

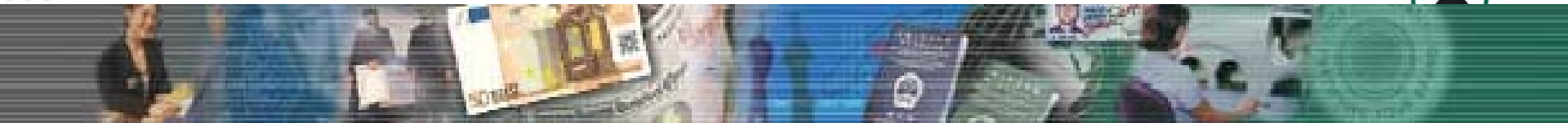


DeLaRue

# Delivering Value to Shareholders

**Interim Results  
26 November 2008**





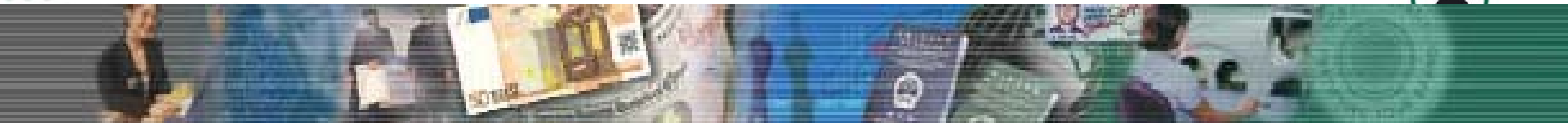
## Nicholas Brookes Chairman



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- With the strategy initiated by Leo Quinn in November 2004 now complete, Leo has informed the Board of his decision to leave De La Rue
- James Hussey to succeed Leo Quinn as CEO with effect from 1 January 2009. For the last four years, James has been Managing Director of the Security Paper and Print Division (SPPD), which comprises the businesses of the continuing Group



# Leo Quinn Chief Executive



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# Financial Headlines



Group Revenue\*

£244.7m



14.4%

Profit Before Tax\*\*

£ 49.8m



23.9%

Earnings Per Share\*\*\*

23.7p



28.1%

Dividends Per Share

13.7p



110%

Cash Systems completion and return of £460m to Shareholders

\*Group revenue reported for continuing operations

\*\*Group profit before tax report for continuing operations before exceptionals

\*\*\*Earnings per share reported is headline EPS for continuing operations before exceptionals



## Agenda

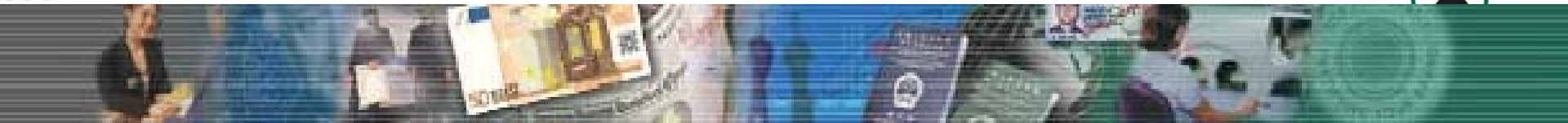
- Financial results
- Group update
- Continuing operations and outlook
- Q&A

*Stephen King*

*Leo Quinn*

*James Hussey*





## Stephen King Finance Director



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# Financial Results – Continuing Operations (pre-exceptional items)



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## Continuing Operations

Half year ended 27 September 2008

	1 <sup>st</sup> half 2008/09 £m	1 <sup>st</sup> half 2007/08* £m	Inc/(Dec)
Revenue	244.7	213.9	14.4%
Operating profit	43.5	35.3	23.2%
Share of profits of associated companies	4.9	2.9	
Interest - On net bank balances	2.3	1.7	
- Retirement benefit obligation	(0.9)	0.3	
Profit before tax (Pre-exceptional items)	49.8	40.2	23.9%

- Strong trading from continuing operations, underpinned by a growing order book
- Final year of current licence for Camelot – new licence effective 1 February 2009
- Interest on cash balances reflects benefit from proceeds of disposal received September 2008

\*2007/08 restated to exclude discontinued operations



# Group Earnings



	<b>1<sup>st</sup> Half 2008/09 £m</b>	1 <sup>st</sup> Half 2007/08 £m	<b>Inc/(Dec)</b>
PBT (pre-exceptional items)	<b>49.8</b>	40.2	23.9%
Exceptional items	<b>(2.6)</b>		
	<b>47.2</b>	40.2	
Taxation (continuing activities)	<b>(14.2)</b>	(11.3)	
Minority Interests	<b>(0.4)</b>	(0.2)	
Earnings – Continuing Operations	<b>32.6</b>	28.7	13.6%
Discontinued operations (after tax)	<b>298.1</b>	6.7	
Total Group Earnings	<b>330.7</b>	35.4	

- Exceptional items reflect the restructuring costs associated with downsizing the central organisation, expected to be approximately £10m in full year

# Discontinued Operations



	<b>Pre Tax £m</b>	<b>Tax £m</b>	<b>Net £m</b>
Sale proceeds (cash and debt free)	<b>360.0</b>		
Net cash in business	<b>9.2</b>		
Net assets disposal	<b>(45.4)</b>		
Fees, etc (inc return of capital)	<b>(6.8)</b>		
Other (non cash costs inc fixed asset write off)	<b>4.1</b>		
Net profit on sale	<b>321.1</b>	<b>(35.7)</b>	<b>285.4</b>
Profit from discontinued operations (5 months to 1 September 2008)	<b>17.7</b>	<b>(5.0)</b>	<b>12.7</b>
	<b>338.8</b>	<b>(40.7)</b>	<b>298.1</b>

	£m	% of sale proceeds
Corporation Tax (cash)	17.8	4.9%
Deferred Tax write off and sundry provisions movements (non cash)	17.9	
Total	35.7	

- Corporation Tax on sale will be paid over the next 12 months:

2008/09 £6.5m

2009/10 £7.6m

- The balance of £3.7m was paid at the time of the disposal

- Non cash tax charge primarily reflects deferred tax assets (losses) written off on sale as not transferable as part of a share sale

# Headline Earnings Per Share



	<b>1<sup>st</sup> Half 2008/09</b>	1 <sup>st</sup> Half 2007/08	<b>Inc/(Dec)</b>
Earnings (continuing operations)	<b>32.6</b>	28.7	
Add back: exceptional items (after tax)	<b>2.9</b>		
Headline earnings (continuing operations pre exceptional items)	<b>35.5</b>	28.7	
Average number of shares	<b>150.0</b>	154.8	
Headline EPS continuing operations	<b>23.7p</b>	18.5p	28.1%
Basic EPS continuing operations	<b>21.8p</b>	18.5p	17.8%

- EPS enhancement reflects underlying profit improvement and impact of share consolidation following special dividend in 2007/08
- Headline EPS does not include the benefit of share consolidation following cash return on 28 November 2008 – benefit 2nd half
- Share consolidation will reduce shares to 96.6 million as of 28 November 2008 giving average number of shares (assuming no other movements) of approximately 130m for the full year

- The interim dividend of 13.7p, payable on 96.6m shares (2007/2008: 149.5m), reflects the Group's move to a new dividend policy, which was announced on 22 May 2008.
- The Board intends to maintain a progressive dividend policy and is prepared to consider different levels of dividend cover as a result of any short term fluctuations in earnings.



# Cash Flow



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£m	1 <sup>st</sup> Half 2008/09	1 <sup>st</sup> Half 2007/08	Inc/(Dec)
Underlying Operating Profit	43.5	35.3	23.2%
Depreciation and amortisation	10.4	12.6	
Working Capital	(16.3)	(17.6)	
Pension Fund – special contribution	(20.0)	(4.9)	
Exceptional items – cash expenditure	(2.8)	(0.2)	
Other items	(1.8)	4.5	
Cash flow from continuing operating activities	13.0	29.7	(56.2%)
Cash flow from discontinued operating activities	(10.0)	0.9	
Interest and taxation	(13.0)	(9.0)	
Capital expenditure	(11.9)	(7.4)	
Equity dividends - Ordinary	(22.3)	(21.2)	
- Special		(74.4)	
Share buy backs		(4.2)	
Acquisitions and disposals, fixed asset sales	339.8	(9.8)	
Associate dividends received	4.4	4.7	
Share capital issues, exchange and other	(4.2)	(3.3)	
Net cash flow	295.9	(94.0)	
Net cash	402.6	43.3	

# 3-Year Debt Facilities



	Total Facility	Drawn
Term loan	<b>£50m</b>	£50m
Revolving	<b>£125m</b>	£20m
	<b>£175m</b>	<b>£70m</b>

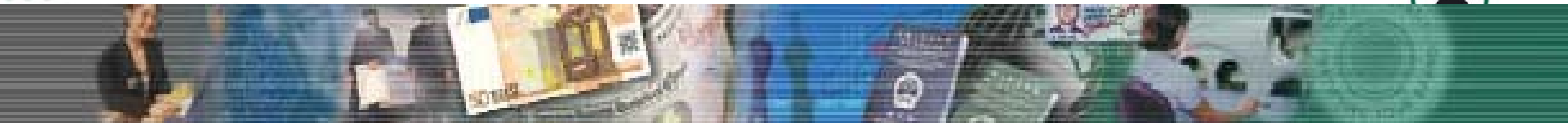
- Term loan drawn 14 November 2008 and repayable 14 November 2011
- Facilities with bank syndicate of HSBC, Barclays and RBS
- Terms: Libor Plus 90 basis points

# Proforma Net Debt at 27 September 2008



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<b>Proforma Net Debt at 27 September 2008</b>	<b>£m</b>
Net cash at 27 September 2008	<b>405</b>
Draw down of facilities	<b>70</b>
Return of cash to shareholders	<b>(460)</b>
Proforma cash	<b>15</b>
Add debt	<b>(70)</b>
<b>Proforma Net Debt at 27 September 2008</b>	<b>(55)</b>



# Leo Quinn Chief Executive



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# Half Year ended 27 September 2008



<b>Continuing Operations</b>	<b>Revenue</b>		<b>Operating Profit</b>		<b>Inc/(Dec)</b>
	<b>£m</b>	<b>Growth</b>	<b>£m</b>	<b>Margin</b>	
Currency	167.6	23.7%	36.6	21.8%	1.5% pts
Security Products	34.8	(11.9%)	5.5	15.8%	3.6% pts
Identity Systems	16.0	19.4%	1.3	8.1%	(10.6%) pts
CPS	31.3	3.0%	0.1	0.3%	
<b>Group Total</b>	<b>244.7</b>	<b>14.4%</b>	<b>43.5</b>	<b>17.8%</b>	<b>1.3% pts</b>

- Revenue growth double-digit for the first half
- Currency remains the dominant business within the Group's portfolio



# Currency – First Half 2008/09



<b>Half year ended 27 September 2008</b>	<b>1<sup>st</sup> half 2008/09 £m</b>	<b>1<sup>st</sup> half 2007/08 £m</b>	<b>Inc/(Dec)</b>
Sales	<b>167.6</b>	135.5	23.7%
Operating Profit	<b>36.6</b>	27.5	33.1%
<i>Operating Profit Margin</i>	<b>21.8%</b>	20.3%	1.5% points

- Sales growth reflects strong opening order book supported by continuing growth in bookings
- Banknote volumes up 15% in first half; paper volumes up 4.4%
- Operating margins up 1.5 percentage points reflecting increasing volume, ongoing productivity improvements and some foreign exchange benefits

# Security Products – First Half 2008/09



<b>Half year ended 27 September 2008</b>	<b>1<sup>st</sup> half 2008/09 £m</b>	<b>1<sup>st</sup> half 2007/08 £m</b>	<b>Inc/(Dec)</b>
Sales	<b>34.8</b>	39.5	(11.9%)
Operating Profit	<b>5.5</b>	4.8	14.6%
<i>Operating Profit Margin</i>	<b>15.8%</b>	12.2%	3.6% points

- Reduced sales reflects disposal of lower-margin Smurfit JV in November 2007 eliminating £4.8m of sales
- Margins also improved by increased productivity across our internal supply chain
- Continue to position the business for growth

# Identity Systems – First Half 2008/09



<b>Half year ended 27 September 2008</b>	<b>1<sup>st</sup> half 2008/09 £m</b>	1 <sup>st</sup> half 2007/08 £m	<b>Inc/(Dec)</b>
Sales	<b>16.0</b>	13.4	19.4%
Operating Profit	<b>1.3</b>	2.5	(48%)
<i>Operating Profit Margin</i>	<b>8.1%</b>	18.7%	-10.6% points

- Strong sales growth from implementation projects coupled with new business wins including Malta ePassport system and New York State enhanced chip-based drivers licence since year end March 2008
- Operating margin reduction reflects investment in Malta factory and completion in the prior year of a long standing high-margin contract

# Cash Processing Solutions – First Half 2008/09



<b>Half year ended 27 September 2008</b>	<b>1<sup>st</sup> half 2008/09 £m</b>	<b>1<sup>st</sup> half 2007/08 £m</b>	<b>Inc/(Dec)</b>
Sales	<b>31.3</b>	30.4	3%
Operating Profit	<b>0.1</b>	0.5	
<i>Operating Profit Margin</i>	<b>0.3%</b>	1.6%	

- Revenues broadly flat for the first half as expected
- Central Bank demand for sorters remains strong – order book up 20%
- Refreshed large sorter range largely complete with new product delivery
- Sales channel for Central Banks aligned with Currency

# Group Working Capital

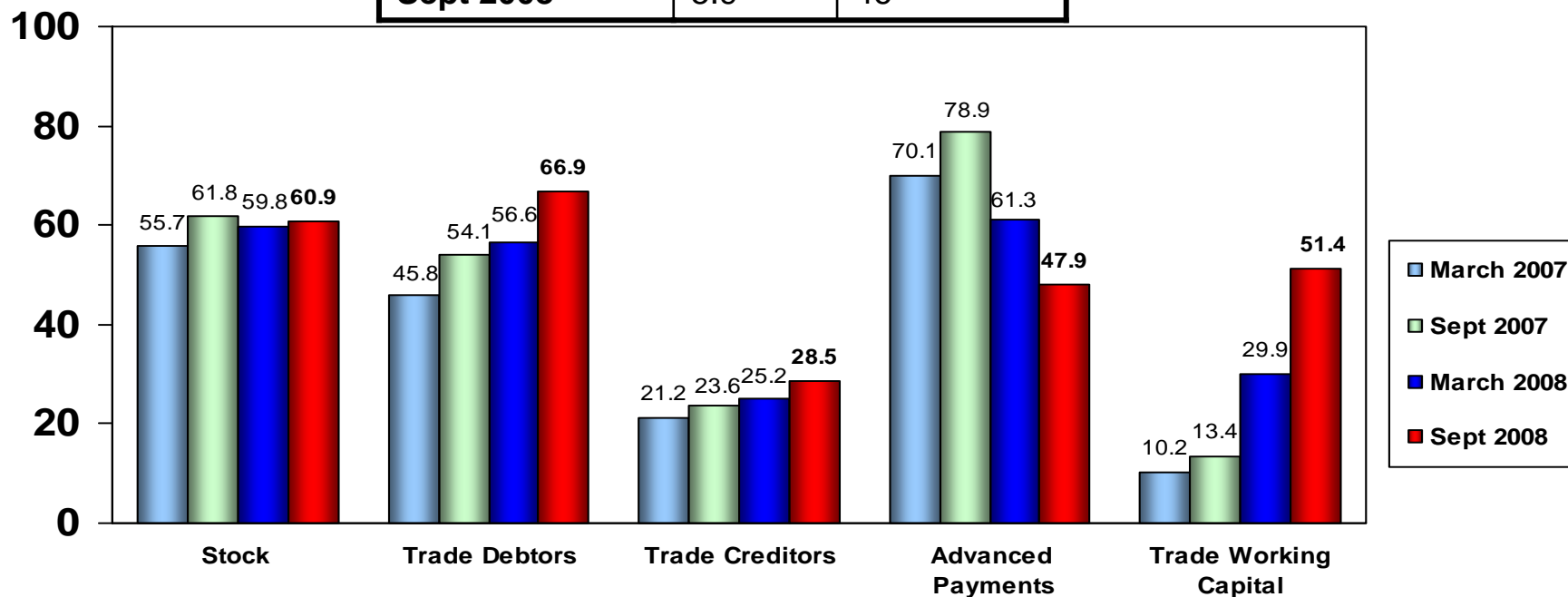


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**Turns      Days**

<b>March 2007</b>	5.6	37
<b>Sept 2007</b>	4.9	45
<b>March 2008</b>	6.4	37
<b>Sept 2008</b>	5.9	46

£m



Trade working capital ratios remain a strength of the Group



# Transformation of De La Rue 2004-2008



	<u>In 2004</u>	<u>In 2008</u>
<b>Simplify the Group</b>	17 units – matrix	De-layered: 4 SBUs → One De La Rue Clear accountability culture
<b>Revitalise SPPD</b>	GDP CAGR – “mature” 12.5% margin - cash cow	CAGR 5% (currently 15% pa) Margin 19.5% = Core for future growth
<b>Integrate Cash Systems</b>	Declining - 3% ROS Acquisition write-offs	Growth 10% p.a.; 10% margin Value crystallised by sale
<b>Eliminate losses</b>	Tail of unprofitable units/JVs Group margin 7%	Every SBU profitable Post-disposal margin 17.8%
<b>Generate cash &amp; value</b>	Restructuring charges Value destruction	Avg 109% cash conversion Value trebled; 80% returned

## 1. Leadership Culture

- Put the right Leaders in charge – Coach and Support their development
- The Energy and skills to Energise others

## 2. Strategy

- A clear end in mind
  - Core: potential for long-term profitable growth
  - Non-core: potential to deliver enhanced value
  - Innovation, productivity and cash generation
- Align resources to deliver on the strategy

## 3. Execution Culture

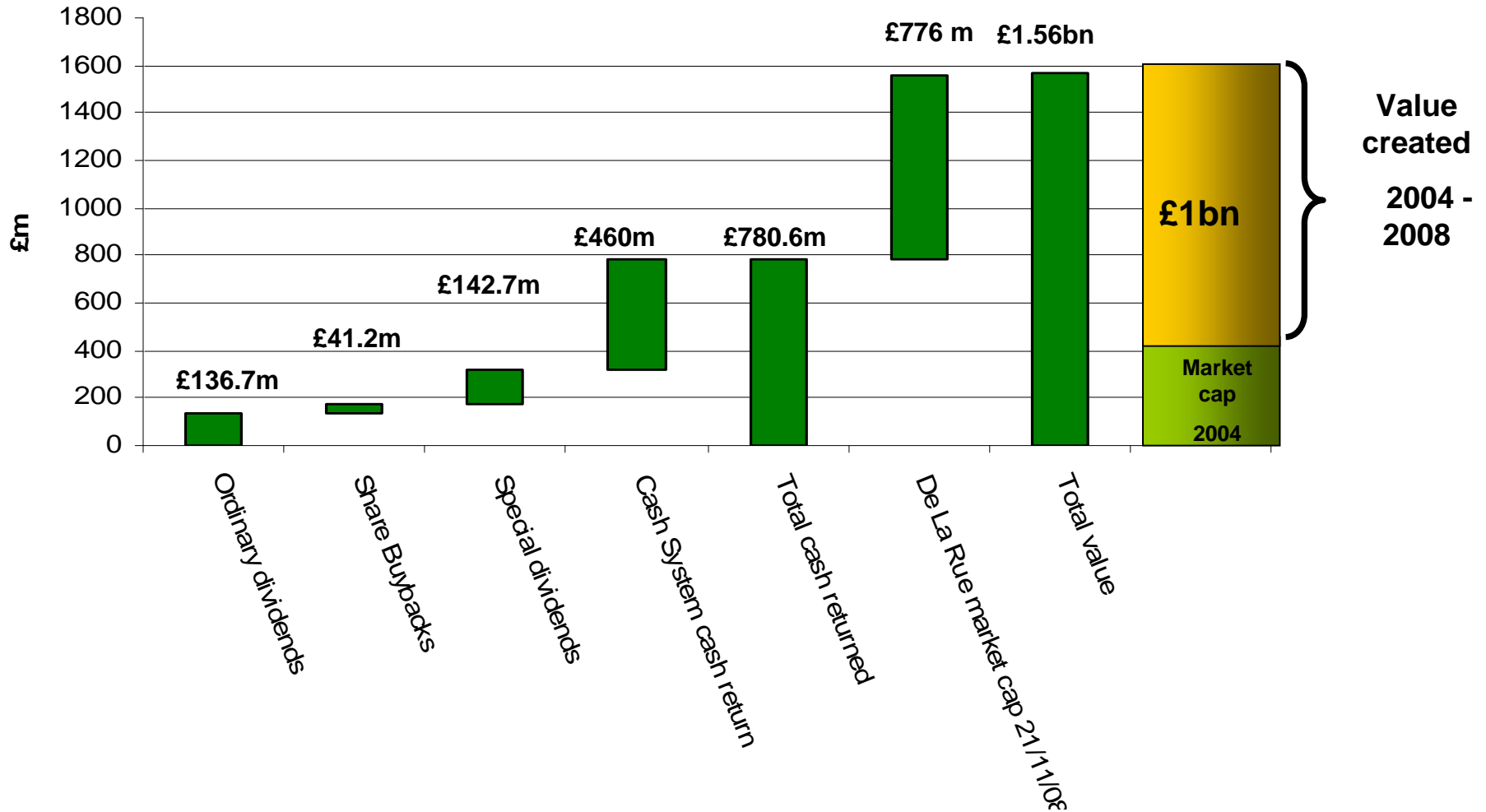
- Empowerment without measure is abandonment - accountability
- My Contribution
- Reward and recognise the best at all levels of the organisation – Spotlight

Strong foundations to drive future value

# Creation of Value 2004-2008



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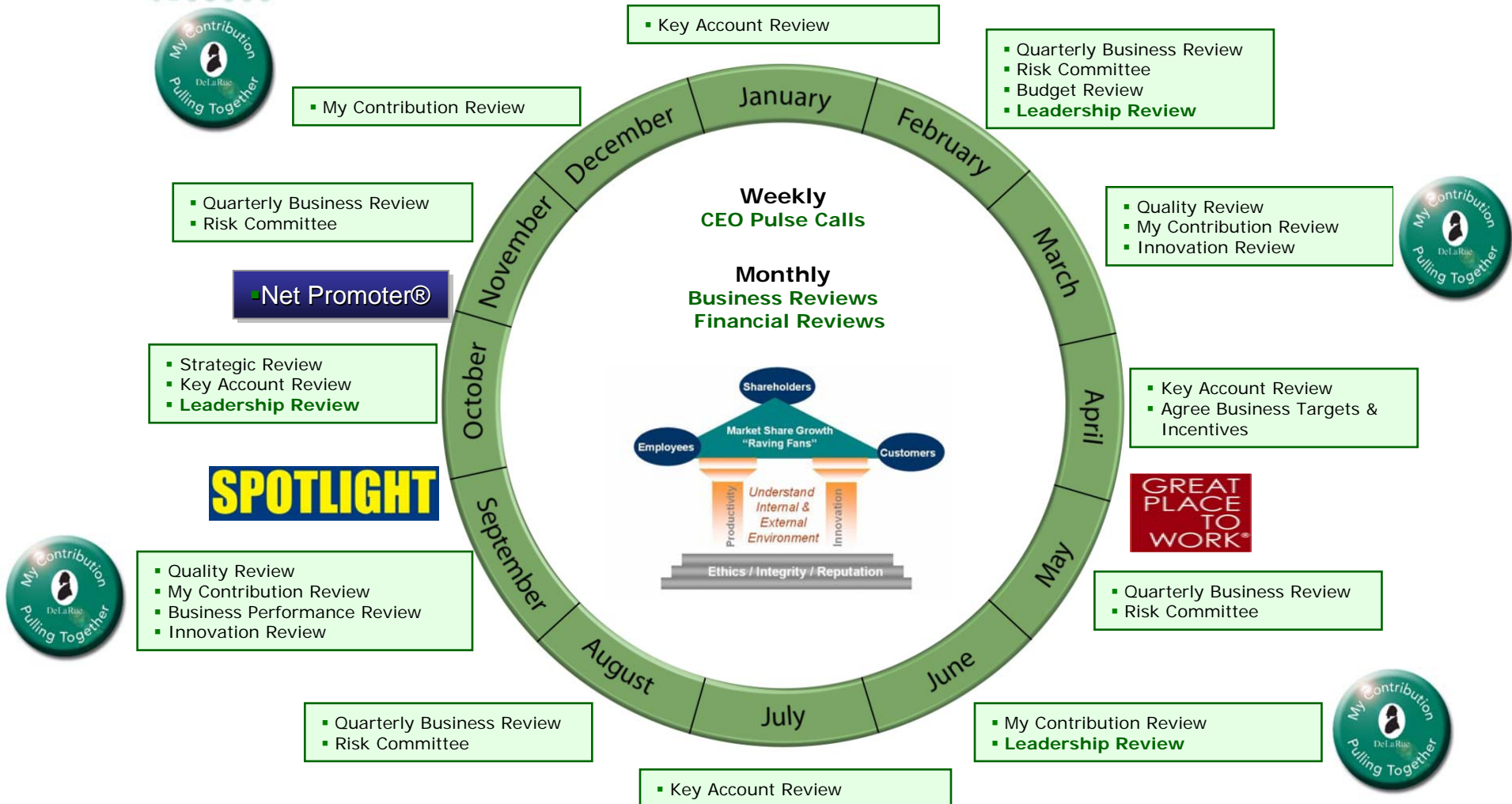


2004-2008: De La Rue TSR = 194% v. FTSE 250 TSR = 0.7%

# Process for Sustainability

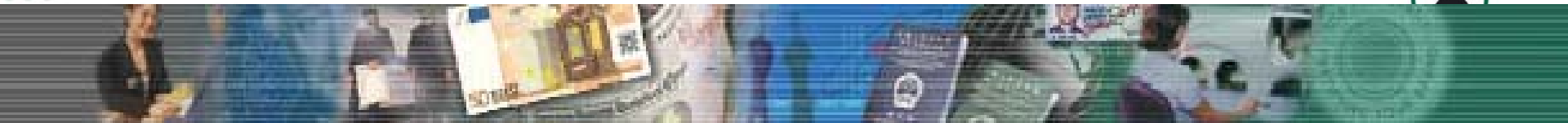


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## James Hussey

- 1998 – Managing Director of Currency SBU
- 2004 – Security Threads added to Currency SBU
- 2005 – MD of SPPD (Currency, Security Products and Identity Systems)
- 2006 - Appointed to the Board of Camelot
- 2009 – Appointed as Group CEO with effect from 1 January 2009



**James Hussey**  
**Managing Director**  
**SPPD**



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# SPPD Performance 2004-2008



	2004/05	2005/06	2006/07	2007/08	CAGR
Revenue	£317.9m	£318.4m	£354.5m	£408.6m	8.7 %
Operating profit	£45.4m	£51.0m	£61.7m	£79.6m	20.6 %
Operating profit margin	14.3 %	16.0%	17.4%	19.5%	+ 5.2 pts

75% increase in operating profit in 3 years





- Currency
  - Manage demand drivers
  - Vertically integrate
  - Develop further SPW services
  
- Security Products
  - Restructure and reposition, achieving double digit margin
  - Target growth segments (authentication, government revenue)
  - Customer base has similar characteristics to Currency (lumpy, 'sticky', long term)
  
- Identity Systems
  - Invest in innovation/sales for growth
  - Revitalised IDS offering
  - 2<sup>nd</sup>/3<sup>rd</sup> World focus
  
- CPS
  - Decision taken to keep CPS given clear overlaps with our Currency business



# SPPD: Key Actions



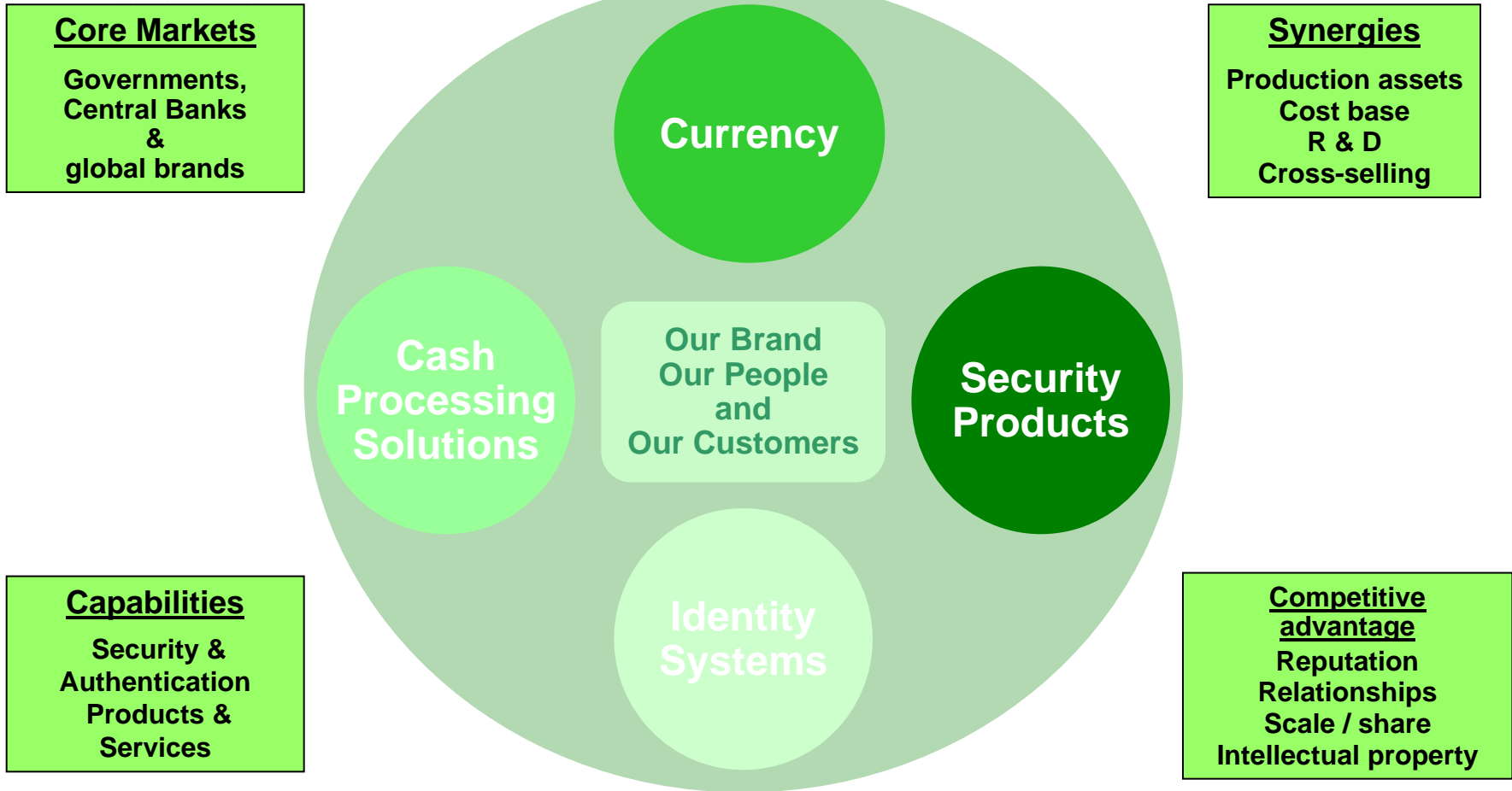
- Extract ongoing productivity gains and cash
- Drive profitable growth by investment
  - Technology, capability, services
- Exit low/no margin activities
- Upgrade processes
  - Talent, market knowledge, quality/delivery
- Leverage
  - Reputation, customer relationships

Measure, upgrade and deliver

# 'One' De La Rue – a cohesive Group



DeLaRue



A high quality focused Group, investing for long-term growth



Future Strategy:

***De La Rue will***

- ***build on its position as the world's leading commercial manufacturer and supplier of banknotes and banknote paper to become***
- ***the premier supplier to Central Banks, governments and international corporations globally***
- ***of security features, authentication systems and products used in payment and identity transactions***

## Our 6 Steps to Value



DeLaRue

- Focus on security and authentication systems
- Drive for cost management and high margins
- Maintain superior cash conversion
- Continue to invest in capability and innovation
- Actively manage the balance sheet
- Return surplus cash to shareholders

***“We enter the second half year with continued growth in our order book, which provides excellent visibility for the full year and into the first half of 2009/2010. Accordingly, the Board remains confident in the outlook for the current year.”***