

# Delivering Value to Shareholders

**Interim Results  
27 November 2007**





# Leo Quinn

## Chief Executive



## Agenda

- Highlights
- Financials
- Strategic Review
- Update on operations
- Summary and outlook
- Q&A

# Financial headlines

Group Revenue                      £ 345.1m                                            5.1%

Profit Before Tax                      £ 53.8m                                            22.6%

Earnings Per Share                      24.9p                                            34.6%

Dividends Per Share                      6.53p                                            12%

Cash flow                      £ 30.6m                                            40.2%



# Stephen King

## Finance Director



DeLaRue



# Financial Results

<b>Half year ended 29 September 2007 £m</b>	<b>1<sup>st</sup> half 2007/08 £m</b>	<b>1<sup>st</sup> half 2006/07 £m</b>	<b>Change</b>
Sales	<b>345.1</b>	328.4	5.1%
Operating profit	<b>48.9</b>	39.4	24.1%
Share of profits of associated companies	<b>2.9</b>	2.2	
Interest - On net bank balances	<b>1.7</b>	1.5	
- Retirement benefit obligation	<b>0.3</b>	0.8	
Profit before tax	<b>53.8</b>	43.9	22.6%
Group headline earnings per share	<b>24.9p</b>	18.5p	34.6%
Dividends per share	<b>6.53p</b>	5.83p	12.0%
Net Cash	<b>43.3</b>	98.9	

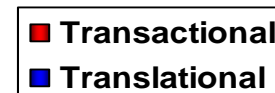
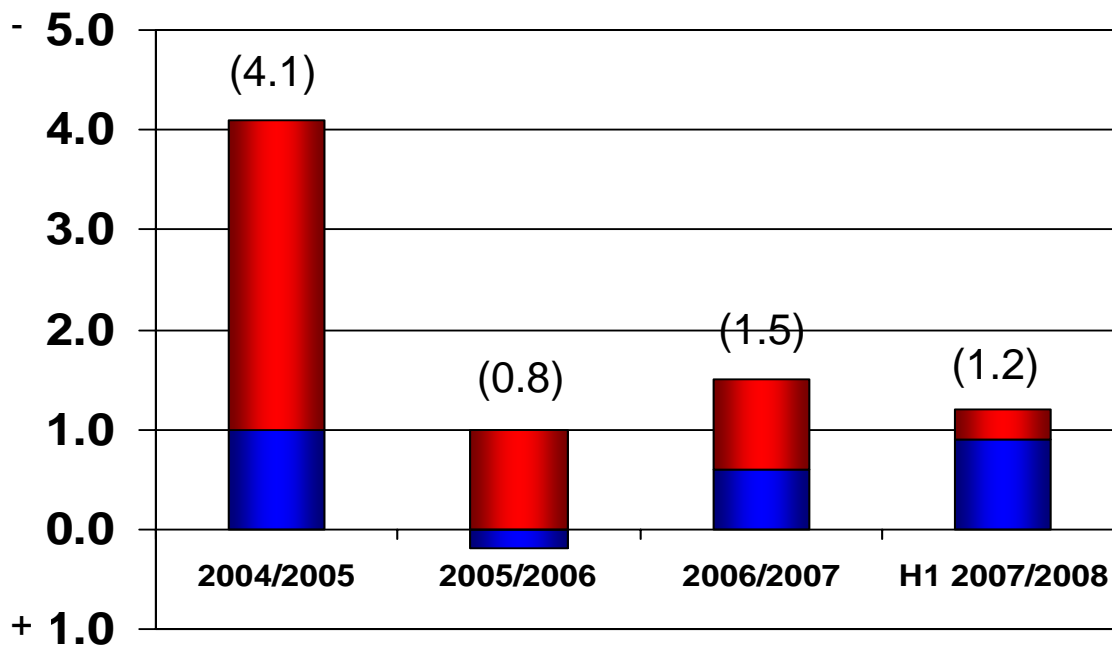
# Segmental Analysis - First Half 2007/2008

£m	Revenue	Operating Profit
<b>Security Paper and Print</b>		
Reported H1 2006/2007	170.2	28.7
Exchange	(1.0)	(2.9)
Underlying change	14.3	8.9
Reported H1 2007/2008	183.5	34.7
<b>Cash Systems</b>		
Reported H1 2006/2007	158.2	10.7
Exchange	(5.1)	(1.2)
Underlying change	8.5	4.7
Reported H1 2007/2008	161.6	14.2
<b>Group Total</b>	<b>345.1</b>	<b>48.9</b>

# Cash Systems – Exchange Differences

£m

## TOTAL EXCHANGE LOSSES



US \$ Average	1.84	1.79	1.89	2.00
US \$ : SEK Average Rate	7.26	7.65	7.19	6.80
US\$: SEK % change in Ave rate	-7%	+5%	-6%	-5%



£m	1 <sup>st</sup> half 2007/08	1 <sup>st</sup> half 2006/07	Full Year 2006/07
Profit before tax	4.3	3.3	9.7
Tax	(1.4)	(1.1)	(3.1)
Profit after tax	2.9	2.2	6.6

- 20% stake in Camelot, the UK lottery operator
- Camelot won the bid for the third licence in August 2007
- £10m investment made in first half for subscription of redeemable shares in Camelot

	<b>1<sup>st</sup> half 2007/08 £m</b>	1 <sup>st</sup> half 2006/07 £m	Full Year 2006/07 %
Profit before tax	<b>53.8</b>	43.9	102.4
Underlying tax charge	<b>15.1</b>	13.1	30.5
Germany change in rate impact – one-off charge	<b>3.1</b>		
	<b>18.2</b>	13.1	30.5
Underlying effective tax rate	<b>28.0%</b>	29.9%	29.9%

- Underlying effective tax rate was 28.0% (2006/2007: 29.9%)
- Rate excludes a one-off charge of £3.1m relating to the impact on deferred tax assets of a reduction in the German statutory tax rate

# Group Earnings per Share

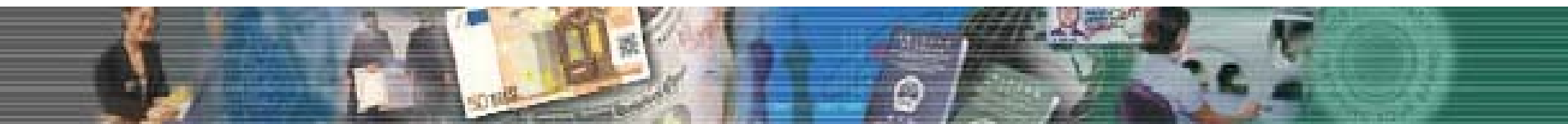
£m	1 <sup>st</sup> half 2007/08	1 <sup>st</sup> half 2006/07	Change
Profit before tax	<b>53.8</b>	43.9	22.6%
Tax charge (effective rate – 28.0%) (2006/7: 29.9%)	<b>(15.1)</b>	(13.1)	
Minority Interests	<b>(0.2)</b>	(1.1)	
Underlying Earnings	<b>38.5</b>	29.7	29.6%
Average number of shares (millions)	<b>154.8</b>	160.9	
Headline earnings per share	<b>24.9p</b>	18.5p	34.6%
Effect of German deferred tax	<b>(2.0p)</b>	-	
Basic earnings per share	<b>22.9p</b>	18.5p	23.8%

# Cash Flow

£m	1 <sup>st</sup> Half 2007/08	1 <sup>st</sup> Half 2006/07	Change
Underlying Operating Profit	<b>48.9</b>	39.4	24.1%
Depreciation and amortisation	<b>15.4</b>	11.3	
Working Capital	<b>(32.9)</b>	(1.5)	
Pension Fund – special contribution	<b>(4.9)</b>	-	
Exceptional items – cash expenditure	<b>(0.4)</b>	(2.6)	
Other items	<b>4.5</b>	4.6	
Cash flow from operating activities	<b>30.6</b>	51.2	(40.2)%
Interest and taxation	<b>(9.0)</b>	(7.8)	
Capital expenditure	<b>(9.2)</b>	(9.2)	
Equity dividends - Ordinary	<b>(21.2)</b>	(19.0)	
- Special	<b>(74.4)</b>	-	
Share buy backs	<b>(4.2)</b>	(13.5)	
Acquisitions and disposals, fixed asset sales	<b>(9.8)</b>	1.2	
Associate dividends received	<b>4.7</b>	4.0	
Share capital issues, exchange and other	<b>(1.5)</b>	0.4	
Net cash flow	<b>(94.0)</b>	7.3	
Net cash	<b>43.3</b>	98.9	

# UK Pension Scheme

- Last formal (triennial) valuation April 2006
  - Ongoing funding deficit of £56m
  
- Company agreed to pay down deficit over 6 years
  - First payment of £7m in March 2007
  - Second payment of £4.9m in H1 2007/2008
  
- IAS 19 Valuation
  - IAS 19 Deficit of £75.7m in March 2007
  - Now reduced to £52.8m at the half year 2007/2008



# Leo Quinn

## Chief Executive



DeLaRue



# Delivering value to shareholders

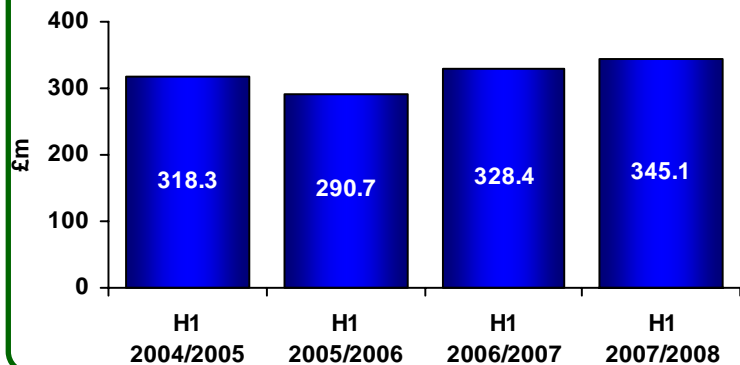
- Modest top line growth
- Profit improvement through cost reduction and productivity improvement
- Increase cash generation
- Improve returns to shareholders

**STRATEGIC REVIEW TO DEFINE NEXT PHASE OF GROUP'S DEVELOPMENT UNDERWAY**

# De La Rue's Strategy – Positive Results

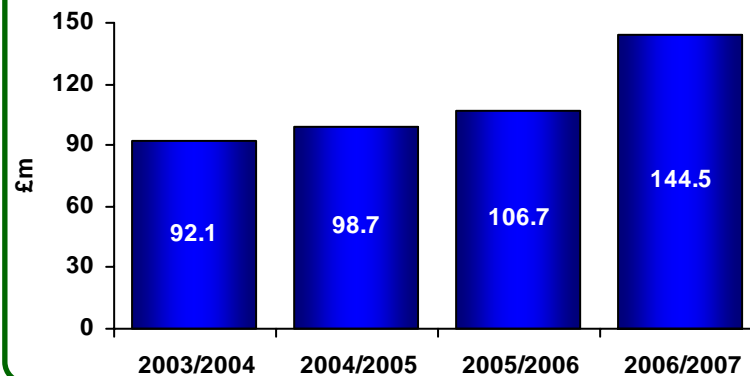
## REVENUE

Group Revenue – Modest top line growth



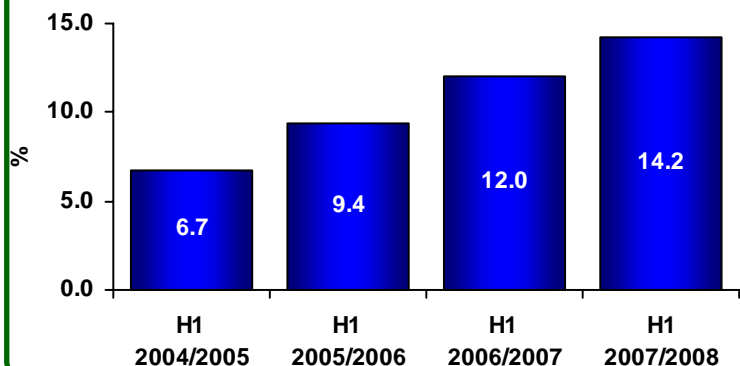
## CASHFLOW

Operating Cash flow – Strongly cash generative



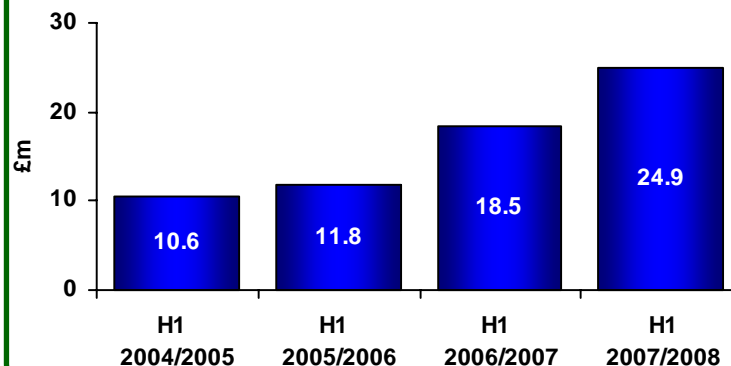
## MARGINS

Group Operating Profit Margins – Consistent improvements



## EPS

Earnings Per Share – Strong profit growth





# Operating Review

## Security Paper and Print

### RESULTS

£m	2007/2008	2006/2007
Sales	<b>183.5</b>	170.2
- Half year on half year increase	<b>7.8%</b>	13.7%
Operating Profit	<b>34.7</b>	28.7
Operating Profit Margin	<b>18.9%</b>	16.9%

### INNOVATION

- 12 new patents filed in last 12 months
- Launched Edgestone™ (anti-tear watermark) and Multitext™ (thread based feature)
- New ePassport manufacturing facility will be operational during Q4 2007/2008
- Continued focus on R&D in passport systems and security features

### H1 TRADING

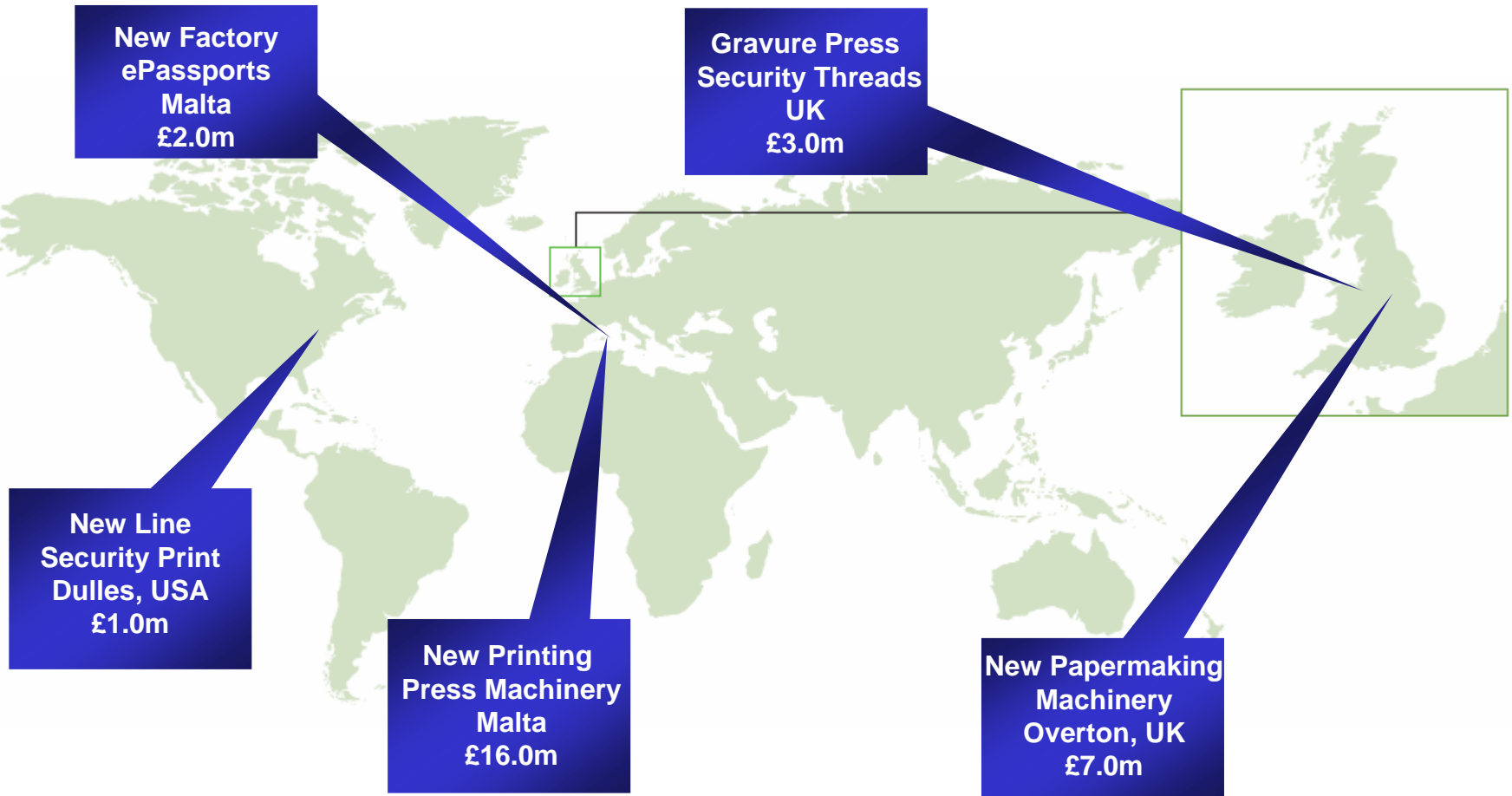
- Strong revenue (up 7.8%)
- Margin improvement (up 2ppts) through higher value features and continuing productivity improvements
- Continued exceptional level of banknote demand
- Strong paper volumes driven by the excellent print order book

### OUTLOOK

- Strong order book, providing full visibility for H2 and into 2008/2009
- Second half performance in Security Paper and Print to be significantly ahead of the corresponding period last year.

# Security Paper and Print

Major Items of Capex Investment since March 2004



**NOW STARTING TO BENEFIT FROM £52m INVESTMENT IN LAST THREE YEARS**

# Security Paper and Print Innovation

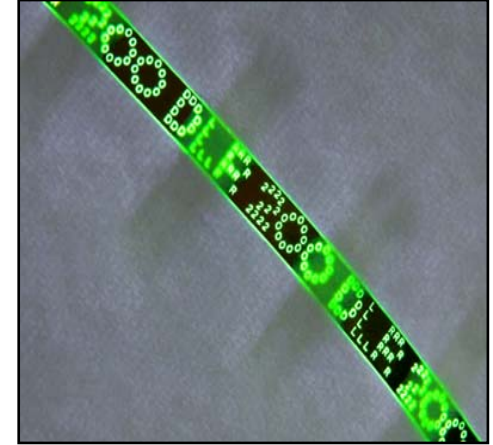
Edgestone™ watermark



StarChrome® thread



Multitext™ thread



Cornerstone® watermark



Mask™ intaglio feature



Gemini™ U/V feature



Performance/ Efficiency

Public recognition features

Teller recognition features



# Operating Review

## Cash Systems

### FINANCIALS

£m	2007/2008	2006/2007
Sales	<b>161.6</b>	158.2
- Half year on half year increase	<b>2.1%</b>	12.2%
Operating Profit	<b>14.2</b>	10.7
Operating Profit Margin	<b>8.8%</b>	6.8%

### INNOVATION

- Good level of orders in H1 from new products
  - VERTERA™, EV86™ Series, Quickchange™
- New product trials in 2007/2008:
  - Nvision™ multi currency counter
  - Next generation CPS (large sorter)
  - Kalebra P2 (4 pocket counter)
  - Enterprise Cash Management Software (Business Intelligence Module)

### H1 TRADING

- Strong trading performances in OEM, DTP and the Sorter business
- Teller Automation market remains competitive
- North America decision cycles lengthening
- New product introductions benefited H1
- Continued margin improvement through ongoing operational and supply chain efficiencies

### OUTLOOK

- Division trading in line with expectations
- Strong order backlog for second half
- Continued focus on innovation and operational improvements

# Cash Systems Innovation



EV86 Series – Single Pocket Counter



Nvision™ - Two Pocket Counter



VERTERA™ – Teller Cash Recycler



Kalebra® P2 Four Pocket Sorter



CPS Banknote Sorter



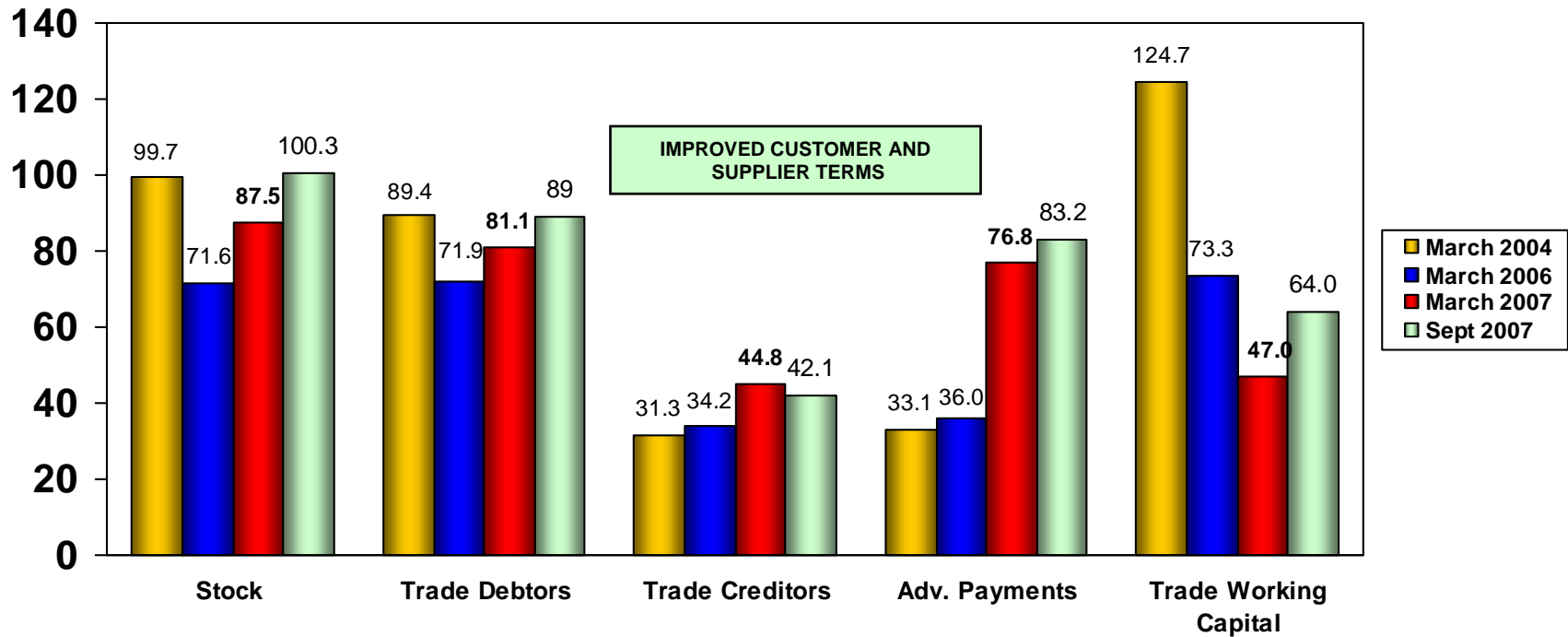
QuickChange™ – Coin Sorter



# Progress on Strategic Actions

## TRADE WORKING CAPITAL

£m



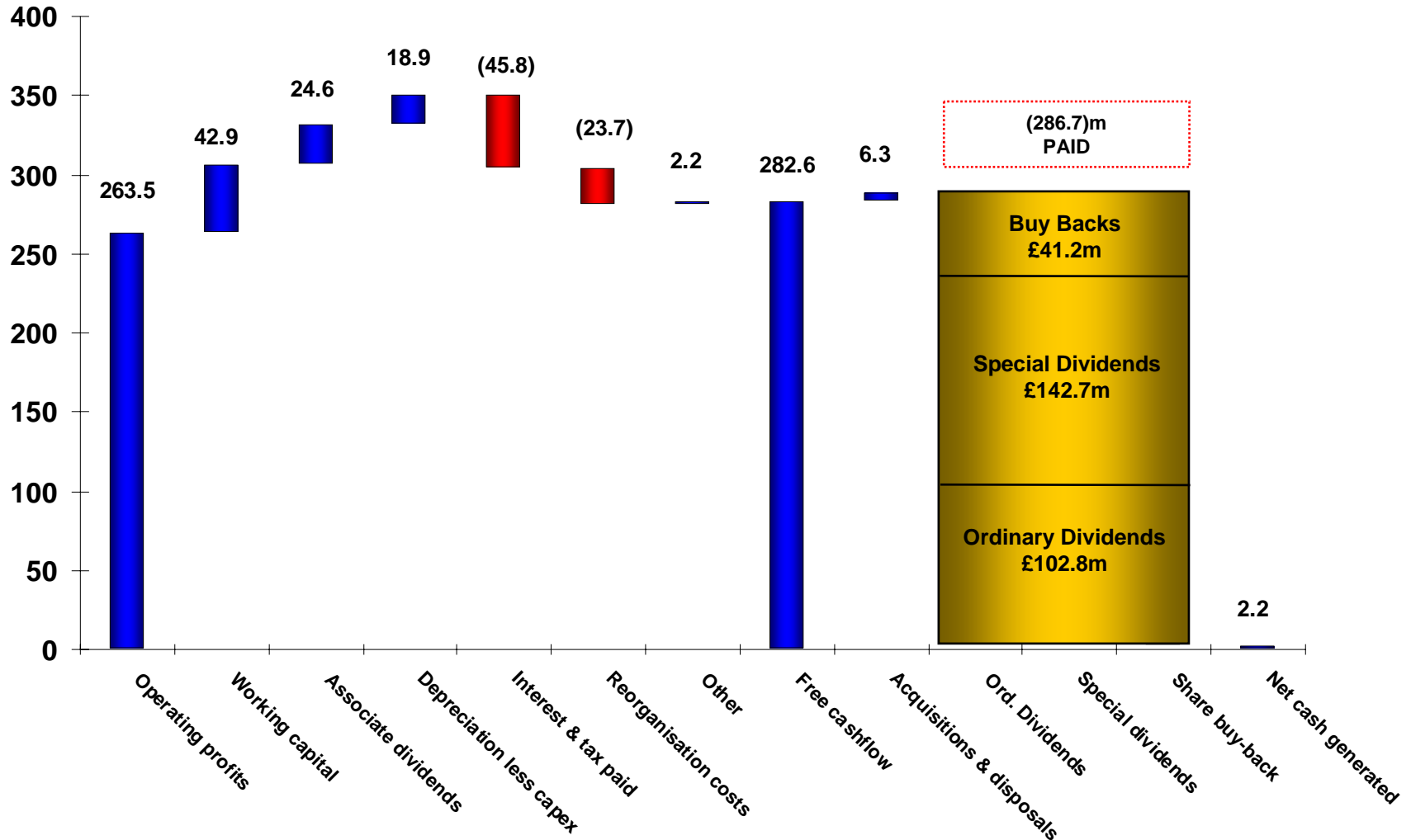
**TRADE WORKING CAPITAL HAS HALVED OVER THE PERIOD**



# Progress on Strategic Actions

£m

## CASH FLOW GENERATED OVER LAST THREE AND A HALF YEARS



DURING THE PERIOD RETURNED 109 PER CENT OF GROUP OPERATING PROFITS



# Strategic Review

- Results demonstrate achievement of first phase in our programme to build substantially improved shareholder returns.
- Strategic review underway to define the next phase of the Group's development, including an assessment of :
  - the Group's structure
  - the appropriate balance sheet capitalisation and dividend policy.
- Expect to update the market on this strategic review at the full year results in May 2008.





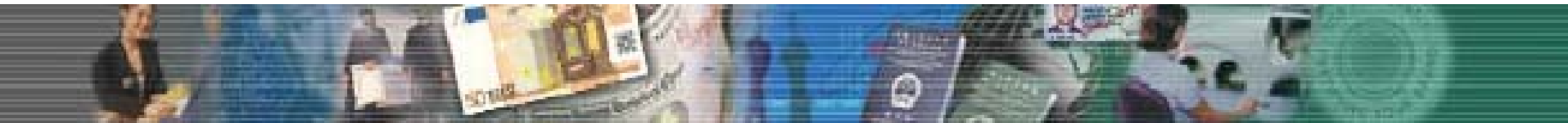
# Outlook

- The Group continues to have a strong order backlog in both operating divisions.
- Given the strength of the order book in Currency and the benefits of continuing to operate at high levels of productivity and capacity, we expect second half performance in Security Paper and Print to be significantly ahead of the corresponding period last year.
- Cash Systems continues to trade in line with expectations.

- Highly successful phase one
- Right time to consider the next phase of Group's development
- Update market on strategic review with full year results in May 2008

**DELIVERING VALUE TO SHAREHOLDERS**



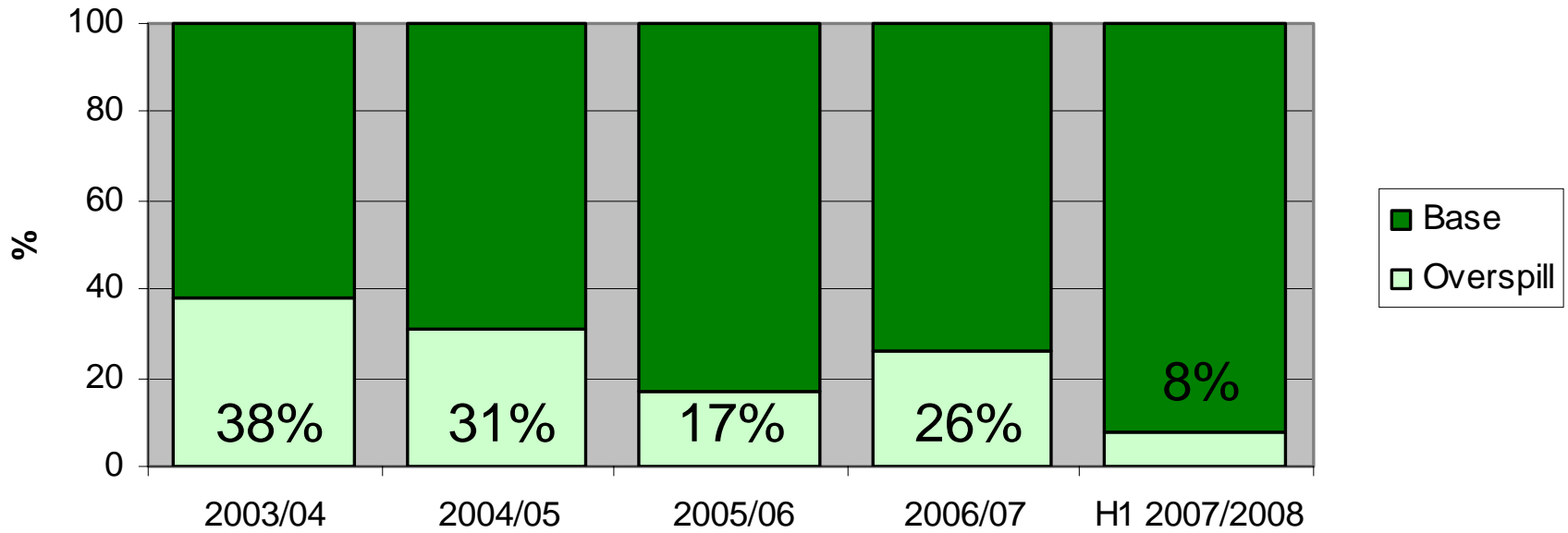


## **SUPPLEMENTARY SLIDES**

# Currency Overspill / Base

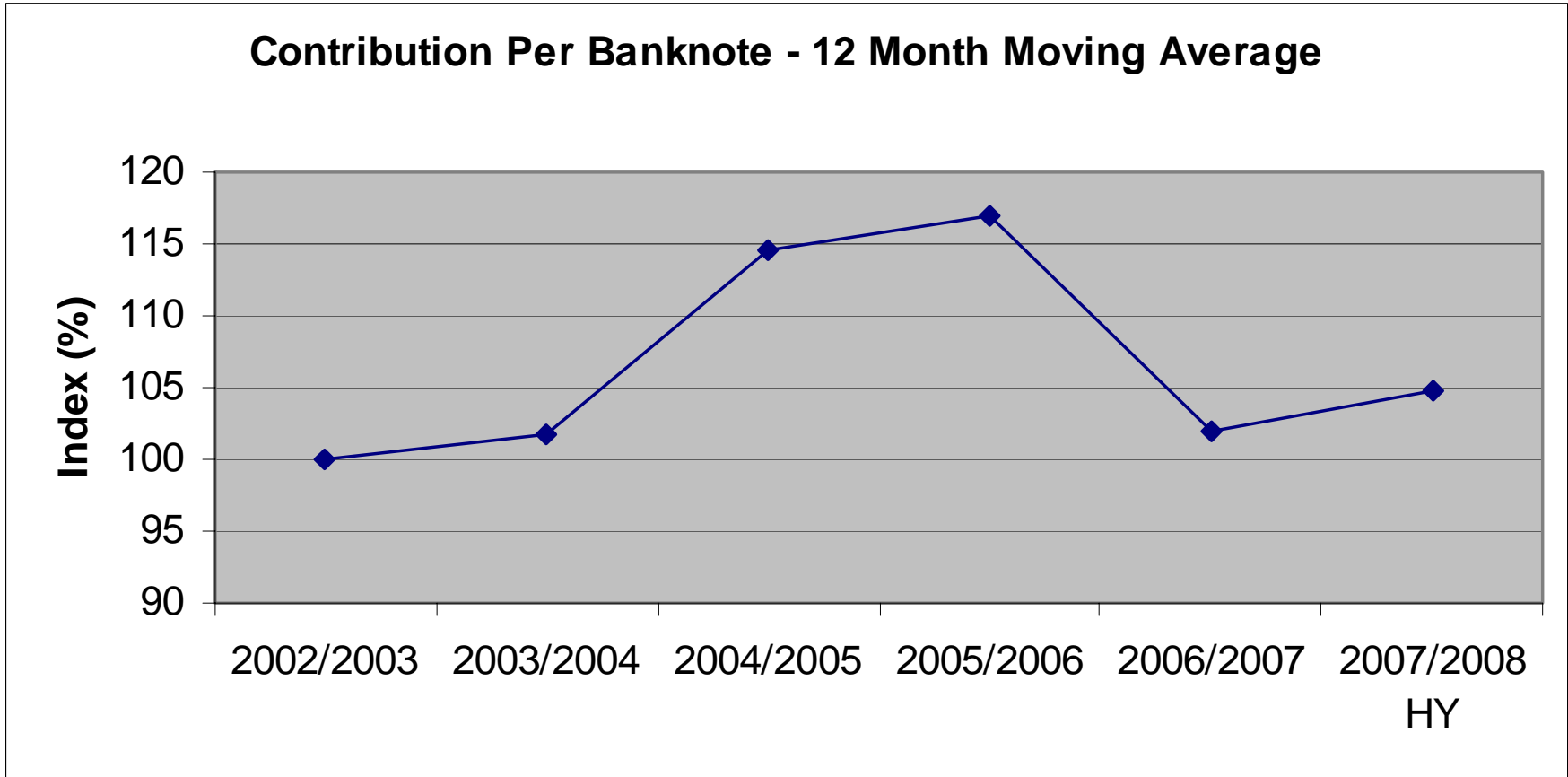


### Banknotes Base / Overspill Percentage of Sales



(Includes Debden activities)

# Currency Banknote Contribution



## Currency Volumes – First Half

	<b>2007/2008</b>	2006/2007
Underlying banknote volumes – increase/(decrease)	<b>(2.6%)</b>	26.4%
Overspill – as a % of total banknote volumes	<b>8%</b>	25.0%
Paper volumes – (reduction)/increase	<b>10.6%</b>	13.3%