

Going Beyond

April/May 2021



DeLaRue

MoneyMaze Podcast:

Interview with De La Rue
CEO Clive Vacher

Banknote of the Year:

De La Rue designs on
36% of most popular
banknote choices

IACA webinar:

Leading banknote
manufacturers and
substrate suppliers
present their
sustainability initiatives

Contents

- 3 Foreword from Ruth Euling
- 4 Banknote of the Year 2020
- 5 Trading Update
- 6 Events
- 8 IACA Webinar
- 10 "Cash as part of the sustainable future payments mix"

Introduction

April saw us issue our latest positive trading update and we look forward to announcing our end of year results on the 26th May. De La Rue is now well into the second year of our Turnaround Plan and it is an exciting time as we continue to make progress against this plan.

We have broken ground on what will be our SAFEGUARD® Centre of Excellence, the building and infrastructure is hardly recognisable when compared to the site when acquired several months ago. The business continues to see strong demand for polymer banknotes, driven by the cleaner, greener, more secure and more durable benefits of polymer and we are looking forward to our additional capacity coming online.



The recent IACA webinar on sustainability was an important event, with the invited finalists of the IACA sustainability awards coming together to share best practice examples of their initiatives. For De La Rue, sustainability improvement has been ongoing for well over a decade to reduce our environmental impact. In recent years, we have focused on reducing our environmental impact largely in our production sites however, we have also been seeking new and innovative ways to support our customers in improving the end-to-end impact of banknotes in circulation and through to end of life. We were privileged for our work to be recognised by IACA.

As travel restrictions start to ease slightly in the UK we start to see glimpses of a future where we will be able to meet again. For now we wish you all the best and look forward to meeting soon.

If you would like any more information about anything in this newsletter or you would like to register for future webinars please contact us at currency@delarue.com.

A handwritten signature in black ink, appearing to read 'Ruth Euling'. The signature is stylized and cursive.

Ruth Euling, Managing Director

Banknote of the Year 2020

The International Bank Note Society (IBNS) membership voted the Banco de Mexico as the recipient of its annual "Bank Note of the Year Award", for the new polymer 100 Pesos banknotes.

Whilst 2020 saw over one hundred new banknotes issued worldwide, only twenty four designs were considered new enough to be selected by the IBNS members. The 100 Pesos was a consistently popular design, followed closely by the Royal Bank of Scotland £20 featuring entrepreneur Kate Cranston and native red squirrels. Third place was a tie between the Ulster Bank £20 (dancing skeletons and street musicians) and the Bahamas \$5 (statesman and junkanoo dancer) and the Fiji \$50 (50th Anniversary of Independence).

Of the twenty five designs considered, De La Rue was involved in the design of nine of these banknotes (36%), with three designs finishing in the top 5.

The IBNS created a [YouTube](#) channel containing members nominations for their favourite banknote.



*Banco de Mexico
100 Pesos:
International
Banknote Society
Banknote of the
Year 2020.*



Trading Update

De La Rue plc (LSE: DLAR) (“De La Rue” or the “Company”) today announces a trading update for financial year 2020/21, which ended 27 March 2021.

As a result of continued positive trading, the Board expects Adjusted Operating Profit for the financial year 2020/21 to be around the top end of the £36 million to £37 million range previously indicated in the Company’s trading update of 28 January 2021.

End of year Net Debt was approximately £53 million, which is lower than market expectations(1) by approximately £21 million. This is mainly due to lower capital expenditure during the year, consistent with adjustments made to the timing of capital spend as the Turnaround Plan has evolved. Total aggregate 3-year cash investment for the Turnaround Plan remains unchanged.

Due to the positive outcome of the financial year, the Company has repaid all the money received from HM Government’s Corona virus Job Retention Scheme. Furlough payments received under this scheme totalled approximately £0.4m.

In the results for financial year 2020/21, the Company will record non-cash exceptional asset impairment and accelerated depreciation charges of approximately £13 million on historic assets, as a result of the closure of the Gateshead banknote printing operations in December 2020. Of this, approximately £12m was recorded in the second half of the year following finalisation of the detailed plans for which assets currently are expected to have any ongoing use within the group.

De La Rue expects to announce its

results for the full year ended 27 March 2021 on 26 May 2021.

(1). Market expectations are based on the average of published notes from Investec and Numis Securities.

Enquiries:

De La Rue plc
+44 (0) 7387 122645
Clive Vacher, Chief Executive Officer
Rob Harding, Chief Financial Officer
Matthew Rose, Director of Tax,
Treasury and Investor Relations

Brunswick Group LLP
+44 (0)207 404 5959
Stuart Donnelly/Ed Brown

[Full statement and disclaimer available here.](#)

Events



Counterfeit Resilience webinar

We will be discussing specific aspects of counterfeiting, some of the latest identified trends and current industry best practices. We will be supported by guest speakers from Interpol, the Hong Kong police and the Central Bank Counterfeit Deterrence Group who will offer their expertise and opinion on the main risks around banknote counterfeiting today.

This educationally themed webinar is intended to share best practices, knowledge and opinion amongst industry peers. Due to the sensitive nature of the content, we

have decided to restrict attendance to representatives of central banks and state printers only.

To register your interest, please contact us using your professional email address at currency@delarue.com.

The Money Maze



Our CEO, Clive Vacher, was recently interviewed on The Money Maze podcast.

The interview challenges some of the misconceptions about cash, explains why authentication solutions have never been more relevant and offers advice about dealing with turnaround.

[Listen here](#)

IACA: Environmental Sustainability in the Banknote Community



As a finalist in the IACA Environmental Awards, De La Rue was privileged to be invited to participate the recent IACA webinar in order to share specific examples of the environmental sustainability efforts we are making to support our sustainability efforts and minimise the environmental impact of what we do and assist our customers minimise their impact across the entire banknote supply chain.

Mark Spencer, Technical Product Manager and “Sustainability Specialist”, spoke about the efforts that De La Rue has been making over the last two decades to minimise our environmental impact; how we use data to make accurate assessments and how we use this to provide relevant customer specific solutions. Rather than focusing on the incremental improvements we have made to manufacturing processes, we have placed customer requirements squarely at the forefront of our sustainability efforts and built a model that enables us to deliver a segmented and volume appropriate set of solutions for state printers and central

banks. A synopsis of Mark’s presentation is below:

At De La Rue, we are continually seeking new and better ways to be more sustainable, with multiple initiatives underway globally, all with the aim of ensuring banknotes remain part of a sustainable payment mix for the billions of people around the world that rely on them.

It has been over fifteen years since we achieved ISO 140001 accreditation in all of our sites and head office, we are in our eleventh year of submitting data to the Global Carbon Disclosure project and our sixth year aligning to the UN global compact sustainability goals. Our UK manufacturing sites are all powered by renewable energy, all UK polymer waste is recycled and initiatives across our sites have reduced carbon emissions by 15% since 2016.

In 2020, history was made with the launch of the first carbon neutral banknote, supported by the De La Rue Carbon Neutral Banknote Service. This was designed

to enable all customers the opportunity to assess the carbon and environmental impact of their banknotes and allow the comparison of banknotes across a variety of scenarios, e.g. a current paper banknote and a proposed new polymer banknote; to creating opportunities to make early decisions that could result in an overall lower carbon impact.

Working with industry leading experts to customise software to precisely model our production data, supplier information and can then apply the specific customer requirements. Combined with our De La Rue Analytics platform increases the accuracy of our approach by modelling the cash cycle factors that are relevant to each banknote denomination.

Using internationally accredited software and data sets from sphaera, we perform in-depth Life Cycle Assessments of banknote specification, production process and life, allowing detailed reporting against two main (Global Warming Potential, Non-renewable Primary Energy Demand) and four secondary environmental impact measures.

Life Cycle Assessments provide a standardised method for understanding of the overall impact the chosen banknotes and specification will have, allowing decisions and actions to be planned that will reduce that impact. We are able to provide reports to central banks and state printers in the form of polymer conversion impact and environmental impact analyses

The assessment service will then support either the selection of one of our carbon offsetting projects, or alternatively the identification of a local or regional offsetting project that we can ensure is fully certified and meets the stringent requirements of the Quality Assurance Standard for Carbon offsetting.

We applaud the our competitors efforts in the efficiencies they are making toward sustainable manufacturing. Climate change is too significant for us to be jockeying for position as the 'best' or 'least impactful' supplier. We all need to work together and we all can do more.

The presentations and Q&A session are available online [here](#).

"We applaud the efforts our competitors in the efficiencies they are making toward sustainable manufacturing. Climate change is too significant for us to be jockeying for position as the 'best' or 'least impactful' supplier."

Cash as part of a sustainable future payments mix



Dr Nikki Strickland
Head of Product Marketing
De La Rue Currency

The UK was the first major economy to pass laws for net zero carbon emissions by 2050 and has cut emissions by more than 40% since 1990. It's also committed to reduce its emissions at least 68% compared to 1990 levels – this is the fastest rate of reductions from a major economy to date and will help contribute towards the international goal of limiting the global temperature rise to below 1.5oC.

Later this year the UK will host COP26, the 26th United National Climate Change Conference. At the summit, delegates including heads of state, climate experts and negotiators will come together to agree coordinated action to tackle climate change. The occasion of COP26 will generate discussions and debate that will constructively challenge our thinking and provide opportunities to emphasise the critical role of cash as part of a sustainable payments mix. This past year has seen representatives of the cash cycle also come together to agree coordinated action. The ICA's Sustainability Charter was established in 2020 and has been followed by other initiatives, such as the UK's Cash Environment Charter. This month also saw the representatives of De La Rue, CCL and G&D talk about the initiatives that became finalists for the IACA 2020 Excellence in Currency Award for Best Environmental Sustainability Project during IACA's webinar on Environmental Sustainability in the Banknote Community. As an industry we are talking about sustainability more, sharing metrics more transparently and setting more ambitious goals. As an example, De La Rue is committing to ensuring our operations are carbon net-zero by 2030.

As an industry there is more we need to do to ensure the relative impact of different ways to store value and transact. Cash risks falling victim to the misconception that it is physical and therefore bad whilst it is assumed digital payments come without a cost. The reality is that every way we pay and store value has some type of

environmental impact. There are also certain advantages of cash linked to its physical nature; you can store it for years (decades even!) without any energy being used and a banknote can enable thousands of transactions once it is produced. Polymer notes and paper notes can go on to be recycled at the end of their useful lives.

All banknotes require different raw materials to those used for the computing and phone-based infrastructure that supports digital transactions and the renewable energy infrastructure. 85% of the environmental impact of a smart phone is due to the precious metals and other materials making up that phone, which is significant because smart phones are replaced every two years on average. Smart phone serve purposes beyond payments, which is good because they would otherwise be a very high impact tool for payment. The overall impact of banknotes is relatively low and the impact is predominantly spread over the raw materials making up the physical note and the transportation of the banknotes in the cash cycle. Having cash in the payments mix helps avoid a future where every method of payment was growing and competing for the same raw materials. Last month a global shortage in computer chips was reported to reach 'crisis point' with implications for businesses and beyond, highlighting the risks if there isn't diversity in ways to pay. From a sustainability perspective the energy usage is another factor to consider because it risks growing exponentially, with renewable energy

unable to keep up with demand. Quantifying the risks associated specifically with digital payment growth is challenging because data and reporting is opaque for digital payments. What we can evidence is that data centre energy consumption was tripled between 2010 and 2020 (from 159.3MT-CO₂e to 494.9MT-CO₂e) and the growth of digital payments will have played a role. What we can also evidence is that Bitcoin grew to have the energy consumption of a small country with relatively little challenge and relatively little news coverage given how significant this is. Whilst Bitcoin is not directly comparable to digital payments and uses a disproportionate level of energy compared to other digital payments (we assume) it serves as an interesting proxy for how digital payments energy use could grow unchecked.

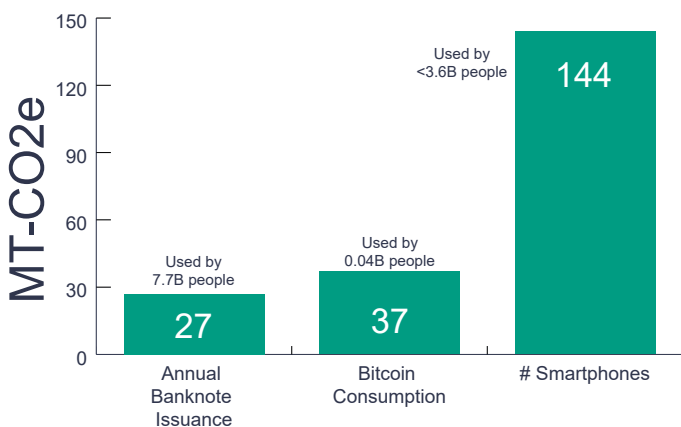
The figures below attempt to provide a little bit of context for the relative environmental impact of things. The absolute high impact of smart phones is driven primarily by the precious metals used in the phone and the

frequent upgrades to new phones. The Bitcoin energy consumption is particularly notable when considering per Capita, as the number of users of Bitcoin is relatively low. In contrast banknotes have the lowest absolute impact whilst being used and accessible to nearly every person in the world.

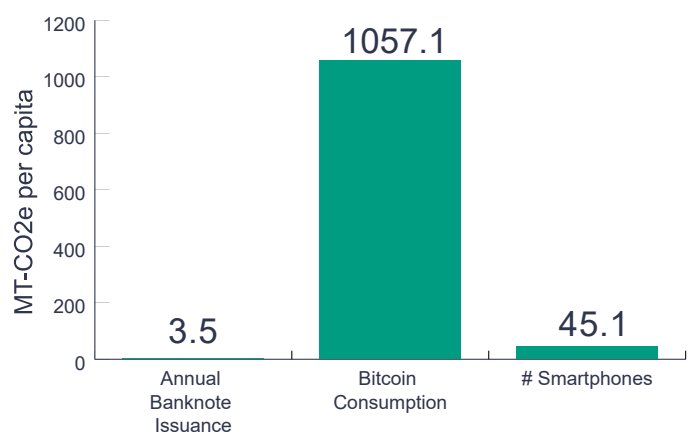
So one reason that cash is important is because it ensures that the payments system doesn't evolve to have single sources of failure and because it provides resilience by diversity. It's also important because it has a functioning global infrastructure already in place, serving most people around the world. It does this whilst having a relatively low impact on the environment. The groups forming and charters being discussed suggest that the industry will continue to work together to reduce our environmental impact further. We should also coordinate and build messaging that helps set the benefits in the context of the overall payments mix.

"Cash...has a functioning global infrastructure already in place, serving most people around the world. It does this whilst having a relatively low impact on the environment."

Relative MT-CO₂e in 2020



MT-CO₂e per capita in 2020



We provide banknotes that central banks and issuing authorities can be proud of.

Our market-leading Currency Division provides banknote security features, polymer substrate and fully finished banknotes to central banks, banknote issuing authorities and state printing works around the world.

De La Rue banknotes are more than just currency – they are secure, functional and beautiful products that countries can be proud of. They represent the very best of British design and innovation by capturing the richness of the cultures they represent with originality and creative flair.

Today's De La Rue is a progressive global company, with international manufacturing expertise, building on a heritage of customer focus, invention and expertise. We value our role as a trusted and long-term partner to banknote issuing authorities and respect this role by striving to offer the best products, support and services, via a seamless experience from start to finish.

Follow us



Join us on social media. Get access to De La Rue opinion, events and our latest news and views on cash and currency around the world. We will keep you informed on what we are doing and what matters to us.

We welcome your suggestions, ideas and comments. Please send these to [Nikki Strickland](#) or [Richard Sokl](#).

Visit www.delarue.com to sign up to our mailing list for tailored news updates. (Scroll to the bottom of the home page and complete the sign up form.)