



De La Rue plc

**Full Year Results
29 May 2012**



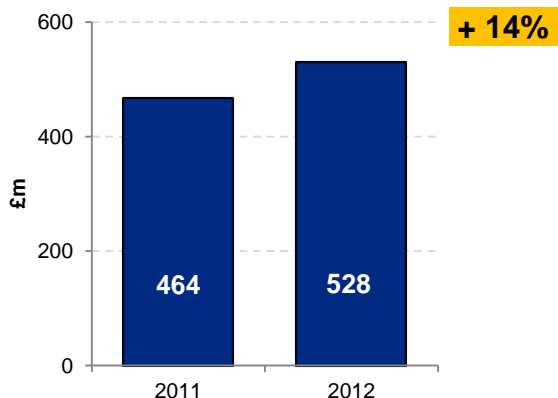
Agenda

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

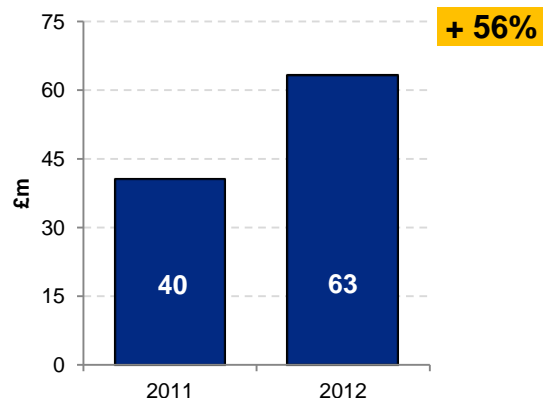


Group Headlines

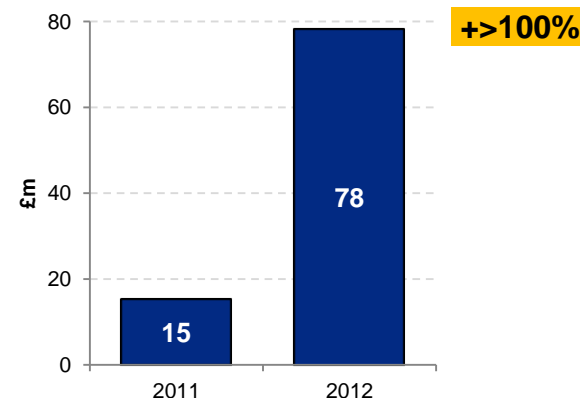
Revenue



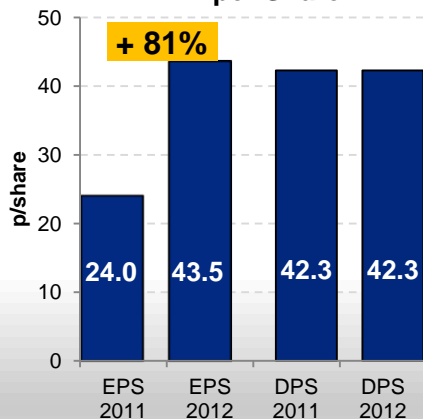
Operating Profit*



Operating Cash Flow**



Headline Earnings* and Dividend per Share



Group 12 Month Order Book



Improvement Plan





Financial Results

Colin Child

Group Finance Director



Financial Results – Before Exceptional Items

	2011/12 £m	2010/11 £m	<i>Change</i>
Revenue	528.3	463.9	14%
Operating profit*	63.1	40.4	56%
Finance expense	(5.4)	(7.1)	
Profit before tax*	57.7	33.3	73%
Taxation	(13.9)	(9.0)	
Profit after tax*	43.8	24.3	80%
Headline earnings per share*	43.5p	24.0p	81%
Dividend per share	42.3p	42.3p	-
Print volume (notes)	6.4bn	5.9bn	8%
Paper volume (tonnes)	11,000	9,900	11%

*Before exceptional items



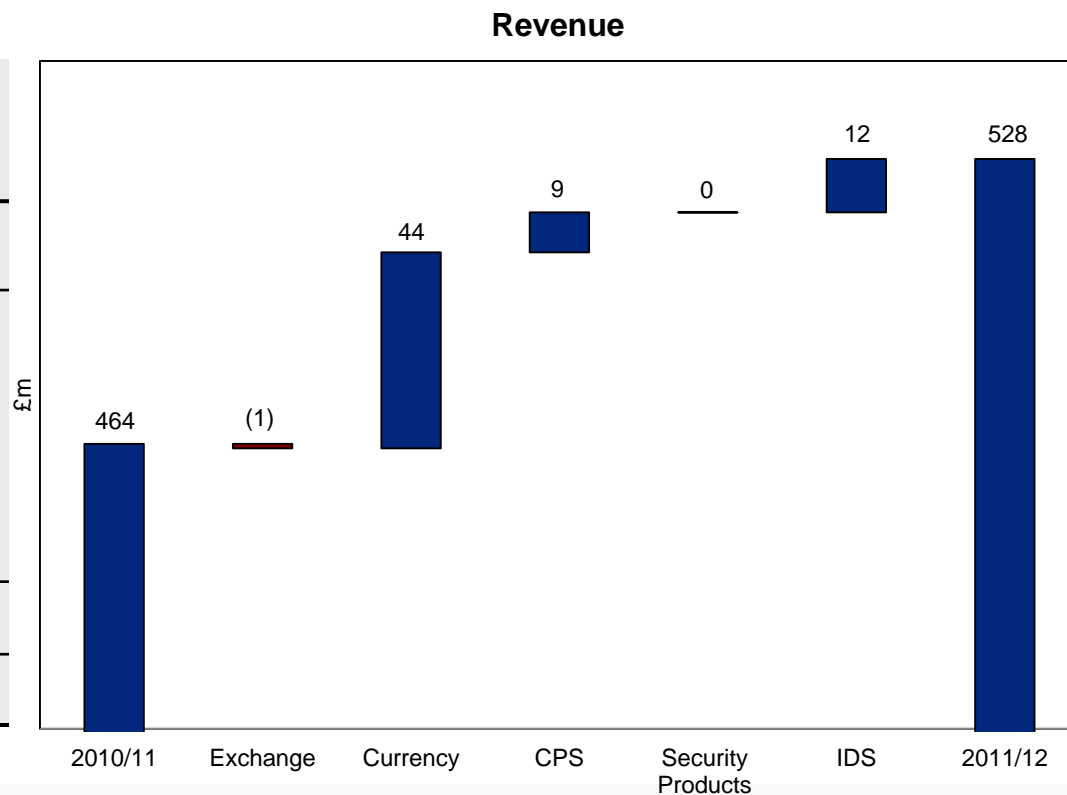
Exceptional Items

	2011/12 £m	2010/11 £m
Improvement plan	(24.1)	-
Curtailment gain on closure of defined benefit pension scheme	-	16.0
Paper production quality issues	(0.7)	(29.0)
Corporate costs	-	(2.6)
Profit on sale of Camelot investment	-	55.1
Total exceptional items	(24.8)	39.5
Tax credit on exceptional items	13.2	3.6



2010/11 → 2011/12: Revenue*

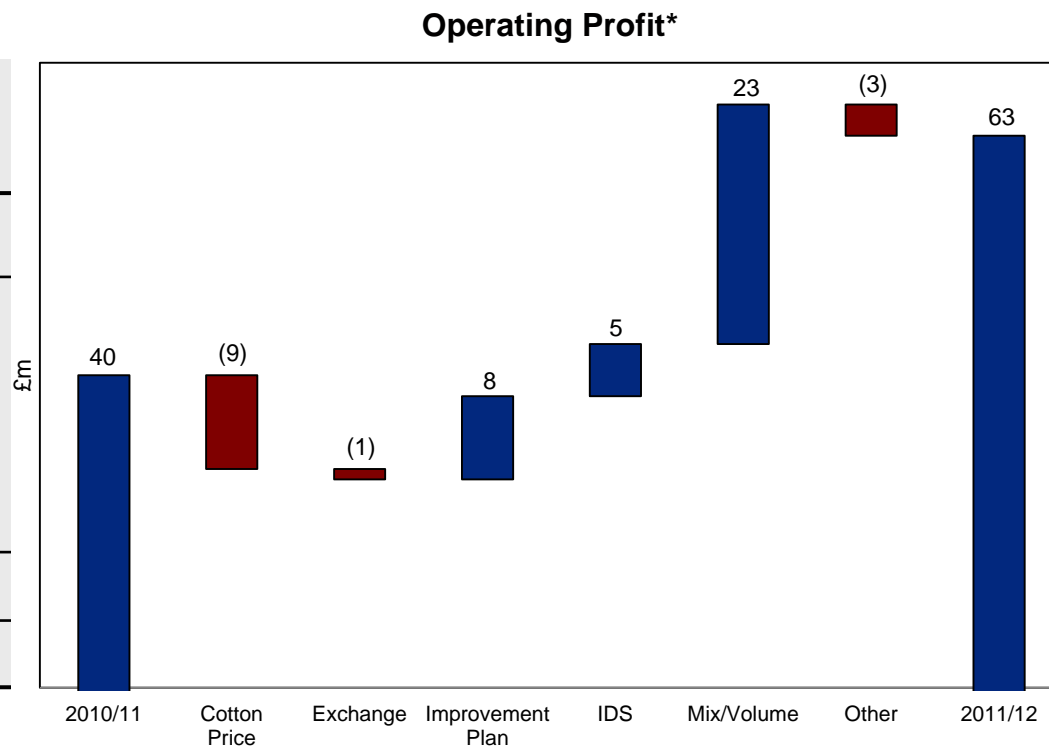
Business Units	2011/12 £m	2010/11 £m
Currency	332	288
Solutions		
Cash Processing Solutions	66	58
Security Products	55	55
Identity Systems	75	63
	196	176
Total	528	464





2010/11 → 2011/12: Operating Profit*

Business Units	2011/12 £m	2010/11 £m
Currency	45	28
Solutions		
Cash Processing Solutions	2	-
Security Products	7	9
Identity Systems	9	3
	18	12
Total	63	40





Operating Cash Flow

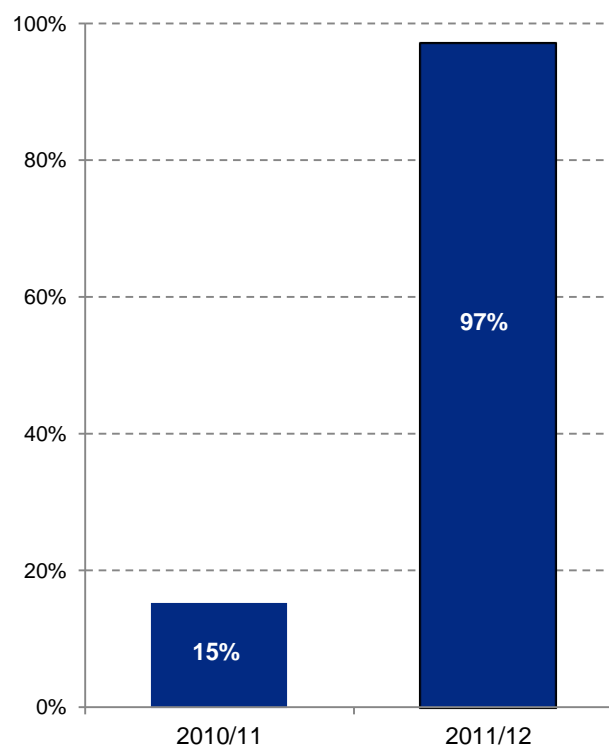
	2011/12	2010/11
	£m	£m
Operating profit before exceptional items	63.1	40.4
Depreciation	26.6	24.4
Working capital	11.9	(14.4)
Pension fund contributions	(23.1)	(7.5)
Other	3.6	(1.7)
Operating cash flow before special pension contribution & operating exceptional items	82.1	41.2
Special pension fund contribution	-	(35.0)
Cash costs of exceptional items	(3.7)	(26.5)
Cash flow from operating activities	78.4	(20.3)



Net Debt

	2011/12
	£m
Opening net debt	(31.2)
Cash flow from operating activities	78.4
Tax and interest	3.9
Capital expenditure	(32.1)
Dividends	(42.2)
Other	(1.6)
Closing net debt	(24.8)

Cash Conversion*



* Cash conversion = operating cash flow excluding exceptional items, special pension contributions and movement in advance payments (2011/12: -£13m, 2010/11: £11m), less capital expenditure, divided by operating profit before exceptional items



Business and Markets

Tim Cobbold

Chief Executive



De La Rue

De La Rue Business Overview

Proportion of
Group 2011/12
Revenue Operating
Profit

Currency

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



63%

72%

Solutions

Cash Processing Solutions

- High speed cash sorting and inspection equipment
- Service, maintenance and spares
- Cash management solutions



12%

3%

Security Products

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



11%

12%

Identity Systems

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



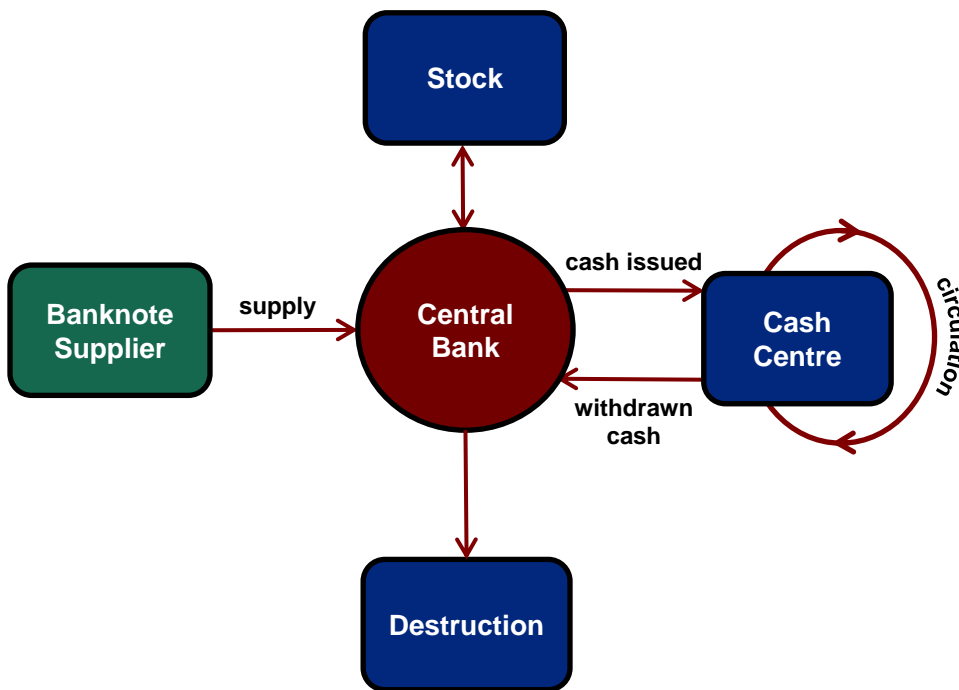
14%

13%



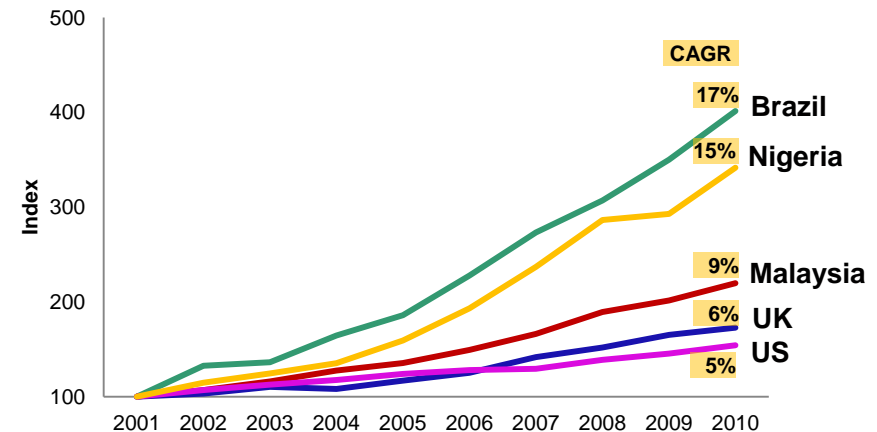
Currency Market – Robust Long Term Growth

Cash Cycle

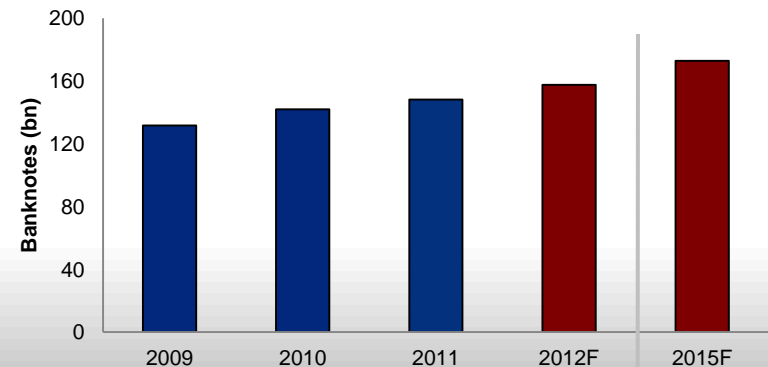


Global Banknote Issuance has 4% CAGR over the past 20 years**

Value of Cash in Circulation*



Global Banknote Issuance** - CAGR 4%



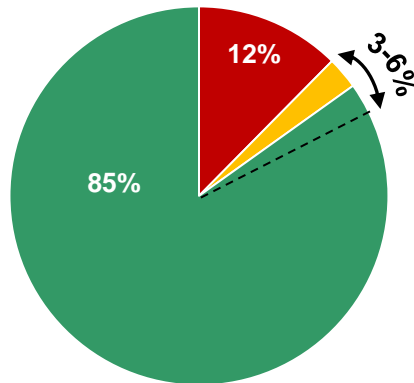
*Source: IMF, May 2012

**Source: Estimates De La Rue



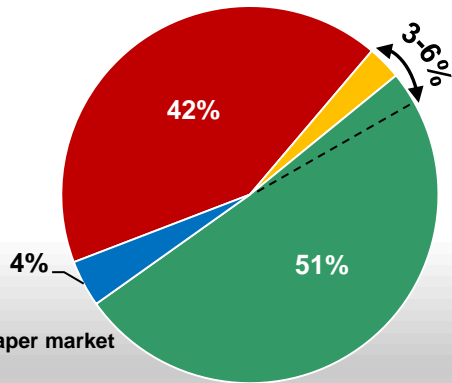
Currency Market – Characteristics

Banknotes: c150bn pa



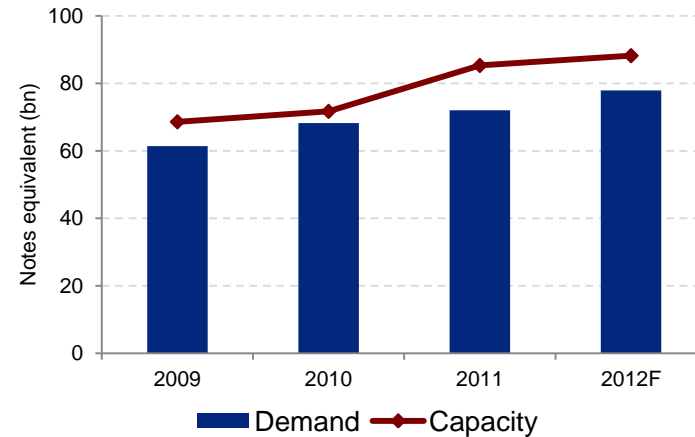
- State print works
- Overspill from SPW's
- Commercial print market

Substrate: c150k tonnes pa



- State paper mills
- Overspill from SPM's
- Commercial and direct paper market
- Polymer

Paper Capacity and Demand



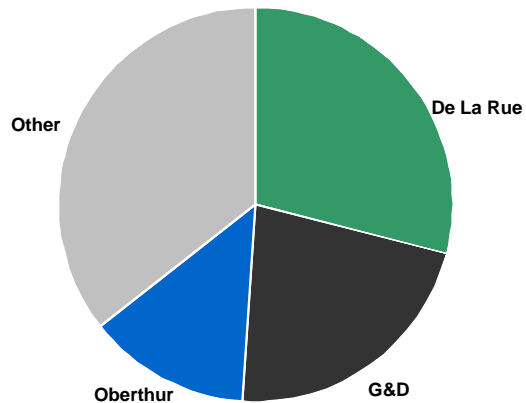
Durability

Option	Market Acceptance	DLR Capability
Pre Print Coating	High	✓
Post Print Coating	High	✓
Reinforced Paper	Medium	✓
Polymer	Medium	✓
Mixtures/Composites	Low	

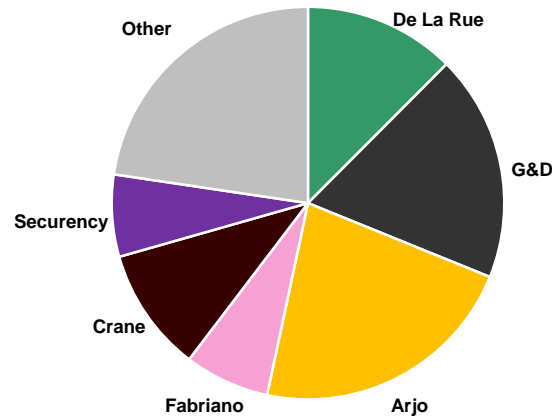


Integrated Presence – Print and Substrate

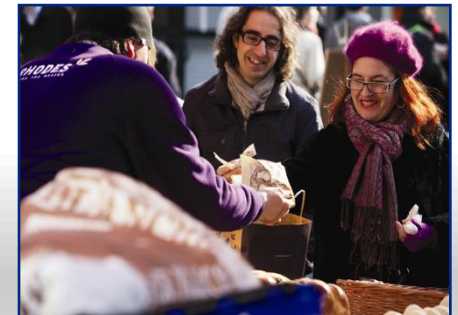
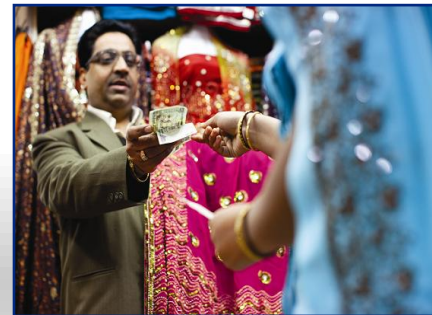
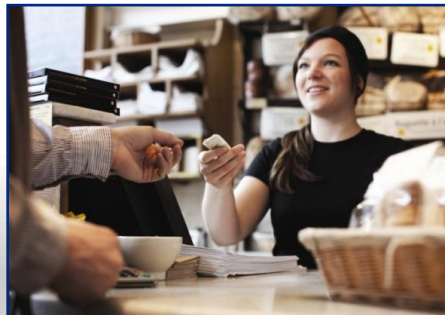
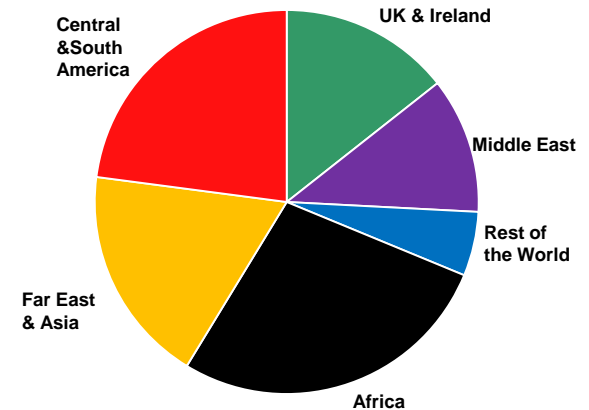
Print : Available Market Share



Substrate : Available Market Share



De La Rue Distribution of Currency Sales





Integrated Presence – Technology & Design

Technology – Providing Security



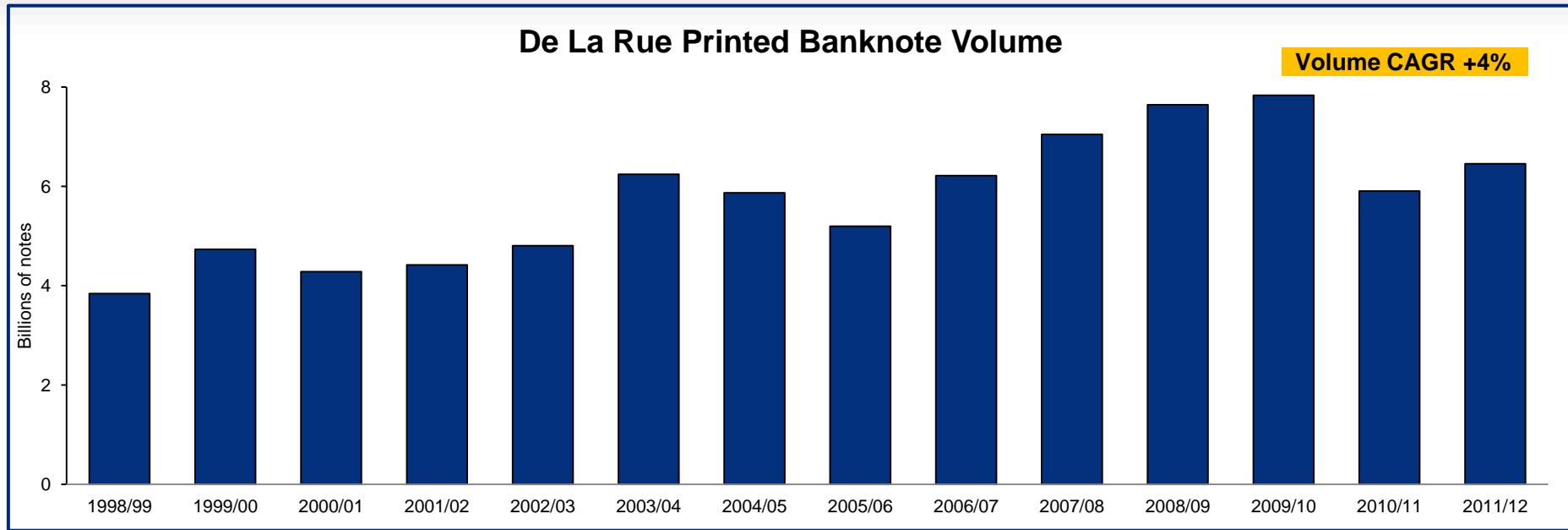
Design – Reflecting National Identity



De La Rue customer banknotes have won every major industry design award in the past five years.

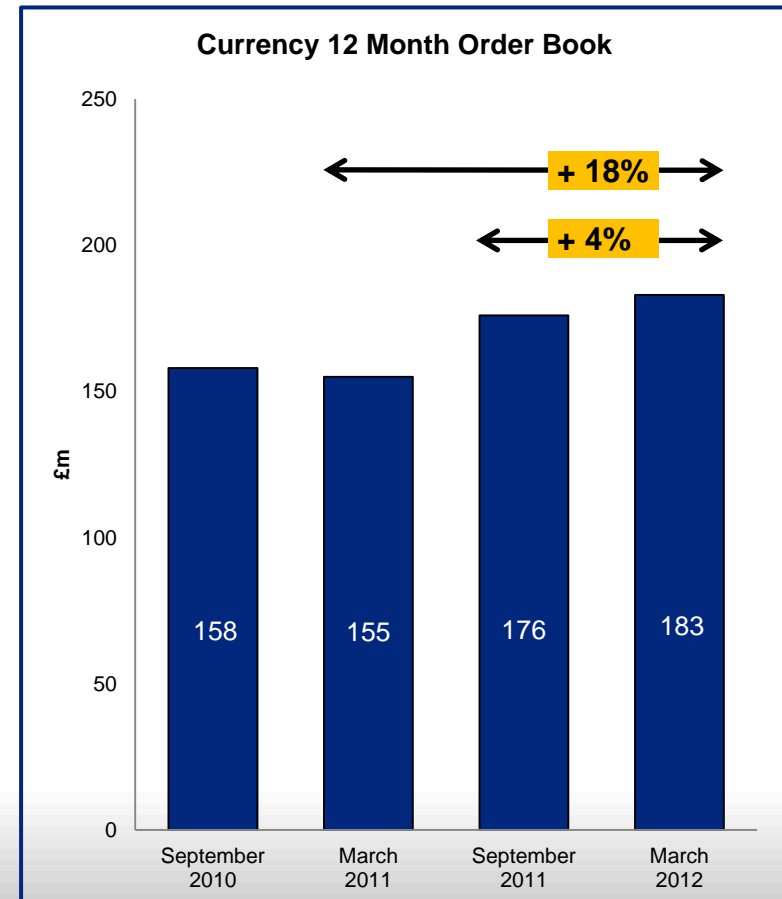
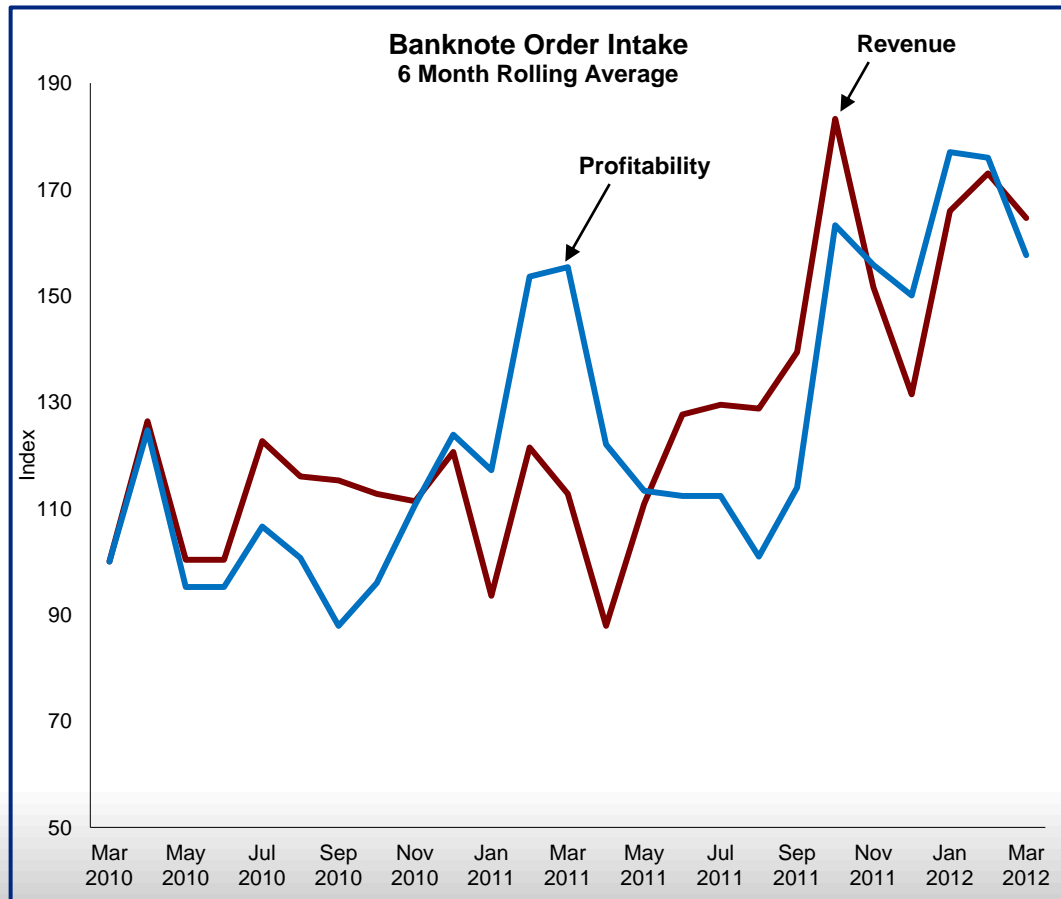


Long Term Performance





Order Intake & Order Book



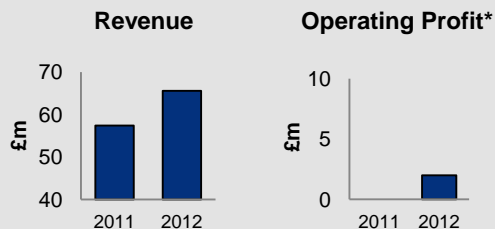


DeLaRue

Solutions – Moving Forward

Performance

Cash Processing Solutions



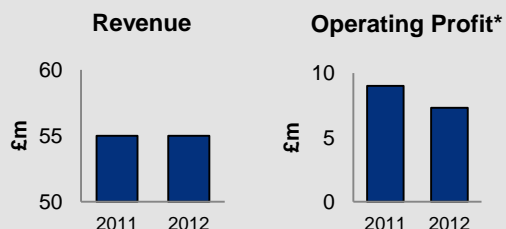
Vaultex UK Ltd

- Long term partnership approach
- Equipment & Business Intelligence Software Solutions



Case Study

Security Products



Cameroon Tax Stamps

- Tobacco and Alcohol labels launched
- Pharmaceutical labels to follow
- Track and Trace system in final phase
- Training of enforcement officers underway



Identity Systems



UK Passport

- £400m contract over 10 years
- Over 7 million books produced
- Demanding service levels



Shared Infrastructure

Sales & Pipeline Management

Service

Solution Design & Project Management

Finance

Commercial

Marketing



Delivering the Improvement Plan

Tim Cobbold

Chief Executive



Improvement Plan

Fundamental Strengths

- Brand and reputation
- Long standing customer relationships
- Strong integrated competitive position
- Record of innovation
- High margin, cash generative model

Opportunities

- Focus, focus, focus
- Deepen and broaden 'One De La Rue'
- Improve sales and marketing effectiveness
- Maximise technological capability
- Develop supply chain

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



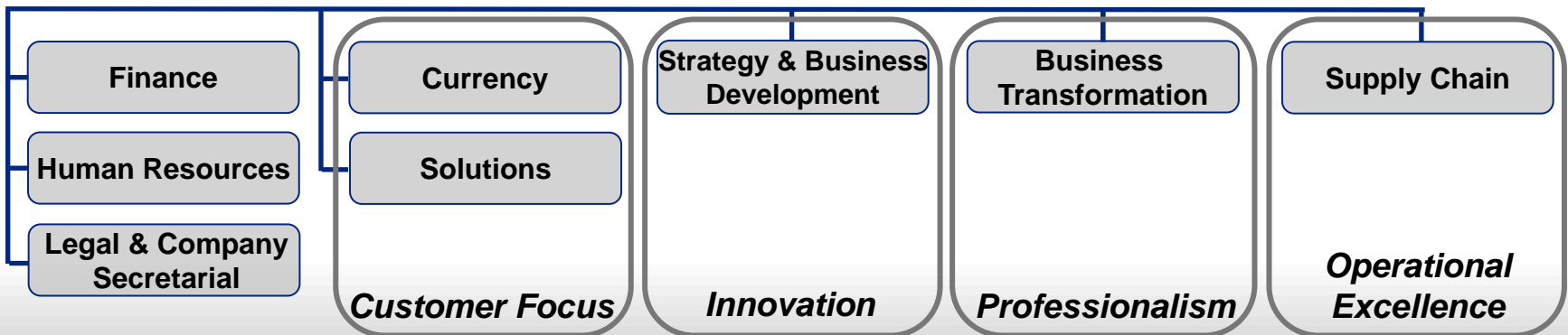
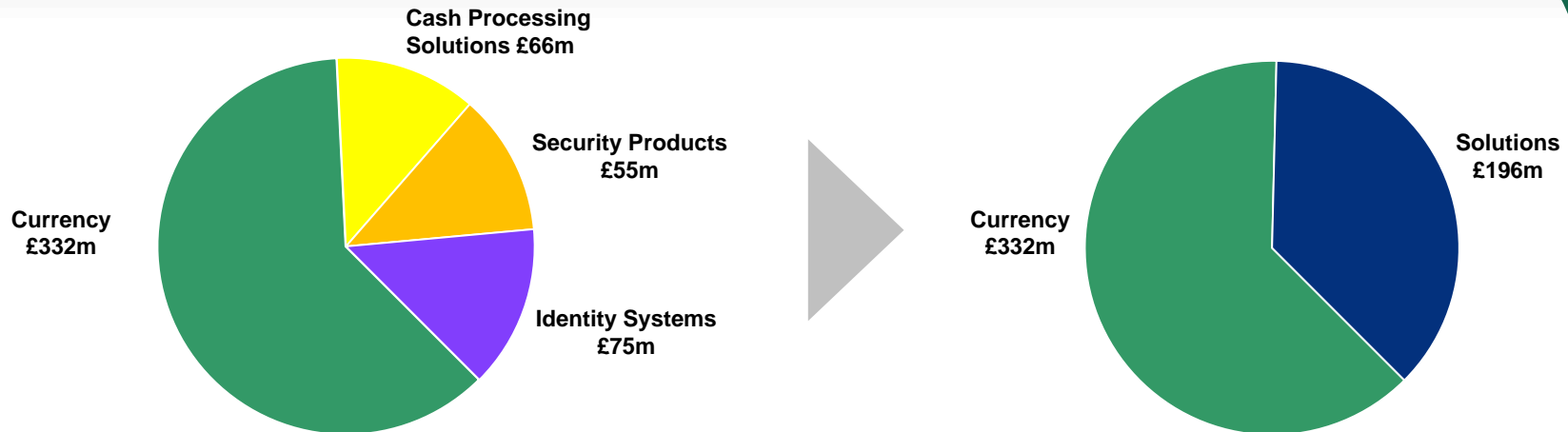
Improvement Plan – On Track

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

	Customer Focus	Innovation	Professionalism	Operational Excellence
Initiatives	<ul style="list-style-type: none"> Country and regional sales plans 	<ul style="list-style-type: none"> Product innovation New business models and partnerships 	<ul style="list-style-type: none"> Standardise processes Talent and reward 	<ul style="list-style-type: none"> Procurement Process improvement Facility optimisation
Outcomes	<ul style="list-style-type: none"> Top line growth Margin protection Market share 	<ul style="list-style-type: none"> Top line growth Market share Competitive positioning 	<ul style="list-style-type: none"> Best practice Lower “cost” Engagement 	<ul style="list-style-type: none"> Low “cost” Quality Margin
	Revenue Growth		Cost Reduction	

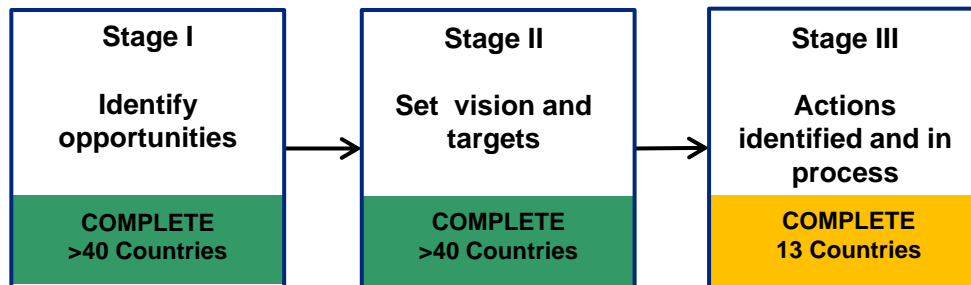


New Structure & Organisation – Operational





Customer Focus – Country Plans – Identifying Opportunities



- 'One De La Rue' approach
- Technology led
- Focus on partnerships
- 'Out of the box' thinking
- Added value service and support

Full Potential Country Plan		
Country	'A'	'B'
Strategic vision	<i>'To partner with the government for the supply of high profile national security documents; passports, banknote paper, sorters and tax stamp solutions.'</i>	<i>'To be the partner of choice for the production of secure documents and their authentication solutions as well as to develop access to the commercial market for sorting machines and software.'</i>
Sales last 5 years	<£1m pa	<£4m pa
Full potential	£20m pa	£8m pa





Innovation – Accelerated

New Products

Polymer – Flexycoin®

- First order received
- Capacity 'ramp' up
- Initial target to produce 1bn notes pa



DLR 9000

- Proven in service
- Offers customers choice
- High enquiry level



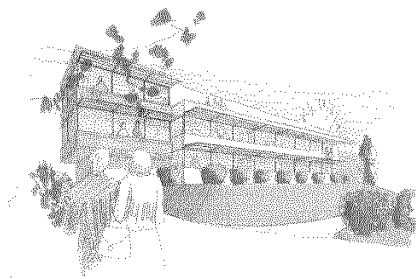
6mm StarChrome® Thread



Insight™



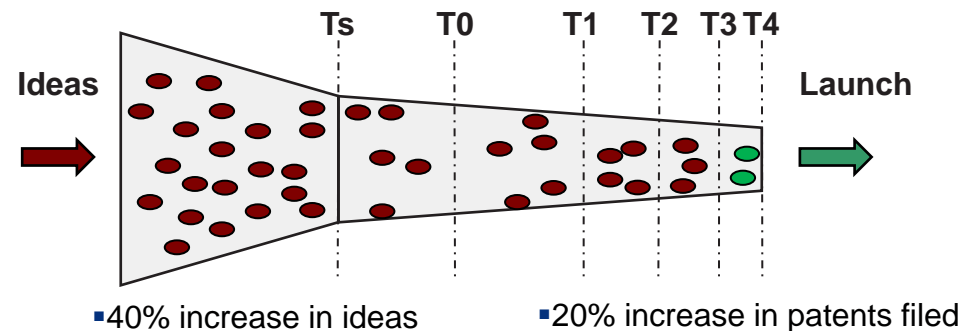
Industry Leading - State of the Art Technology Centre



■ £4m Investment

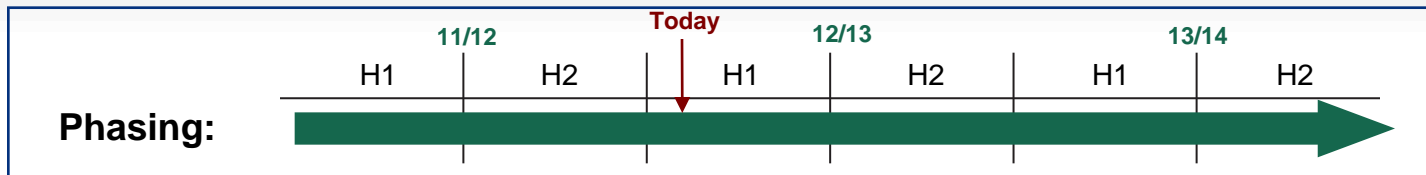
■ Completion mid 2013

R&D Pipeline – standardised process





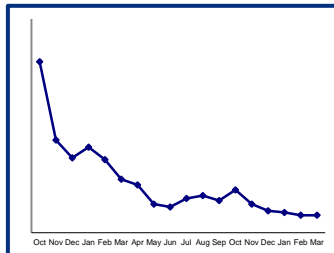
Operational Excellence – Strong Momentum in Process Improvement



Case study: Gateshead – On the Path to Excellence



Workplace management



Waste



Investment



Quality



People

"have to say I was blown away by the improvements at Gateshead"

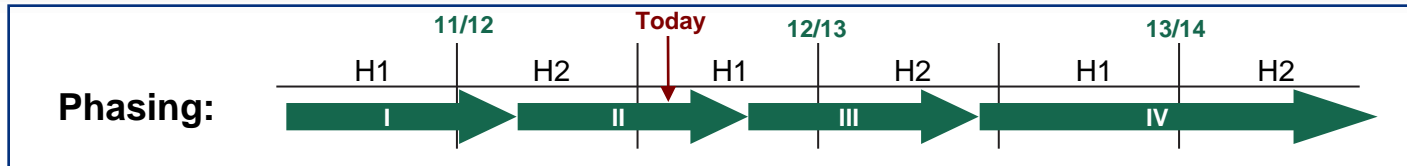
De La Rue Customer – March 2012

"I have never seen so much change happen so quickly – this is the best print plant I have been to"

De La Rue Customer – September 2011



Operational Excellence – Procurement Delivering

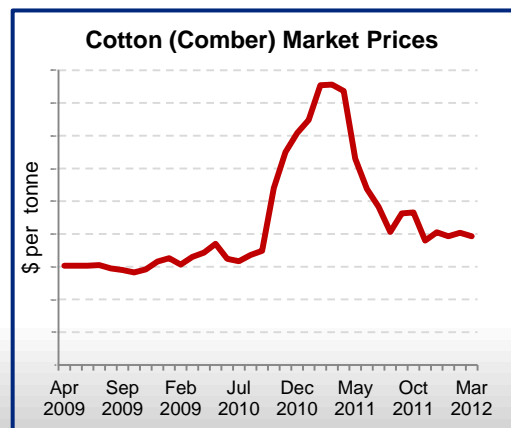


Phase I to III: Consolidation of Supply Base

Phase IV: Key Supplier Management – Accelerated

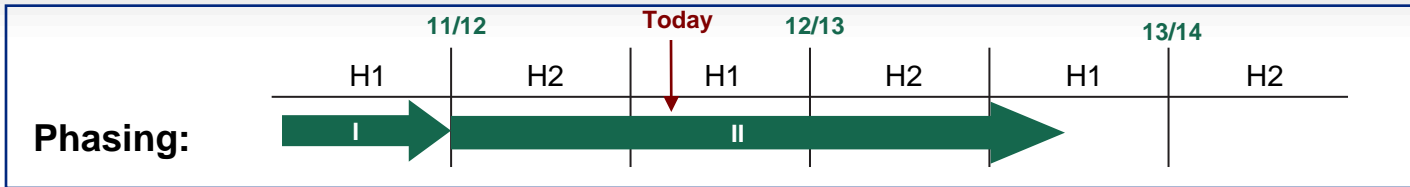
- Top 25 suppliers
- Supplier manual
- Supplier audit
- QCD and security performance analysis

Phase	Targeted/ Negotiated Savings £m pa	Cumulative Delivered Savings	
		2011/12 £m pa	2012/13 E. £m pa
I	4	5	10
II	6		
III	2		
Total	12		





Operational Excellence – Facility Optimisation

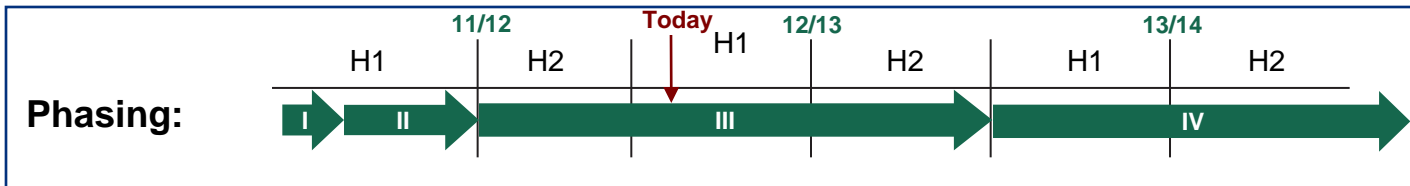


Phase II: Implementation

- Consultation complete
- First machinery moved
- On target for exit March 2013
- Savings c£6m pa



Professionalism - Standardise Processes



Phase III: Reshaping Processes

- Enquiry to Order
- Order to Cash
- S&OP cycle

Phase IV: System review



Improvement Plan Generating Value for Shareholders

Target

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

Investment

- Exceptional costs up to £35m
- Capital expenditure phased towards second and third years ~ £20m

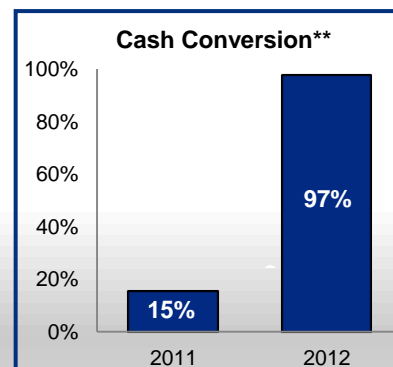
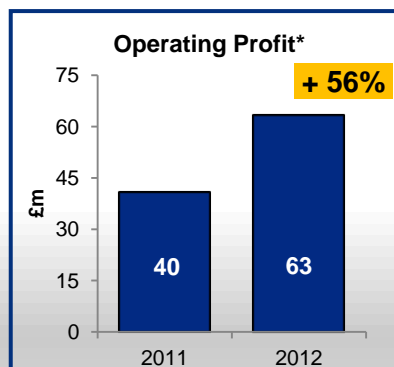
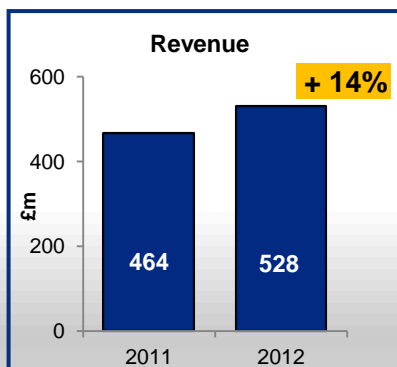
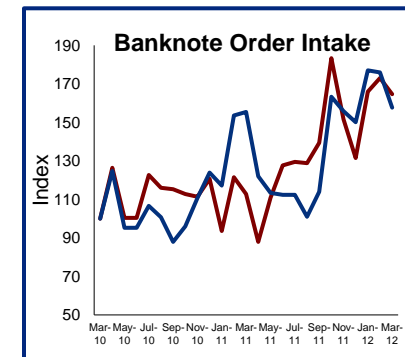
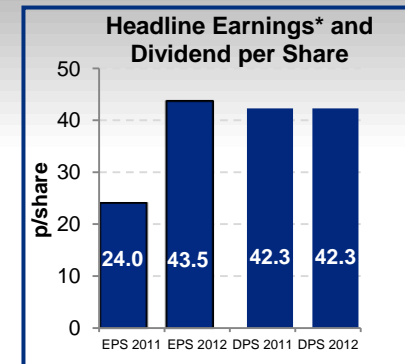
Confidence in delivery



Outlook

- High quality business recovering strongly
 - Operating profit* +56%
 - EPS* up 81%
 - Good order book growth and strong pipeline

- Current year – Board's expectation remains unchanged





DeLaRue