

Deliver Value to Shareholders

Preliminary Results
25 May 2005



Leo Quinn

Chief Executive



DeLaRue



Preliminary Results 2004/2005

Agenda

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

Preliminary Results 2004/2005

Highlights

- Strong results with profit and cash significantly ahead of last year
 - Profit before tax* up 13.3%
 - Earnings per share* up 7.4%
 - Net cash flow £65.4m up 98.8%
 - Net cash at end of period £106.5m up 159%
 - Strong trading in Currency, underpinned by a strong opening backlog, favourable work mix and high levels of overspill throughout year
 - Operational and strategic rationalisation in Cash Systems and Security Products making good progress
 - Sale of Sequoia completed for consideration of £8.7m
 - Increase in the total dividend of 7.7% to 15.3p per share and proposed Special Dividend of £70m announced today, accompanied by share consolidation
- * before exceptional charges of £15.7m (2003/2004 : £33.7m) and goodwill amortisation of £1.4m (2003/2004 £2.5m)

Stephen King

Finance Director



DeLaRue



Financial Results

Year ended 26 March 2005, £m	2004/05	2003/04	%
Sales	643.2	682.5	(5.8)%
Operating profit*	54.6	49.3	10.8%
Share of profits of associated companies	9.4	10.0	(6.0)%
Interest	2.5	(0.6)	
Profit before tax, exceptional items and goodwill amortisation*	66.5	58.7	13.3%
Headline earnings per share*	26.0p	24.2p	7.4%
Dividend per share	15.3p	14.2p	7.7%
Net cash flow	65.4	32.9	
Net cash	106.5	41.1	159%

*before exceptional charges of £15.7m (2003/2004 £33.7m) and goodwill amortisation of £1.4m (2003/2004 £2.5m)

Group Sales

	£m
Sales Reported 2003/2004	682.5
Discontinued Operations (Sequoia disposed 9 March 2005)	(44.2)
Ongoing operations 2003/2004	638.3
Exchange	(13.2)
Ongoing operations at constant exchange 2003/2004	625.1
Net underlying change	(5.0)
Continuing Operations Reported 2004/2005	620.1

Segmental Analysis

	Revenue £m		Operating Profit £m	
Security Paper and Print				
Reported 2003/2004	340.3		42.4	
Exchange				
- Transaction	-		(4.3)	
- Translation	(2.5)		(0.7)	
	337.8		37.4	
Underlying change	(19.9)	(5.9)%	8.2	21.9%
Reported 2004/2005	317.9		45.6	
Cash Systems				
Reported 2003/2004	302.6		8.8	
Exchange				
- Transaction	-		(3.1)	
- Translation	(10.7)		(1.0)	
	291.9		4.7	
Underlying change	10.3	3.5%	4.5	95.7%
Reported 2004/2005	302.2		9.2	

Associates

£m	2004/2005	2003/2004
Profit before interest and tax	9.4	10.0

- Camelot, the UK lottery operator
- Good sales performance – up 3.3% on previous year, reflecting new games and sales channels
- Reduced profits reflects one-off income in 2003/2004

Interest

£m	2004/2005	2003/2004
Net Interest Income / (Charge)	2.5	(0.6)

- Higher average cash balances throughout the year

Profit Before Tax

	2004/2005 £m	2003/2004 £m
Operating profit before exceptional items and goodwill amortisation	54.6	49.3
Associates	9.4	10.0
Interest	2.5	(0.6)
Profit before tax, exceptional items and goodwill amortisation	66.5	58.7
Goodwill amortisation	(1.4)	(2.5)
Exceptional Items	(15.7)	(33.7)
Profit before tax	49.4	22.5

Taxation

	Profit before tax £m	Tax charge £m	Tax rate 2004/05 %	Tax rate 2003/04 %
Before goodwill amortisation and exceptionals	66.5	(18.6)	28.0	26.2
Goodwill amortisation	(1.4)	0.2		
	65.1	(18.4)	28.3	26.7
Exceptional items	(15.7)	2.5		
Profit before tax	49.4	(15.9)		

- Increase reflects the expected slow migration towards an effective rate of c. 30%, in line with the settlement of old outstanding tax issues and the mix of taxable profits from overseas activities.

Earnings per share

	Pence 2004/05	Pence 2003/04
As calculated under FRS 14	17.9	6.8
Profit on disposal of discontinued operations	(5.0)	-
Profit on disposal of fixed assets	-	(0.1)
Amortisation of goodwill	7.1	11.7
Income from investments previously impaired	(0.2)	-
Headline earnings per share as defined by IIMR	19.8	18.4
Reorganisation costs	6.2	5.8
Headline earnings per share	26.0	24.2

The EPS of 17.9p as calculated under FRS14 is the £31.9m profit for the period divided by 178,325,990 shares in issue

Exceptional Items

£m	Cash	Non Cash	Total	Charged in first half 2004/005	Charged in second half 2004/05
Reorganisation Costs - Cash Systems	14.3	-	14.3	2.0	12.3
- Security Products	-	(0.8)	(0.8)	-	(0.8)
Income from investments previously impaired	(0.4)	-	(0.4)	(0.4)	-
Portuguese ATM business goodwill impairment	-	11.5	11.5	11.5	-
Profit on disposal of discontinued operations	(6.0)	(2.9)	(8.9)	-	(8.9)
Exceptional pre-tax costs	7.9	7.8	15.7	13.1	2.6

- Additional charge of £2.6m in second half reflects previously announced Cash Systems' restructuring costs - significantly offset by profit on sale of discontinued operations
- Cash Systems' charge of £3.6m in 2005/2006 - balance of costs
- Total restructuring charges lower than indicated at half year
- Annualised benefits of £9m - run rate as follows:
 - 2004/2005 - £1.5m, 2005/2006 – £5.0m, 2006/2007 - £9.0m

Cash flow

£m	2004/2005	2003/2004
Underlying operating profit	54.6	49.3
Depreciation	27.1	24.1
Working capital - stock / debtors / creditors	36.8	19.9
- customer advance payments	(9.4)	16.5
Exceptional items – cash expenditure	(12.0)	(16.1)
Other items	(1.0)	(1.6)
Cash flow from operating activities	96.1	92.1
Interest and taxation	(5.5)	(12.7)
Capital expenditure	(20.5)	(33.3)
Equity dividends paid	(25.8)	(24.1)
Acquisitions & disposals, fixed asset sales	12.1	(3.6)
Associate dividends received	5.6	7.2
Share capital issued, exchange and other	3.4	7.3
Net cash flow	65.4	32.9
Net cash	106.5	41.1

International Financial Reporting Standards

- Preparation complete - review of opening adjustments now in final stages
- First statutory reporting under IFRS:
H1 2005/2006 in November 2005
- Restatement of prior periods 2004/2005:
 - full year 2004/2005
 - first half 2004/2005
 - opening balance sheet March 2004
- Communication update on 13 July 2005
- The transition to IFRS is not expected to significantly impact De La Rue's earnings

International Financial Reporting Standards

■ Profit and Loss Account

Share options (IFRS 2)

- Additional annual charge of c. £1.8m

Research and Development (IAS 38)

- Increased capitalisation largely offset by increased amortisation – no significant net impact expected

Pensions (IAS19)

- No significant change to overall PBT charge

Associates (IAS 28)

- Will be shown as share of profit after tax, reducing PBT but no change to Group PAT or earnings
- Impact £3.0m to PBT figure in 2004/2005; No change in Group PAT

Goodwill (IAS 38)

- Goodwill not amortised through P&L
- Amortisation of goodwill included in the results for 2004/2005 was £1.4m

International Financial Reporting Standards

▪ Balance Sheet

Pensions (IAS 19)

- Balance sheet deficit of c. £77.5m (in line with FRS17 disclosures)
- Additional £62.1m liability on balance sheet over SSAP 24 liability

Financial Instruments – (IAS 39)

- Internal procedures changed
- Expect to account for all significant currency hedges under ‘hedge accounting’
- Some embedded derivatives within Currency division
- Some increased volatility potential, but not expected to be material

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

GROUP STRATEGY ANNOUNCED AT INTERIM RESULTS 2004/2005

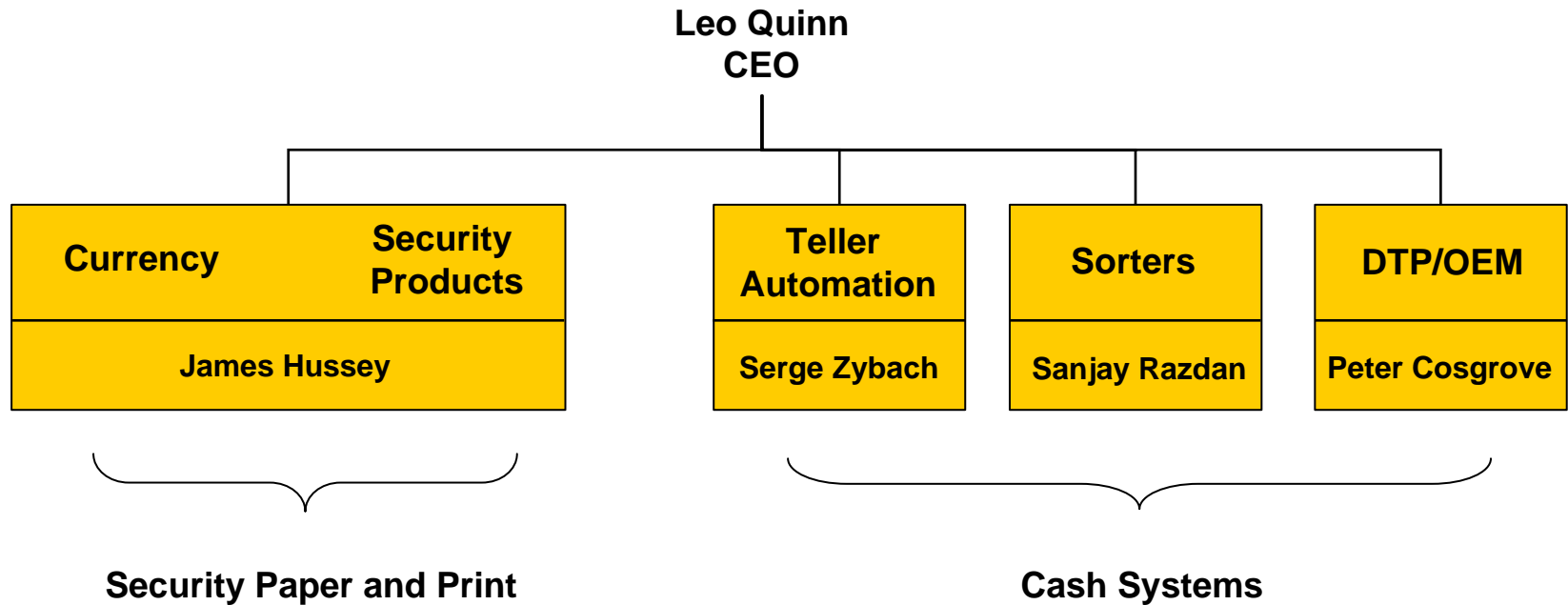
Executing the Strategy

- Simplify the Group structure
- Focus on driving the core business harder
 - Develop growth opportunities within core
- Lower the cost base and drive productivity improvement
- Eliminate losses
- At the appropriate time return surplus cash flow to shareholders
 - Progressive dividend policy

IMPROVE SHAREHOLDER VALUE

Simplify the Group Structure

- Managed as five businesses with direct accountability to CEO
- New leadership put in place for each SBU
- Put in place wall to wall 05/06 budgets by SBU
- Priority remains to deliver the strategy and results



TRANSPARENCY, FOCUS AND ACCOUNTABILITY

Focus on Driving the Core Business

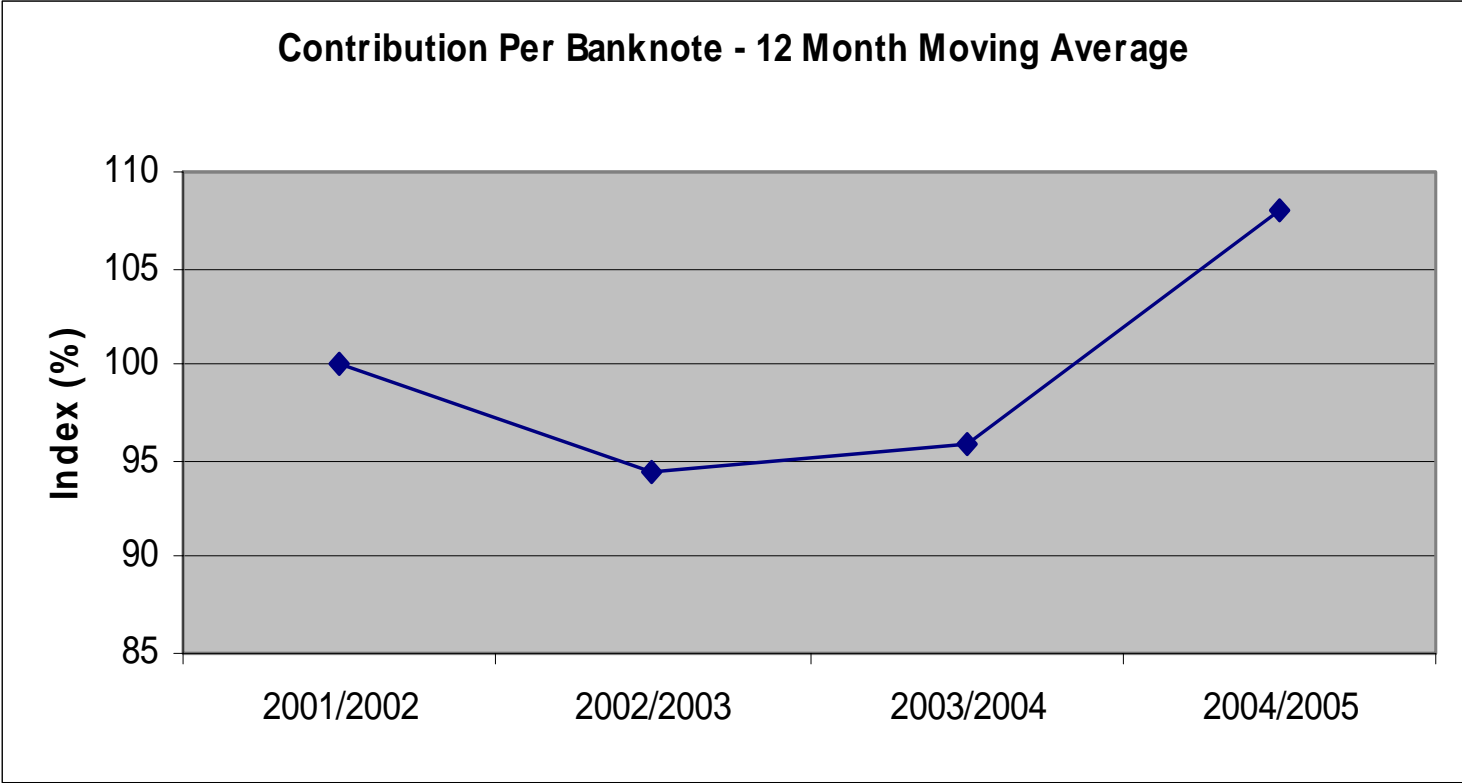
Security Paper and Print

£m	At Constant FX Rates 2004/2005	2004/2005	2003/2004
Sales	320.4	317.9	340.3
- Year on year increase/(decrease)	(5.8)%	(6.6)%	37.0%
Operating Profit*	50.6	45.6	42.4
Operating Profit Margin	15.8%	14.3%	12.5%

*before exceptional income of £1.2m (2003/2004 : £10.0m charge) and negative goodwill amortisation of £0.5m (2003/2004 : £0.5m)

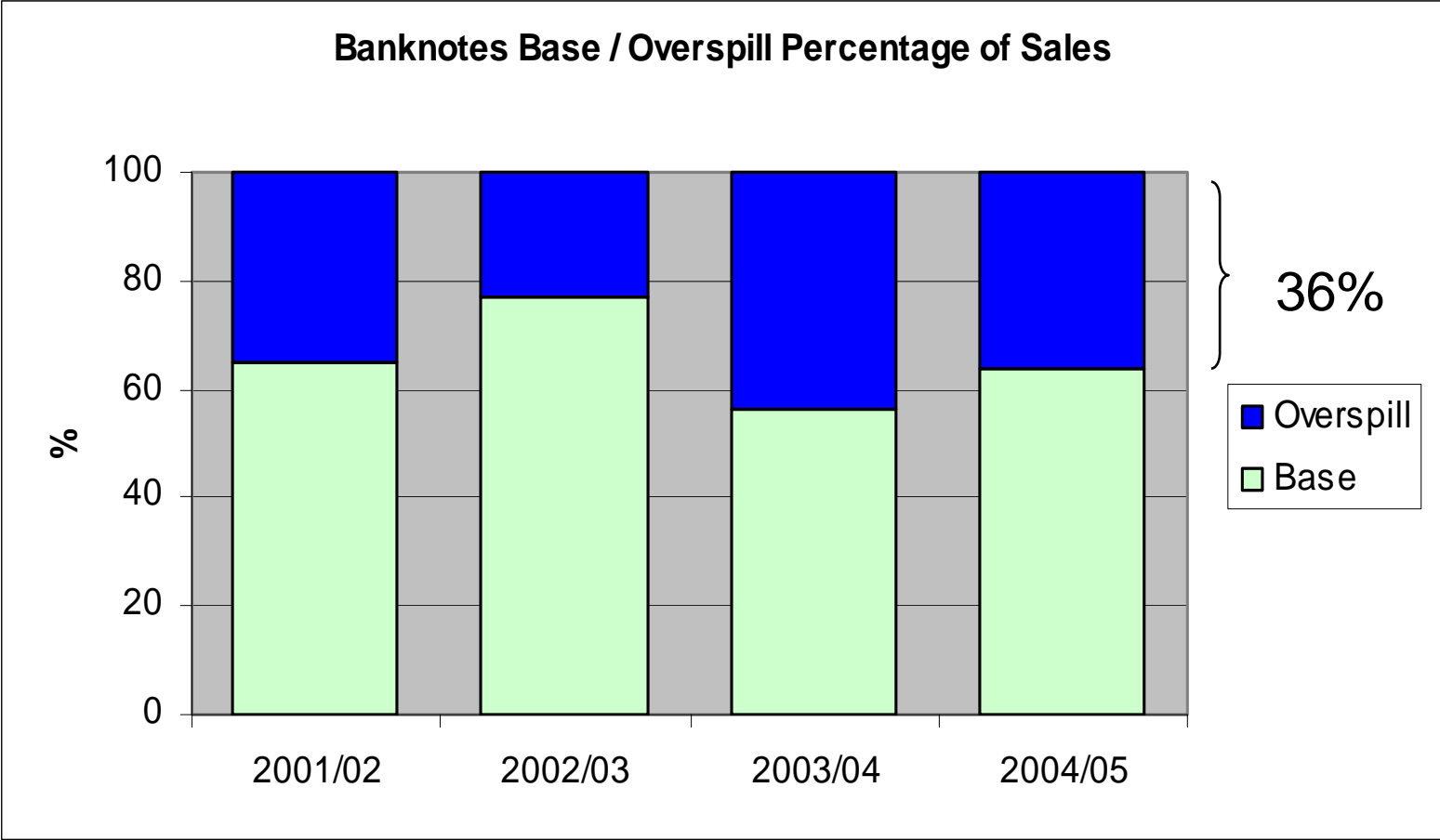
- Strong performance across all business units
- Currency banknote volume decreased following Iraq (2003/2004); significantly offset by strong opening backlog, favourable work mix and high levels of overspill throughout the year
- Improved trading in Security Products:
 - benefits of restructuring – successfully completed in second half
 - continued strength of authentication labels, fiscal stamps and passports
- Good order book provides good visibility throughout first half 2005/2006

Currency Banknote Contribution



CURRENCY HAS SEEN A FAVOURABLE WORK MIX IN 2004/2005

Currency Overspill / Base



.....AND CONTINUED HIGH LEVELS OF OVERSPILL ACTIVITY

Focus on Driving the Core Business

Security Paper and Print

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Focus on Driving the Core Business

Security Paper and Print

- Currency
 - Focus on sustaining the core business
 - Market leadership:
 - Increased year on year investment in core IP
 - 75% of products contain at least one feature with De La Rue IP
 - Investing in automation to drive productivity improvement
- Security Products
 - Completed closure of Peterborough and Byfleet facilities
 - Exited low margin business
 - UK personal cheques, export stamps, UK vouchers and coin bags markets
 - Increasing Sales and Marketing investment by c. £700k in 2005/2006 for Authentication Labels, Fiscal Stamps and Passports – leveraging core IP

Focus on Driving the Core Business

Cash Systems

£m	At Constant FX Rates 2004/2005	2004/2005	2003/2004
Sales	312.9	302.2	302.6
- Year on year increase/ (decrease)	3.4%	-	(2.7)%
Operating Profit*	13.3	9.2	8.8
Operating Profit Margin	4.3%	3.0%	2.9%

* before exceptional items of £25.8m (2003/2004 : £11.3m) and goodwill amortisation of £1.9m (2003/2004 : £2.6m)

- Sales up 3.4% at constant exchange rates despite increasingly competitive markets
- Operating profits improved despite adverse FX impact of £4.1m (£3.1m transactional)
 - Reinforces need to lower cost base
- North American growth continues to offset European decline in Teller Cash Dispensers
- Teller Cash Recycler market growing strongly but attracting new entrants
- Sorter revenues significantly down year on year primarily due to timing of order receipts and increased competition in the medium sorter markets
 - Business remains fundamental part of Currency's offering to Central Banks
- OEM / Desktop Products in line with our expectations
- Closing order book broadly in line with previous year levels

Focus on Driving the Core Business

Cash Systems

- Building on our investment in North America, India, Brazil and Russia to grow the business
- Maintaining investment to revitalise our product portfolio
- Focus on driving sales force productivity
- Continuing to lower the cost base to produce competitively priced products

Achieved through:

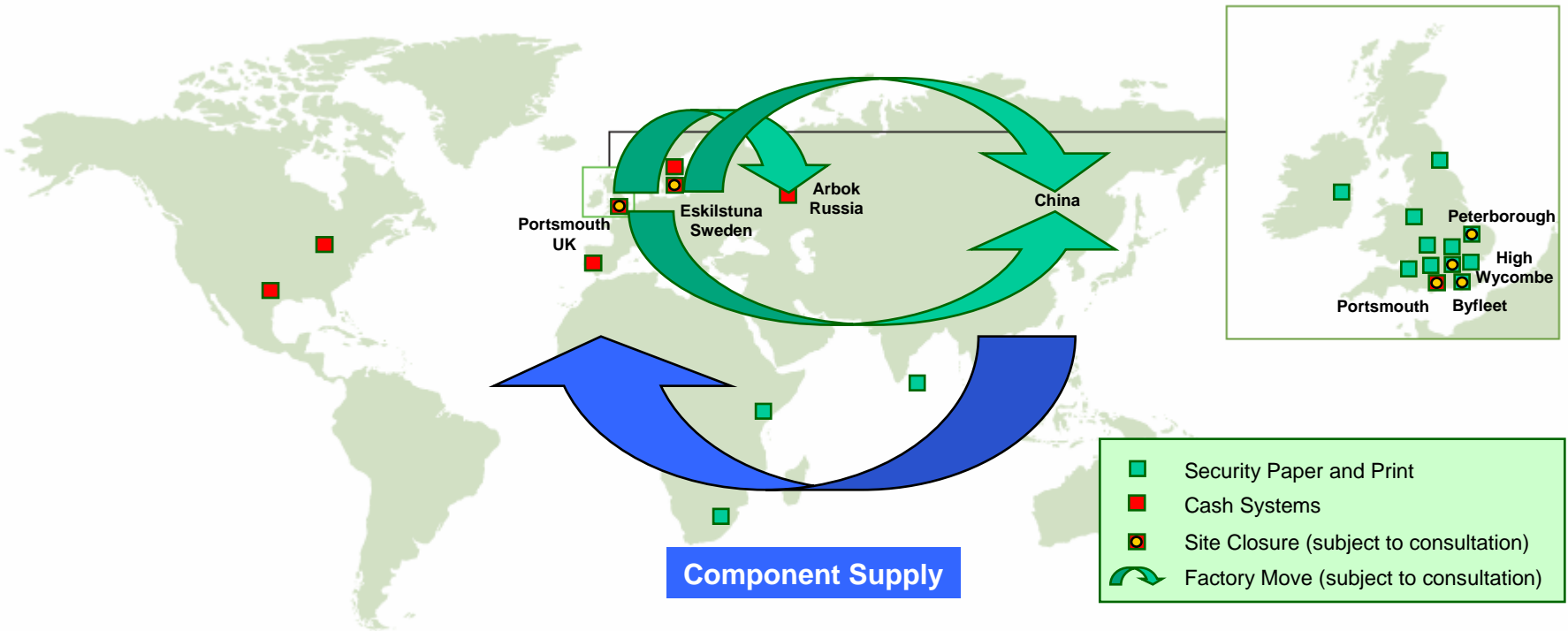
- Portsmouth (closure) and Eskilstuna (in consultation)
- Outsourcing manufacturing and procurement of components to China
- Portugal restructuring complete
- Closure of dedicated Retail group complete
- European restructuring underway

Target headcount reduction raised to 480 by end of 2005/2006

- 180 left the business by year end



Manufacturing Location Consolidation



- Co-location with customers in lower cost regions
- Foreign exchange exposure reduced
- Lower fixed costs through fewer manufacturing locations
- Acquired remaining 50% in Arbok (Russian JV)

**LOWERING THE COST BASE:
DELIVERING THE PRODUCT AT COMPETITIVE PRICES**

Eliminate Losses

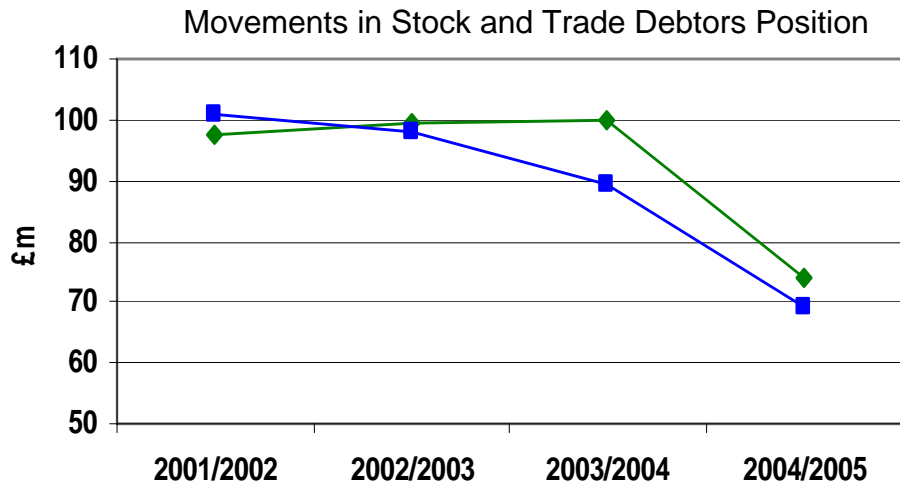
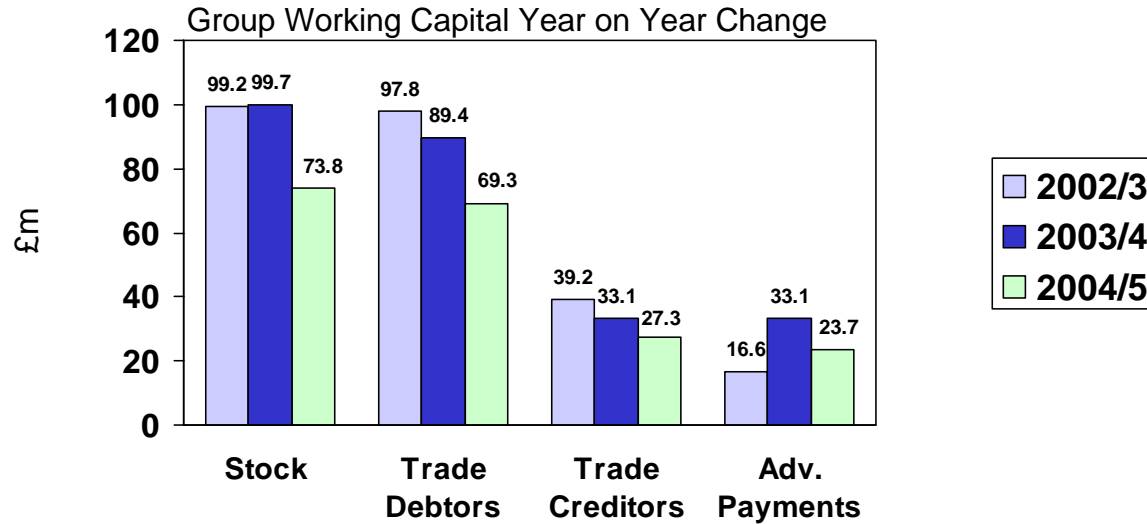
Sequoia Voting Systems

£m	2004/2005	2003/2004
Sales	23.1	44.2
- Year on year increase/ (decrease)	(47.7)%	75.4%
Operating Profit*	(0.2)	(1.9)

- Business sold in March 2005 for £8.7m
- Original restructuring cost of £6m anticipated in December reduced to £2m
- £4.6m of working capital released from business prior to sale
- Losses for year contained at £0.2m on 11 months trading
- Exceptional gain on transaction of £6.0m

SATISFACTORY EXIT FROM THE BUSINESS

Improved Cash Generation



**£25.9m
Stock reduction**

**£20.1m
Debtors reduction**

£27m OF CASH FREED UP FROM WORKING CAPITAL

Returns to Shareholders

- Recommended increase in ordinary dividend to 10.6p up 8.2%
 - Total dividend for year up 7.7% to 15.3p

- Special dividend of £70m and corresponding share consolidation announced today
 - Equivalent to 38.0p per share
 - Subject to shareholder approval at an EGM which will immediately follow AGM on 28 July 2005



Outlook

The Group has good visibility for first half orders, particularly in the Currency activities although as previously anticipated we do not expect a repeat of all the favourable conditions we saw in Currency during 2004/ 2005.

We remain confident of the outlook for the year.

SUPPLEMENTARY SLIDES

Preliminary Results 2004/2005

Currency Volumes

	2004/2005	2003/2004
Underlying banknote volumes – increase/(decrease)	(8)%	14%
Overspill – as a % of total banknote volumes	36%	44%
Paper volumes – (reduction)/increase	(15)%	38%