Introduction

Martin Sutherland
Chief Executive
Introduction

De La Rue core strengths

- Market leader in an industry with high barriers to entry
- Global brand and reputation
- Long standing and strong customer relationships
- Innovative, with a proven ability to bring new products to market
- Proven, long term cash generative business model

Initial impressions

- Confirmation of fundamental strengths of the business
- Culture of continuous improvement - further opportunities
- Operating against a backdrop of challenging markets and overcapacity
Financial Results

Colin Child
Group Finance Director
## Financial Results

<table>
<thead>
<tr>
<th></th>
<th>2014/15 Half year</th>
<th>2013/14 Half year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>214.9</td>
<td>234.0</td>
<td>(8%)</td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>26.6</td>
<td>38.5</td>
<td>(31%)</td>
</tr>
<tr>
<td><strong>Underlying operating margin</strong></td>
<td>12%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td>20.6</td>
<td>32.8</td>
<td>(37%)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(4.0)</td>
<td>(6.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying profit after tax</strong></td>
<td>16.6</td>
<td>25.9</td>
<td>(36%)</td>
</tr>
</tbody>
</table>

### Exceptional items

<table>
<thead>
<tr>
<th>Exceptional Item</th>
<th>2014/15</th>
<th>2013/14</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site relocation and restructuring</td>
<td>(2.5)</td>
<td>(2.3)</td>
<td></td>
</tr>
<tr>
<td>Legacy indirect tax issue</td>
<td>-</td>
<td>(2.1)</td>
<td></td>
</tr>
<tr>
<td>Total exceptional items</td>
<td>(2.5)</td>
<td>(4.4)</td>
<td></td>
</tr>
<tr>
<td><strong>Tax credit on exceptional items</strong></td>
<td>0.1</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>

* Before exceptional items
# Revenue and Operating Profit

<table>
<thead>
<tr>
<th></th>
<th>Revenue*</th>
<th></th>
<th>Operating Profit**</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014/15</td>
<td>2013/14</td>
<td>2014/15</td>
<td>2013/14</td>
</tr>
<tr>
<td>HALF YEAR</td>
<td>£m</td>
<td>£m</td>
<td>Half year</td>
<td>Half year</td>
</tr>
<tr>
<td>Currency</td>
<td>137</td>
<td>144</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Solutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDS</td>
<td>34</td>
<td>41</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>SP</td>
<td>19</td>
<td>21</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>CPS</td>
<td>25</td>
<td>28</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td>90</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

|                      | 2014/15  | 2013/14  |
|                      | £m       | £m       |
| 2013/14 → 2014/15: Operating Profit Trail** |
| Sept 2013/14         | 38       |
| Currency             | (10)     |
| IDS                  | (9)      |
| SP                   | (1)      |
| CPS                  |          |
| Cotton Price         | 2        |
| Continuous improvement| 3        |
| All Other Overheads  | 3        |
| Sept 2014/15         | 27       |

* After intra-group eliminations  
** Before exceptional items
### Underlying Operating Cash Flow and Net Debt

<table>
<thead>
<tr>
<th></th>
<th>2014/15 Half year £m</th>
<th>2013/14 Half year £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>26.6</td>
<td>38.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12.4</td>
<td>15.6</td>
</tr>
<tr>
<td>Working capital</td>
<td>(13.6)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Underlying operating cash flow</td>
<td>25.4</td>
<td>49.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(13.1)</td>
<td>(20.4)</td>
</tr>
<tr>
<td>Special pension fund contributions</td>
<td>(7.7)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash cost of exceptional items</td>
<td>(2.7)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Tax, interest and dividend</td>
<td>(36.0)</td>
<td>(33.6)</td>
</tr>
<tr>
<td>Other</td>
<td>(2.8)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>(36.9)</td>
<td>(12.0)</td>
</tr>
</tbody>
</table>

### Working Capital Movement

<table>
<thead>
<tr>
<th>Increase in Inventories</th>
<th>Decrease in Receivables/Payables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(15)</td>
<td></td>
<td>(14)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014/15 Half year £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net debt</td>
<td>(89.9)</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>(36.9)</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(126.8)</td>
</tr>
</tbody>
</table>
Operational Performance

Colin Child
Group Finance Director
Currency

Market summary
• Industry volume growth in line with historic trend
• Overcapacity in paper
• Continuing pricing pressure in paper and print

Overview
• Bank of England contract renewed
• Satisfactory print volumes
• Improved component sales
• Reduced margins in both paper and print

Actions
• Continuous improvement reducing costs
• Maintained market share
• Tactical approach to pricing and utilising capacity
• Mothballed surplus machine capacity
• Good progress on polymer

Performance

* Before exceptional items
Currency – Market Overview

**Global Substrate Market***
(c163k Tonnes)

- 51% Commercial paper market
- 41% Polymer
- 3% Overspill from SPMs
- 3% State paper mills (SPM)

**Substrate Market Share***
(Commercial Market)

- DLR
- Arjo
- KOMSCO
- Fabriano
- Secureny
- Goznak
- Crane
- G&D

**Global Print Market***
(c163 billion notes)

- 86% Commercial Print Market
- 12% State Print Works (SPW)
- ~1-3% Overspill from SPWs
- 3% State paper mills (SPM)
- 3% Other

**Print Market Share***
(Commercial Market)

- DLR
- G&D
- FCO
- Goznak
- Crane
- Secureny
- others

**Global Banknote Issuance**

- CAGR 4%

- 2009: 100 billion notes
- 2010: 110 billion notes
- 2011: 120 billion notes
- 2012: 130 billion notes
- 2013: 140 billion notes
- 2014E: 150 billion notes
- 2015E: 160 billion notes
- 2016E: 170 billion notes
- 2017E: 180 billion notes

*Source: De La Rue estimate
Currency – Order Book

Banknote Order Intake
(6 month rolling average)

Currency 12 Month Order Book

Currency
–
Order Book

De La Rue Banknote Volume
(Sales basis)

Global Print Market Overspill*
(Order basis)

Profitability

Revenue

Billion notes

Billion Notes

Index

£m

Mar-11
Mar-12
Mar-13
Mar-14

Mar 2011
Sept 2011
Mar 2012
Sept 2012
Mar 2013
Sept 2013
Mar 2014
Sept 2014

155
176
183
195
158
180
170
188

Mar
-11
Mar
-12
Mar
-13
Mar
-14

Mar
-11
Mar
-12
Mar
-13
Mar
-14

Mar
-11
Mar
-12
Mar
-13
Mar
-14

Mar
-11
Mar
-12
Mar
-13
Mar
-14

2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15E

0.0
1.0
2.0
3.0
4.0
5.0
6.0

01/02
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14

Billion
Notes

Commercial
Overspill

*Source: De La Rue Estimate
Solutions – Identity Systems

Market summary

• Delays in tenders
• Some pricing pressure – mainly from SPWs
• Slower uptake of ePassports

Overview

• Lower operating profit reflecting:
  • High number of contracts completed in 2013/14
  • Lower than expected number of tenders
• UK Passport contract continues to perform well
  • Over 20m passports issued

Actions

• Streamlined management structure
• Procurement initiatives yielding benefits
• Focus on higher value, longer term ePassport and ID schemes
• Developing enhanced service offering

Performance

Revenue

£m

Operating Profit*

£m

12/13 13/14 14/15

H1 H2

* Before exceptional items
Solutions – Security Products

Market summary

- Governments continue efforts to combat illicit trade
- Implementation of Government Revenue Solutions has been slower than expected
- Continued decline of mature products

Overview

- Lower call off on longer term contracts
- Slow adoption of new Government Revenue Solutions contracts
- Lengthy implementation lead times on existing contracts

Actions

- Streamlined management structure
- Site rationalisation
- Cost reduction yielding further benefits

Performance

- Revenue
  - £m
  - 12/13
  - 13/14
  - 14/15

- Operating Profit*
  - £m
  - 12/13
  - 13/14
  - 14/15

* Before exceptional items
Solutions – Cash Processing Solutions

**Market summary**
- Mature market but central banks continue to seek more sophisticated authentication and sorting systems
- Drive towards increasing efficiency through automation and software
- Growing requirement for end of line inspection and processing of printed banknotes

**Overview**
- Reduced operating loss
- Lower volumes
- Target breakeven for 2014/15

**Actions**
- New leadership team appointed May 2014 - focused exclusively on CPS
- Cost reduction programme underway

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Performance

- **Revenue**
  - 12/13: £75m
  - 13/14: £50m
  - 14/15: £25m

- **Operating Profit***
  - 12/13: £0
  - 13/14: £2
  - 14/15: £0

* Before exceptional items
Operational excellence

• Cost reduction and efficiency initiatives have delivered £3m:
  • Procurement – costs reduced and supplier management programme yields benefits
  • “Cost of quality” reduced through process improvement and lower waste
  • Improved machine performance through enhanced asset care

Site rationalisation and investment

• Transfer of Dulles Security Products operations to other manufacturing facilities. Expected completion by financial year end
• Ongoing investment in manufacturing and design capabilities

Innovation

• Increasing Micro Optics capability
• Improving pipeline across whole business
• Continued investment in R&D

Continuous improvement embedded in De La Rue’s culture
Outlook

- As previously announced, the Board expects 2014/15 underlying operating profit to be approximately £20m lower than 2013/14
- Ongoing focus on continuous improvement and operational efficiencies
- Challenging market conditions to remain in the short term
- Medium and long term opportunities within core markets remain attractive
Conclusion

Martin Sutherland
Chief Executive
Conclusion

Assessment

• Fundamental strengths of the business confirmed
• Strong foundations from which to leverage future opportunities
• Continuous improvement embedded in culture

Actions

• Immediate focus is getting to know the business
• Continue with short term priorities and improvements
• Evaluating the strategy – will give more colour at full year results in May 2015