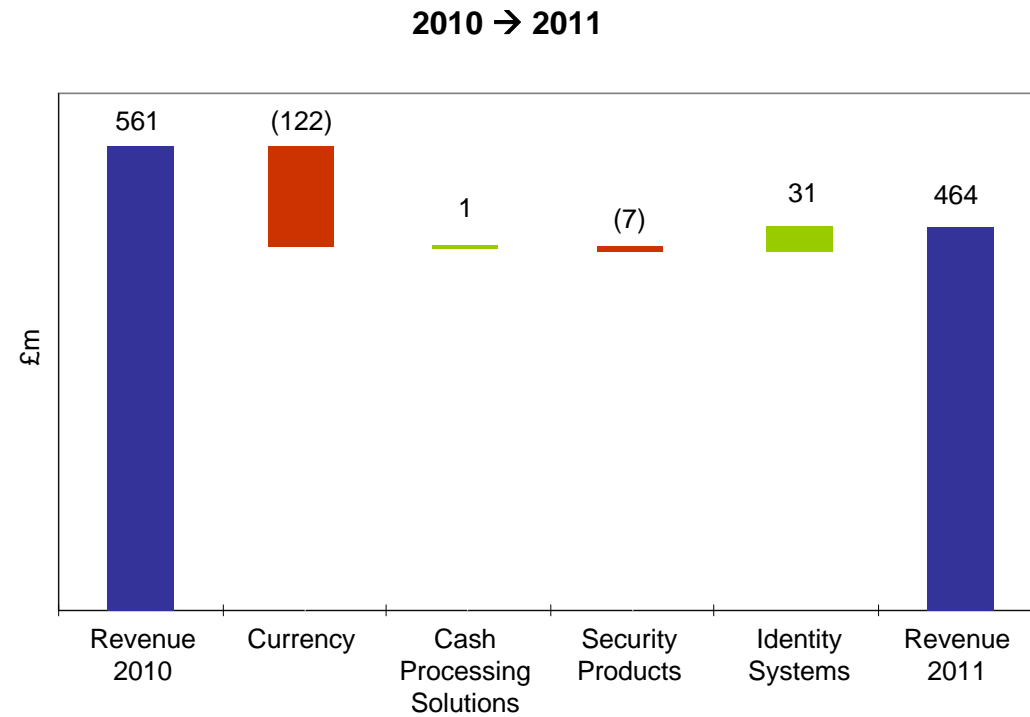
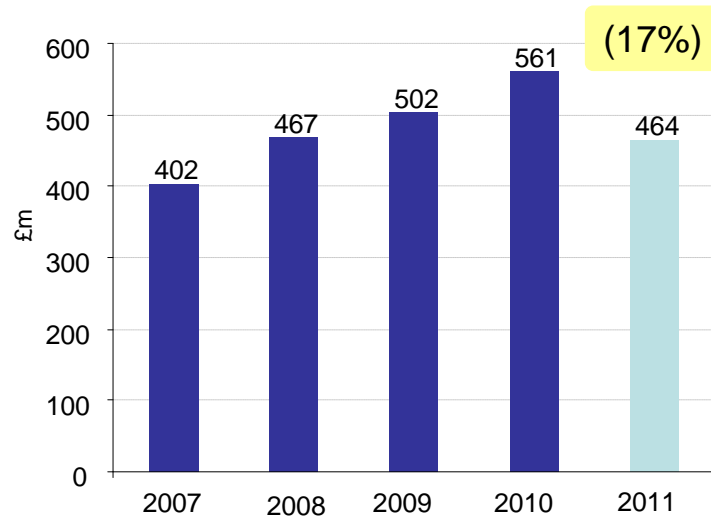
* Before exceptional items 5

2010 → 2011: Revenue

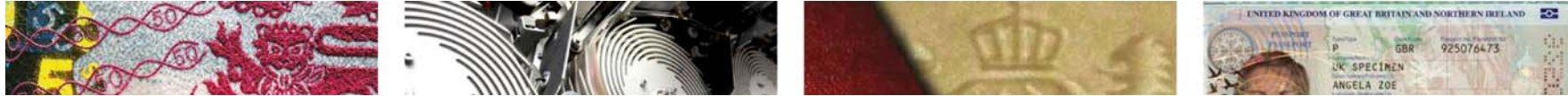


Business Units*	2010 £m	2011 £m
Currency	410	288
Cash Processing Solutions	57	58
Security Products	62	55
Identity Systems	32	63

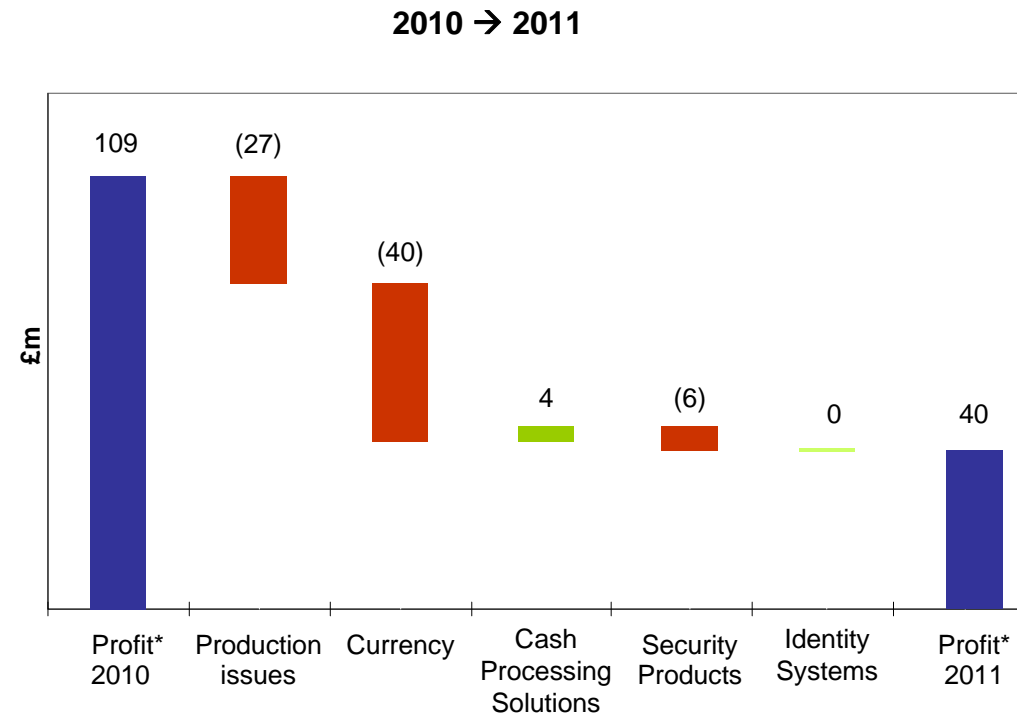
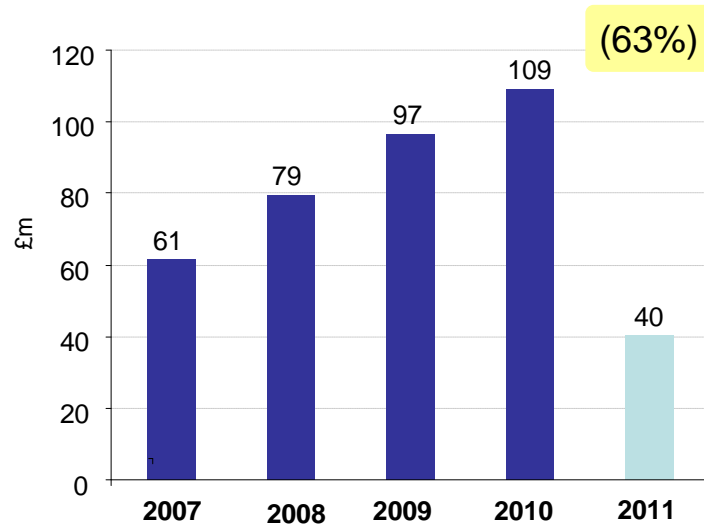
*After eliminations



2010 → 2011: Operating Profit*



Business Units	2010 £m	2011 £m
Currency	95	28
Cash Processing Solutions	(3)	1
Security Products	15	9
Identity Systems	2	2



Exceptional Items



	2011 £m	2010 £m
Curtailment gain on closure of pension scheme	16.0	-
Paper production quality issues	(29.0)	-
Corporate costs	(2.6)	-
Gain on sale of Camelot investment	55.1	-
CPS reorganisation	-	(4.8)
Legacy overseas indirect tax	-	(2.7)
Total exceptional items	39.5	(7.5)

Operating Cash Flow



	2011 £m	2010 £m
Operating profit before exceptional items	40.4	109.2
Depreciation	24.4	23.0
Working Capital	(29.4)	11.0
Pension fund Contribution	(7.5)	(17.0)
Other	(13.2)	(10.1)
Operating cash flow before special pension contribution	14.7	116.1
One off special pension fund contribution	(35.0)	-
Cash flow from operating activities	(20.3)	116.1

Net Debt



	2011 £m	2010 £m
Opening net debt	(11.0)	(33.1)
Cash flow from operating activities	(20.3)	116.1
Tax and interest	1.2	(24.3)
Capital expenditure	(30.7)	(33.1)
Sale of investment in Camelot / Associate income	75.4	6.3
Dividends	(42.1)	(40.6)
Other	(3.7)	(2.3)
Closing net debt	(31.2)	(11.0)

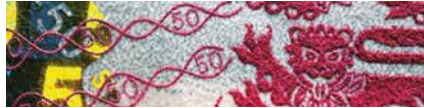
De La Rue and its Markets



Tim Cobbold
Chief Executive



De La Rue and its Markets



Currency

- Banknote paper, security features
- Design, origination and printing of banknotes



Cash Processing Solutions

- High speed sorting machines
- Service: maintenance and spares
- Cash management solutions



Security Products

- Design, origination and printing of secure products
- Tax stamp and authentication solutions

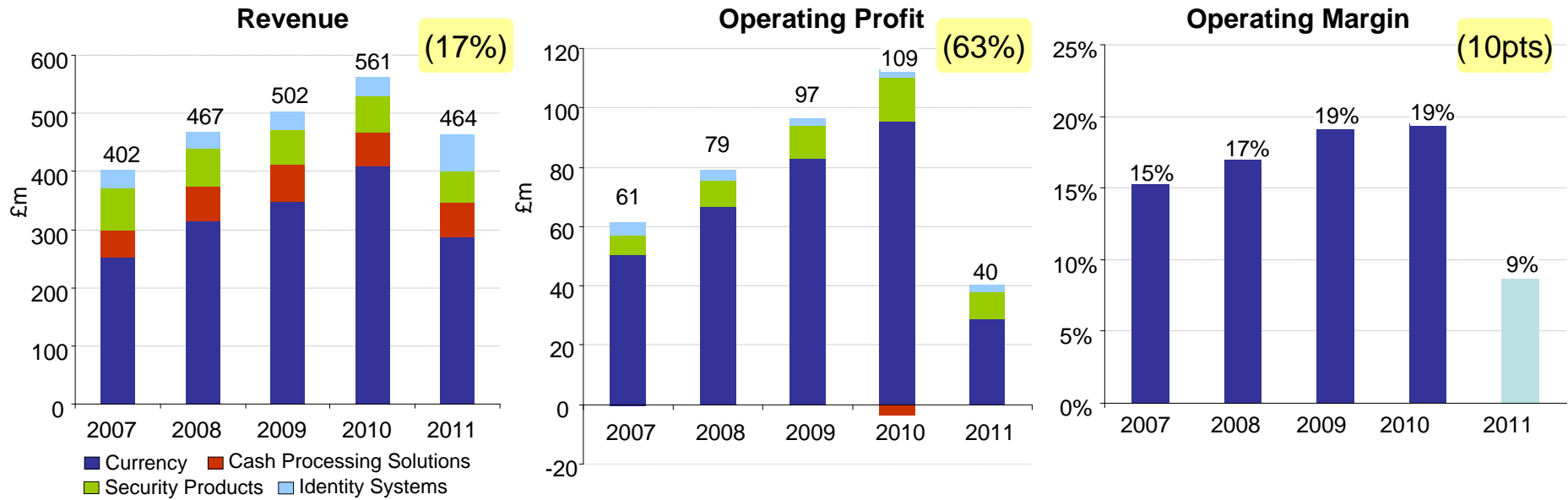
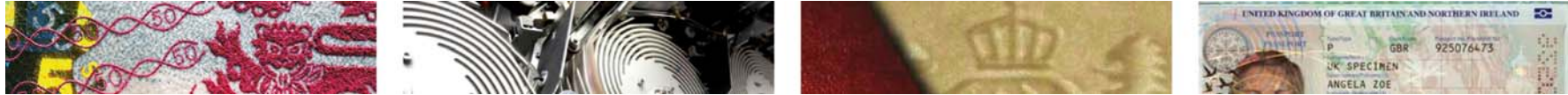


Identity Systems

- Design, origination and printing of identity documents
- Personalisation solutions



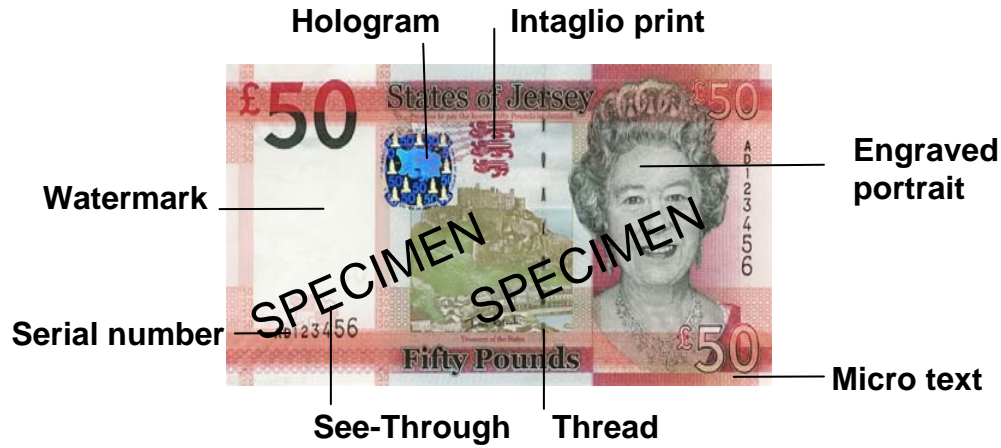
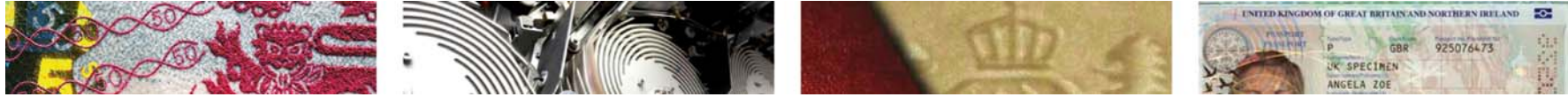
Importance of Currency



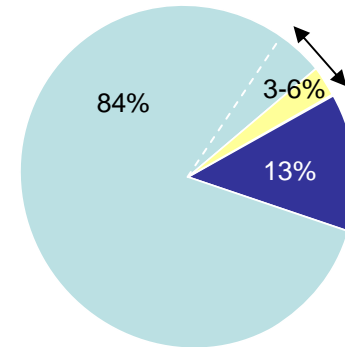
Business Units	Number of employees
Currency	2,469
Cash Processing Solutions	698
Security Products	563
Identity Systems	267

Business Units	Number of manufacturing sites
Currency	7
Cash Processing Solutions	2
Security Products	6
Identity Systems	3

Currency Market - Overview

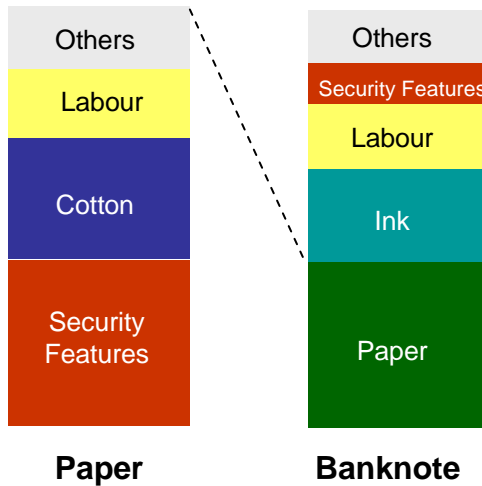


Banknotes: c150bn banknotes

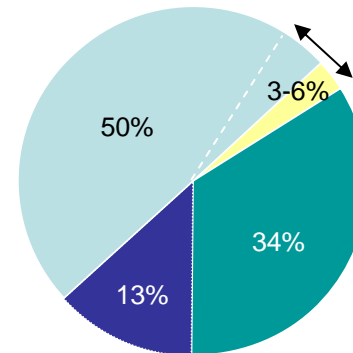


- State paper mills or State print works
- Overspill
- Commercial print market
- Commercial paper market

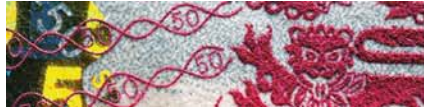
Indicative cost profiles



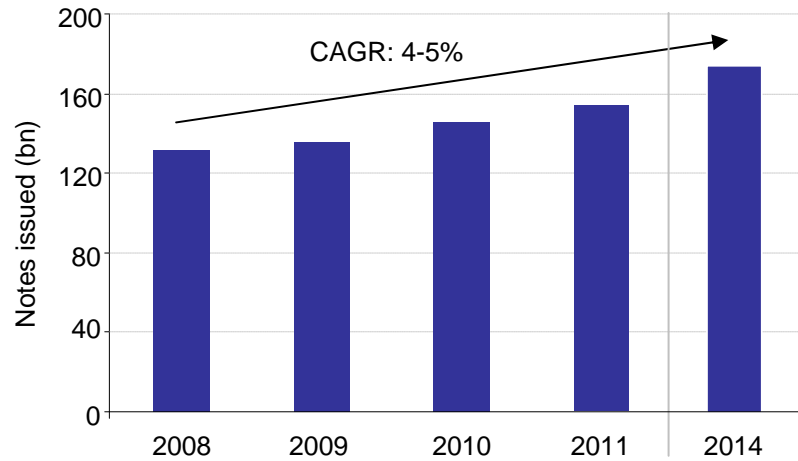
Paper: c150k tonnes



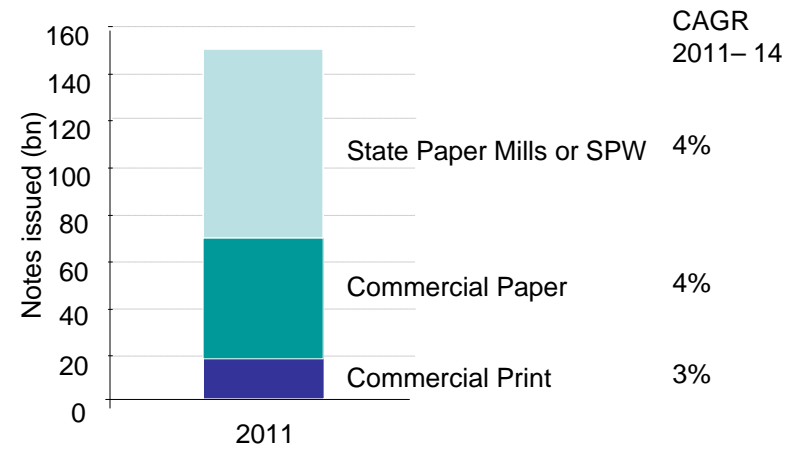
Currency Market - Dynamics



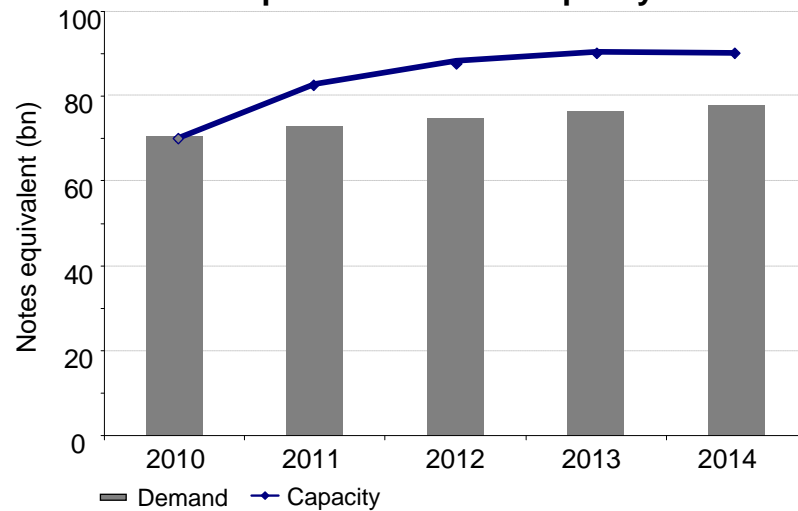
Global Banknote Issuance



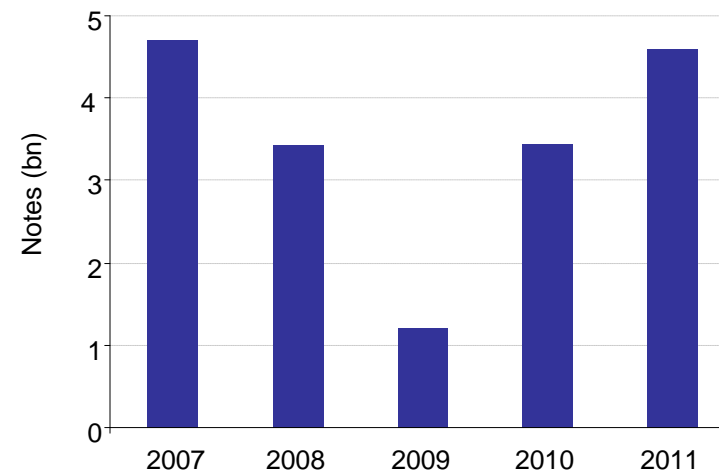
Market Segment Growth



Paper Demand and Capacity



Overspill Print Market

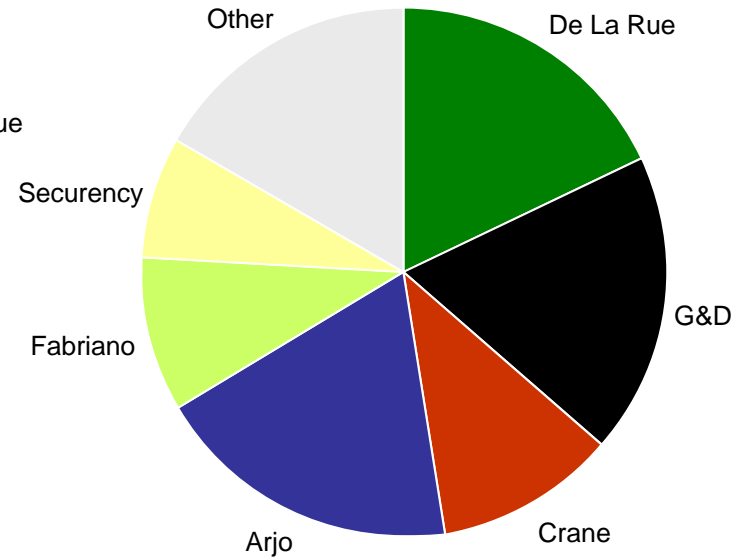
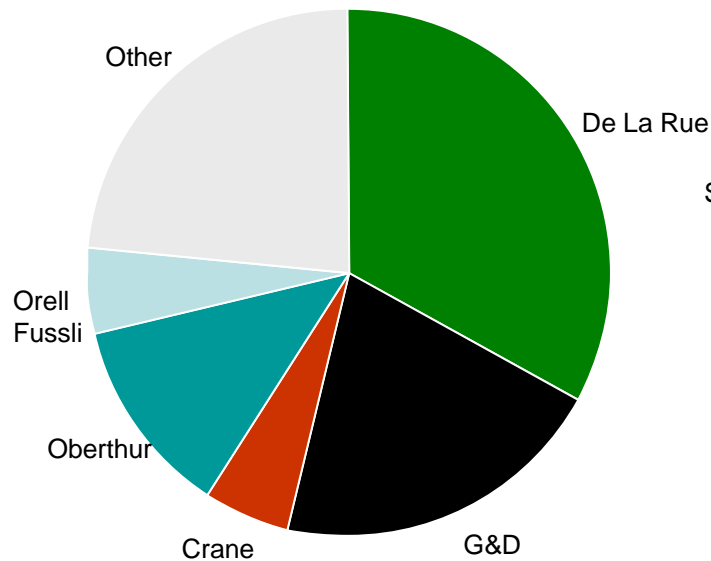


Market Leading Presence



Print: Market Share

Paper: Market Share

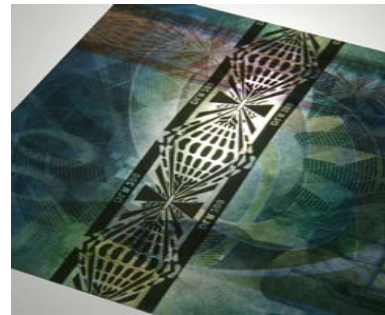


- De La Rue involved in c150 national currencies over last 5 years
- Long standing customer relationships
- Differentiate through design and technology
- Significant benefit from vertical integration
- High barriers to entry

Leading Technology



Cornerstone®



Optiks™



Tilt®



Multitext™



Edgestone™



Flexycoin™



Gemini™



StarChrome®

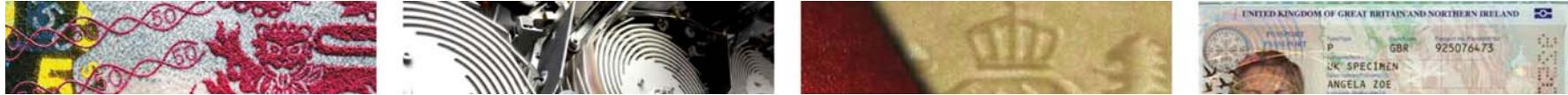


Multitext™

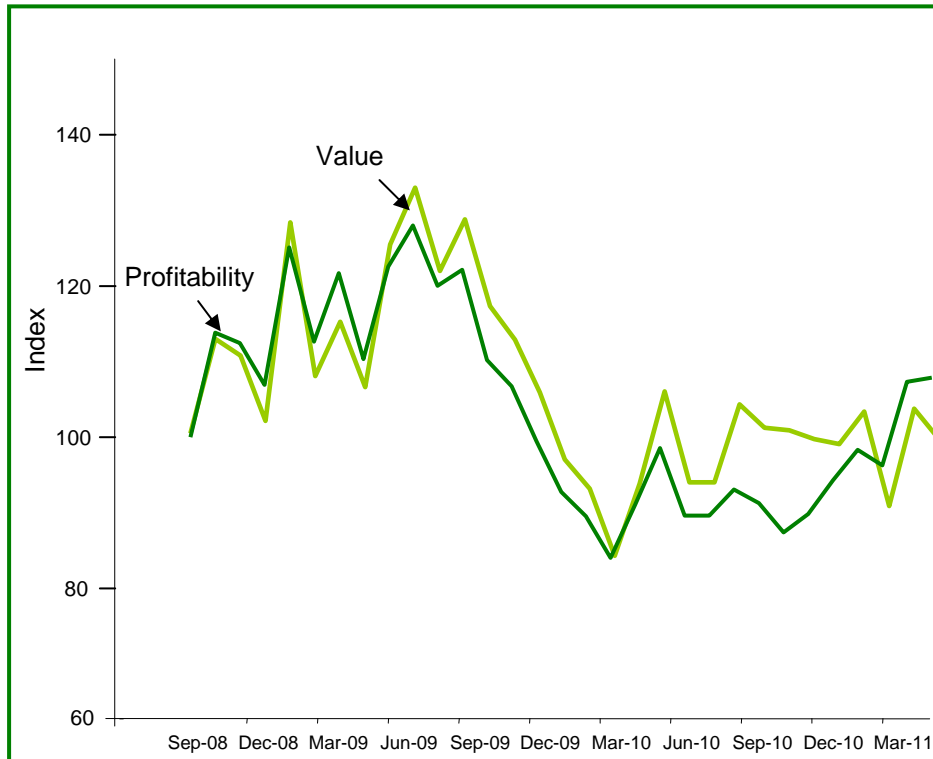


Mask™

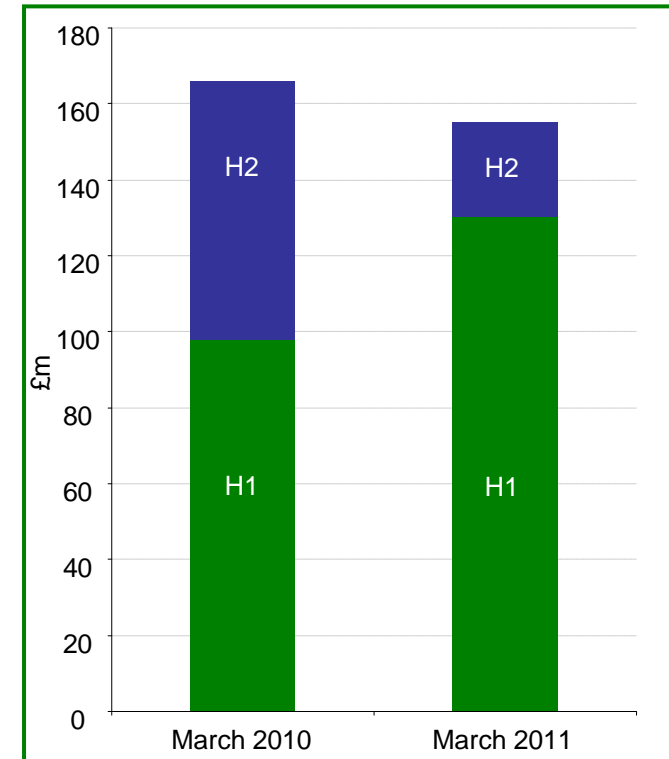
Order Intake and Order Book



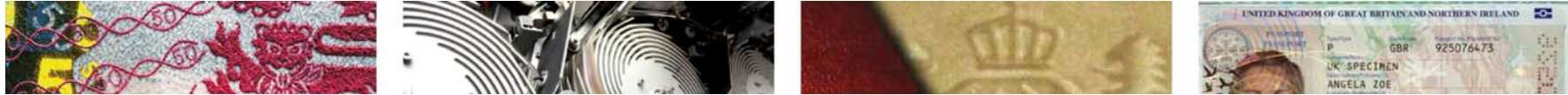
**Print Order Intake (indexed to Sept 08)
6 month rolling average**



Currency Year End Order Book



Cash Processing Solutions

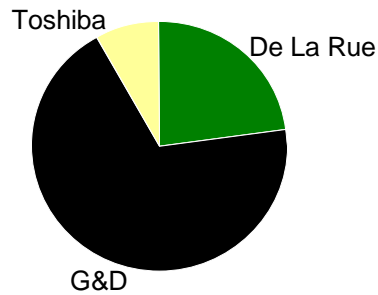


Revenue

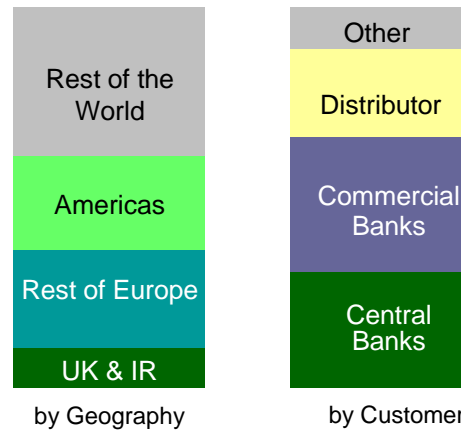


Large Sorters

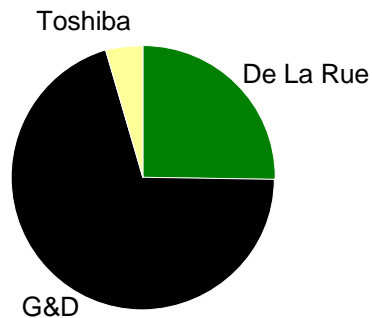
Installed Base



Revenue



Shipments



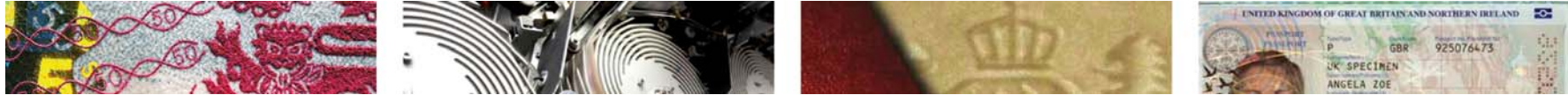
Market Growth Drivers

- Growth in note issuance
- Move to automation
- Renewal
- Central bank outsourcing
- Centralisation of operations



Niche market - Steady growth - Number 2 position

Security Products



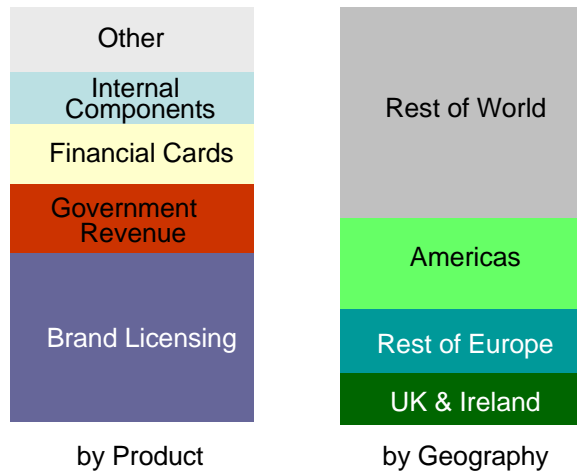
Market Growth Drivers

- Growing importance of indirect taxation
- Identity and financial fraud
- Revenue protection
- Anti-counterfeiting

Competitor Landscape

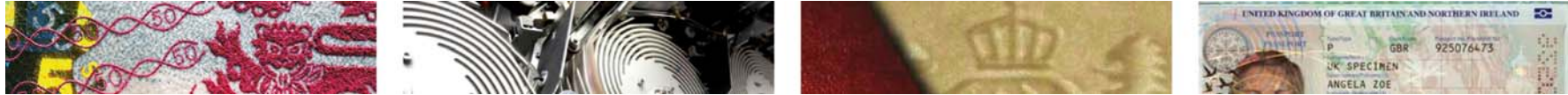
Competitive Segment	Players
State print works	Hungarian State Print Works, PWPW
Security printers	De La Rue, Enschede, G&D, Walsall Security Print
Commercial printers	Kalamazoo, Madras, Paragon
New entrants, mainly around Track & Trace	Authentix, Sicpa

Revenue Split



Growth opportunities - Solution development - Diverse product range

Identity Systems



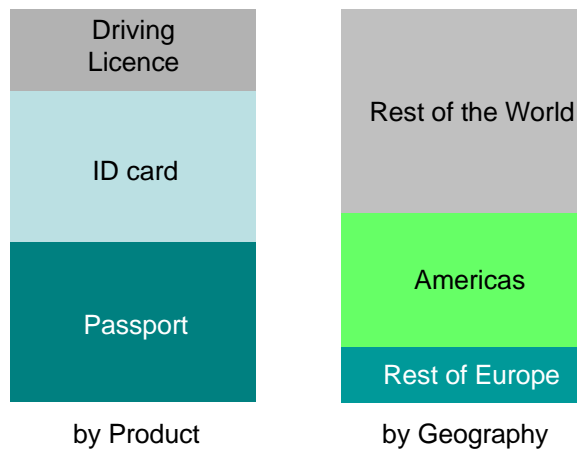
Market growth drivers

- Cross border security
- National Identity tracking and security
- Economic pressure on social services and managing entitlements
- Technology – shift to “e”

Competitor Landscape

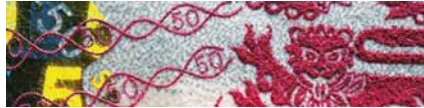
Competitive Segment	Players
Documents Producers	De La Rue, G&D, Oberthur
Point Solutions Providers	Cogent, L1, Vernizon
ID System Integrators	De La Rue, Gemalto, G&D, Sagem
Large IT Integrators	IBM, Siemens, Thales

Revenue Split



Growth opportunities - Solution driven - Diverse technology

Locations and Spread



Sales and Manufacturing Sites



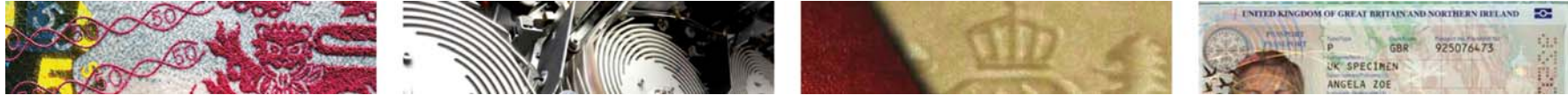
Improvement Plan



Tim Cobbold
Chief Executive



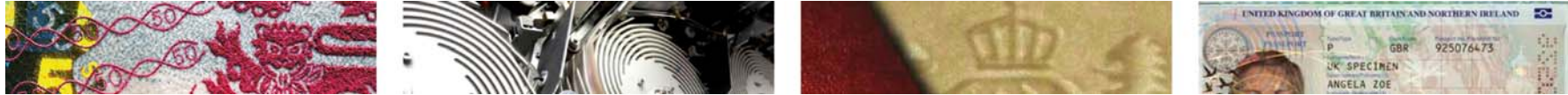
Fundamental Strengths



- Brand and reputation
- Long standing customer relationships
- Strong integrated competitive position
- Record of innovation
- High margin, cash generative model
- Good presence in niche markets
- Exposure to fast growing developing markets



Significant Opportunities



- **Focus, focus, focus**
- **Deepen and broaden “One De La Rue”**
- **Enhance customer relationships**
- **Improve sales and marketing effectiveness**
- **Exploit technological capability**
- **Develop total supply chain**

Improvement Plan

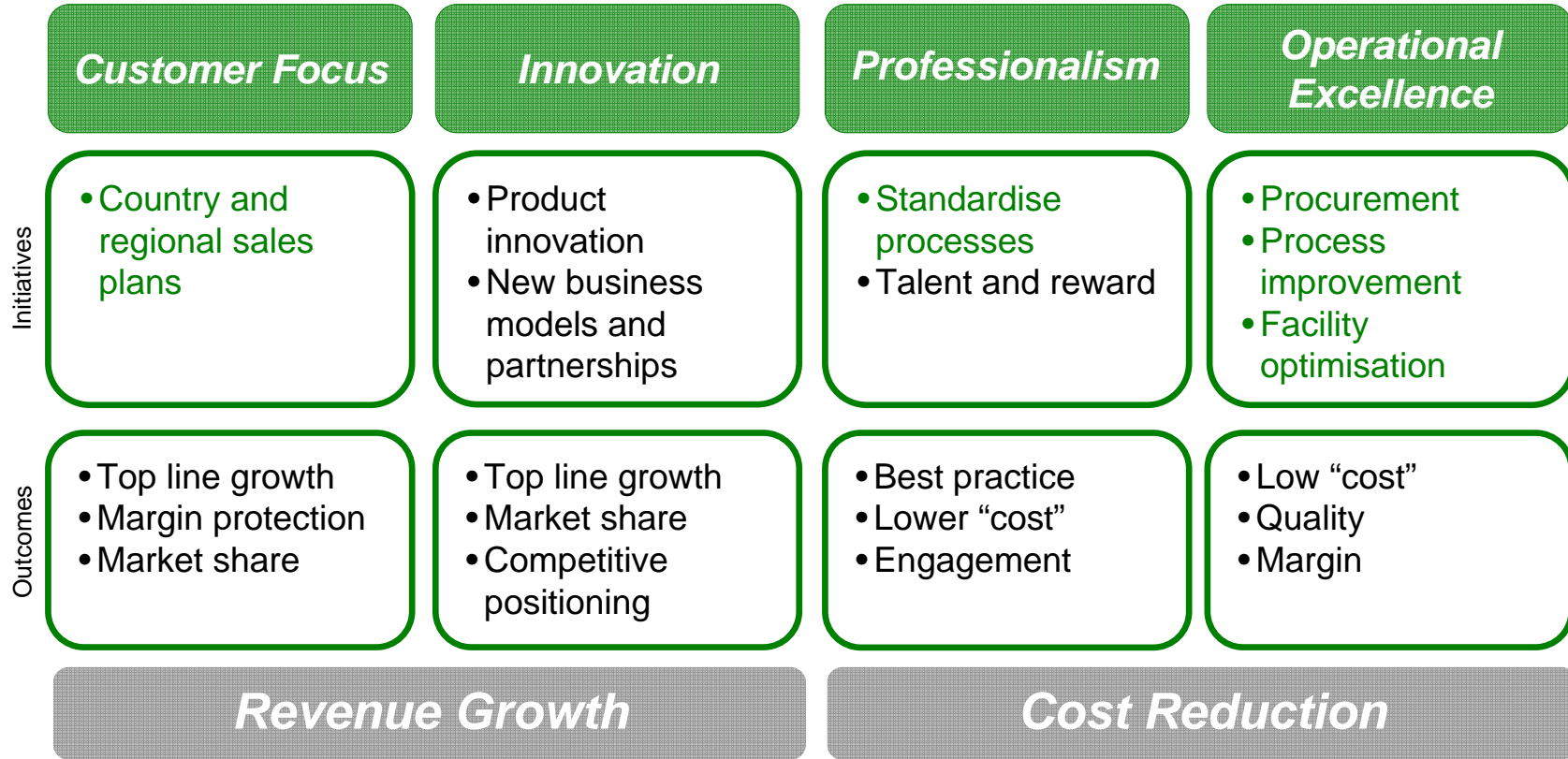
- **Build on fundamental strengths**
- **Address opportunities**



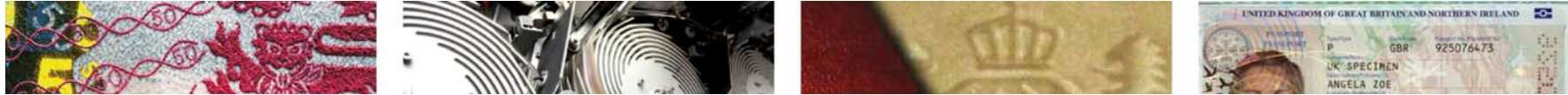
Improvement Plan



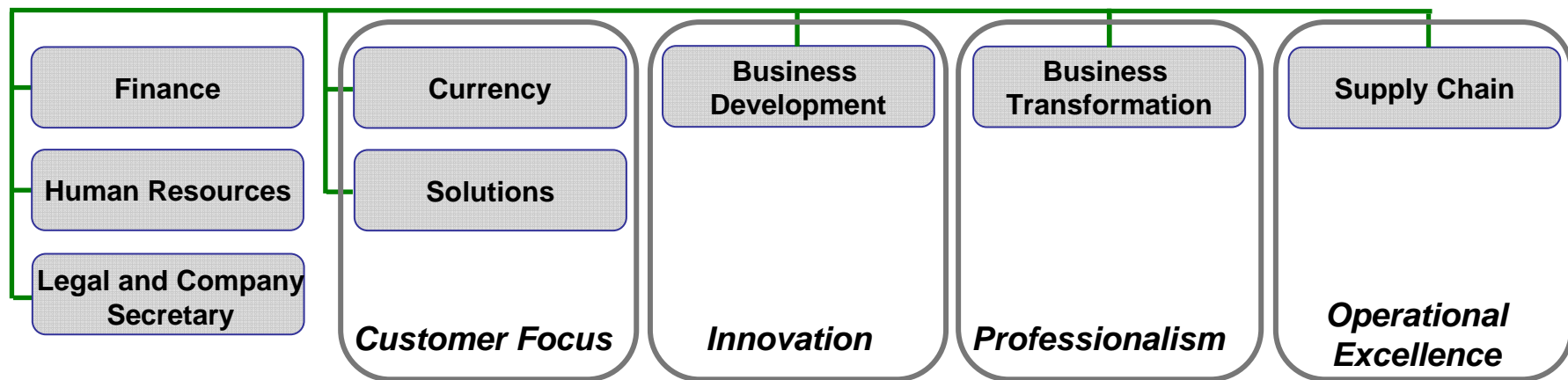
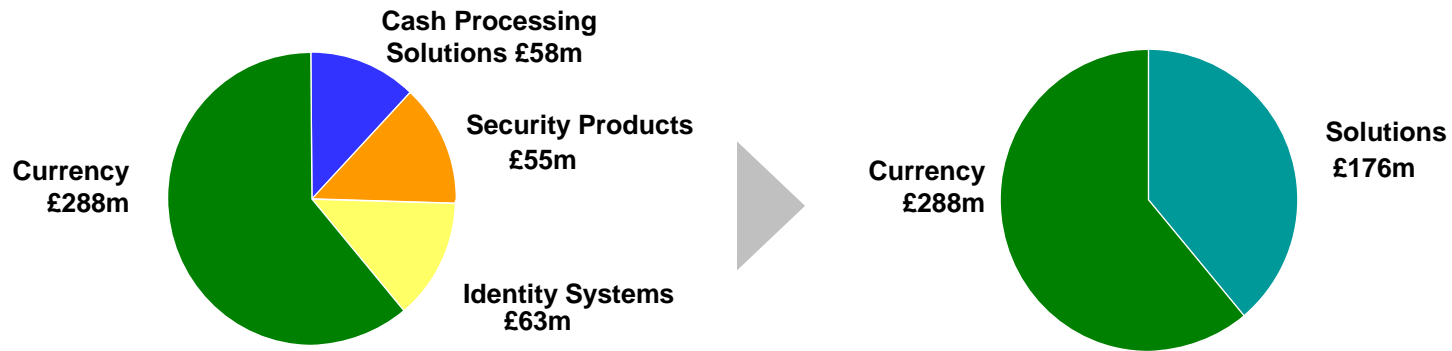
Target: Operating Profit >£100m within 3 years



Simplify Structure; Reshape Organisation



Revenue



Revenue Growth Initiatives



- **Country Plans**

- One De La Rue basis
- Develop plans and align capabilities
- Pilot completed
- Phased roll-out

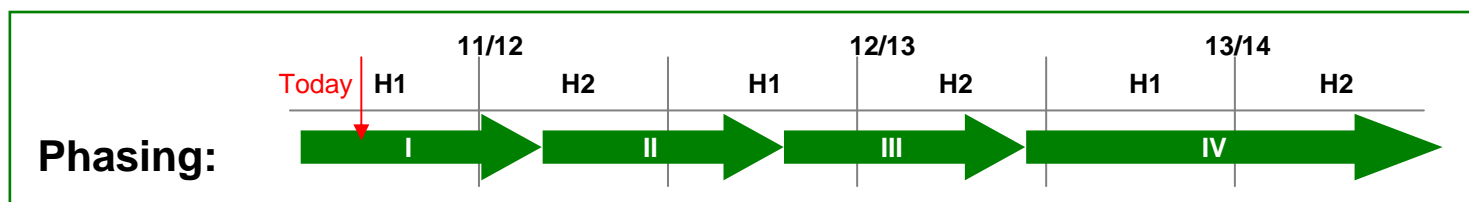
- **Product Innovation**

- Provide focus
- Standardise processes
- Evaluate and accelerate opportunities
- Leverage existing portfolio of well established technology

Cost Reduction Initiatives – Progress to date (1/2)

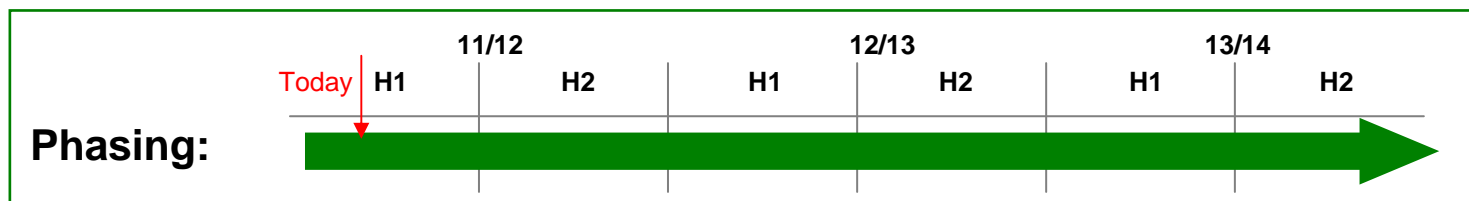


• Procurement



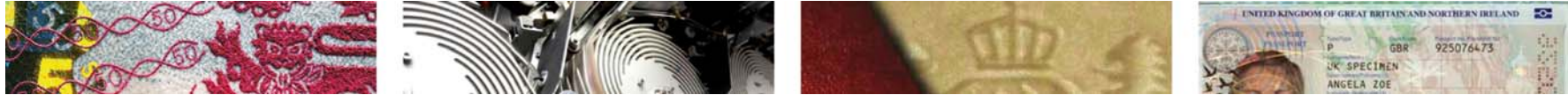
- Phase I: £4m savings negotiated – addressable cost of £29m
- Phase II: Addressable cost of £77m
- Phase III: Addressable cost of £75m
- Phase IV: Review of strategic suppliers

• Process Improvement

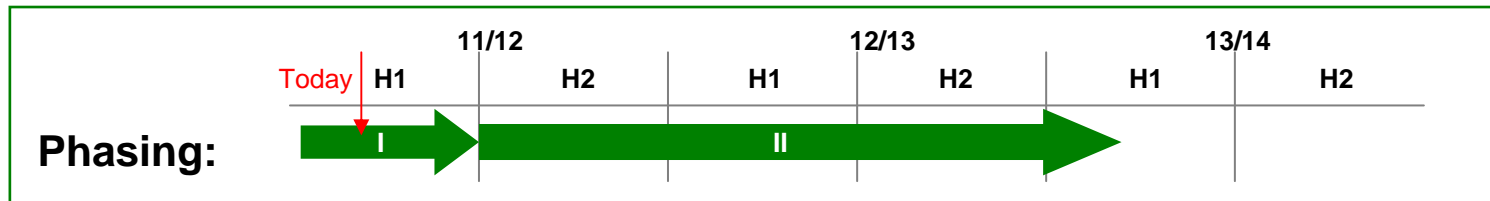


- Focus: Spoil (Waste) reduction, quality improvement, “make-ready” reduction
- Specific project in Overton
- Establish continuous improvement methodology

Cost Reduction Initiatives – Progress to date (2/2)

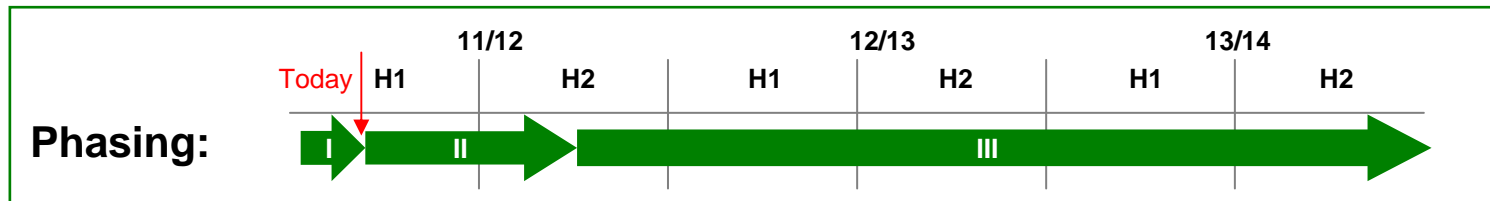


• Facility Optimisation



- Phase I: Site reviews; Facilities identified; Consolidation strategy defined
- Phase II: Implementation

• Standardise Processes



- Phase I: Review of IT systems; Feasibility review
- Phase II: Process definition
- Phase III: Implementation

Generating Value for Shareholders



Target

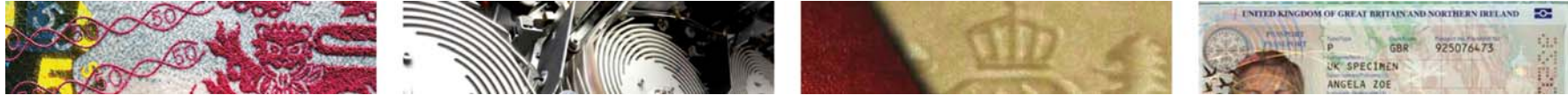
- Revenue – Return to historic 4% growth trend
- Cost Reduction – c£30m pa broadly even over 3 years
- Operating profit in excess of £100m within 3 years

Investment

- Exceptional costs of c£25m
- Specific capital expenditure of c£20m
- Predominantly in the first two years

Prudent and Pragmatic Basis - Confidence in Delivery

Conclusion and Outlook



Current trading in line with expectations

- Stabilised order intake – recovery in banknote print volume
- Business currently well loaded
 - First half solid – order coverage good
 - Second half order focus – pipeline good

Confidence in Improvement Plan

- Strong fundamentals
- “Self-help” initiatives
- Contributing to current year





DeLaRue