

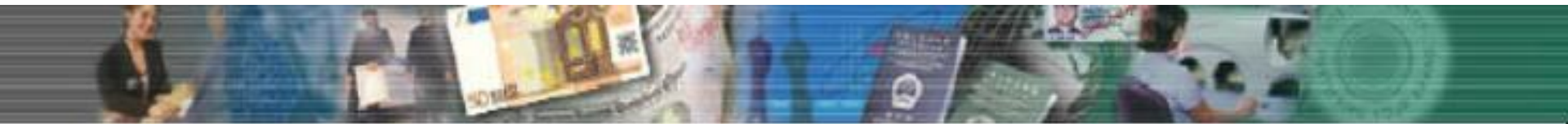
# **Preliminary Results**

## **26 May 2004**

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DeLaRue



# Ian Much

## Chief Executive

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# Currency – Arrival of the new Dinar...



- Project launched in July 2003
- New currency launched to Iraqi people on 15 October
- First consignment of banknotes delivered in 6 weeks
- By official changeover date of 15 January over 2 billion notes had been shipped to Iraq - a cargo which filled the equivalent of 27 Boeing 747 aircraft

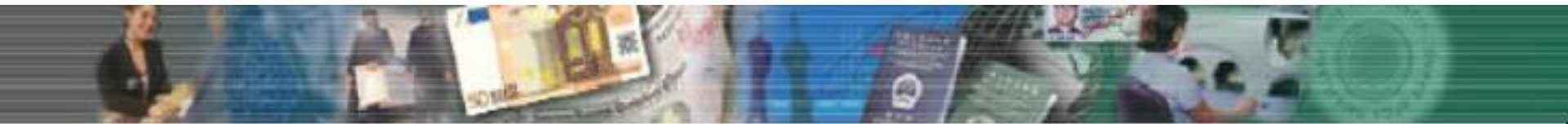
# Cost Reduction Summary

## ▪ Cash Systems

- Majority of costs taken in 2002/2003
  - £5.2m taken in 2003/2004
  - Benefit of £6m cost savings this year
  - 350 redundancies announced (Feb/Nov 2003)
  - Of total, 330 now completed

## ▪ Global Services Exit

- £9.1m restructuring charge - taken in 2003/2004, substantially cash
- Savings will benefit the Group by approximately £3.0m per annum
- Consolidation of all UK security printing to Dunstable underway
  - Peterborough
  - Byfleet



# **Stephen King**

## **Group Finance Director**

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# Financial Highlights

- Turnover up by 17.1% to £682.5m from £582.7m last year
- Profit before tax, exceptional items and goodwill amortisation of £58.7m\* (2002/2003 £48.7m\*)
- Strong cash flow performance with net cash inflow from operating activities of £92.1m (2002/2003 £59.1m) aided by significant advance payments from customers; ending year with net cash of £41.1m
- Earnings per share returns to positive of 6.8p (on headline basis an increase of 26.0% to 24.2p)
- Final dividend of 9.8p bring full year dividend to 14.2p (2002/2003 : 13.6p)

\* before exceptional charges of £33.7m (2002/2003 £49.2m) and goodwill amortisation of £2.5m (2002/2003 £3.6m)



# Security Paper and Print



	2003/2004 £m	2002/2003 £m	change £m
<b>Sales</b>			
Continuing operations	303.6	248.5	55.1
Acquisitions	36.7	-	36.7
	<u>340.3</u>	<u>248.5</u>	<u>91.8</u>
<b>Underlying operating profit*</b>			
Continuing operations	39.0	29.4	9.6
Acquisitions	3.4	-	3.4
	<u>42.4</u>	<u>29.4</u>	<u>13.0</u>

\* before exceptional items of £10.0m (2002/2003 : £19.9m) and amortisation of negative goodwill £0.5m (2002/2003 : £0.2m)

- **Exceptional Iraq banknote order**
- **Significantly higher volumes in both banknote paper and printing**
- **Improved trading in Security Products**
- **Successfully integrated Bank of England printing works**



# Cash Systems



	2003/2004	2002/2003	change
	£m	£m	£m
<b>Sales</b>	<b>302.6</b>	<b>310.9</b>	<b>(8.3)</b>
<b>Underlying operating profit*</b>	<b>8.8</b>	<b>11.8</b>	<b>(3.0)</b>

\* before exceptional items of £11.3m (2002/2003 £26.5m) and goodwill amortisation of £2.6m (2002/2003 £3.3m)

- **Market conditions similar to end of last year**
- **Operating profits ahead of original expectations**
- **Increased pension charges and adverse foreign exchange**
- **Earlier than anticipated benefit from the cost reduction programmes**
- **Teller automation products remain a core strength**
- **Service business remains strong**

# Sequoia Voting Systems



	2003/2004 £m	2002/2003 £m	change
Sales	44.2	25.2	19.0
Underlying operating loss*	(1.9)	(2.6)	0.7

\*before exceptional items of £12.6m (2002/2003 £2.8m) and goodwill amortisation of £0.4m (2002/2003 £0.5m)

- Intense price competition continues
- Recent events in State of California illustrates extreme market difficulties
- 2004/2005 coincides with Presidential Election year – low machine sales
- Outlook for 2004/2005 for significantly increased losses
- Immediate focus on supporting our customer base through the elections





# Restructuring Costs & Benefits

	<b>Cash Systems £m</b>	<b>Security Paper &amp; Print £m</b>	<b>Total £m</b>
<b>Cost Savings – year of benefit</b>			
2002/2003	-	3.0	3.0
2003/2004	6.0	7.0	13.0
2004/2005	<u>3.0</u>	<u>3.0</u>	<u>6.0</u>
<b>Annualised Total</b>	<b>9.0</b>	<b>13.0</b>	<b>22.0</b>
 <b>Cash Costs - year of spend</b>			
2002/2003	(2.7)	(12.9)	(15.6)
2003/2004	(9.8)	(4.6)	(14.4)
2004/2005	<u>(0.7)</u>	<u>(7.8)</u>	<u>(8.5)</u>
	<b>(13.2)</b>	<b>(25.3)</b>	<b>(38.5)</b>

# Earnings per Share



	2003/04	2002/03
	p	p
As calculated under FRS 14	6.8	(4.0)
(Profit)/ loss on disposal of fixed assets	(0.1)	0.2
Amortisation of goodwill	11.7	10.4
Loss of impairment on investment	-	0.7
<b>Headline earnings per share as defined by IIMR</b>	<b>18.4</b>	<b>7.3</b>
Reorganisation costs	5.8	11.9
<b>Headline earnings per share before reorganisation costs</b>	<b>24.2</b>	<b>19.2</b>

The EPS of 6.8p as calculated under FRS14 is the £12.1m profit for the period divided by 177,032,098 shares in issue



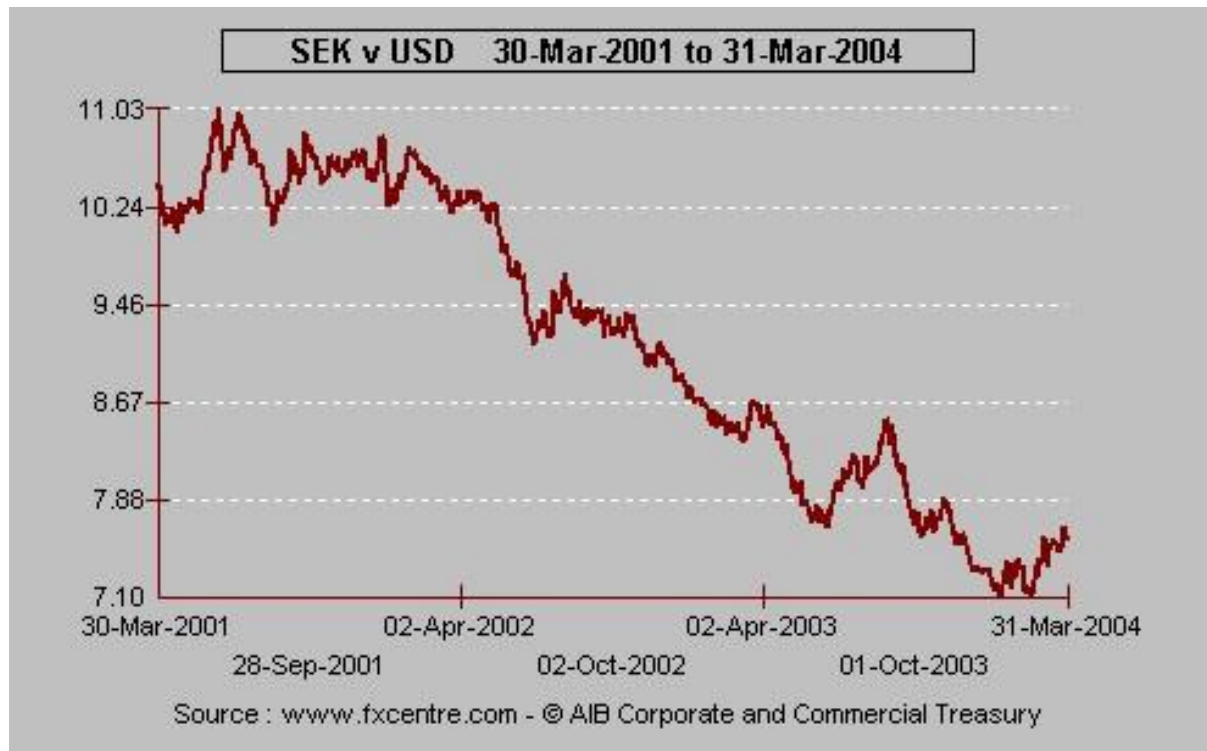


# Pensions

- Triennial review was assessed at 6 April 2003
  - Deficit approximately £40m
  - Improvement in equity markets together with structural changes announced today means Scheme broadly fully funded
- Net charge to P&L under SSAP 24 in current year was £9.9m (2002/2003 £1.9m when amortising surplus)
  - Similar charge to operating profit under FRS 17
- Review of UK pension scheme arrangements completed
  - Increased bond investments
  - Final Salary Section closed to new entrants
  - Increased employee contributions of 2% of pensionable salary
    - Two stage implementation – 1% July 2004, 1% April 2005

# Foreign Exchange

- Foreign Exchange impact in 2003/2004 compared to 2002/2003 was £5.6m



- Outlook is significant adverse impact in 2004/2005 – approximately £8.0m

# Summary



- Good order book in Currency indicates stronger first half 2004/2005, but full year will not achieve exceptional volumes experienced in second half of 2003/2004
- Full year benefits from the restructuring programmes in both Cash Systems and Security Products in 2004/2005
  - In Cash Systems benefits mitigated by foreign exchange
- Very difficult trading during Presidential election year for Sequoia
- Given strong position in which Currency enters the year the Board remains confident about the outlook for the Group

