



De La Rue plc

**Interim Results
27 November 2012**

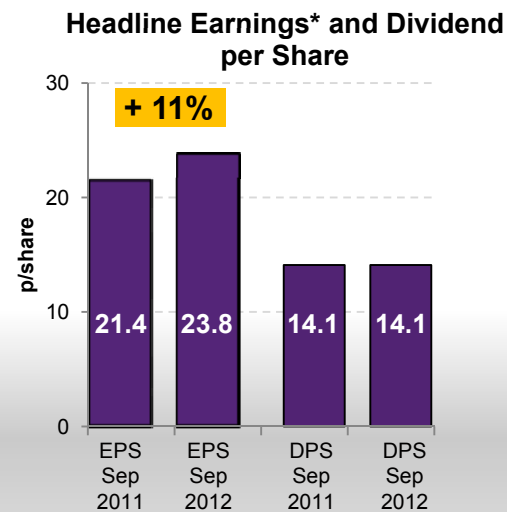
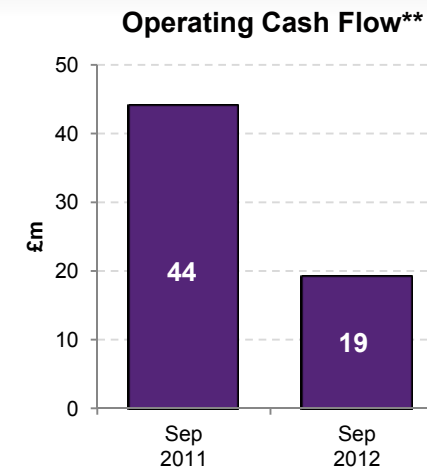
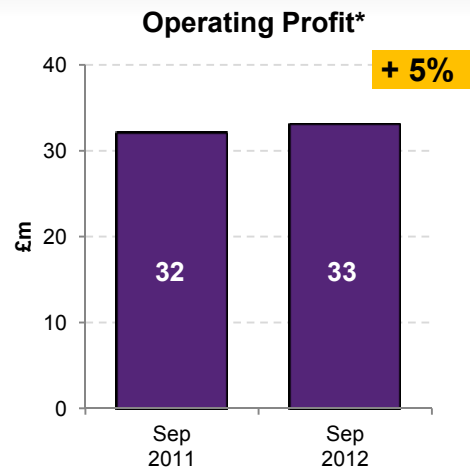
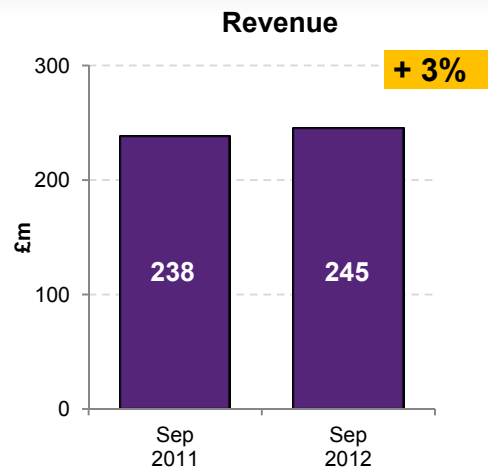


Agenda

- **Group Headlines**
- **Financial Results**
- **Business and Markets**
- **Delivering the Improvement Plan**
- **Outlook**



Group Headlines



Improvement Plan

Confident in

2013/14 Target Operating Profit:

>£100m ✓

*Before exceptional items
 **Before special pension contribution and exceptional items



Financial Results

Colin Child

Group Finance Director



Financial Results – Before Exceptional Items

	2012/13 Half Year £m	2011/12 Half Year £m	Change
Revenue	245.4	238.1	3%
Operating profit*	33.2	31.5	5%
Finance expense	(1.7)	(2.5)	
Profit before tax*	31.5	29.0	9%
Taxation*	(7.3)	(7.4)	
Profit after tax*	24.2	21.6	12%
Headline earnings per share*	23.8p	21.4p	11%
Dividend per share	14.1p	14.1p	-

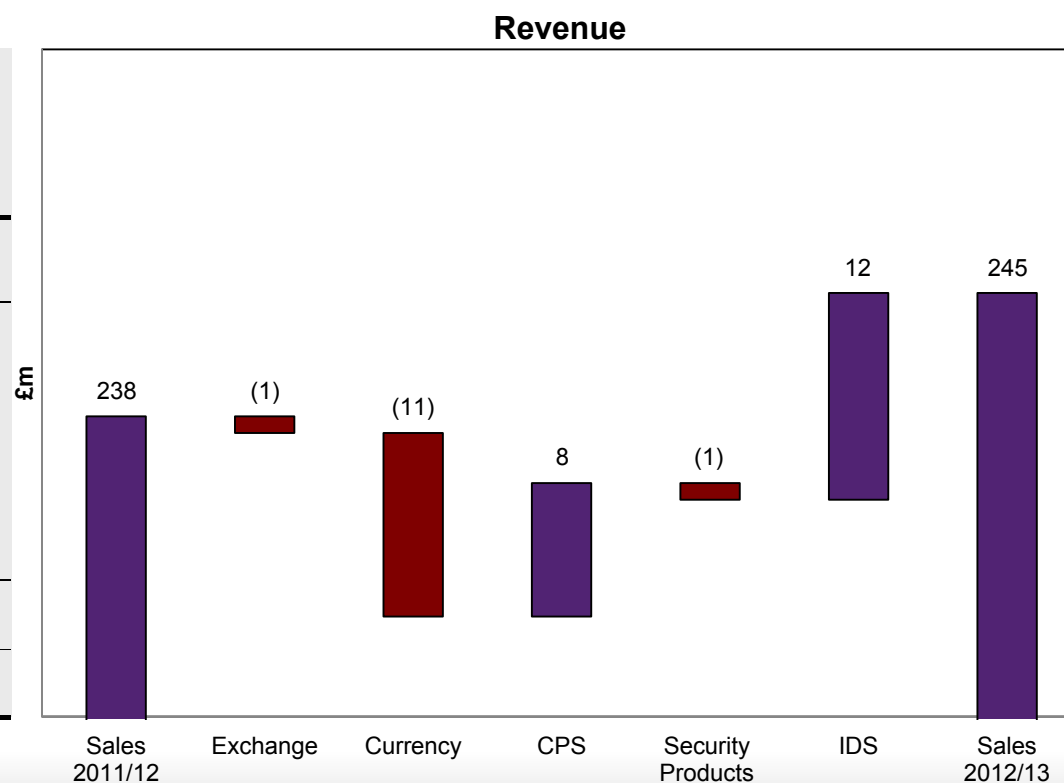
Print volume (notes)	2.9bn	2.8bn	4%
Paper volume (tonnes)	4,500	5,300	(15%)

*Before exceptional items



2011/12 → 2012/13: Revenue*

Business Units	2012/13 Half Year £m	2011/12 Half Year £m
Currency	138	150
Solutions		
Cash Processing Solutions	38	30
Security Products	23	24
Identity Systems	46	34
	107	90
Total	245	238

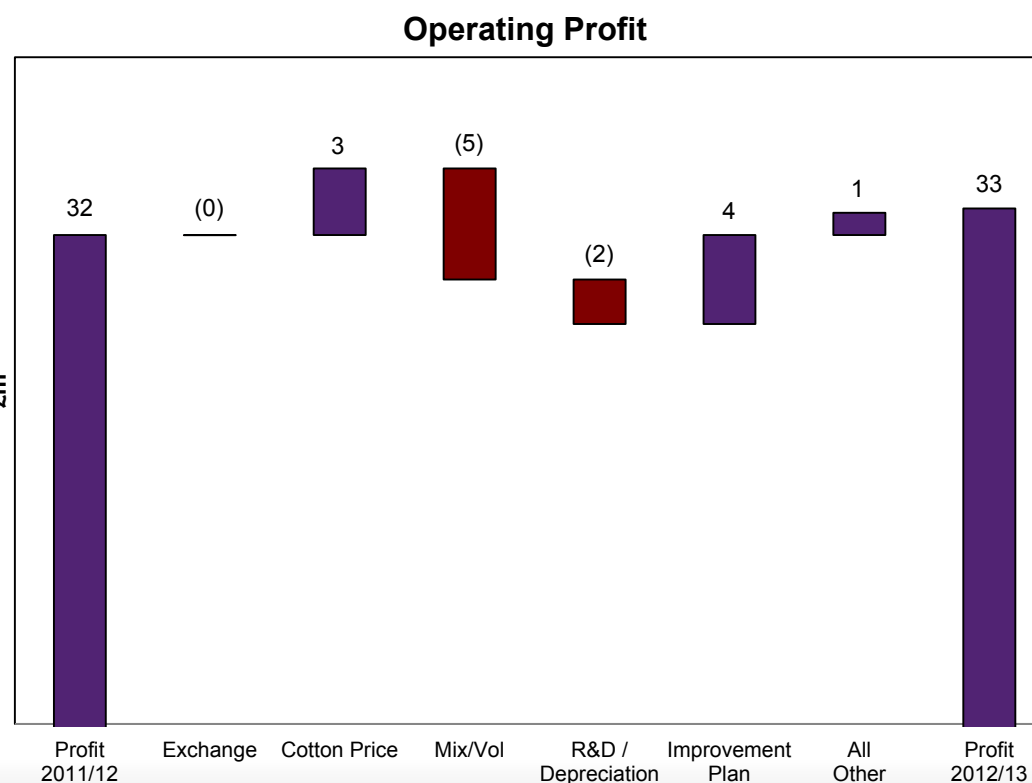


*After intra group eliminations



2011/12 → 2012/13: Operating Profit*

Business Units	2012/13 Half Year £m	2011/12 Half Year £m
Currency	22	22
Solutions		
Cash Processing Solutions	1	1
Security Products	4	5
Identity Systems	6	4
	11	10
Total	33	32





Operating Cash Flow

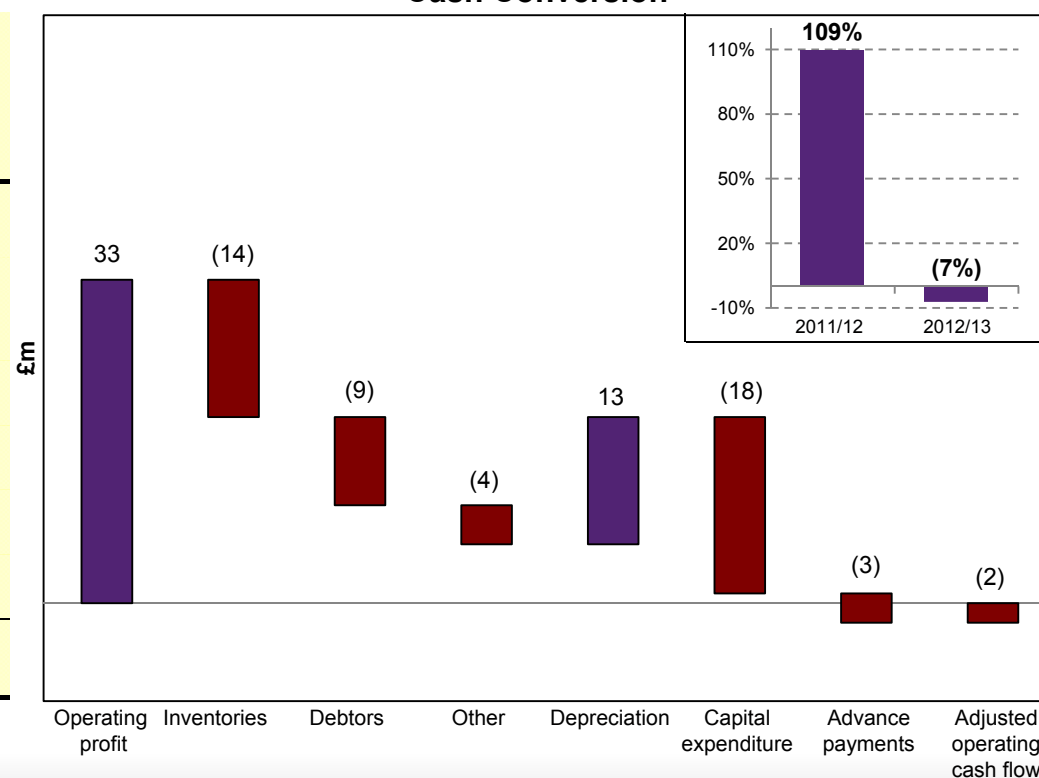
	2012/13	2011/12
	Half year £m	Half year £m
Operating profit before exceptional items	33.2	31.5
Depreciation	12.6	11.9
Working capital	(25.4)	6.4
Other	(1.2)	(5.8)
Operating cash flow before special pension contribution & operating exceptional items	19.2	44.0
Pension fund contributions	-	(7.5)
Cash costs of exceptional items	(7.5)	(1.0)
Cash flow from operating activities	11.7	35.5



Net Debt

	2012/13 Half Year £m
Opening net debt	(24.8)
Cash flow from operating activities	11.7
Tax and interest	(3.3)
Capital expenditure	(18.3)
Dividends	(28.3)
Other	(0.9)
Closing net debt	(63.9)

Cash Conversion*



* Cash conversion = operating cash flow excluding exceptional items, special pension contributions and movement in advance payments (2012/13: -£3m, 2011/12: £3m), less capital expenditure, divided by operating profit before exceptional items



Exceptional Items

	2012/13 Half Year £m	2011/12 Half Year £m
Improvement Plan:		
Charge in period	(3.6)	(1.9)
Tax credit on exceptional items:		
Credit in period	0.9	0.5
Prior year tax credits	4.1	-
Total	5.0	0.5



Business and Markets

Tim Cobbold

Chief Executive



De La Rue Business Overview

Proportion of
Group
2012/13
Revenue Operating
Profit

Currency

- Banknote substrates and security features
- Design, origination and printing



56%

67%

Solutions

Cash Processing Solutions

- High speed cash sorting and inspection equipment
- Service, maintenance and spares
- Cash management solutions



16%

3%

Security Products

- Design, origination and printing of secure products
- Tax stamp and authentication solutions



9%

12%

Identity Systems

- Design, origination and printing of identity documents
- Personalisation solutions



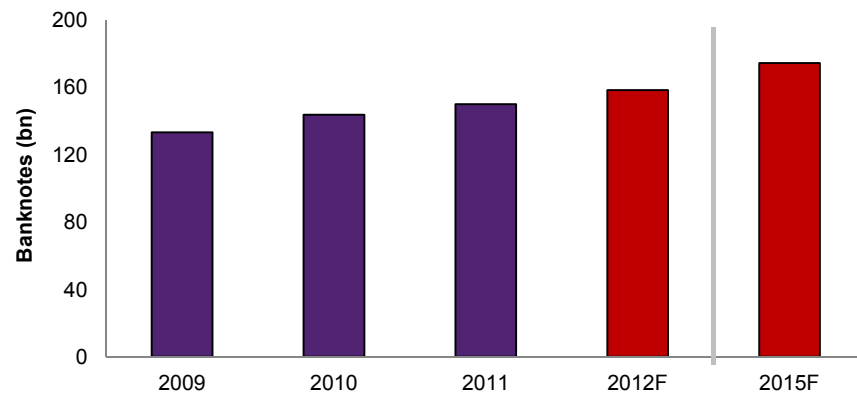
19%

18%

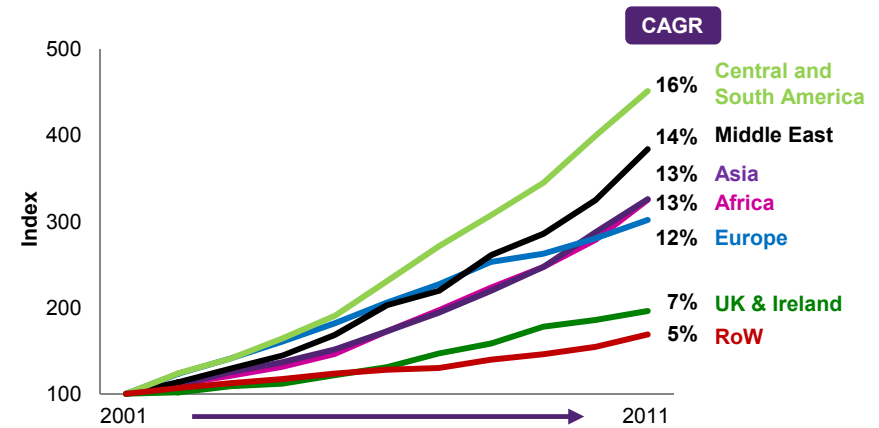


Market Growth

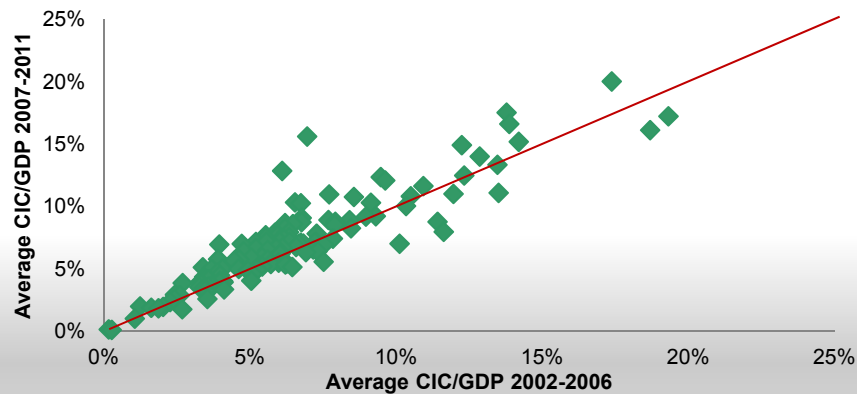
Global Banknote Issuance* - CAGR 4%



Cash in Circulation (CIC) by region**



Cash in Circulation/GDP**

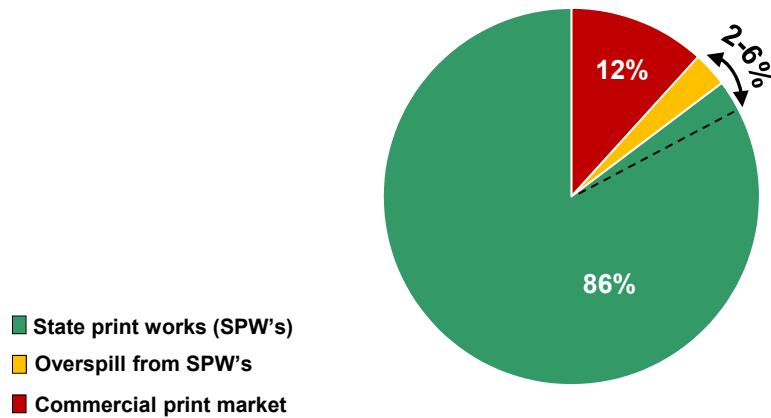


*Source: Estimates De La Rue
 **Source: IMF, October 2012

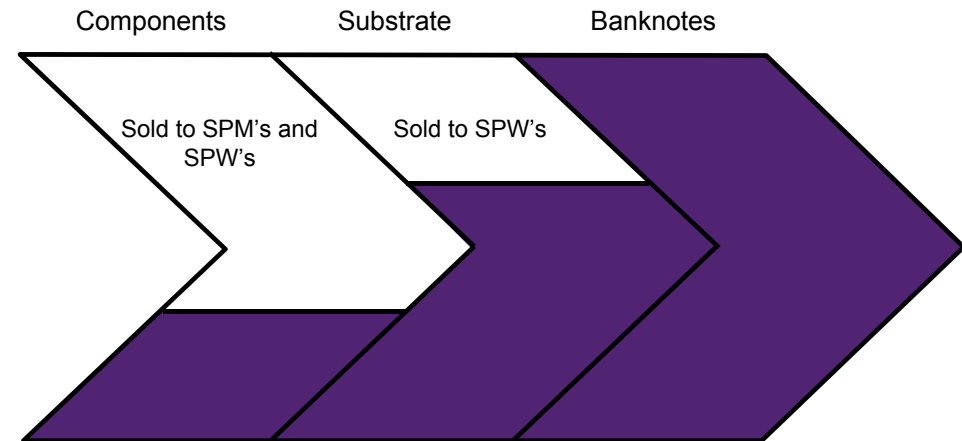


Currency Market – Characteristics

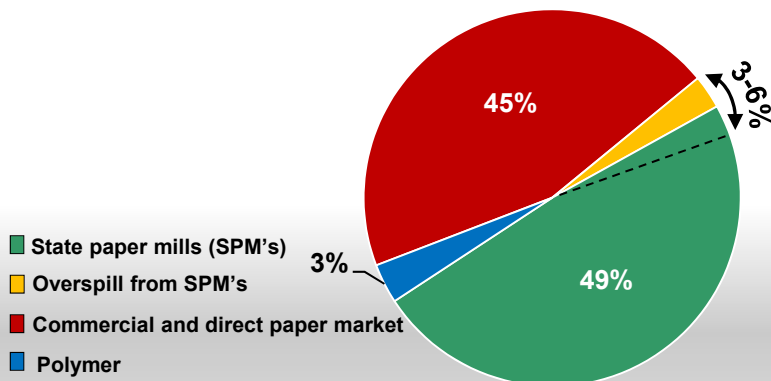
Banknotes: c150bn pa



Commercial market: Integrated business



Substrate: c150k tonnes pa



Paper market

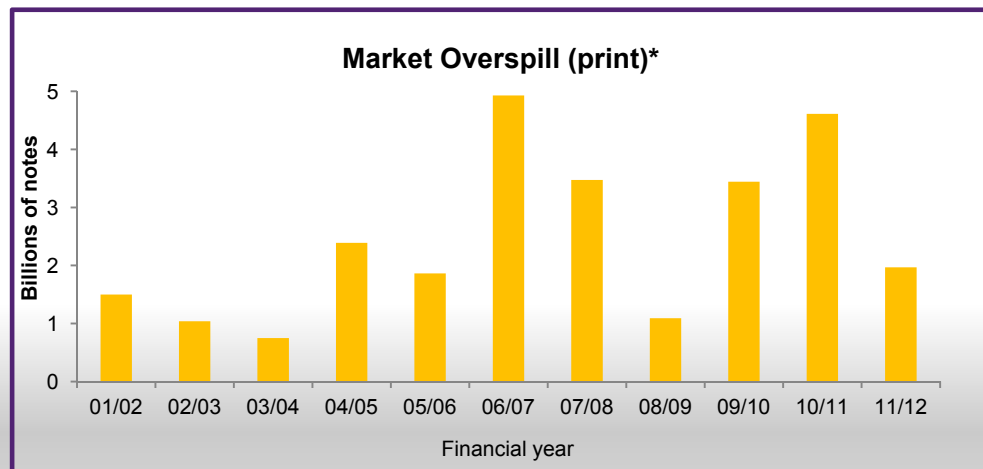
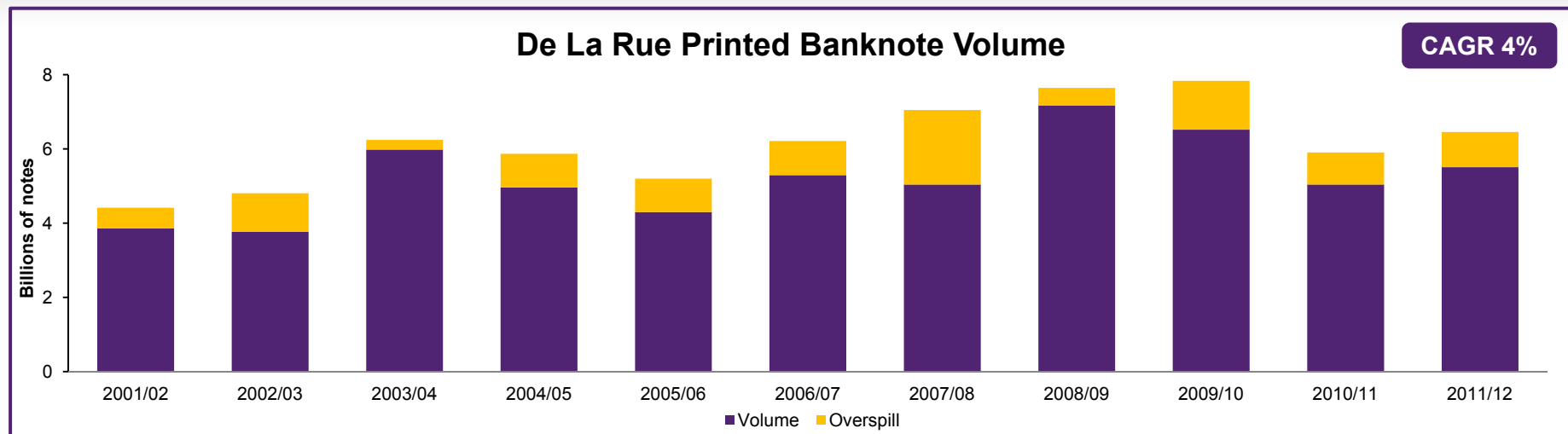
Capacity > demand → Continuing trend

Pricing pressure → Margin impact mitigated by cotton pricing

Source: Estimates De La Rue



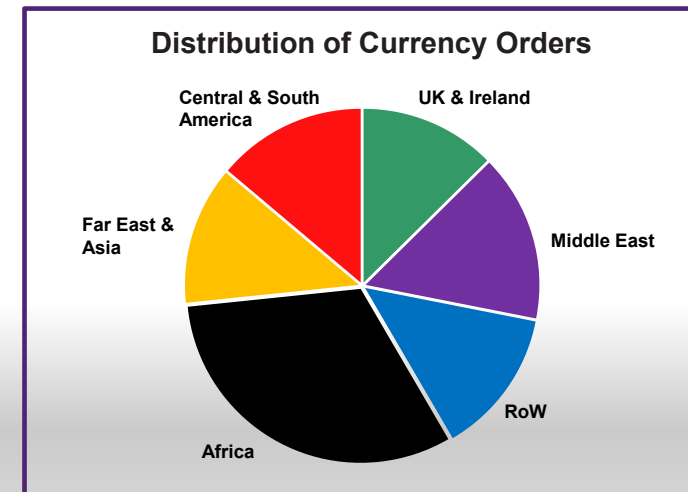
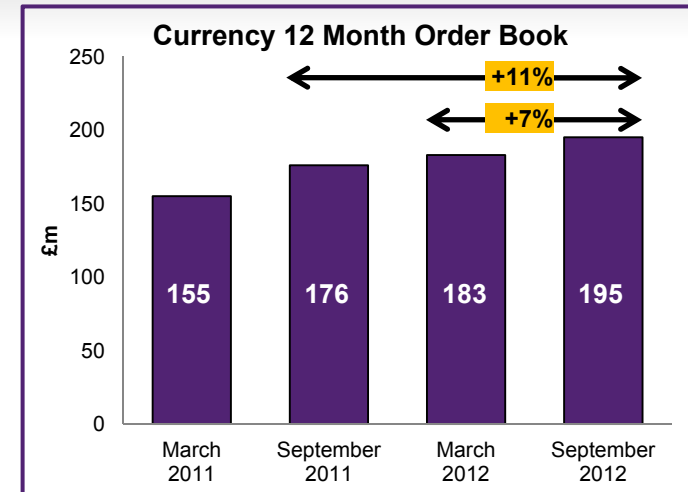
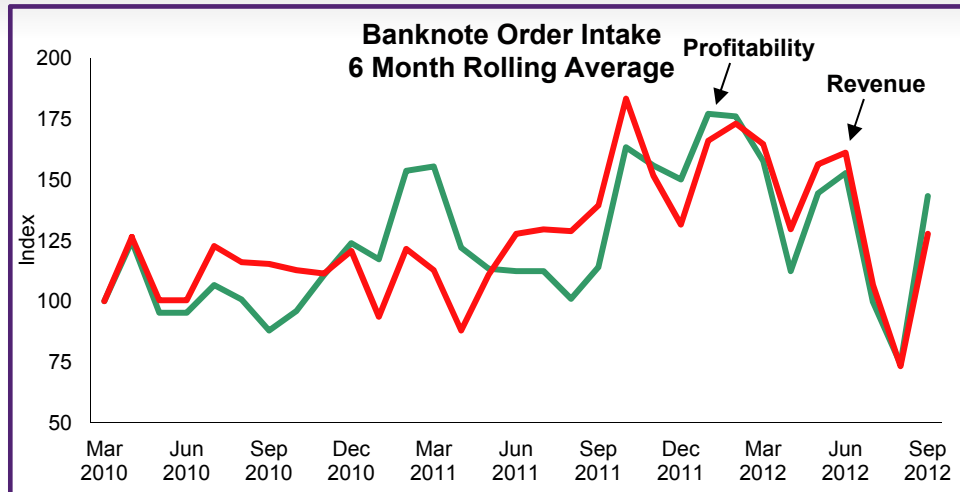
Long Term Growth and Market Variability



*Source: Estimates De La Rue

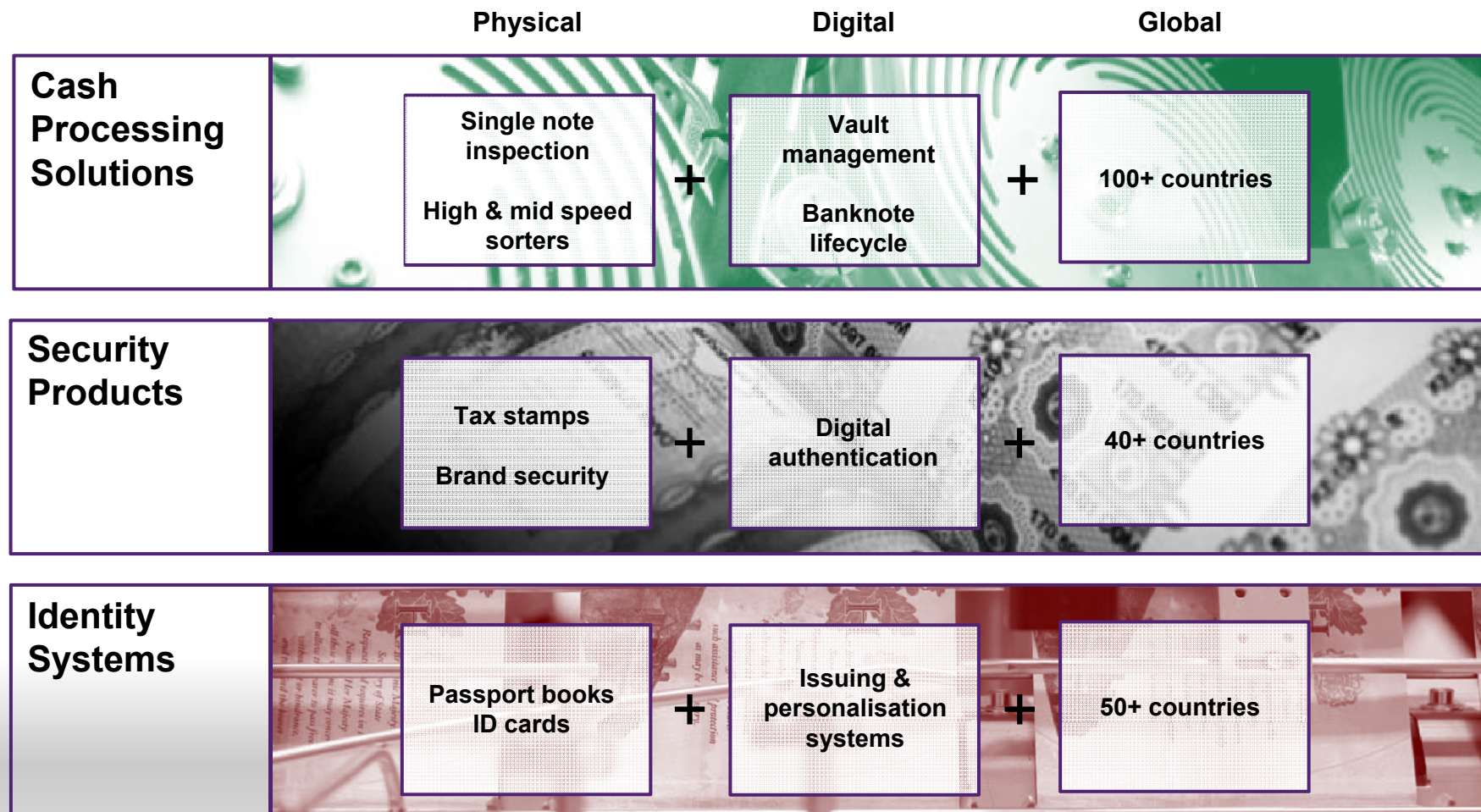


Order Intake & Order Book





Solutions – Physical and Digital Delivered Globally





Solutions – Case Studies

Cash Processing Solutions



- ECM vault management software across 11 cash centres in South Africa
- To meet challenge of rising cash circulation
- Provides real time visibility and business intelligence for cash holdings & processing



Security Products



- In the past year, we continued to strengthen our working relationship with Microsoft.
- We provide a range of security solutions, distributing globally with a dispatch time of 48hrs or less.



Identity Systems

Honduras passport

- 600,000 books & laminates to meet three year demand
- Completely new paper, laminate and security design incorporating Mayan themes
- Delivered prior to deadline





Delivering the Improvement Plan

Tim Cobbold

Chief Executive



Improvement Plan

Fundamental Strengths

- Brand and reputation
- Long standing customer relationships
- Strong integrated competitive position
- Record of innovation
- High margin, cash generative model

Opportunities

- Focus, focus, focus
- Deepen and broaden 'One De La Rue'
- Improve sales and marketing effectiveness
- Maximise technological capability
- Develop supply chain



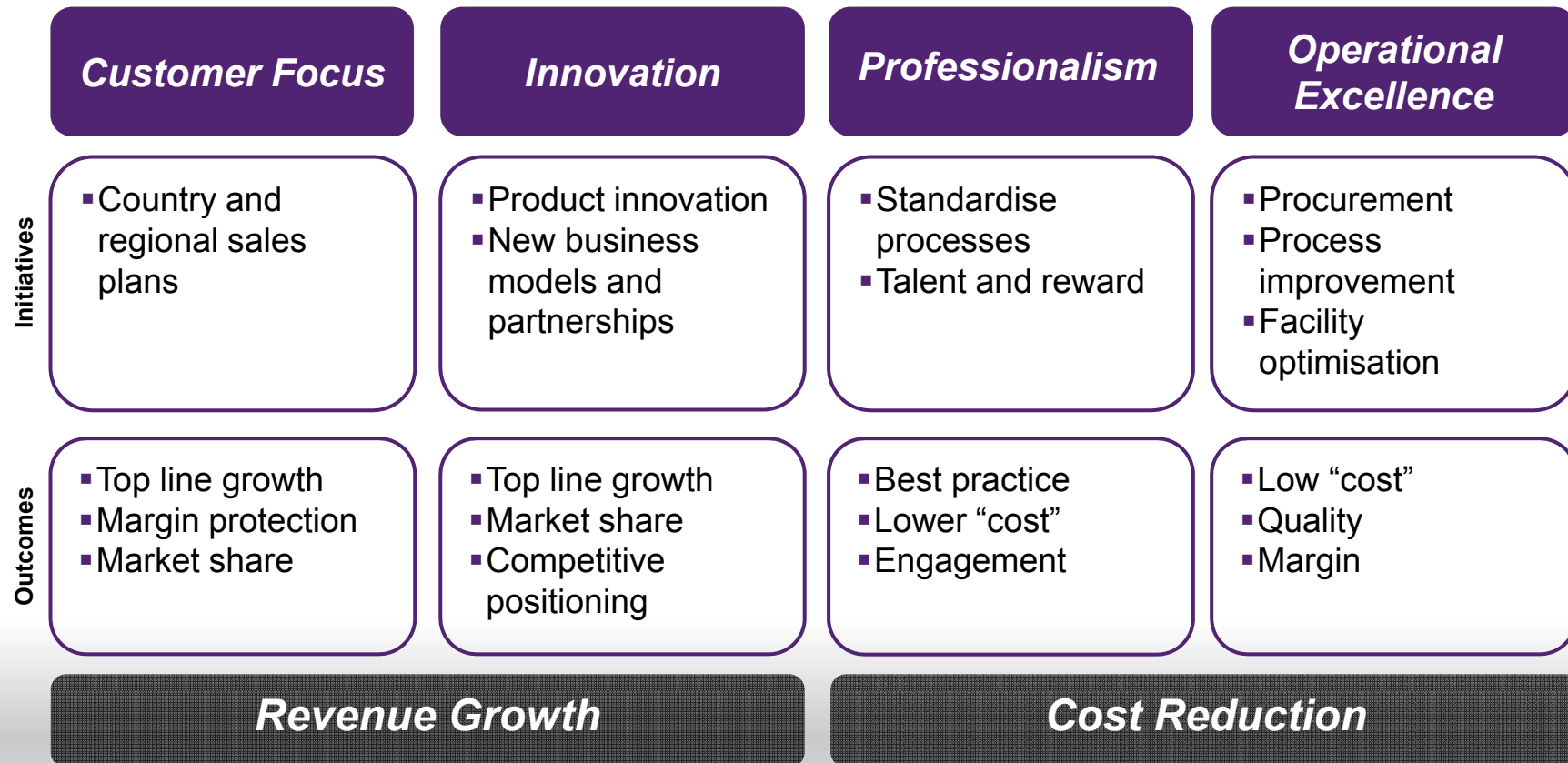
Target: 2013/14 Operating Profit of >£100m



Improvement Plan



Target: 2013/14 Operating Profit of >£100m





Customer Focus – Creating and Realising Opportunities



Country Plans

- Stage I – Identify opportunities ✓
- Stage II – Set vision and targets ✓
- Stage III – Actions identified and in process
>40 countries complete ✓

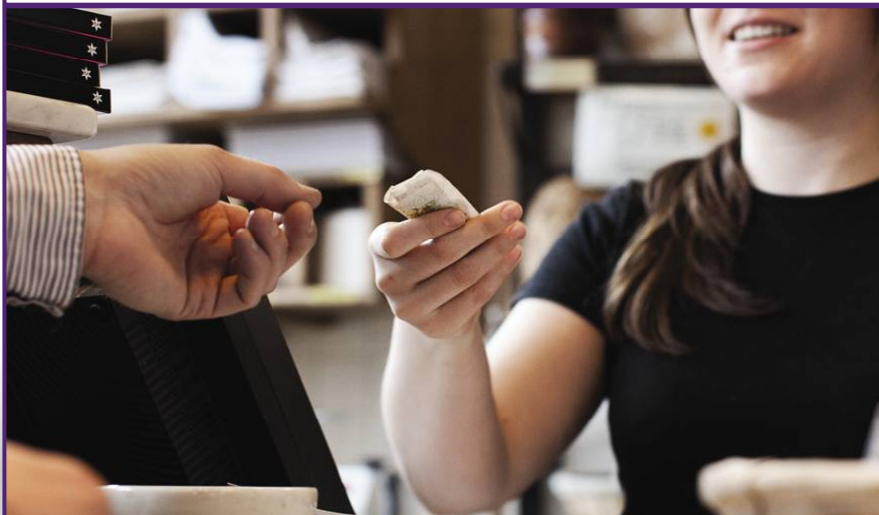
Case Study - Latin American and Caribbean Region

- 8 country plans → Greater value of opportunities
- One De La Rue sales → Improved efficiency and focus force
- Regional customer conference → Customer focus

Country plan → Customer focus → Growth

Country X in Latin America

- Local Solutions presence used to leverage Currency business
- 50% increase in the number of major opportunities being actively managed
- Full revenue potential tripled





Innovation – Sustained Investment



Polymer

- First notes to be issued - December 2012
- Next two orders confirmed
 - 1 x printed banknotes to Central Bank
 - 1 x polymer substrate to SPW
- Further orders expected
- R&D team strengthened
- Investment in capacity on track



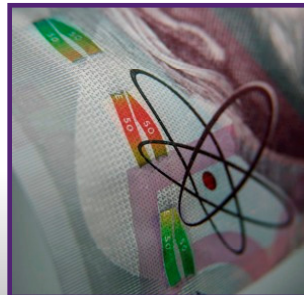
Patent Generation

- +100% increase in patent applications
- 25% increase in granted patents
- 36% increase in qualified ideas generation

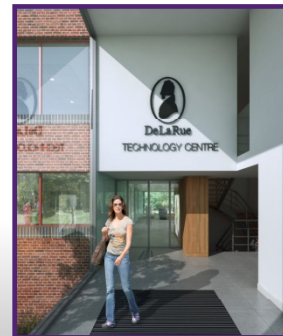


New Product Development – Long Wide Windows

- More surface area for colour changing and holographic effects.
- Creates opportunities for innovative design work
- Enhanced security



Industry Leading - State of the Art - Technology Centre



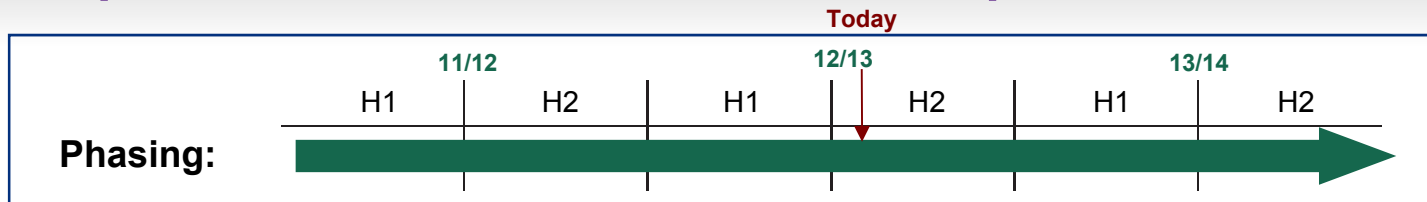
£4m investment







Completion mid 2013



Operational Excellence – Process Improvement

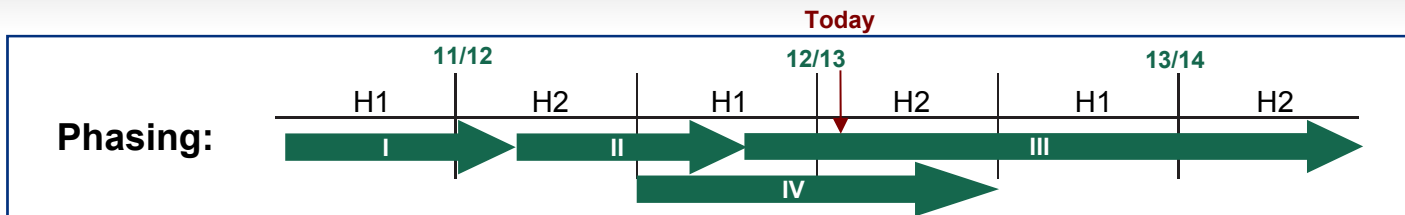


- Supply Chain investment programme
- Focus on **Quality**, **Cost** and **Delivery** performance
- Step change in Quality - waste savings on target

Overton	Westhoughton	Malta	Gateshead
			
<ul style="list-style-type: none"> ▪ c £10m investment ▪ New quality centre ▪ New organisation 	<ul style="list-style-type: none"> ▪ c £4m investment ▪ Centre of Excellence: Components ▪ Improved delivery OTIF 	<ul style="list-style-type: none"> ▪ c £3m investment ▪ Significant yield improvement ▪ 50% reduction in make ready 	<ul style="list-style-type: none"> ▪ c £13m investment ▪ New state of the art line ▪ Dunstable consolidated



Operational Excellence – Procurement



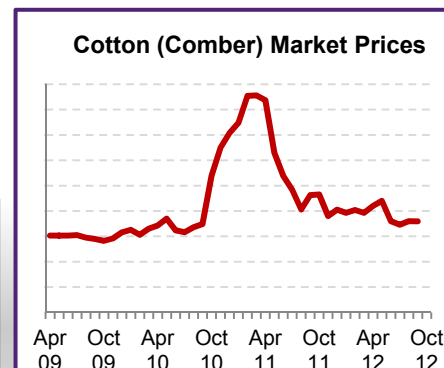
Phase I to III: Consolidation of supply base continues at pace

Phase IV: Key focus - Supplier quality management & development programme

- Operational , key and strategic suppliers
- Top 25 suppliers – first audit – 50% complete
- Rated and Improvement Programme established

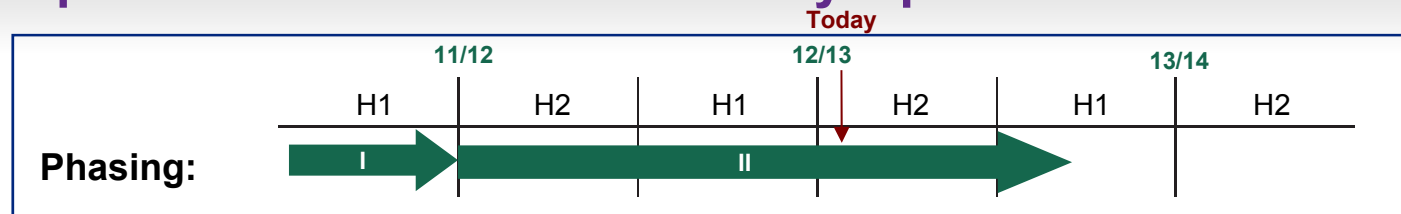
Cumulative delivered savings			Phase		
2011/12 £m pa	2012/13 E. £m pa	2013/14 E. £m pa	I	II	III
5	9	12	4	6	2

	Apr-12	Apr-13
SQA process	<div style="width: 80%;"></div>	
Supplier Audits	<div style="width: 50%;"></div>	
Supplier Development	<div style="width: 20%;"></div>	





Operational Excellence – Facility Optimisation

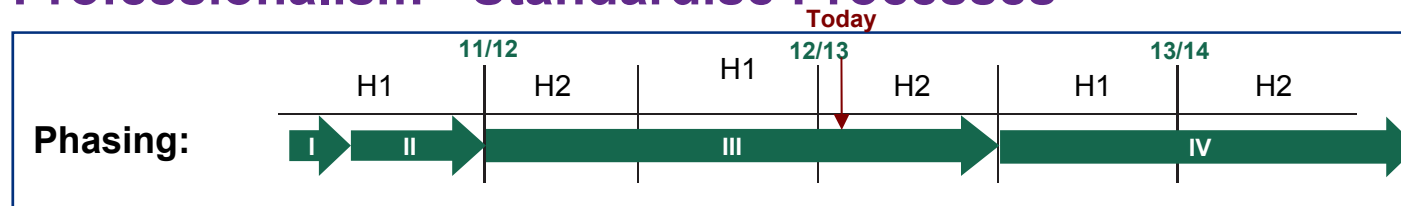


Phase II: Implementation

- On track for site exits effectively by end of year
- £6m pa savings from March 2013



Professionalism - Standardise Processes



Phase III: Reshaping Processes

- Enquiry to Order - New business process developed and launched
- New management information suite
- New Sales & Operations Planning process launched



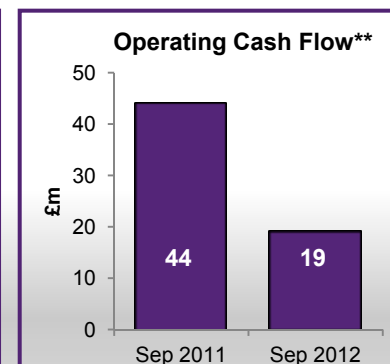
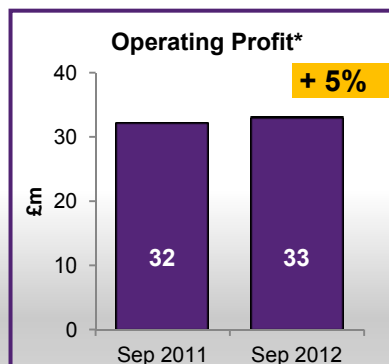
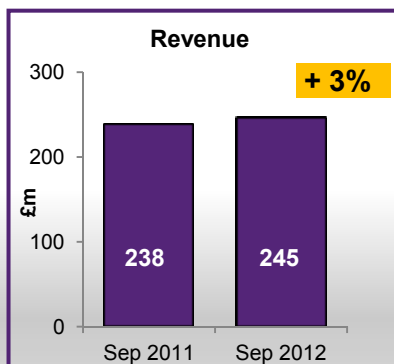
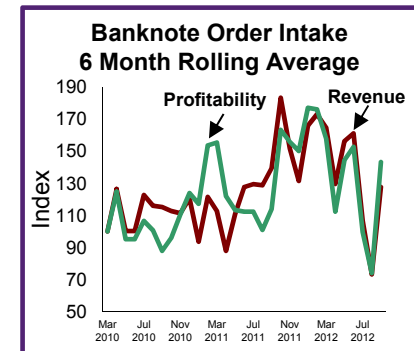
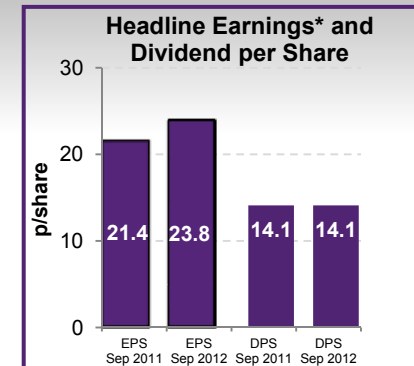
Improvement Plan – Summary

	Cumulative to September 2012	Improvement Plan 2013/14
	£m	£m
Cost savings:		
Waste reduction	5	12
Procurement	7	12
Facility optimisation	-	6
	12	30
Exceptional Cost	(28)	(35)
Revenue Growth	>> 4%	4%



Outlook

- Quality business continuing to make progress
 - Improvement Plan on track
 - Reasonable order book – strong pipeline
- Guidance for current year – similar to 2011/12
- Confident in 2013/14 target





DeLaRue