ACCELERATING VALUE

Leo Quinn

Overview of De La Rue

29 September 2008
Agenda

0800 Overview of De La Rue Leo Quinn
0830 Introduction to Currency James Hussey
0930 Currency: Customer Relationships & Innovation Mark Crickett
1015 Coffee Break
1030 Currency: Performance & Productivity Mark Jeffrey
1115 Tour 1

1245 Buffet Lunch

1315 Tour 2
1415 Introduction to Identity Systems James Thorburn
1500 Introduction to Security Products Keith Brown
1545 Procurement and Supply Chain Andrew Vaughan
1630 Concluding Remarks Leo Quinn

1640 Bus Departing
### The new De La Rue

#### De La Rue Plc

<table>
<thead>
<tr>
<th>Department</th>
<th>Sales (£m)</th>
<th>Operating margin (%)</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency</strong></td>
<td>316.7</td>
<td>25.1</td>
<td>2,134</td>
</tr>
<tr>
<td>James Hussey</td>
<td></td>
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<tr>
<td><strong>Security Products</strong></td>
<td>74.8</td>
<td>13.1</td>
<td>673</td>
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<tr>
<td>Keith Brown</td>
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<tr>
<td><strong>Identity Systems</strong></td>
<td>26.5</td>
<td>17.4</td>
<td>84</td>
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<tr>
<td>James Thorburn</td>
<td></td>
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<tr>
<td><strong>Cash Processing Solutions</strong></td>
<td>58.4</td>
<td>1.7</td>
<td>822</td>
</tr>
<tr>
<td>Kevin Freeguard</td>
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</table>

Source: 2007/2008 Annual Results from Shareholder Circular June 2008 – Headcount as of March 08
What was De La Rue’s starting point, in 2004?

- Pursuit of growth through acquisition, but lack of execution/integration resulted in value destruction
  - £46m goodwill write offs, £67m restructuring costs
  - Earnings volatility and profit warnings

- … but some formidable strengths in the core, on which to build
  - Powerful global brand: market-leading positions
  - Long term customer relationships
  - Experienced, knowledgeable employees
  - Strong balance sheet
In 2004, a very mixed portfolio

...17 businesses, of which the top 9 generated 85% of revenues and 95% of profits – led by

**Strong Currency franchise**
- Customer focussed
- Strongly vertically integrated
- Clear accountable structure
- Successful model of integrating UK SPW
- Stable industries; growth pockets
- Strong presence in developing markets

**Contrasted with Cash Systems**
- Lack of customer focus
- High cost base
- Complex matrix structure
- Poor acquisition record
- Excess manufacturing capacity and inefficient supply chain
- Cyclical market
- Heavy exposure to mature markets

**Good businesses with potential to be great**

**Fragmented businesses needing integration and focus on execution**

Source: De La Rue Interim Results November 2004
From 2004, we drove the core hard to build value

**Currency**

- **Optimise** earnings

  - **Focus** on market leadership
    - Support brand strength
    - Nurture customer relationships

  - **Invest** in technology and upgrade production assets

  - **Extract** ongoing productivity gains

  - **Drive** continued cash generation

**Security Products**

- **Improve** quality of earnings

  - **Extract** benefits from recent restructuring - factory closure

  - **Exit** from low margin products and contracts

  - **Leverage** technology from Currency IP

  - **Focus** on retaining/broadening customer base, e.g. brand protection

  - **Invest** in developing growth opportunities in target markets
    - fiscal stamps / government revenues
    - ePassports - this factory
    - authentication labels

Source: De La Rue Interim Results November 2004
Processes to drive innovation, talent and accountability

**Weekly CEO Pulse Calls**

- Key Account Review

**Monthly Business Reviews**

- Quarterly Business Review
- Risk Committee
- Budget Review

**Financial Reviews**

- Quality Review
- My Contribution Review
- Leadership Review
- Innovation Review

**Spotlight**

- Quality Review
- My Contribution Review
- Leadership Review

- Quarterly Business Review
- Business Performance Review
- Innovation Review

- Quarterly Business Review
- Risk Committee

- Key Account Review
- Leadership Review

Copyright De La Rue 2008
A continuous improvement culture…

Invigorate management and employee throughout the Group to build new culture

- My Contribution established as the engine for continuous improvement

- Productivity teams and performance measurement matrix established
  - Manufacturing
  - Supply chain and inventory
  - Procurement
  - Service
  - Growth opportunities
  - Pricing

Culminates in Spotlight recognition

2007 gross value - £32m
...creating the platform for acceleration, by 2008

Our 2008 strategy review confirmed that we had two market-leading divisions; but minimal opportunity for synergies:

- Decision to crystallise investment created in Cash Systems since 2004

- Enhance quality of earnings of “new” De La Rue
  - better margins with strong cash conversion
  - fundamentally stable markets with underlying growth drivers
  - includes retained interest in Camelot, UK lottery operator

- Eliminate excess central cost attached to Cash Systems over 18 months

Dividend rebased to 1.75 cover; modest debt on balance sheet
...with a strong track record and clear synergies

- Vertical integration
- Shared IP developments
- Common customer base and route to markets
- Single strong brand
- Flexible operational assets to serve the Group
James Hussey
Introduction to Currency
29 September 2008
## Currency Overview

### De La Rue Plc

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<td></td>
<td>£58.4m</td>
<td>1.7%</td>
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Source: 2007/2008 Annual Results from Shareholder Circular June 2008 – Headcount as of March 08
For the past 10 years, we have focussed on building resilience

- **Mitigating** key exposures
- Upgrading **professionalism**
- Ensuring long term sustainable **growth**

Improving control and visibility to improve quality of earnings
Mitigating

Revenues: diminished reliance on banknotes overspill

Overspill as % of total banknote volume

Source: De La Rue 2008
Mitigating

Revenues: stable and diverse customer base

Number of banknotes customers

160 customers: 85% in developing nations

Source: De La Rue 2008
Mitigating

Revenues: we have built other revenue streams for our business

- Thread, paper
- IP
- Technical services
- SPW (inc. Debden)

Today, these revenue streams represent 35% of Currency revenues

Source: De La Rue 2008
Revenues & costs: we have driven price and contribution up

Closing order book revenues and contribution trends

Technology content drives value

Source: De La Rue 2008
Mitigating

Costs: we now control more of our inputs

62% of costs are now in house

Source: De La Rue 2008
Costs: our contract life allows costs to pass on relatively rapidly

Annual renewal as % of Currency revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>04/05</th>
<th>05/06</th>
<th>06/07</th>
<th>07/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>72%</td>
<td>84%</td>
<td>92%</td>
<td>88%</td>
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</tbody>
</table>
Since 2004, ongoing upgrade of Currency’s assets
The Debden example

- When we bought Debden in 2003, the manufacturing site was 100% geared towards the Bank of England with three lines of equipment

- Key actions:
  - Produce export work at Debden to maximise utilisation of capacity
  - Utilise Debden for certain processes that other manufacturing sites cannot perform
  - Mitigate Malta capex
Assets: in paper, we are able to flex DLR volume to capitalise on efficiencies

Paper sales volume

Source: De La Rue 2008
We have turned intuition into knowledge

- Increased role of marketing and of market forecasting
  - Macro-economics trends
  - Five year forecasting model

- Active sales pipeline management, two year prospect funnel
  - Annual sales plan
  - Quarterly review

- Strengthened manufacturing process
  - “Manufacturing” vs. “banknotes” specialists
  - Six key KPIs monitored in manufacturing
  - My Contribution
We monitor and protect the brand

Brand study in June 2007 confirmed that De La Rue brand had a real strength and depth in Central Banks

- Brand does make a difference
  - *We look for good brands more than price*’
    (Central Bank, Asia)

- 86% of market rated Currency brand very highly
  - ‘With comparable tenders, the De La Rue name would be decisive’ (African government)

- Our brand is recognised for embedding Security, Integrity, Trust. De La Rue rated highly on these attributes by 83% of the market
  - ‘They definitely live those values – that just about sums up what they’re all about’ (Central Bank, Americas)

The brand is greater than the individual

Source: De La Rue 2008
How likely would you be to recommend De La Rue to a colleague?

Promoters % minus Detractors % = NET PROMOTER %

Currency in top quartile of companies surveyed

Source: Satmetrix Benchmark Data
Every year, we carry out the Great Place to Work survey

- 81% participation rate

High scores on performance and accountability with the following agreement rates:

- 90% “It matters that we meet our deadlines and commitments”
- 85% “We give extra when necessary to get the job done”
- 83% “Delivering results really matters here”
- 80% “I ensure my work objectives are clear”

Source: De La Rue Great Place to Work Survey - 2008
Manufacturing KPIs

- **Quality**
  - Customer complaints
  - Spoil and waste levels

- **Delivery time**
  - Percentage delivered against agreed delivery commitment

- **Health and Safety**
  - RIR (Reportable Injury Rate)
  - LTD (Lost Time Days)

- **Environment**
  - Overton mill and conformance to Environmental Agency targets
Cash continues to dominate transaction volumes

"In 10, or maybe 50 years time, we will still be using cash but I don’t think we will have plastic"

Anthony Jenkins, CEO Barclaycard (14/09/2008)

Source: APACS
In print, volumes have grown c. 5% CAGR for 10 years

De La Rue print volumes

Debden inc from 2003 onwards

Iraq

Source: De La Rue 2008
What will be the drivers of growth in the future?
There are fundamental drivers of banknote demand...

Level of cash issuance in the year

- Change in GDP
  - Reflects general economic growth

- Change in M0 / GDP
  - Measures use of cash as a means of payment
  - Very stable in most countries
  - Affected by factors such as level of ATM deployments, use of cashless payments

- Note retirement
  - New note designs (generally increases retirement) / political changes
  - Changes in denominational structure (new values, coins)
  - Increased mechanisation of cash handling
  - Changes in Central Bank policy (eg note circulation quality initiatives)

Historically, cash issuance has grown at GDP+
Growth

...and we have identified growth opportunities for the next decade

Euro 2012

- Procurement situation is changing
- Participated in Euro launch in 2001; still printing for 1 National Central Bank
- Participate in European Central Bank technical dialogue
- Preparing appropriate capability and configuring our manufacturing for opening of the market

Worldwide Banknotes Volumes 120,000 Million of Notes

Millions of Notes

- Russia
- USA
- China

SPWs Euro zone

SPWs (other)

Overspill

Commercial

Source: De La Rue 2008
...and we have identified growth opportunities for the next decade

Services to SPWs

- C. 15% of market is served by commercial printers
- Banknotes printing less strategic in the medium term

Long term play from our IP

Source: De La Rue 2008
Our investment in IP fuels both growth and profitability

Growth

Source: De La Rue 2007
Planning = Visibility = Efficiency

Banknote order book

Source: De La Rue 2008
Planning = Performance = Relationship

The Iraq example (2004)
Today – a well managed business with long term growth potential

When I joined, what kept me awake at night was

- Lack of process, corporate knowledge, data, culture of “gifted amateur”
- Lack of growth prospects / chasing volume
- Lack of control over volatility

Today what keeps me awake at night is

- Environment, Health and Safety (always)
- Security
- Managing a dual culture – professionalism and entrepreneurial ambition
Mark Crickett
Customer Relationships and Innovation
29 September 2008
Currency – products and services

The preferred partner of Central Banks for banknotes and paper worldwide, exploiting our technology, service and quality, tailored to meet their individual needs

Customer base of around 160 countries worldwide

- Banknote paper
- Banknote design and printing
- Security threads
- Currency technology
- Manufacturing consultancy
- Counterfeit analysis
- Currency forecasting services
Available market: 20bn notes for print and 50,000 tonnes for paper

Worldwide banknotes volumes
120,000 million of notes

Russia
USA
China
SPWs Euro zone
SPWs (other)

Worldwide paper volumes
120,000 metric tonnes

Russia
USA
China
SPWs Euro zone
SPWs (other)

Overspill
Commercial

Source: De La Rue 2008
Long established, rational competitive structure

- **Commercial banknote printers**
  - Well established (typically over 100 years old)
  - Experience and understanding of the market
  - Majority are family owned / controlled European companies

- **SPWs**
  - National customer always takes priority over export
  - Not geared up for service and support of other customers
  - Opportunistic approach to the market driven by level of domestic demand
  - Potential political risk for customer Central Banks

- **Lack of new entrants**
  - Requirement for brand/customer credibility
  - Need sales network and access to technology
  - Capital equipment is highly specialised
  - Limited number of suppliers (ink, printing presses)

De La Rue, the market leader in the commercial sector
Drivers of banknote demand

Level of cash issuance in the year

- Change in GDP
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  - Increased mechanisation of cash handling
  - Changes in Central Bank policy (eg note circulation quality initiatives)

- Note retirement
In any single year, issuance of new notes is dominated by replacement of existing notes.
No significant change in GDP growth rates between 1996-2000 and 2001-2005

Drivers of issuance growth – change in GDP growth

Average Growth in GDP (CAGR% - 2001-05)

Average Growth in GDP (CAGR% - 1996-2000)

Source: De La Rue 2008
M0/GDP ratios remarkably stable over 1996 to 2005 time period

Drivers of issuance growth – change in M0 / GDP

Suggests impact of cashless payments has been limited

Source: De La Rue 2008
Cashless payment: ‘critical mass’ effects are central to new payment technology take-up

Critical elements and dependencies for a new payment system

**Strong consumer proposition**
- Merchant acceptance at regular points of purchase
- Consumers have to find the payment form relatively attractive …
- … so payments should be free, very fast and relatively secure

**Mass consumer uptake**
- Wide-reaching distribution and a credible backing organisation are also likely to be required

**Mass merchant uptake**
- As for consumers, requires differentiated proposition and likely to require wide distribution and a credible backing organisation

**Strong merchant proposition**
- Existing consumer demand is important to justify the investment cost
- Ongoing costs to merchants have to be low
- Transaction speed and convenience can create high perceived value

Contactless ("Wave n’ Pay") technology could offer strong consumer and merchant propositions, but uptake will depend on infrastructure development

Source: De La Rue 2008
Emerging non-cash technologies

- Mobile: 'All-in-One' device
  - MasterCard, Visa & Amex: ‘Wave Goodbye to Cash’
  - Mobile Operators as Banks?: Customer ownership

- Technology Hopping: Mobile penetration 3rd W
  - Mobile Penetration

- Transport: Oyster, Octopus, Parking etc.
  - Payment Handling
  - £10 Micro

Increasing complexity, tends to self-cannibalise

Source: De La Rue 2008
De La Rue customers

- Central Banks
  - Printing
  - Counterfeit analysis
  - Currency management services

- State Printing Works (SPWs)
  - Paper
  - Overspill printing
  - Manufacturing consultancy

- State paper mills
  - Security threads

- Commercial printers and papermakers
  - Paper
  - Security Threads
  - Holograms

Our customers attach importance to:

Performance
Relationship
Technology

'Good customer care, reliable product, innovation, continued support even after delivery of order/product'
Central Bank, Africa

‘I’m proud of working with them for such a long period’
Central Bank, Asia

‘For its high level of professionalism and technical leadership in the currency industry, as well as being highly responsive and flexible in its conduct of business’
Issuing Authority, Far East

Source: De La Rue 2007
Between 50 and 60 countries order banknotes every year

Number of banknotes customers

Source: De La Rue 2008
Closely monitored customer satisfaction

High scores on all criteria

Source: De La Rue 2007
Geographical spread of Currency’s customers

85% in developing countries

United Kingdom and Ireland: 14%
Europe: 1%
North America: 0%
Rest of the World: 85%
Maintaining a strong long term relationship

Central Bank
Governor
Deputy Governor
Executive Directors
Head of Issue

De La Rue
Managing Director
Director of Sales
Area Sales Director
Regional Manager

Average length of service for salespeople is 10 years
‘I’m proud of working with them for such a long period’ (Central Bank, Asia)
The importance of innovation

The nature of counterfeiting has changed over last ten years

- Development of sophisticated and low cost digital reproduction technology (eg PC-based colour scanners & printers)
- Counterfeiters willing to undertake additional processes beyond replication of the printed image

However, cash remains more secure than cards and this is partly due to the industry’s effort to constantly bring new security features to the market

- In 2007, the Bank of England took out of circulation 290,000 counterfeit banknotes with a total face value of £5.8 million\(^1\). In comparison, total card fraud in the UK reached £535 million in the same year\(^2\).
- A 2006 pan-European consumer survey reveals that 11% of adults polled across eight key European countries have had their card details stolen or used without their permission. This equates to around 22.8 million people, or the combined populations of Belgium and Sweden\(^3\).

Source:
1: Bank of England
2: APACS
3: ESTA (European Security Transport Association)
Market leading security features
Awards

- April 2008: Bank of Scotland (BoS) awarded the International Banknote Society banknote of the year award for the £50 note

- May 2007: The National Bank of Kazakhstan won the International Association of Currency Affairs Award for the De La Rue designed and printed new family

- April 2007: Queen’s Award for Enterprise: Innovation for StarChrome® security feature

Patents

- 104 patent families relating to security document technology

- Typically c.13 new filings per annum
optiks™
Our manufacturing strategy is key to our #1 position in the market

We continually upgrade our security, operational processes, assets and talent in order to create

- Security and Environmental Health
- New capacity through ongoing productivity
- New capability through ongoing investment
Security: core to our business strategy

- Formal security structure fundamentally reviewed and reports to newly appointed Divisional Security Director
- Physical site security upgrade programme underway
- Regular formal site audit programme upgraded
- Adoption of ECB and BoE compliance measures
- Enhanced global shipping security risk management process implemented
Capacity: a flexible factory portfolio

Westhoughton - 2003
Security Thread

Overton - 1995
Banknote Paper

Debden - 2003
Export & Local Print

Gateshead - 1964
Export & UK Print

Malta - 1975
Export Print

Sri Lanka - 1986
Export & Local Print

Kenya - 1994
Export & Local Print
KEY ACTIONS

- Reduced make ready and change over times
- Reduced waste and spoilage
- Improved machine running speeds
- Introduction of structured operational processes

Increase in productivity per employee 2003 vs. 2008

<table>
<thead>
<tr>
<th>Location</th>
<th>Increase</th>
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<tr>
<td>Kenya</td>
<td>+290%</td>
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<tr>
<td>Sri Lanka</td>
<td>+46%</td>
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<tr>
<td>Debden</td>
<td>+34%</td>
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<tr>
<td>Overton</td>
<td>+13%</td>
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<tr>
<td>Malta</td>
<td>+11%</td>
</tr>
<tr>
<td>Gateshead</td>
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## Capacity: asset utilisation through structural change

### Typical process machinery running hours

<table>
<thead>
<tr>
<th>Location</th>
<th>2003</th>
<th>2008</th>
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<tbody>
<tr>
<td>Westhoughton</td>
<td>🍀</td>
<td>🍀</td>
</tr>
<tr>
<td>Overton</td>
<td>🍀</td>
<td>🍀</td>
</tr>
<tr>
<td>Gateshead</td>
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<td>🍀</td>
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~76% utilisation in print
KPIs drive the business

- **OEE (Overall Equipment Effectiveness)**
  - Shows efficiency of plant utilisation
  - Encompasses uptime, quality and running speeds

- **Quality**
  - Customer complaints
  - Spoil and waste levels

- **Delivery time**
  - Percentage delivered against agreed delivery commitment (OTIF)

- **Health and Safety**
  - RIR (Reportable Injury Rate)
  - LTD (Lost Time Days)

- **Environment**
  - Overton mill and conformance to Environmental Agency targets
Case Study: Overton PM2 & PM3

£40m capital avoidance through productivity improvements on PM2 and PM3
Productivity is core to the culture of our company.
Case Study: 2003 acquisition of the Bank of England asset in Debden

Key elements were advanced planning, appropriate capital investment and rigorous implementation of standardised and proven De La Rue practices
## Capability: capital investment has enhanced our capability

<table>
<thead>
<tr>
<th>Location</th>
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<tr>
<td>Westhoughton</td>
<td>✓ Process efficiency and enhanced features and products</td>
</tr>
<tr>
<td>Overton</td>
<td>✓ Durable papers, foils and iridescence features</td>
</tr>
</tbody>
</table>
| Gateshead  | ✓ Pre press efficiency and enhanced features  
|            | ✓ Process efficiency and new features                            |
| Malta      | ✓ Print design capability  
|            | ✓ Durable banknotes  
|            | ✓ Features                                                      |

We need the assets to be in line with our IP innovation
James Thorburn
Introduction to Identity Systems
29 September 2008
Identity Systems overview

De La Rue Plc

- Currency
  James Hussey
  Sales: £316.7m
  Operating margin: 25.1%
  Headcount: 2,134

- Security Products
  Keith Brown
  Sales: £74.8m
  Operating margin: 13.1%
  Headcount: 673

- Identity Systems
  James Thorburn
  Sales: £26.5m
  Operating margin: 17.4%
  Headcount: 84

- Cash Processing Solutions
  Kevin Freeguard
  Sales: £58.4m
  Operating margin: 1.7%
  Headcount: 822

Source: 2007/2008 Annual Results from Shareholder Circular June 2008 – Headcount as of March 08
What does IDS do?

- Passports
- National ID cards
- Driving licences

- Implementation and support
- Data capture, personalisation and issuance systems (MIDIS™, SIPS™)
- Consumables – laminates, inks
- Training
Drivers affecting our market

Double digit growth in the market

Drivers of growth in identity market
- Increased mobility and changing cross-border security environment (immigration, increasing mobility, terrorism)
- Continued drive to “e” and uptake of new “e”-technologies
- Social programmes – large scale national ID card / driver’s licence and healthcare programmes
- Voter registration
- Access control
- Identity fraud

Potential Inhibitors
- Privacy concerns could cause backlash
- Interoperability
- Speed of introduction too fast for developing infrastructure?
- Growth of cards being used regionally in place of passports
- Costs of large ID initiatives (esp. biometrics)

Sources: Lazard Analyst Report 2007; Pira International 2007; Keesing 06-07 report on epassports; Internal sources
What it takes to be successful in our markets

Competitive success factors in identity market

1. Brand and reputation
2. Local presence and representation
3. Right partners
4. Breadth of proposition and capability
5. Competitive pricing
6. Technologically up-to-date

Source: De La Rue 2008
What we sell

Breakdown of IDS 2007 revenues by category

- **Passport Books**
  - Percentage: 34%

- **US Driving Licences**
  - Percentage: 11%

- **ID Cards**
  - Percentage: 34%

- **Implementation and support (ID Cards)**
  - Percentage: 20%

- **Implementation and support (Passports)**
  - Percentage: 10%

- **Passports**
  - Percentage: 55%

Source: De La Rue 2007
IDS focuses on 2nd and 3rd world countries which suit its core skills and make best use of Group capabilities.
How we work with the rest of De La Rue

- Sales networks
- Manufacturing efficiencies and economies
- Materials sciences competence in security features
- Branding
- Group central resources
“Identity” is more than just a document

- Chip / OS*
- Blank Token
- Card, PPT
- Personalisation
- Issuance
- Verification
- Enrolment
- Personalisation System
- Data
- Documents
- Facial
- Finger
- Iris
- AF/BIS**
- ID Management System / databases
- Certification Authority
- Key Management System
- Card Management System
- Card Management System Application Management
- Revocation
- Termination
- Logical Access Control M/ware
- Physical Access Control M/ware
- Reader Management software

* Operating System
** Automated Finger/Biometric Identification System

Source: De La Rue 2008
Our focus is on creating a stable platform for growth

- Upgrading talent and increasing professionalism
- Strengthening leadership team
- Securing renewal of key contracts
- Driving innovation
- Developing operational resilience
- Investment in Malta

Positioning for transition to ePassports and eID cards
- Strong position in machine readable passports – 35% share of “available” passport print market
- Developing ID card capability and proposition
- Developing service and implementation proposition

Source: De La Rue 2008
NEW WIN: Complete identity solution offering for Malta

- Customer: Maltese government
  - Part of the Maltese e-Government National Identity Management System (NIDMS)
- Products:
  - ePassports and ePassport enrolment, personalisation and issuance
  - Biometric data capture
  - PKI (Public Key Infrastructure) solution
  - Border control system
  - Database integration into the Maltese e-Government framework
- Go live: 1st October
- End date: 2015

- IDS’ first complete integrated Passport and ID card solution
- Enhanced revenue stream secured for seven years
- European reference site
- Industry-leading EAC implementation
NEW WIN: New York State driving licence contract renewal

- Customer: New York dept of motor vehicles
- Products:
  - Standard driving licences
  - New enhanced driving licence to meet the new Western Hemisphere Travel Initiative (“WHTI”) requirements
  - Data capture and processing at 120 sites
  - Personalisation and issuance bureau
  - MIDIS software platform managing entire application, personalisation and issuance process
- Go live: 16th September
- Volumes: 5m documents per annum
- End date: 2013

IDS innovation creating new solution to meet customer needs
Enhanced revenue stream secured until 2013
First chipped ID card developed in-house
Build on our strengths to capitalise on opportunities in the identity market

- Build on our core strengths
  - Our brand for security
  - Existing customer base
  - Growing market capabilities
  - Second and Third World sales networks

- To steadily capitalise on a growing market
  - Growth in e-Identity

- By
  - Developing sales channels
    - Position for e-Growth by winning MRP and ID sales
  - Innovating and developing our proposition
    - Material science innovation, leveraging Group R&D capability
    - Develop ePassport implementation capabilities
    - Develop ID card capabilities
  - Customer-focussed operational excellence
    - Quality and supply chain
Keith Brown
Introduction to Security Products
29 September 2008
Security Products overview

De La Rue Plc

Currency
James Hussey
- Sales: £316.7m
- Operating margin: 25.1%
- Headcount: 2,134

Security Products
Keith Brown
- Sales: £74.8m
- Operating margin: 13.1%
- Headcount: 673

Identity Systems
James Thorburn
- Sales: £26.5m
- Operating margin: 17.4%
- Headcount: 84

Cash Processing Solutions
Kevin Freeguard
- Sales: £58.4m
- Operating margin: 1.7%
- Headcount: 822

Source: 2007/2008 Annual Results from Shareholder Circular June 2008 – Headcount as of March 08
Security Products – what we do

- The largest commercial security printer
- Brand licensing solutions and authentication labels
- Government documents
- Financial card holograms
- Internal components
- Travellers cheques
- Postage stamps
- Cheques
End user markets have distinct characteristics

- Customer groups
  - Governments
  - Multinational commercial organisations (software vendors, governing bodies, commercial banks)

- Growth trends
  - (5-10% growth) Emerging segments: e.g. brand licensing
  - (5% growth) Growing segments: authentication labels, financial cards, internal components
  - (Up to 10% decline) Mature segments: travellers cheques and postage stamps and cheques

- Geographic markets
  - Developed Mainly commercial
  - Emerging Mainly government

Commonality: lumpy, "sticky", long term call-off contracts
Where we are

Further scope to leverage Currency customer base
Fragmented competition

- State printing works
- Traditional banknote players
- Commercial printers
- New entrants, mainly around the track and trace technology

- Compete in own markets
- Wide range of technologies
- Global presence
- Lack of focus on non-banknote
- Cost competitive
- Lack the technology
- Local, trying to go regional
- Diverse - component makers to IT providers
- None have the whole offer

No dominant competitor emerging
2004 - 2007 phase 1: mitigation

Priority was rationalisation and cost reduction

- Getting benefit from factory closures
  High Wycombe, Peterborough, West Byfleet

- Relocating strategic product lines
  Vouchers and internal components to Nairobi

- Reducing overhead costs
  Matrix to SBU structure

- Exiting low margin / low growth business
  UK cheques, Irish JV

- Improving operational effectiveness
  My Contribution

Focus has been on sorting the business
Impact of phase 1

Then:
- UK centric site structure
- Wide product range, long tail, reliance on mature markets
- Uncertain future
- Loss making

Now:
- Facilities more evenly spread internationally; UK, US, Africa, Asia
- More focussed product range, weighted to growth markets
- Core business with clear growth strategy
- Profitable

Security Products has been turned around
The business is changing gear
- From "grow profit by improving productivity"
- To "grow profit by increasing sales"

We have a number of target growth segments
- Authentication labels and the related area of brand licensing
- Government revenues, leveraging Currency
- Component sales for internal use, including banknote holograms

We will continue to upgrade capability
- Invest in new technology to improve differentiation
- Build service model, with long term contracts
- Enhance workforce skills through training and selective recruitment

We have ample scope for further productivity improvements
- Leverage Group assets
- Continue to reduce the cost of quality and deliver My Contribution savings
Three activities – paper, print and holographics – focussed on a number of end markets

End market split

- Brand Licensing
- Solutions
- Financial Cards
- Government Revenues
- Internal Components
- Commodities

1 – Travellers cheques
2 – Postage stamps
3 - Cheques
Market trends and drivers

**Government drivers**
- Shift of taxation from direct to indirect
- Developing world markets catching up
- Identity and financial fraud affecting attitudes towards secure documents
- Local printers attempting to evolve into regional security players

- £300m available market growing 3% p.a.
- Fragmented market with no dominant player
- Increased growth comes from upgrades, new schemes and service contracts

**Commercial drivers**
- Diversion and counterfeiting activity in virtually all sectors
- Needs driven mainly by revenue losses, but also supply chain efficiencies
- Emergence of solutions providers

- £200m available market growing 3% p.a.
- De La Rue 12% share
- Signs that market is beginning to emerge

Commonality: the threat of counterfeit
Product into solutions: brand licensing

- Brand owners have concerns about counterfeit issues, collection of royalties and grey market trading

- Authentication labels - brand owner controls the supply chain
  - Targeted at the counterfeit issue

- Brand licensing - brand owner has outsourced or open supply chain
  - Targeted at the collection of royalties and / or countering grey market
  - Implementation can be at no cost to brand owner

- Brand licensing is the broader concept delivering
  - Authentication label
  - Tightly controlled supply chain
  - Tracking systems
  - Reporting tools

Business model has scope for rapid growth and wide application
Major synergies with Group

- Brand
- Cross selling opportunities
- Internal component sales
- Intellectual property
- Footprint
- Processes

Building on Group strengths
Our future focus

Today, Security Products has an efficient, profitable platform from which to exploit identified growth opportunities

- Building authentication labels and developing brand licensing
- Growing the government revenues business
- Leveraging our internal components opportunities

Security Products is now in the growth phase
Andrew Vaughan
Procurement and Supply Chain

29 September 2008
De La Rue procurement strategy

A dedicated procurement organisation with a well trained team:

✓ Aligned with the business needs

✓ Senior level support

✓ A strong productivity culture

✓ Activities conducted in a fair, objective and transparent manner

✓ A robust governance model ensuring spend is managed in a controlled manner compliant to the procurement policy

✓ Delivering the best possible cost of ownership to De La Rue
Governance: structure drives success

- Direct
- Indirect
- Supply Chain
- My Contribution

- Common Approach (Process & Tools)
- Agreed Objectives
- Centrally Enabled
- Consolidated Dashboard Reporting
- Centralised Tracking

- Policy
- Procedures
- Strategies
- Data Analysis / Metrics

Procurement Governance
Organisational Compliance
Procurement Operating Model

Direct Commodity Managers
- Simon Morgan
- Jon Gregory
- Chris Goodchild
- Gareth Chambers
- Dunstable David Thomas
- Overton John Gregory
- Gateshead Paul Wray
- Bathford Ben Moody
- West Houghton Karen Strizaker
- Kanya Dave Hepple
- Sri Lanka Kapila Perera
- Holographics Paul H Smith
- Debden Peter Kennedy
- IDS Peter Smith

Indirect Category Managers
- Heidi Bennet
- James Pringle
- Mihaela Solomon
- Sarah Proctor
- Richard Struthers
Data availability: making “fast paced decisions”
Managing compliance: Travel dashboard

### DOMESTIC / INTERNATIONAL

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<th>Domestic/International</th>
<th>Business Unit Name</th>
<th>Hotel Room Nights</th>
<th>Hotel Average (GBP)</th>
<th>% of Total Hotel spend</th>
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### GEOGRAPHY

**Hotel spend by country**

- **UNITED KINGDOM**
- **SWEDEN**
- **UNITED STATES**
- **UNITED ARAB EMIRATES**
- **FRANCE**

### Flight spend Yr on Yr and business class share

- **Qtr 1**: £30%
- **Qtr 2**: £20%
- **Qtr 3**: £26%
- **Qtr 4**: £22%

### Lost saving (lower price not taken) and % of total ticketed spend

- **Qtr 1**: 7%
- **Qtr 2**: 11%
- **Qtr 3**: 4%
- **Qtr 4**: 6%

### Ticketed cost and % usage of low cost airlines

- **Qtr 1**: 8%
- **Qtr 2**: 11%
- **Qtr 3**: 13%
- **Qtr 4**: 15%

### Ticketed volume and % usage of low cost airlines

- **Qtr 1**: 25%
- **Qtr 2**: 20%
- **Qtr 3**: 21%
- **Qtr 4**: 20%
Spend Analysis

**Indirect**
- Ongoing identification and delivery of projects key to success
- Tailoring tools to deliver – auctions, negotiation, tender, leverage
- Stakeholder engagement essential
- Supplier rationalisation and collaboration
- Internal back office process improvement

**Direct**
- Product quality
- Material availability driving on time delivery key to success
- Strategic relationships with key suppliers
- Ethical and social accountability control
- Effective commodity management
Maintaining the momentum

Project Tracker

- Processes all the projects that are currently underway or planned
- Gives visibility to line managers
Case Study – Recruitment

Procurement Case Study

- Spend includes permanent, temporary and executive search
- The eAuction delivered over 15% saving achieved through margin reduction
- Standard terms have been implemented across the supply base
- Spend compliance to the preferred suppliers is being measured
- Performance tracking dashboard to ensure the correct talent is available is also in place
And it’s working!

WINNERS!

*Most Improved Purchasing Operation - Start-up*

Chartered Institute of Purchasing and Supply Awards 2008
A clear route to further value 2009+

De La Rue will build on its position as the global #1 manufacturer and supplier of banknote printing and banknote paper to become a market leader in security features and authentication systems and products in payment and identity transactions for central banks, Governments and international corporations.

Our six steps to value

- focus on security and authentication systems
- drive for high margins
- maintain superior cash conversion
- target related growth opportunities
- actively manage the balance sheet
- return surplus cash to shareholders