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Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational review and strategic update
Martin Sutherland

Q&A
Overview

- Solid performance in a year of significant change
  - Group revenue +7% yoy\(^1\)
  - Underlying operating profit +2% yoy\(^1\)
  - Group 12 month order book +62% at £365m\(^1\)

- Good early strategic progress
  - Reorganisation complete
  - Manufacturing footprint restructuring completed
  - Encouraging progress in Polymer
  - Sold underperforming CPS

- Positive cash flow
  - Net debt reduced by £5m
  - Dividend maintained at 25p

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1. Continuing operations only
Agenda

Overview
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Jitesh Sodha

Operational review and strategic update
Martin Sutherland

Q&A
## Financial overview

<table>
<thead>
<tr>
<th></th>
<th>2015/16* £m</th>
<th>2014/15* £m</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>454.5</td>
<td>422.8</td>
<td>7%</td>
</tr>
<tr>
<td>Underlying operating profit**</td>
<td>70.4</td>
<td>69.1</td>
<td>2%</td>
</tr>
<tr>
<td>Underlying operating margin**</td>
<td>15.5%</td>
<td>16.3%</td>
<td>(80bpts)</td>
</tr>
<tr>
<td>Underlying profit before tax**</td>
<td>58.5</td>
<td>57.5</td>
<td>2%</td>
</tr>
<tr>
<td>Taxation before exceptionals</td>
<td>(8.6)</td>
<td>(10.1)</td>
<td>-</td>
</tr>
<tr>
<td>Underlying profit after tax**</td>
<td>49.9</td>
<td>47.4</td>
<td>5%</td>
</tr>
<tr>
<td>Underlying earnings per share**</td>
<td>48.1p</td>
<td>46.1p</td>
<td>4%</td>
</tr>
<tr>
<td>Reported earnings per share</td>
<td>46.8p</td>
<td>31.8p</td>
<td>47%</td>
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<tr>
<td>Dividend per share</td>
<td>25.0p</td>
<td>25.0p</td>
<td>0%</td>
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</table>

* Continuing operations only  
**Before exceptional items

### Banknote volumes (bn notes)

<table>
<thead>
<tr>
<th></th>
<th>H2</th>
<th>H1</th>
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</thead>
<tbody>
<tr>
<td>2015/16</td>
<td>7.1</td>
<td>6.5</td>
</tr>
</tbody>
</table>

### Paper volumes (tonnes)

<table>
<thead>
<tr>
<th></th>
<th>H2</th>
<th>H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/16</td>
<td>10,000</td>
<td>9,400</td>
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</tbody>
</table>

### Group 12 month order book (£m)

<table>
<thead>
<tr>
<th></th>
<th>March 2016</th>
<th>March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>365</td>
<td>226</td>
</tr>
</tbody>
</table>

*Continuing operations only  
**Before exceptional items
## Revenue and operating profit

<table>
<thead>
<tr>
<th></th>
<th>Revenue*</th>
<th></th>
<th></th>
<th>Operating profit*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015/16</td>
<td>2014/15</td>
<td>Change</td>
<td>2015/16</td>
</tr>
<tr>
<td>Currency</td>
<td>353.3</td>
<td>317.9</td>
<td>11%</td>
<td>55.1</td>
</tr>
<tr>
<td>Identity Solutions</td>
<td>65.8</td>
<td>69.0</td>
<td>(5%)</td>
<td>6.4</td>
</tr>
<tr>
<td>PA&amp;T</td>
<td>39.5</td>
<td>39.6</td>
<td>0%</td>
<td>8.9</td>
</tr>
<tr>
<td>Intra group eliminations</td>
<td>(4.1)</td>
<td>(3.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>454.5</td>
<td>422.8</td>
<td>7%</td>
<td>70.4</td>
</tr>
</tbody>
</table>

* Continuing operations only and before exceptional items
# Cash flow and net debt

<table>
<thead>
<tr>
<th></th>
<th>2015/16 £m</th>
<th>2014/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>62.5</td>
<td>69.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>26.2</td>
<td>24.8</td>
</tr>
<tr>
<td>Working capital</td>
<td>11.5</td>
<td>(8.7)</td>
</tr>
<tr>
<td>Underlying operating cash flow</td>
<td>100.2</td>
<td>85.6</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(25.0)</td>
<td>(28.8)</td>
</tr>
<tr>
<td>Special pension fund contributions</td>
<td>(19.1)</td>
<td>(18.6)</td>
</tr>
<tr>
<td>Net cash cost of exceptional items</td>
<td>(13.5)</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Tax and interest</td>
<td>(8.8)</td>
<td>(13.9)</td>
</tr>
<tr>
<td>Dividend</td>
<td>(25.6)</td>
<td>(37.0)</td>
</tr>
<tr>
<td>Other</td>
<td>(3.3)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>4.9</td>
<td>(21.1)</td>
</tr>
</tbody>
</table>

*All numbers stated above include discontinued operations

**Adjusted EBIT/net interest and net debt/EBITDA ratio

### 26 March 2016 £m

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net debt</td>
<td>(111.0)</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>4.9</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(106.1)</td>
</tr>
</tbody>
</table>

**EBIT/net interest** 12.9 vs ≥4.0x covenant

**Net debt/EBITDA** ratio

- 2015/16: 1.25x
- 2014/15: 1.23x
- Covenant: ≤3.0x
## Exceptional items on continuing operations

<table>
<thead>
<tr>
<th>Continuing operations</th>
<th>2015/16 £m</th>
<th>2014/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sale of surplus land</td>
<td>9.5</td>
<td>--</td>
</tr>
<tr>
<td>Release of warranty provision</td>
<td>1.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Site relocation and restructuring</td>
<td>(9.2)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Asset impairment</td>
<td>(5.2)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Invocation of guarantees</td>
<td>--</td>
<td>(13.3)</td>
</tr>
<tr>
<td><strong>Total exceptional items on continuing operations</strong></td>
<td>(3.6)</td>
<td>(16.9)</td>
</tr>
<tr>
<td><strong>Net cash cost of exceptional items for continuing operations</strong></td>
<td>(12.5)</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax credit on exceptional items for continuing operations</th>
<th>2015/16 £m</th>
<th>2014/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit in the period</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Prior year tax credit</td>
<td>0.5</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total tax credit on exceptional items</strong></td>
<td>2.3</td>
<td>2.4</td>
</tr>
</tbody>
</table>
Disposal of CPS

- Underperformance continued in H2; FY operating loss of £7.9m
- Sale of CPS completed on 22 May 2016

Consideration
- £2.1m cash consideration upon completion
- £1.5m deferred consideration payable over next two years
- Additional performance related and event driven consideration of maximum £6.5m

- £23.4m non-cash exceptional impairment charges in FY15/16
  - £5.6m relating to goodwill and software intangibles
  - £17.8m relating to inventories

- Strategic partnership
Other finance matters

- **Pension**
  - Current funding: c£19m in FY16/17, rising by 4% p.a. to 2022
  - Triennial valuation process ongoing, expected to complete by July

- **Dividend**
  - Full year dividend maintained at 25.0p
  - Introducing scrip dividend alternative
Agenda

Overview
Martin Sutherland

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Operational review and strategic update
Martin Sutherland

Q&A
A clear plan to deliver strategic goals

**Optimise & Flex**
- **Banknotes**
  - Driving efficiency
    - Reducing footprint
    - Operational Excellence
- **Banknote Paper**
  - Seeking strategic partnerships
- **Cash Processing Solutions**
  - Sold

**Invest & Build**
- **Polymer, Security Features, IDS, PA&T**
  - Diversifying our revenue
    - Expand into new markets
    - Broaden our market segment
    - Grow digital and service revenue
  - Increasing differentiation
    - Enhance innovation
    - Strengthen design capability

Dynamic, results focused and high performance culture
Banknotes

- Manufacturing footprint review completed:
  - £15m incremental capex and £8m one off restructuring cost over two years
  - >£13m annual cost savings in FY18/19 and beyond
  - Reduce core production capacity by 25% to 6bn\(^1\) notes p.a.
  - Ability to flex +/- 1bn through built-in flexibility and external partnerships
  - Implementation underway, plan to complete FY18/19

Operational Excellence programme continues to drive out costs across manufacturing footprint

1. Excluding the site managed on behalf of Bank of England
Banknote Paper

- Continued to drive out costs to offset pricing pressure
  - 14% reduction in headcount
  - 10% reduction in unit production costs
  - 23% increase in productivity\(^1\)

- Increased machine utilisation, volumes +6% to 10,000 tonnes

- Constructive discussions on strategic partnerships ongoing

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1. Productivity is measured by tonnes per full time employee
2. De La Rue estimates

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Optimise & Flex

Invest & Build

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Commercial market by annual issues\(^2\)
Polymer

- Polymer market expected to grow significantly in next ten years; dedicated sales to capture growth opportunities
- Significant three year contract with a large customer; increased DLR nominal market share to c5%

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1. De La Rue estimates
Polymer

- The only vertically integrated polymer supplier
- Extensive polymer banknote printing experience
- Polymer substrate manufacturing
- Polymer-adapted security features
- Industry leading design capability

50% of patent filings in FY15/16 were polymer related

The only vertically integrated polymer supplier
Security Features¹

- Attractive market
  - Commercially available
  - Fosters long term contracts
  - Value within a banknote shifting from print and paper towards security features
  - IP creates high barriers to entry

Global banknote market (c162bn notes)

- With threads 147bn notes
- Without thread 15bn notes

Commercial security thread suppliers

- DLR 15%
- Peer 1 31%
- Peer 2 10%
- Peer 3 5%
- Peer 4 5%
- Peer 5 4%
- Other 30%

- A material contract came to an end, but good visibility of replacement contracts

1. Previously Components
Security Features

- Continued to drive product innovation
  - Launched next generation security thread Active™; already sold to two customers

Design as a gateway
- Industry leading design capability
- Designed 44% new denoms issued in FY15/16

Easy to see and explain for the public
Clear and crisp images
Design freedom
Flexible technology platform
Secure

New denoms issued in FY15/16 designed by commercial suppliers
- DLR 29
- Other 37

1. Previously Components
2. Issued by central banks only
Identity Solutions

Optimise & Flex

Invest & Build

- World’s largest commercial passport provider
- Provide passports and support services to >40 countries
- Opportunity to expand to adjacent ID market by leveraging existing relationships

1. De La Rue estimates

Global passport market by volume

- SPWs 81%
- Commercially available 19%

Commercial passport market by volume

- DLR 32%
- Peer 1 35%
- Peer 2 6%
- Peer 3 7%
- Peer 4 8%
- Other 12%

Global identity market estimated to reach $8.5bn in 2019

- National ID: c2% CAGR
- Passport: c9% CAGR

1. Calculations based on De La Rue estimates

De La Rue 2015/16 Full Year Results
Identity Solutions

- Building foundations for growth
  - Extended offerings to digital and services with the launch of end-to-end software solution DLR Identify™
  - New products underpinned by unique features
  - Planned new capability
  - Strengthened sales force with new skills

Security features included in the new UK passport

- Established partnership with a leading identity technology company
- Established laminate partnership with Dai Nippon
Product Authentication & Traceability\(^1\)

**Optimise & Flex**

- Continued to drive innovation
  - Launched full track and trace solution DLR Certify™
  - Converted Spectrum™ for tax stamp
- Security print centre of excellence in Malta

**Invest & Build**

- **B2G: protecting tax revenue**
  - Tobacco
  - Alcohol

- **B2B: protecting product integrity**
  - Electronic goods
  - Alcohol
  - Luxury goods

Leveraging our knowledge and relationships with our existing customers

Expanding into larger and more dynamic B2B market

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1. Previously Security Products
Early operational and strategic progress

Strategic progress

May 2015

- May: announced five year strategic plan

July

- June: launched Active™
- July: launched DLR Certify™

September

- October: reorganisation to functional structure complete

November

- November: announced 'root and branch' review in CPS
- November: UKP new design unveiled

December

- December: Footprint review complete

March

- March: Footprint restructuring commenced
- May: sale of CPS complete

Operational progress

May 2015

- May: launched DLR Identify™

June

- June: signed Significant polymer three year contract

July

- July: signed Significant polymer three year contract
Summary

- Solid performance in a year of significant change
- Early momentum in strategy implementation - key issues being addressed
- Positive cash flow

Outlook
- 12 month closing order book provides good visibility
- Despite a material contract coming to an end, full year expectations unchanged
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Q&A
# Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>FY2015/16</th>
<th>FY2014/15</th>
<th>FY2015/16</th>
<th>FY2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Continuing operations £m</td>
<td>Discontinued operations £m</td>
<td>Group total £m</td>
<td>Continuing operations £m</td>
</tr>
<tr>
<td>Revenue</td>
<td>454.5</td>
<td>33.7</td>
<td>488.2</td>
<td>422.8</td>
</tr>
<tr>
<td>Underlying operating profit*</td>
<td>70.4</td>
<td>(7.9)</td>
<td>62.5</td>
<td>69.1</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(3.6)</td>
<td>(26.0)</td>
<td>(29.6)</td>
<td>(16.9)</td>
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<tr>
<td>Operating profit</td>
<td>66.8</td>
<td>(33.9)</td>
<td>32.9</td>
<td>52.2</td>
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<tr>
<td>Net finance cost</td>
<td>(11.9)</td>
<td>(0.2)</td>
<td>(12.1)</td>
<td>(11.6)</td>
</tr>
<tr>
<td>Underlying profit/(loss) before tax*</td>
<td>58.5</td>
<td>(8.1)</td>
<td>50.4</td>
<td>57.5</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>54.9</td>
<td>(34.1)</td>
<td>20.8</td>
<td>40.6</td>
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<tr>
<td>Taxation</td>
<td>(6.3)</td>
<td>3.1</td>
<td>(3.2)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Underlying profit/(loss) after tax*</td>
<td>49.9</td>
<td>(7.2)</td>
<td>42.7</td>
<td>47.4</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>48.6</td>
<td>(31.0)</td>
<td>17.6</td>
<td>32.9</td>
</tr>
<tr>
<td>Underlying basic EPS*</td>
<td>48.1p</td>
<td>(7.1p)</td>
<td>41.0p</td>
<td>46.1p</td>
</tr>
<tr>
<td>Underlying diluted EPS*</td>
<td>47.5p</td>
<td>(7.0p)</td>
<td>40.5p</td>
<td>45.5p</td>
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<tr>
<td>Reported basic EPS</td>
<td>46.8p</td>
<td>(30.6p)</td>
<td>16.2p</td>
<td>31.8p</td>
</tr>
<tr>
<td>Reported diluted EPS</td>
<td>46.2p</td>
<td>(30.2p)</td>
<td>16.0p</td>
<td>31.3p</td>
</tr>
</tbody>
</table>

* Before exceptional items
## Exceptional items on discontinued operations

<table>
<thead>
<tr>
<th>Discontinued operations</th>
<th>2015/16 £m</th>
<th>2014/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site closures and restructuring</td>
<td>(2.6)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Re-assessment of carrying value following classification as an asset for sale</td>
<td>(23.4)</td>
<td>—</td>
</tr>
<tr>
<td>Total exceptional items on discontinued operations</td>
<td>(26.0)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Net cash cost of exceptional items for discontinued operations</td>
<td>(1.0)</td>
<td>(1.7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax credit on exceptional items for discontinued operations</th>
<th>2015/16 £m</th>
<th>2014/15 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit in the year</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Prior year tax credits</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Total tax credit on exceptional items</td>
<td>2.2</td>
<td>2.3</td>
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</tbody>
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