DeLaRue

2016/17
Half Year Results

De La Rue plc
22 November 2016

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Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational and strategic update
Martin Sutherland

Q&A

Overview

- **Solid performance underpinned by good volumes and strong order book**
  - Group revenue flat yoy[1], underlying operating profit +2% yoy[1]
  - Banknote Print volumes +22% yoy, Banknote Paper volumes +8% yoy
  - Product Authentication and Traceability revenue +10% yoy, underlying operating profit +24% yoy
  - Group 12 month order book remained strong at £409m
- **Good strategic progress**
  - Restructuring of manufacturing footprint progressing well
  - Agreement to enter into 60/40 JV with Government of Kenya
  - Good momentum in Polymer – second significant volume customer win
  - Secured two multi-year Identity Solutions contracts
- **Interim dividend maintained at 8.3p**

1. Continuing operations only

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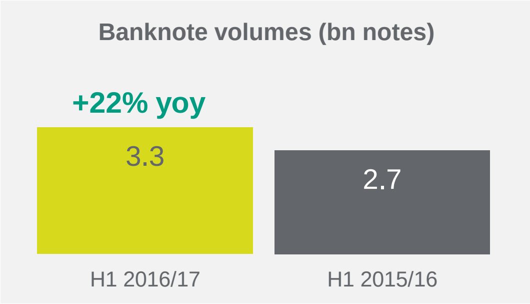
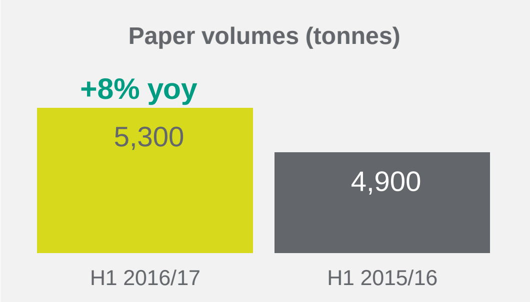
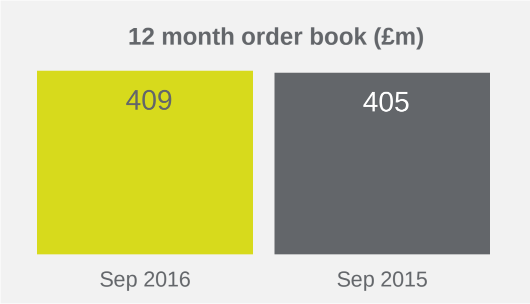
Financial overview

	H1 2016/17* £m	H1 2015/16* £m	Change %
Revenue	**189.5**	188.7	0%
Underlying operating profit**	**24.0**	23.6	2%
Underlying operating margin**	**12.7%**	12.5%	20bpts
Underlying profit before tax**	**18.2**	17.6	3%
Taxation before exceptionals	**(2.9)**	(2.0)	-
Underlying profit after tax**	**15.3**	15.6	(2%)
Underlying earnings per share**	**14.0p**	14.6p	(4%)
Reported earnings per share	**13.2p**	25.0p	(47%)
Dividend per share	**8.3p**	8.3p	0%







* Continuing operations only
**Before exceptional items

Revenue and operating profit

	Revenue*			Operating profit*		
	H1 2016/17 £m	H1 2015/16 £m	Change %	**H1 2016/17 £m**	H1 2015/16 £m	Change %
Currency	**136.4**	139.8	(2%)	**14.3**	13.9	3%
Identity Solutions	**33.5**	31.5	6%	**3.4**	4.6	(26%)
PA&T	**21.5**	19.6	10%	**6.3**	5.1	24%
Intra group eliminations	**(1.9)**	(2.2)				
Total	**189.5**	188.7	0%	**24.0**	23.6	2%

* Continuing operations only and before exceptional items

Cash flow and net debt

	H1 2016/17 £m	H1 2015/16 £m
Underlying operating profit	**21.7**	18.9
Depreciation	**13.5**	12.9
Working capital	**(10.2)**	29.3
Underlying operating cash flow	**25.0**	61.1
Capital expenditure	**(8.8)**	(10.8)
Special pension fund contributions	**(4.2)**	(8.4)
Net cash cost of exceptional items	**(2.4)**	(10.8)
Tax and interest	**(2.8)**	(2.7)
Dividend	**(16.9)**	(16.9)
Other	**0.7**	(3.1)
Net cash flow	**(9.4)**	7.7

	24 Sept 2016 £m
Opening net debt	(106.1)
Net cash flow	(9.4)
Closing net debt	(115.5)

*All numbers stated above include discontinued operations

Other finance matters

- Exceptional costs of £1.0m
- Effective tax rate for 2016/17 expected to be c16%
- Foreign exchange impact
  - Hedged all committed orders – little impact in FY2016/17
  - 80% of sales are export – sustained weakness in Sterling provides competitive advantage
- Pension
  - Post tax pension deficit increased by £130m to £297.7m, reflecting a decrease in the discount rate
  - Triennial valuation completed in June 2016
  - Extended funding schedule to 2028, reduced pre-tax cash contributions for the next two years

Year ended 31 March	2017	2018	2019	2020	2021	2022	2023-2028
Cash contribution* (£m)	13.0	13.5	20.5	21.3	22.2	23.1	23.0 p.a.

*Exclude £1.6m administration fee per annum

- Interim dividend maintained at 8.3p

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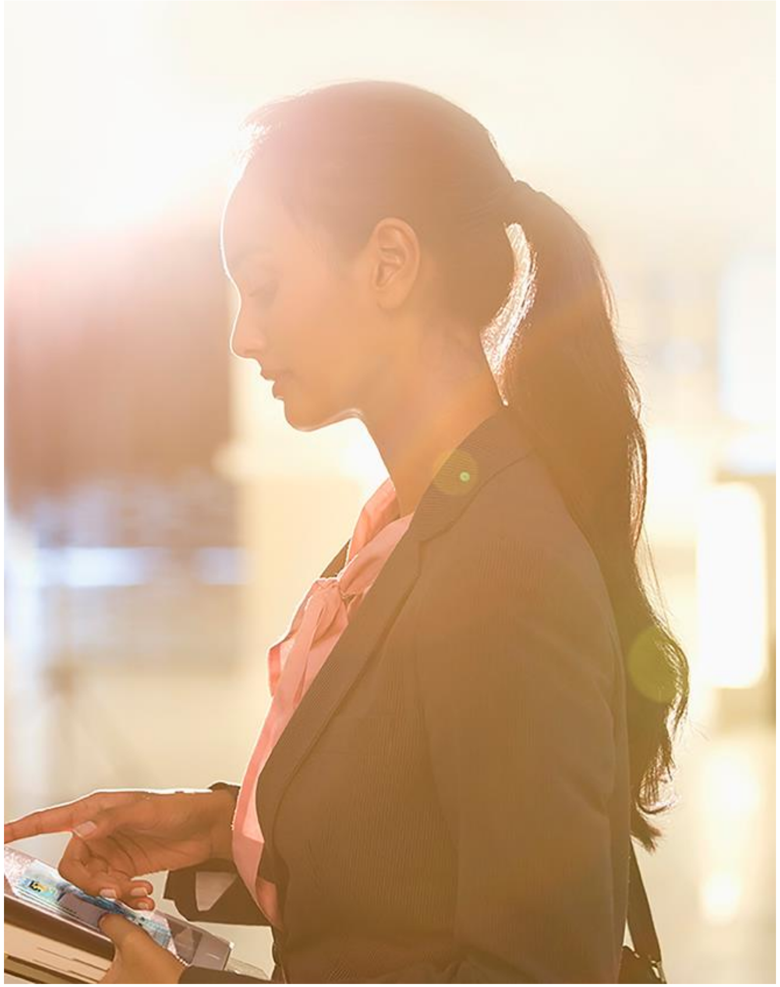


Five year journey

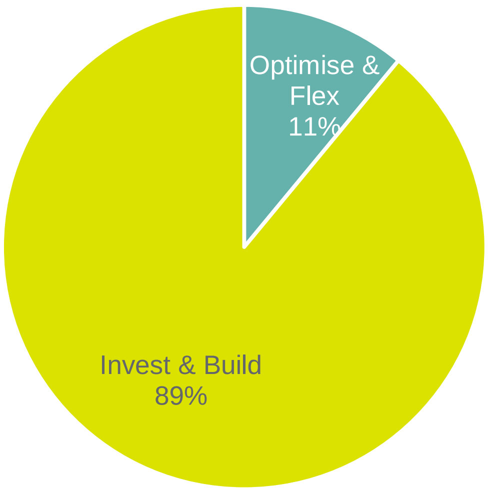
2015-17	2017-19	2019-20
Phase 1: Set foundations	**Phase 2: Accelerate transformation**	**Phase 3: Establish leading positions**
• Address material issues • Optimise manufacturing footprint and create operational flexibility • Reduce costs • Increase R&D investment and introduce product management • Reorganisation & drive culture change • Focus on cash management	• Accelerate product development • Continue to invest in new capabilities • Broaden customer base • Formulate digital strategy • Strengthen partnerships • Continue culture change • Improve cash flow	• Balanced business portfolio • Attractive and sustainable financial returns • Dynamic and high performing culture • Cash positive • Cement No. 1 position in Currency • Become one of the major players in our chosen markets for IDS and PA&T

Phase 1: Set foundations – how are we doing?

Address material issues	• Sold CPS • Banknote paper strategic partnership discussions ongoing
Optimise footprint & create operational flexibility	• Manufacturing footprint implementation making good progress – cost saving on track • Continue to work with and explore deepening relationships with outsource partners
Reduce costs	• Operational Excellence programme continues • Fixed cost reduction progressing well – 14% total headcount reduction in last 12 months
Increase R&D & introduce product management	• 'Pathfinder' – initiated digital strategy • New product managers in place across Currency, IDS and PA&T • Double R&D investment in the years to 2020 – on track
Re organisation & culture change	• Re organisation completed in Oct 2015, significantly strengthened senior leadership team • Strengthened sales – Miller Heiman training roll-out completed • Culture change programme ongoing – revised incentive scheme, implemented performance management, launched leadership programme

Increase R&D investment and introduce product management

Projects by product category – H1 2016/17



- Product management fully established
- On track to double R&D investment in the years to 2020 - resource focuses on key growth areas
- Initiated digital strategy

Banknote Print

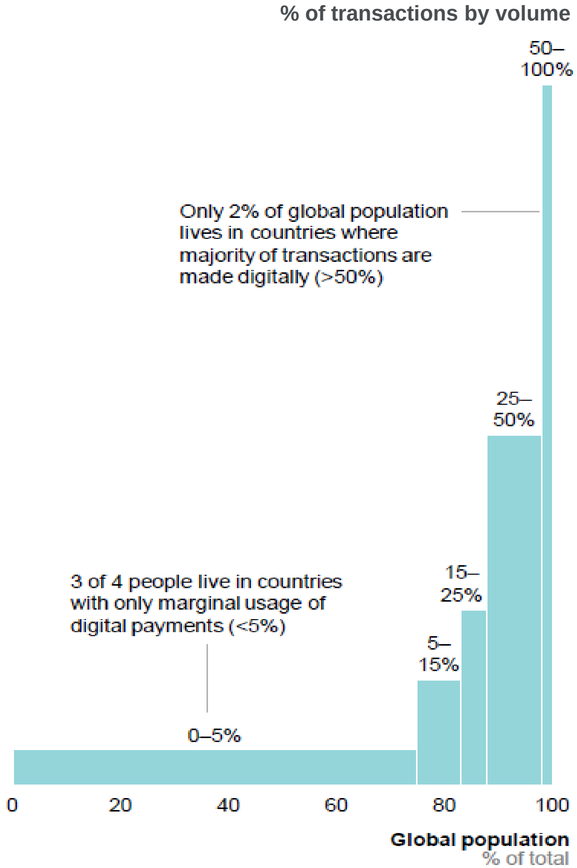
DeLaRue

Optimise & Flex

Invest & Build

3 of 4 people globally live in countries with only marginal usage of digital payments (<5%)…

Global share of digital payments, 2014

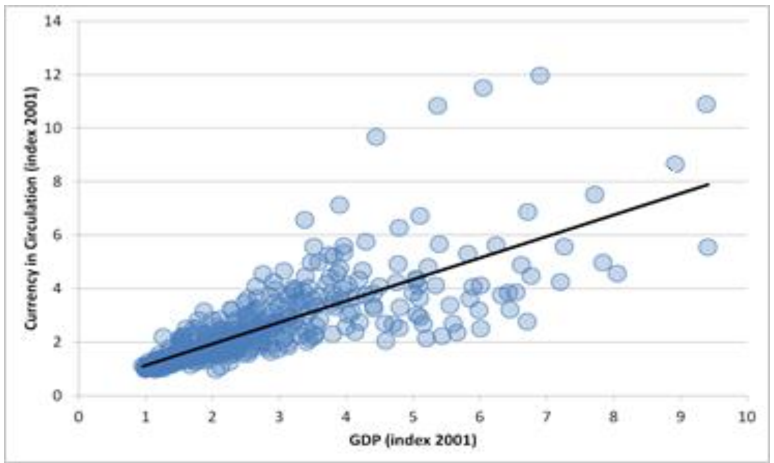


Source: McKinsey Global Payments Map

…even in the UK, cash is still the primary payment mechanism, with over 18 billion payments made in cash, worth c£250 billion in 2014

Source: Payments UK

There is a clear correlation between cash in circulation and GDP growth across the word



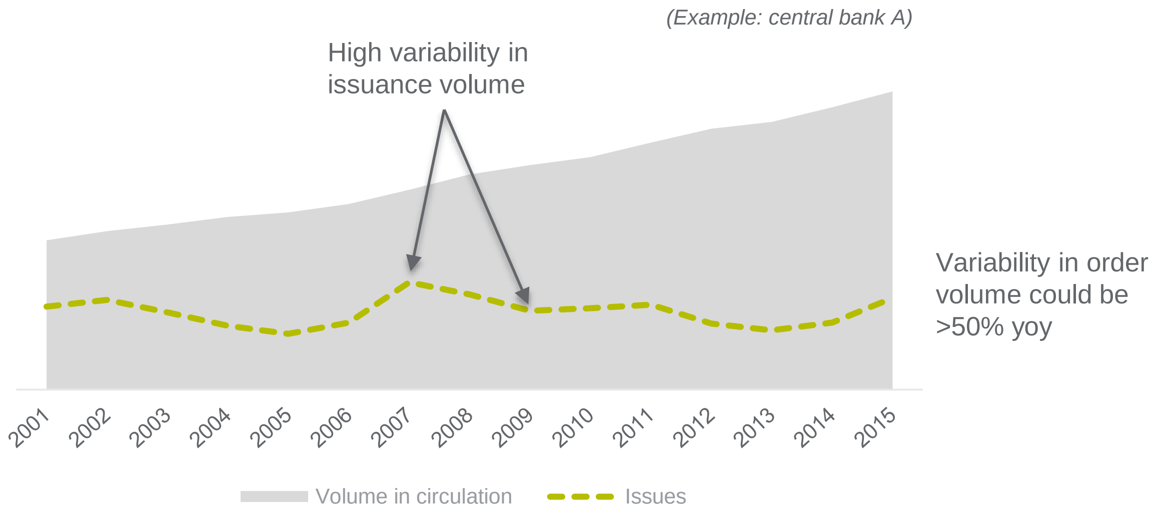
Source: The World Bank, IMF

Banknote Print

Optimise & Flex

Invest & Build

While volume and value of notes in circulation increase steadily, issuance and order of notes are less predictable



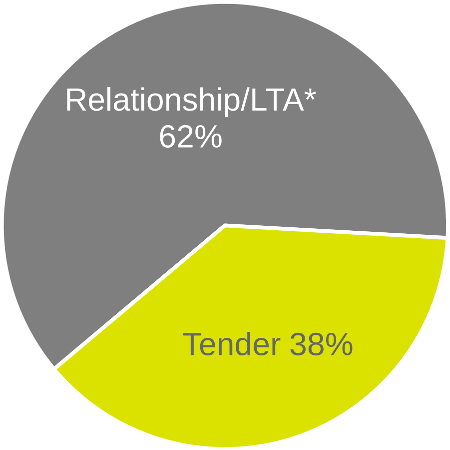
- Flexible capacity – manufacturing footprint restructure progressing well
  - Changed working practices to provide greater flexibility
  - Machine re-deployment and engineering works continue to plan across all sites
  - Refined implementation plan
  - Continue to work with and explore deepening relationships with outsource partners
- Developing analytics and forecasting tools to work with customers to smooth demand

Banknote Print

Optimise & Flex

Invest & Build

Customer segmentation by number of customers



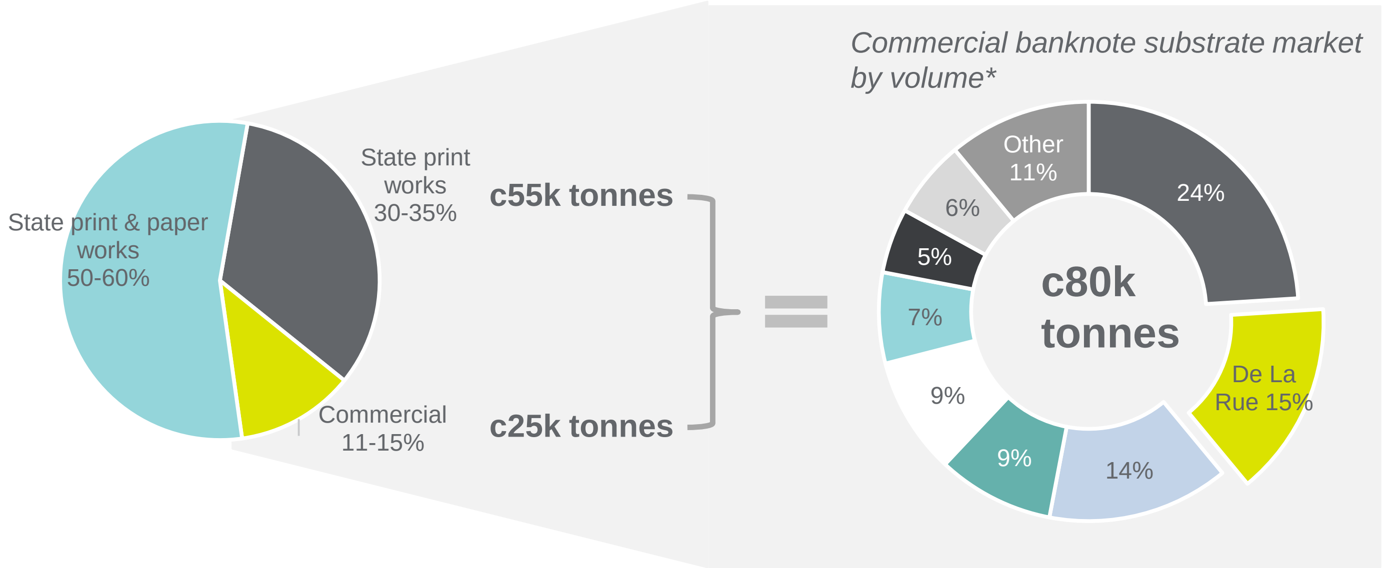
- Focus on developing more long term relationships
- Smooth demand through working with our customers
- Agreement to 60/40 JV with Kenya – leverage longstanding relationship to create a currency and security solutions supply hub for the country and East Africa
- Successful in winning tender and relationship contracts – order book has strengthened during H1

* Long term agreement

Banknote Paper

Optimise & Flex

Invest & Build



- Explore strategic relationship
  - JV discussions continue with a number of parties
  - Sales to new commercial printers established during H1
- Maximise potential in State Print Works
- Continue operational excellence programme

* De La Rue estimates. De La Rue share includes internal and external sales

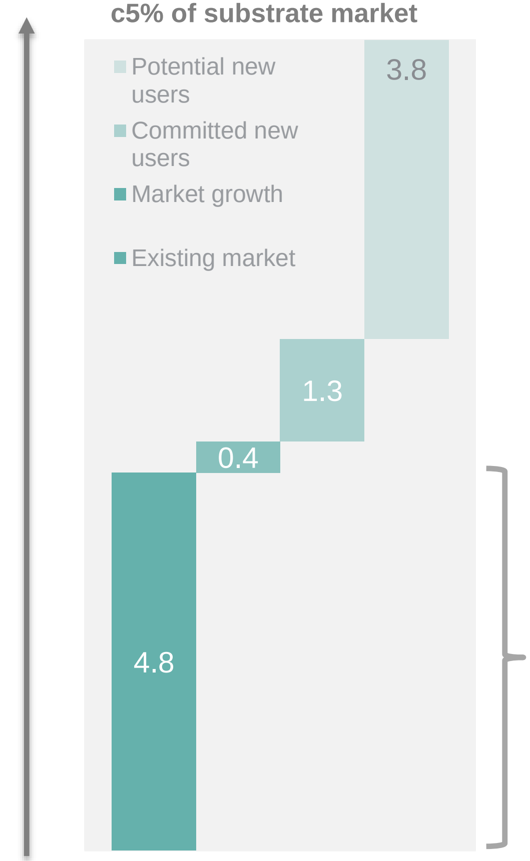
Polymer

Optimise
& Flex

**Invest
& Build**

Market expected to double in 5 years*

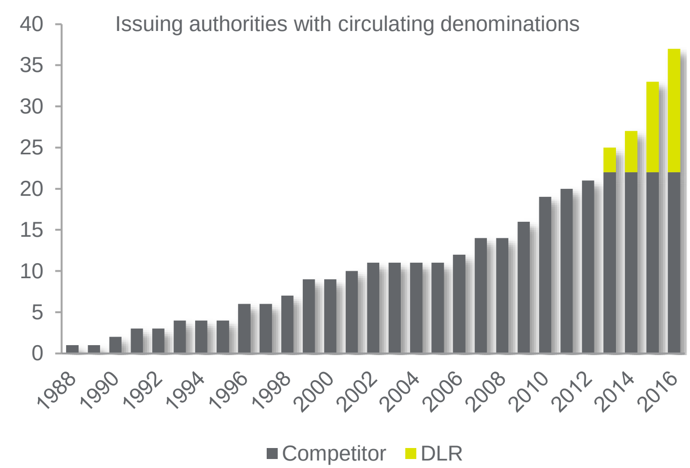
2021 **10.3k tonnes**
c5% of substrate market



2016 **4.8k tonnes**
c3% of substrate market

- 15 issuing authorities and growing market share
- Secured 2nd volume customer during H1
- All three Scottish notes on Safeguard® now in circulation
- Well invested production facilities
- The only vertically integrated polymer supplier and design know-how

De La Rue has been gaining market share since launch in 2012



* De La Rue estimates

Security Features

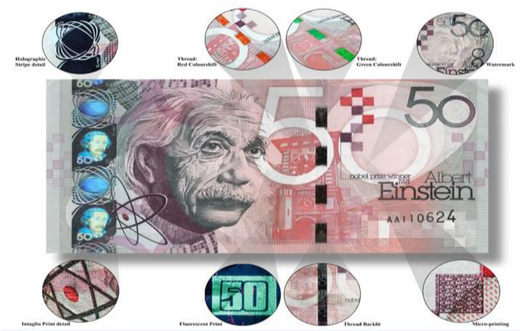
Optimise
& Flex

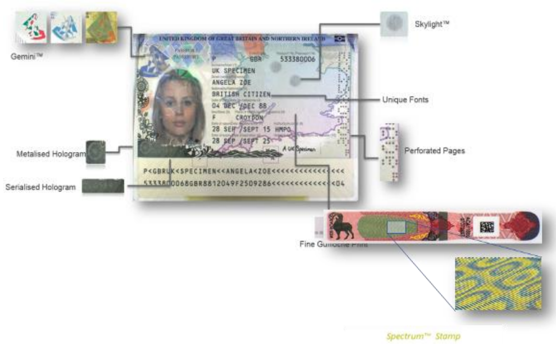
**Invest
& Build**

Our portfolio allows us to invest once in technology platforms that address multiple markets

Well positioned in core Currency market

Growth potential in IDS and PA&T





Basic threads	Mid range threads	Premium threads	Holographic threads	Holographic stripes	Holographic patches	Basic holography

15% market share*, focus on increasing volume

Design know-how, good growth potential
- Polymer
- National ID
- Tax stamps and brand protection

Low — High — Low

Value

* De La Rue estimates. Exclude ZSST which produces for China domestic market only

Security Features

Optimise
& Flex

**Invest
& Build**

Grow core currency market

- Gaining traction with new features

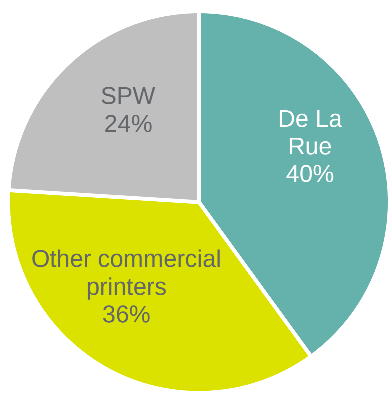
Holographic foil for polymer launched with Gibraltar £100

Active™ security thread in full circulation with Bahamas $10

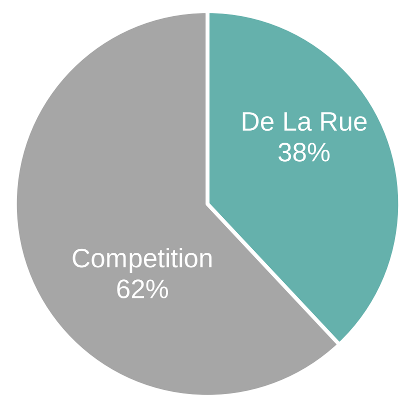
Kinetic Starchrome® specified in top 3 denoms in volume issuing customer

- World class award winning design team - 13 banknotes awards since 2007
- c40% of all new banknotes issued in 2015 were designed by De La Rue
- 13 new patents filed in H1

Banknotes in circulation by designer



Features on new banknotes issued
January 2015 – September 2016



Identity Solutions

Extend our offering from passport books to full solutions

DLR Identify™

Design and print passport books

Design and print passport books + personalisation + issuance

DLR Identify™

Biometrics
i.e. data capture & verification

Border Control
i.e. security gates

via partnerships

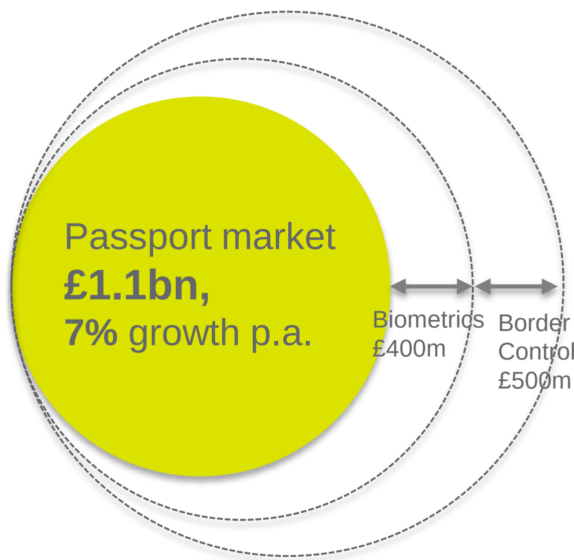
ePassport solutions – fully managed service

Optimise & Flex

Invest & Build

ePassport solution market £2bn, 2016

- Grow passport sales
  - Added three new passport customers
- Built long term recurring revenues
  - Secured two multi-year service contracts: Qatar and Barbados
- Extend offering to full ePassport solutions with third parties

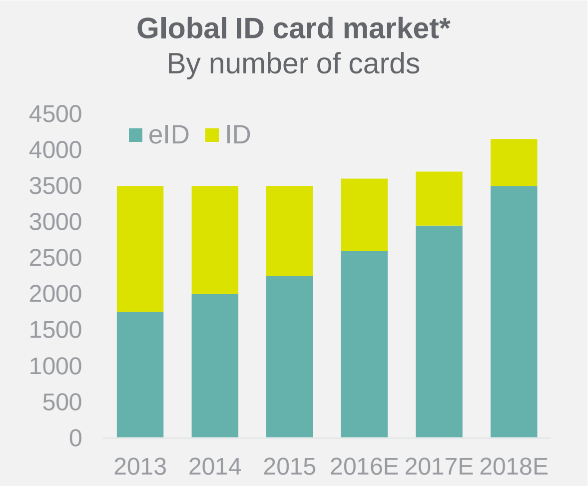


Identity Solutions

Optimise
& Flex

**Invest
& Build**

Expand into ID market



- Planned new capability in Malta progressing well
- 60/40 JV agreement in Kenya to create a supply hub for the country and the region
- Launched DLR Identify™ CRVS – civil registration module, focusing on winning reference customers

Build wholesale offering

- Expand addressable market to SPWs – added three SPW customers in H1
  - IP licensing/security features
  - Passport paper
  - Customised design
- Maximise use of assets and reduce tender volatility

*De La Rue estimates

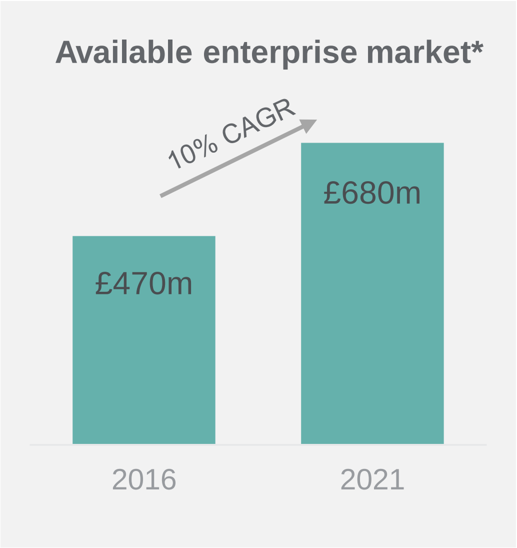
Product Authentication & Traceability

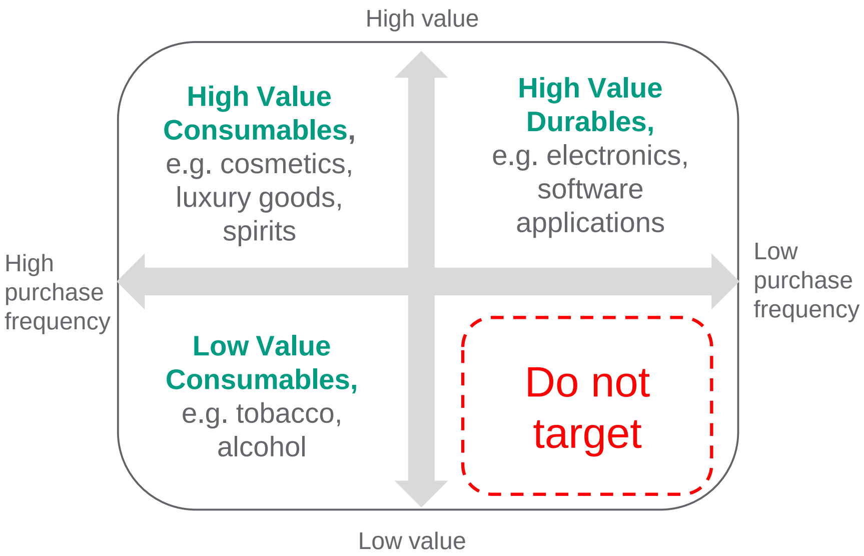
Optimise & Flex

Invest & Build

Brand protection

- Enterprise market - fast growing, but highly fragmented
- DLR Certify™ track & trace solution - target international brands with complex supply chains and distribution network
- Bespoke offering - Initiated a number of joint projects with key customers on specific product requirements





*De La Rue estimates

Product Authentication & Traceability

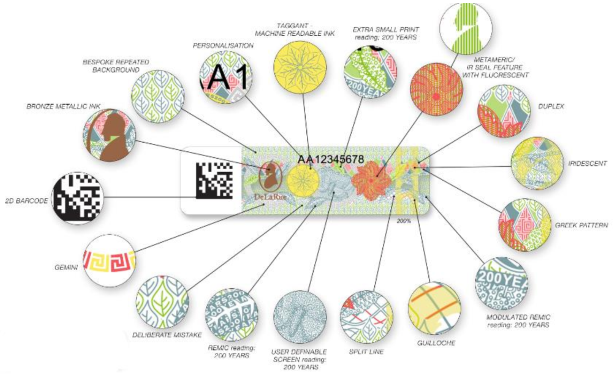
Optimise
& Flex

Invest
& Build

Tax revenue protection

- Government market - leverage existing relationships
- Strengthen position in tax stamp market
  - Planned Centre of Excellence in Malta
- Expand into full track and trace solutions
  - DLR Certify™ successfully deployed in an African nation
  - Potential partnerships with other commercial printers

Build wholesale offering



- Expand addressable market to SPWs
  - IP licensing/security features
  - Security paper
  - Customised design

*De La Rue estimates

Summary

- H1 performance in line with expectations, underpinned by good volumes and strong order book

- Good strategic progress
  - Optimise & Flex: on track to deliver operational flexibility and planned cost savings
  - Invest & Build: good momentum in our growth segments

- Outlook
  - 12 month closing order book of £409m provides confidence for the future
  - Full year outlook unchanged

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Appendices

Exceptional items

Continuing operations	**H1 2016/17 £m**	H1 2015/16 £m
Gain on sale of surplus land	**0.1**	9.5
Release of warranty provision	**0.5**	1.1
Site relocation and restructuring	**(1.6)**	(3.1)
Total exceptional items on continuing operations	**(1.0)**	7.5
Total exceptional items on discontinued operations	**(3.1)**	(0.7)
Net cash cost of exceptional items for continuing operations	**(2.4)**	(10.8)

Tax credit on exceptional items for continuing operations	**H1 2016/17 £m**	H1 2015/16 £m
Credit in the period	**0.2**	0.4
Prior year tax credit	**–**	2.6
Total tax credit on exceptional items	**0.2**	3.0