Non-IFRS measures

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles. Exceptional items are excluded as they are not considered to be representative of underlying business performance. Amortisation of acquired intangible assets is a non-cash item and by excluding this from the adjusted operating profit metrics this is deemed to be a more meaningful metric of the contribution from the underlying business. The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables. 2017 has not been restated to exclude the impact of the disposal of the paper business.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are both material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations. All exceptional items are included in the appropriate income statement category to which they relate. Adjusted measures are also presented on an excluding paper basis. The Directors considered that this provides a more meaningful presentation of the underlying financial performance of the business during the period.

On 29 March 2018 the Group disposed of the Paper business to Epiris (referred to as 'Portals' elsewhere in this report).

Previously the Paper business supplied paper to and purchased security features from other companies within the Group (the results of which were eliminated on consolidation) and also sold paper directly to third parties, generating external revenue and margin in our currency and ID businesses.

Post the disposal, certain of these third party paper contracts were not able to novate to Portals and the Group now maintains the sale to the customer but purchases the paper from Portals at nil margin.

Separately, the Group supplies thread to Portals (generating external revenue and margin), who use this to manufacture bank note paper, some of which is sold to De La Rue, with the Group using this in the manufacture of currency bank notes then sold to third parties.

Reported figures included in this release include the paper business results in FY18 as originally reported and in FY19 they include £48.2m of revenue on non-novated contracts with nil profit margin.

Figures reported on the 'excluding paper' basis have been adjusted to exclude revenue from non-novated contracts in FY19.

FY18 'excluding paper' figures exclude the results of the paper business (being external revenue and margin on paper sales to third parties). In addition, Security Features sales of £35.0m, which would have previously been treated as internal, have been added back to present the comparative numbers in FY18 on a basis consistent with the IFRS accounting treatment applied in FY19. The FY18 security features sales of £35m is a calculated number based on FY18 volumes sold intercompany to the paper division approximated to the value of the pricing in the Portals relationship agreement.

This is a change in presentation of FY18 results in this release compared to those previously reported in the FY18 release in May 2018. This change has been made to provide a more meaningful presentation of the financial performance of the business during the period.

Non-IFRS measures continued

	FY18/19						FY17/18				
	Currency	**ID**	**PA&T**	**Un-allocated**	**Portals Pass Through**	**Group**	Currency	ID	PA&T	Un-allocated	Group
Revenue											
Reported	398.8	78.4	39.3	–	48.2	**564.8**	371.8	82.0	40.1	–	**493.9**
Paper	–	–	–	–	–	**–**	(59.8)	(5.6)	(2.1)	–	**(67.5)**
Portals Pass Through	–	–	–	–	(48.2)	**(48.2)**	–	–	–	–	**–**
Revenue Security Features Sales (previously internal)	–	–	–	–	–	**–**	32.1	2.5	0.4	–	**35.0**
Revenue excluding paper	398.9	78.4	39.3	–	–	**516.6**	344.1	78.9	38.4	–	**461.4**
Operating Profit											
IFRS Operating Profit	21.0	12.2	3.4	(5.1)	–	**31.5**	30.7	7.5	7.7	77.1	**123.0**
Less Exceptional Item	20.7	–	2.1	5.1	–	**27.9**	14.4	0.2	1.6	(77.1)	**(60.9)**
Add Amortisation of acquired Intangibles	–	0.5	0.2	–	–	**0.7**	–	0.6	0.1	–	**0.7**
Adjusted Operating Profit Including Paper	41.7	12.7	5.7	–	–	**60.1**	45.1	8.3	9.4	–	**62.8**
Paper Operating Profit	–	–	–	–	–	**–**	(4.6)	(1.3)	–	–	**(5.9)**
Adjusted Operating Profit Excluding Paper	41.7	12.7	5.7	–	–	**60.1**	40.5	7.0	9.4	–	**56.9**

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	2017 £m	2018 £m	2018[1] Excluding paper £m	**2019 £m**
Operating profit from continuing operations on an IFRS basis	70.2	123.0	131.5	**31.5**
– Amortisation of acquired intangible assets	0.1	0.7	0.7	**0.7**
– Exceptional items (Gain)/Loss	0.4	(60.9)	(75.3)	**27.9**
Adjusted operating profit from continuing operations	70.7	62.8	56.9	**60.1**

Note:
1 2018 excluding paper removes £14.4m of exceptional cost in relation to the Portals paper disposal and removes the operating profit made from the paper business in 2018 of £5.9m.

Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	2017 £m	2018 £m	2018 excluding paper £m	**2019 £m**
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	47.9	95.4	101.8	**19.4**
– Exceptional items	0.4	(60.9)	(75.3)	**27.9**
– Amortisation of acquired intangibles	0.1	0.7	0.7	**0.7**
– Tax on amortisation of acquired intangibles	–	(1.2)	(1.2)	**0.3**
– Tax on exceptional items	(0.6)	9.7	12.9	**(4.2)**
Adjusted profit attributable to equity shareholders of the Company from continuing operations	47.8	43.7	38.9	**44.1**
Weighted average number of ordinary shares for basic earnings	101.6	101.9	101.9	**102.9**

	2017 pence per share	2018 pence per share	2018 pence per share excluding paper	**2019 pence per share**
Basic earnings per ordinary share continuing operations on an IFRS basis	47.2	93.7	n/a	**18.8**
Basic adjusted earnings per ordinary share for continuing operations	47.1	42.9	38.2	**42.9**

Non-IFRS measures continued

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £516.6m which excludes the Portal pass through revenue of £48.2m in 2019 (FY18: £461.4m). The EBITDA margin on an IFRS basis is a percentage against the reported revenue of £564.8m (FY18: £493.9m).

	2017 £m	2018 £m	2018[1] excluding paper £m	**2019 £m**
Profit before interest and taxation from continuing operations on an IFRS basis	70.2	123.0	131.5	**31.5**
– Depreciation	24.3	21.9	18.9	**16.7**
– Amortisation	2.5	3.3	3.3	**3.2**
EBITDA on an IFRS basis	97.0	148.2	153.7	**51.4**
– Exceptional items (Gain)/Loss	0.4	(60.9)	(75.3)	**27.9**
Adjusted EBITDA	97.4	87.3	78.4	**79.3**
EBITDA margin on an IFRS basis	21.0%	30.0%	n/a	**9.1%**
Adjusted EBITDA margin	21.1%	17.7%	17.0%	**15.4%**

Note:
1 Adjusted EBITDA margin is a percentage against the pro-forma revenue of £461.4m.

Return on capital employed (ROCE)

ROCE is the ratio of the operating profit before exceptional items and adjusting items over capital employed, where capital employed equals net assets, excluding pensions, tax interest and long term liabilities.

Cash conversion

Cash conversion is the ratio of adjusted operating cash flow divided by the adjusted operating profit.