De La Rue plc

Interim Results
22 November 2011
Agenda

- Group Headlines
- Financial Results
- Business and Markets
- Delivering the Improvement Plan
- Outlook
Group Headlines

**Revenue**

- Sept 2010: £209m
- Sept 2011: £238m
- Increase: +14%

**Operating Profit**

- Sept 2010: £28m
- Sept 2011: £32m
- Increase: +13%

**Operating Cash flow**

- Sept 2010: £34m
- Sept 2011: £44m
- Increase: +29%

**Headline Earnings**

- EPS 2011: £17
- EPS 2012: £21
- DPS 2011: £14
- DPS 2012: £14
- Increase: +24%

- Maintained:

**Group 12 month Order Book**

- Sept 2010: £222m
- Mar 2011: £217m
- Sept 2011: £242m
- Increase: +12%

**Improvement Plan**

- On track
- Target Operating Profit >£100m by 2013/14

* Before exceptional items
** Before special pension contributions and exceptional items
Financial Results

Colin Child
Group Finance Director
### 2011/12 Financial Results

<table>
<thead>
<tr>
<th></th>
<th>2011/12 Half Year £m</th>
<th>2010/11 Half Year £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>238.1</td>
<td>209.2</td>
<td>14%</td>
</tr>
<tr>
<td>Operating profit*</td>
<td>31.5</td>
<td>27.8</td>
<td>13%</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(1.9)</td>
<td>45.6</td>
<td></td>
</tr>
<tr>
<td>Finance expense</td>
<td>(2.5)</td>
<td>(4.0)</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>27.1</td>
<td>69.4</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2010/11</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings per share*</td>
<td>21.4p</td>
<td>17.2p</td>
<td>24%</td>
</tr>
<tr>
<td>Dividend</td>
<td>14.1p</td>
<td>14.1p</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2010/11</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Print (notes)</td>
<td>2.8bn</td>
<td>2.5bn</td>
<td>12%</td>
</tr>
<tr>
<td>Paper (tonnes)</td>
<td>5,300</td>
<td>5,700</td>
<td>(7%)</td>
</tr>
</tbody>
</table>

* Before exceptional items
2010/11 → 2011/12: Revenue*

<table>
<thead>
<tr>
<th>Business Units</th>
<th>2011/12</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Half Year £m</td>
<td>Half Year £m</td>
</tr>
<tr>
<td>Currency</td>
<td>142</td>
<td>130</td>
</tr>
<tr>
<td>Solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Processing Solutions</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Security Products</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>Identity Systems</td>
<td>34</td>
<td>20</td>
</tr>
</tbody>
</table>

2011/12 Half Year

<table>
<thead>
<tr>
<th>£m</th>
<th>Sales 2010/11</th>
<th>Exchange</th>
<th>Currency</th>
<th>CPS</th>
<th>Security Products</th>
<th>Identity Systems</th>
<th>Sales 2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>209</td>
<td>1</td>
<td>12</td>
<td>3</td>
<td>(1)</td>
<td>14</td>
<td>238</td>
<td></td>
</tr>
</tbody>
</table>

* After eliminations

© De La Rue 2011
### 2010/11 → 2011/12: Operating Profit*

<table>
<thead>
<tr>
<th>Business Units</th>
<th>2011/12 Half Year £m</th>
<th>2010/11 Half Year £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Processing Solutions</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Security Products</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Identity Systems</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

#### 2011/12 Half Year

- **Profit 2010/11**: £28
- **Cotton Price**: £(6)
- **Adjusted Profit 2010/11**: £22
- **Exchange**: £(1)
- **Identity Systems**: £3
- **Mix/Vol Improvement Plan**: £6
- **Other**: £3
- **Profit 2011/12**: £32

* Before exceptional items
## Operating Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>2011/12 Half Year</th>
<th>2010/11 Half Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before exceptional items</td>
<td>31.5</td>
<td>27.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>11.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Working Capital</td>
<td>6.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Other</td>
<td>(5.8)</td>
<td>(7.8)</td>
</tr>
<tr>
<td><strong>Operating cash flow before special pension contribution &amp; operating exceptional items</strong></td>
<td><strong>44.0</strong></td>
<td><strong>34.5</strong></td>
</tr>
<tr>
<td>Special pension fund contribution</td>
<td>(7.5)</td>
<td>(35.0)</td>
</tr>
<tr>
<td>Cash costs on exceptional items</td>
<td>(1.0)</td>
<td>(16.1)</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td><strong>35.5</strong></td>
<td><strong>(16.6)</strong></td>
</tr>
</tbody>
</table>
# Net Debt

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Half Year</strong></td>
<td></td>
<td>£m</td>
</tr>
<tr>
<td>Opening net debt</td>
<td>(31.2)</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>35.5</td>
<td></td>
</tr>
<tr>
<td>Tax and interest</td>
<td>(4.2)</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(11.3)</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>(28.0)</td>
<td></td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(39.2)</td>
<td></td>
</tr>
</tbody>
</table>

*Cash conversion = operating cash flow excluding exceptional items, special pension contributions and movement in advance payments (2011/12: £2m, 2010/11: £4m), less capital expenditure, divided by operating profit.
### Exceptional Items

<table>
<thead>
<tr>
<th>Improvement Plan</th>
<th>2011/12</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Curtailment gain on closure of defined benefit pension scheme</td>
<td>(1.9)</td>
<td>16.0</td>
</tr>
<tr>
<td>Paper production quality issues</td>
<td>-</td>
<td>(23.3)</td>
</tr>
<tr>
<td>Profit on sale of Camelot investment</td>
<td>-</td>
<td>52.9</td>
</tr>
<tr>
<td>Total exceptional items</td>
<td>(1.9)</td>
<td>45.6</td>
</tr>
</tbody>
</table>

Exceptional charges for the full year to March 2012 are expected to be £20m
Business and Markets

Tim Cobbold
Chief Executive Officer
De La Rue Business Overview

**Currency**
- Banknote substrates and security features
- Design, origination and printing

**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

<table>
<thead>
<tr>
<th>% Proportion of Group</th>
<th>Revenue</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>60%</td>
<td>72%</td>
</tr>
<tr>
<td>Cash Processing</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>Security Products</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Identity Systems</td>
<td>14%</td>
<td>13%</td>
</tr>
</tbody>
</table>

© De La Rue 2011
Currency Market – Robust Growth Characteristics

**Global Banknote Issuance**

- CAGR: 4-5%

**Capacity and Demand – Direct Paper**


**Banknotes: c150bn banknotes**

- 3-6%
- 84%
- 13%

**Paper: c150k tonnes**

- 3-6%
- 50%
- 13%
- 34%

*As per March 2011
Source: Estimates De La Rue
Market Leading – Integrated Presence

Print: Market Share

Substrate: Overall Market Share

De La Rue Geographical Distribution of Sales*

South Sudan – supporting a new country

- Country wide Currency Solution
- Designed and delivered within 6 months
- CPS equipment supplied

* As per March 2011
Source: Estimates De La Rue
Order Intake and Order Book

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

Currency 12 month
Order Book

Source: Estimates De La Rue
Solutions

Cash Processing Solutions

Machine

Cash Management Solution

- New Single Note Inspection Machine – DLR 9000
- Development of ECM™ software platform

Security Products

Physical paper, Fiscal stamps & Security documents

Revenue & Brand Protection solution platform

- Enhanced Revenue & Brand Protection platform
- Physical security solution

Identity Systems

Books & cards

Integrated identity system

- Upgrade of MIDIS™ system software
- Physical Authentication Solutions
UK Passport

- Robust tender process
- Awarded July 2009
- £400m contract over 10 year period
- Go live October 2010
- 4.5m passports issued in first year
Delivering the Improvement Plan

Tim Cobbold

Chief Executive Officer
Improvement Plan

**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

**Opportunities**
- Focus, focus, focus
- Deepen and broaden ‘One De La Rue’
- Improve Sales and Marketing effectiveness
- Exploit technological capability
- Develop total Supply Chain

Target: Operating Profit >£100m by 2013/14
Improvement Plan

Target: Operating Profit >£100m by 2013/14

Customer Focus
- Country and regional sales plans

Innovation
- Product innovation
- New business models and partnerships

Professionalism
- Standardise processes
- Talent and reward

Operational Excellence
- Procurement
- Process improvement
- Facility optimisation

Outcomes
- Top line growth
- Margin protection
- Market share

Revenue Growth
- Top line growth
- Market share
- Competitive positioning

Cost Reduction
- Best practice
- Lower “cost”
- Engagement

Quality
- Margin

Low “cost”
New Structure & Organisation Implemented

Revenue*

Cash Processing Solutions £30m
Security Products £32m
Identity Systems £34m
Currency £142m

Currency £142m
Solutions £96m

Finance
Human Resources
Legal & Company Secretary

Customer Focus
Innovation
Professionalism
Operational Excellence

© De La Rue 2011

* Half Year 2011/12
Customer Focus – Country Plans

Status of Countries in Phase I

<table>
<thead>
<tr>
<th>Country</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>2</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>3</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>4</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>6</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>9</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Stage 1 – All known opportunities identified and scoped
Stage 2 – Vision and strategic targets set with clear timescales
Stage 3 – Strategic actions executed and resource allocated

Sales pipeline collation & analysis

17 target countries identified

9 countries chosen in Phase I

Identifies strong potential opportunities over 5 year period
Innovation

Polymer - Flexycoin™

Wide Thread - StarChrome®

Wide Thread - InSight™

Digital Authentication

Revenue Protection Capability

New, Industry Leading Technology Centre

Single Note Inspection Machine - DLR 9000
Operational Excellence – Process Improvement

Today

Phasing:

<table>
<thead>
<tr>
<th></th>
<th>H1</th>
<th>11/12</th>
<th>H2</th>
<th>12/13</th>
<th>H1</th>
<th>13/14</th>
<th>H2</th>
</tr>
</thead>
</table>

- Focus: Quality improvement, cost reduction, shorter lead times – QCD
- Investment in new printing technologies & inspection equipment
- Continuous Improvement Methodology

Waste Reduction

- Waste reduction in Overton: 10%
- Waste reduction in Gateshead*: 50%
- Make Ready reduction in Malta: 50%

* Non Currency production

Excellence in workplace management
Operational Excellence – Procurement

- Central Procurement Team
- Phased plan – cost reduction through consolidation of the supply base

<table>
<thead>
<tr>
<th>Phase</th>
<th>Addressable Cost £m</th>
<th>Negotiated Savings £m pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>II</td>
<td>62</td>
<td>6</td>
</tr>
<tr>
<td>III</td>
<td>114</td>
<td>Planning</td>
</tr>
<tr>
<td>IV</td>
<td></td>
<td>Management of Strategic Suppliers</td>
</tr>
</tbody>
</table>

Reduction in number of Suppliers

- Packaging & Laminates: 51 → 8
- Logistics: 55 → 9
- Engineering: 1300 → 50
Operational Excellence - Facility Optimisation

Phasing:

- **Phase I:** Review completed August 2011
  - Relocate Dunstable (Security Products) to Gateshead
  - Relocate Stroudley Road (Holographics) to Westhoughton
- **Phase II:** Implementation
  - Consultation and detailed planning well advanced
  - Transfers complete within 18 months
  - Savings c£6m per year

Professionalism - Standardise Processes

Phasing:

- **Phase I:** Review of IT systems; Feasibility review – completed May 2011
- **Phase II:** Process definition – Report completed by Deloitte September 2011
  - Extensive preparation required prior to standardising IT systems
- **Phase III:** Process preparation
- **Phase IV:** Implementation
Improvement Plan Generating Value for Shareholders

**Target**
- Historic revenue growth 4%
- Cost reduction £30m
- Operating profit in excess of £100m by 2013/14

**Investment**
- Exceptional costs ~ £25m
- Capital Expenditure phased towards second and third years ~ £20m

Confidence in delivery
**Outlook**

**High Quality Business**
- Robust long term growth market
- High margin, cash generative business model
- Market leading position
- Experienced people

**Recovering Strongly**
- H1 Banknote volumes up 12%
- Good H2 order coverage, strong pipeline for H1 2012/13
- Good progress with Improvement Plan
- Current trading in line with the Board’s expectations