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Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational and strategic update
Martin Sutherland

Q&A
Overview

- **Solid performance underpinned by good volumes and strong order book**
  - Group revenue flat yoy\(^1\), underlying operating profit +2% yoy\(^1\)
  - Banknote Print volumes +22% yoy, Banknote Paper volumes +8% yoy
  - Product Authentication and Traceability revenue +10% yoy, underlying operating profit +24% yoy
  - Group 12 month order book remained strong at £409m

- **Good strategic progress**
  - Restructuring of manufacturing footprint progressing well
  - Agreement to enter into 60/40 JV with Government of Kenya
  - Good momentum in Polymer – second significant volume customer win
  - Secured two multi-year Identity Solutions contracts

- **Interim dividend maintained at 8.3p**

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1. Continuing operations only
Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational and strategic update
Martin Sutherland

Q&A
### Financial overview

<table>
<thead>
<tr>
<th></th>
<th>H1 2016/17*</th>
<th>H1 2015/16*</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>189.5</td>
<td>188.7</td>
<td>0%</td>
</tr>
<tr>
<td>Underlying operating profit**</td>
<td>24.0</td>
<td>23.6</td>
<td>2%</td>
</tr>
<tr>
<td>Underlying operating margin**</td>
<td>12.7%</td>
<td>12.5%</td>
<td>20bpts</td>
</tr>
<tr>
<td>Underlying profit before tax**</td>
<td>18.2</td>
<td>17.6</td>
<td>3%</td>
</tr>
<tr>
<td>Taxation before exceptionals</td>
<td>(2.9)</td>
<td>(2.0)</td>
<td>-</td>
</tr>
<tr>
<td>Underlying profit after tax**</td>
<td>15.3</td>
<td>15.6</td>
<td>(2%)</td>
</tr>
<tr>
<td>Underlying earnings per share**</td>
<td>14.0p</td>
<td>14.6p</td>
<td>(4%)</td>
</tr>
<tr>
<td>Reported earnings per share</td>
<td>13.2p</td>
<td>25.0p</td>
<td>(47%)</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>8.3p</td>
<td>8.3p</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Continuing operations only

**Before exceptional items

** Banknote volumes (bn notes)

- H1 2016/17: 3.3
- H1 2015/16: 2.7
- Change: +22% yoy

** Paper volumes (tonnes)

- H1 2016/17: 5,300
- H1 2015/16: 4,900
- Change: +8% yoy

** 12 month order book (£m)

- Sep 2016: 409
- Sep 2015: 405
## Revenue and operating profit

<table>
<thead>
<tr>
<th></th>
<th>Revenue*</th>
<th></th>
<th>Operating profit*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2016/17</td>
<td>H1 2015/16</td>
<td>Change</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>136.4</td>
<td>139.8</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>Identity Solutions</strong></td>
<td>33.5</td>
<td>31.5</td>
<td>6%</td>
</tr>
<tr>
<td><strong>PA&amp;T</strong></td>
<td>21.5</td>
<td>19.6</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Intra group eliminations</strong></td>
<td>(1.9)</td>
<td>(2.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>189.5</td>
<td>188.7</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>H1 2016/17 £m</th>
<th>H1 2015/16 £m</th>
<th>24 Sept 2016 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>21.7</td>
<td>18.9</td>
<td>(106.1)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>13.5</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>(10.2)</td>
<td>29.3</td>
<td></td>
</tr>
<tr>
<td>Underlying operating cash flow</td>
<td>25.0</td>
<td>61.1</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(8.8)</td>
<td>(10.8)</td>
<td></td>
</tr>
<tr>
<td>Special pension fund contributions</td>
<td>(4.2)</td>
<td>(8.4)</td>
<td></td>
</tr>
<tr>
<td>Net cash cost of exceptional items</td>
<td>(2.4)</td>
<td>(10.8)</td>
<td></td>
</tr>
<tr>
<td>Tax and interest</td>
<td>(2.8)</td>
<td>(2.7)</td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td>(16.9)</td>
<td>(16.9)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
<td>(3.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>(9.4)</td>
<td>7.7</td>
<td></td>
</tr>
</tbody>
</table>

*All numbers stated above include discontinued operations*
Other finance matters

- Exceptional costs of £1.0m

- Effective tax rate for 2016/17 expected to be c16%

- Foreign exchange impact
  - Hedged all committed orders – little impact in FY2016/17
  - 80% of sales are export – sustained weakness in Sterling provides competitive advantage

- Pension
  - Post tax pension deficit increased by £130m to £297.7m, reflecting a decrease in the discount rate
  - Triennial valuation completed in June 2016
  - Extended funding schedule to 2028, reduced pre-tax cash contributions for the next two years

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023-2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash contribution* (£m)</td>
<td>13.0</td>
<td>13.5</td>
<td>20.5</td>
<td>21.3</td>
<td>22.2</td>
<td>23.1</td>
<td>23.0 p.a.</td>
</tr>
</tbody>
</table>

*Exclude £1.6m administration fee per annum

- Interim dividend maintained at 8.3p
Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational and strategic update
Martin Sutherland

Q&A
Five year journey

2015-17

Phase 1: Set foundations
- Address material issues
- Optimise manufacturing footprint and create operational flexibility
- Reduce costs
- Increase R&D investment and introduce product management
- Reorganisation & drive culture change
- Focus on cash management

Phase 2: Accelerate transformation
- Accelerate product development
- Continue to invest in new capabilities
- Broaden customer base
- Formulate digital strategy
- Strengthen partnerships
- Continue culture change
- Improve cash flow

Phase 3: Establish leading positions
- Balanced business portfolio
- Attractive and sustainable financial returns
- Dynamic and high performing culture
- Cash positive
- Cement No. 1 position in Currency
- Become one of the major players in our chosen markets for IDS and PA&T

2017-19

2019-20
### Phase 1: Set foundations – how are we doing?

| Address material issues | • Sold CPS  
| | • Banknote paper strategic partnership discussions ongoing |
| Optimise footprint & create operational flexibility | • Manufacturing footprint implementation making good progress – cost saving on track  
| | • Continue to work with and explore deepening relationships with outsource partners |
| Reduce costs | • Operational Excellence programme continues  
| | • Fixed cost reduction progressing well – 14% total headcount reduction in last 12 months |
| Increase R&D & introduce product management | • ‘Pathfinder’ – initiated digital strategy  
| | • New product managers in place across Currency, IDS and PA&T  
| | • Double R&D investment in the years to 2020 – on track |
| Re organisation & culture change | • Re organisation completed in Oct 2015, significantly strengthened senior leadership team  
| | • Strengthened sales – Miller Heiman training roll-out completed  
| | • Culture change programme ongoing – revised incentive scheme, implemented performance management, launched leadership programme |
Increase R&D investment and introduce product management

Projects by product category – H1 2016/17

- Product management fully established
- On track to double R&D investment in the years to 2020 - resource focuses on key growth areas
- Initiated digital strategy
3 of 4 people globally live in countries with only marginal usage of digital payments (<5%)…

Global share of digital payments, 2014

…even in the UK, cash is still the primary payment mechanism, with over 18 billion payments made in cash, worth c£250 billion in 2014

48% 53%

By value By transaction

Source: Payments UK

There is a clear correlation between cash in circulation and GDP growth across the world

Source: The World Bank, IMF

Source: McKinsey Global Payments Map

Optimise & Flex

Invest & Build
Banknote Print

While volume and value of notes in circulation increase steadily, issuance and order of notes are less predictable

(Example: central bank A)

HIGH VARIABILITY IN ISSUANCE VOLUME

VARIABILITY IN ORDER VOLUME COULD BE >50% YOY

Optimise & Flex

Flexible capacity – manufacturing footprint restructure progressing well
- Changed working practices to provide greater flexibility
- Machine re-deployment and engineering works continue to plan across all sites
- Refined implementation plan
- Continue to work with and explore deepening relationships with outsource partners

Developing analytics and forecasting tools to work with customers to smooth demand
Focus on developing more long term relationships
Smooth demand through working with our customers
Agreement to 60/40 JV with Kenya – leverage longstanding relationship to create a currency and security solutions supply hub for the country and East Africa
Successful in winning tender and relationship contracts – order book has strengthened during H1

* Long term agreement
Banknote Paper

Optimise & Flex

Invest & Build

- Explore strategic relationship
  - JV discussions continue with a number of parties
  - Sales to new commercial printers established during H1
- Maximise potential in State Print Works
- Continue operational excellence programme

* De La Rue estimates. De La Rue share includes internal and external sales
Polymer

Optimise & Flex

Invest & Build

Market expected to double in 5 years*

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantities</th>
<th>% of Substrate Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.8k tonnes</td>
<td>c3%</td>
</tr>
<tr>
<td>2021</td>
<td>10.3k tonnes</td>
<td>c5%</td>
</tr>
</tbody>
</table>

- Potential new users: 3.8
- Committed new users: 1.3
- Market growth: 0.4
- Existing market: 4.8

- 15 issuing authorities and growing market share
- Secured 2\textsuperscript{nd} volume customer during H1
- All three Scottish notes on Safeguard\textsuperscript{®} now in circulation
- Well invested production facilities
- The only vertically integrated polymer supplier and design know-how

De La Rue has been gaining market share since launch in 2012

* De La Rue estimates

Issuing authorities with circulating denominations

- Competitor
- DLR
Security Features

Our portfolio allows us to invest once in technology platforms that address multiple markets

Well positioned in core Currency market

Growth potential in IDS and PA&T

Optimise & Flex

Invest & Build

Basic threads | Mid range threads | Premium threads | Holographic threads | Holographic stripes | Holographic patches | Basic holography

15% market share*, focus on increasing volume

Design know-how, good growth potential
- Polymer
- National ID
- Tax stamps and brand protection

Low | High | Low

Value

* De La Rue estimates. Exclude ZSST which produces for China domestic market only
Security Features

Grow core currency market

- Gaining traction with new features

<table>
<thead>
<tr>
<th>Holographic foil</th>
<th>Active™ security thread</th>
<th>Kinetic Starchrome®</th>
</tr>
</thead>
<tbody>
<tr>
<td>for polymer launched with Gibraltar £100</td>
<td>in full circulation with Bahamas $10</td>
<td>specified in top 3 denoms in volume issuing customer</td>
</tr>
</tbody>
</table>

- World class award winning design team - 13 banknotes awards since 2007
- c40% of all new banknotes issued in 2015 were designed by De La Rue
- 13 new patents filed in H1

Banknotes in circulation by designer

- SPW 24%
- De La Rue 40%
- Other commercial printers 36%

Features on new banknotes issued

- January 2015 – September 2016
  - De La Rue 38%
  - Competition 62%
Identity Solutions

Extend our offering from passport books to full solutions

- Design and print passport books
- Design and print passport books + personalisation + issuance
- ePassport solutions – fully managed service

Optimise & Flex

Invest & Build

- Grow passport sales
  - Added three new passport customers
- Built long term recurring revenues
  - Secured two multi-year service contracts: Qatar and Barbados
- Extend offering to full ePassport solutions with third parties

Passport market £1.1bn, 7% growth p.a.

ePassport solution market £2bn, 2016
Identity Solutions

Expand into ID market

- Planned new capability in Malta progressing well
- 60/40 JV agreement in Kenya to create a supply hub for the country and the region
- Launched DLR Identify™ CRVS – civil registration module, focusing on winning reference customers

*De La Rue estimates

Build wholesale offering

- Expand addressable market to SPWs – added three SPW customers in H1
  - IP licensing/security features
  - Passport paper
  - Customised design
- Maximise use of assets and reduce tender volatility
**Product Authentication & Traceability**

**Brand protection**
- Enterprise market - fast growing, but highly fragmented
- DLR Certify™ track & trace solution - target international brands with complex supply chains and distribution network
- Bespoke offering - Initiated a number of joint projects with key customers on specific product requirements

<table>
<thead>
<tr>
<th>Available enterprise market*</th>
<th>High value</th>
</tr>
</thead>
<tbody>
<tr>
<td>£470m 2016</td>
<td>High Value Consumables, e.g. cosmetics, luxury goods, spirits</td>
</tr>
<tr>
<td>£680m 2021</td>
<td>High Value Durables, e.g. electronics, software applications</td>
</tr>
</tbody>
</table>

*De La Rue estimates

**Available enterprise market**
- 10% CAGR
- High purchase frequency
- Low purchase frequency

- **Low Value Consumables**, e.g. tobacco, alcohol
- **High Value Consumables**, e.g. cosmetics, luxury goods, spirits
- **High Value Durables**, e.g. electronics, software applications
- **Low Value**

Do not target
Product Authentication & Traceability

**Tax revenue protection**
- Government market - leverage existing relationships
- Strengthen position in tax stamp market
  - Planned Centre of Excellence in Malta
- Expand into full track and trace solutions
  - DLR Certify™ successfully deployed in an African nation
  - Potential partnerships with other commercial printers

**Build wholesale offering**
- Expand addressable market to SPWs
  - IP licensing/security features
  - Security paper
  - Customised design

*De La Rue estimates*
Summary

- H1 performance in line with expectations, underpinned by good volumes and strong order book

- Good strategic progress
  - Optimise & Flex: on track to deliver operational flexibility and planned cost savings
  - Invest & Build: good momentum in our growth segments

- Outlook
  - 12 month closing order book of £409m provides confidence for the future
  - Full year outlook unchanged
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Q&A
### Exceptional items

#### Continuing operations

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 2016/17 £m</th>
<th>H1 2015/16 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sale of surplus land</td>
<td>0.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Release of warranty provision</td>
<td>0.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Site relocation and restructuring</td>
<td>(1.6)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Total exceptional items on continuing operations</td>
<td>(1.0)</td>
<td>7.5</td>
</tr>
<tr>
<td>Total exceptional items on discontinued operations</td>
<td>(3.1)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Net cash cost of exceptional items for continuing operations</td>
<td>(2.4)</td>
<td>(10.8)</td>
</tr>
</tbody>
</table>

#### Tax credit on exceptional items for continuing operations

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 2016/17 £m</th>
<th>H1 2015/16 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit in the period</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Prior year tax credit</td>
<td>—</td>
<td>2.6</td>
</tr>
<tr>
<td>Total tax credit on exceptional items</td>
<td>0.2</td>
<td>3.0</td>
</tr>
</tbody>
</table>