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PLEASE SEE THE IMPORTANT NOTICES INCLUDED IN THIS ANNOUNCEMENT.

FOR IMMEDIATE RELEASE

17 June 2020

De La Rue plc

£100 million underwritten Capital Raising by way of Firm Placing and Placing and Open Offer of 90,909,091 New Ordinary Shares at 110 pence per share

De La Rue plc ("**De La Rue**" or the "**Company**") is pleased to announce that it proposes to raise gross proceeds of approximately £100 million by way of a Firm Placing and Placing and Open Offer of, in aggregate, 90,909,091 New Ordinary Shares at an issue price of 110 pence per New Ordinary Share (the "**Capital Raising**").

The Capital Raising is fully underwritten by Investec Bank plc ("**Investec**"), Numis Securities Limited ("**Numis**") and Barclays Bank PLC ("**Barclays**"), and is conditional upon, among other things, the approval of Shareholders at a general meeting of the Company which is expected to take place at 10:30 a.m. on 6 July 2020.

De La Rue's full year results for the financial year ended 28 March 2020 have also been released today in an accompanying announcement. De La Rue's annual report and accounts for the year ended 28 March 2020 have also been published today and are available on the Company's website at www.delarue.com/investors.

Investec, Numis and Barclays are each acting as Joint Global Coordinator and Joint Bookrunner. N.M. Rothschild & Sons Limited ("**Rothschild & Co**") is acting as Sponsor and financial adviser to the Company.

Firm Placing, Placing and Open Offer

- Intention to raise gross proceeds of approximately £100 million through a Firm Placing and Placing and Open Offer:

    - £50 million (gross) to be raised through the Firm Placing by the issue of 45,410,026 New Ordinary Shares; and
    - £50 million (gross) to be raised through the Placing and Open Offer by the issue of 45,499,065 New Ordinary Shares.

- The offer price of 110 pence per New Ordinary Share represents a discount of 28.0 per cent. to the Closing Price of 152.8 pence per Ordinary Share on 16 June 2020 (being the last Business Day prior to the publication of this announcement) and a premium of 14.6 per cent. to the 90 trading day volume weighted average price of 96 pence per Ordinary Share for the 90 trading days ending 16 June 2020 (being the last Business Day prior to the publication of this announcement).
- The Directors believe that the Capital Raising is required to provide the Company and its management with operational and financial flexibility to implement De La Rue's Turnaround Plan, which was first announced by the Company earlier this year.
- The Turnaround Plan, which is underpinned by actions already taken and contracts already won, covers the three-year period from FY 20/21 to FY 22/23 inclusive and is focused on cost reductions and investment in the Group's Currency and Authentication divisions.
- The Group intends to use the net proceeds from the Capital Raising to invest in the Turnaround Plan, allowing the Company to:
    - provide the investment required to grow the Authentication division;
    - cover the restructuring cash costs of the Group's accelerated cost reduction programme;
    - invest in new equipment to double the Currency division's capacity for polymer production;
    - finance footprint-related capital expenditure in respect of the Group's overseas manufacturing sites; and
    - invest in the expansion of the Group's security features business.

Extension of financing facility

- The Company has agreed with its lending banks to amend the Group's existing financing facility and extend the term to 1 December 2023, conditional on (among other things) the completion of the Capital Raising on or before 31 July 2020. The extended facility will, in conjunction with the Capital Raising, provide De La Rue with greater balance sheet strength and greater certainty of its future financing.

Revised schedule of pension scheme contributions

- The Company has also agreed with the Trustee of the UK Pension Scheme a revised schedule of annual contributions up until March 2029 (including a reduced contribution of £15 million in each of the first three years from April 2020 until March 2023). The Trustee has also agreed not to call another valuation until 31 December 2022 (to be agreed by April 2024). The agreement between the Company and the Trustee is in each case conditional on the completion of the Capital Raising on or before 31 July 2020.

Directors' intentions

- Each of the Directors has irrevocably undertaken to: (i) vote in favour of the Resolutions to be proposed at the General Meeting; and (ii) to take up in full their Open Offer Entitlements to subscribe for New Ordinary Shares.
- The Directors also intend to subscribe for an aggregate of 1,068,180 New Ordinary Shares through the Firm Placing representing an aggregate investment of approximately £1.2 million. Further details are set out in paragraph 9.2 of this announcement.

Commenting on today's Capital Raising, Chief Executive Officer Clive Vacher said:

"Earlier this year we announced a three-year Turnaround Plan to restore the Company's financial performance and return it to growth. I am pleased to report that we are already delivering strong results on this front.

"Today we are launching a £100 million gross equity raise which will provide the Company with the financial and operational flexibility to ensure the Turnaround Plan's success. With this capital we will be able to strengthen our balance sheet, reduce our costs and invest in the exciting growth opportunities we see in Authentication, polymer banknote production and security features. I firmly believe this will drive improved returns and create long-term value for our shareholders."

Capitalised terms used but not otherwise defined in the text of this announcement are defined in the Appendix to this announcement.

The LEI of the Company is 213800DH741LZWIJXP78.

For further enquiries please contact:

De La Rue plc	+44 (0) 12 5660 5322
Clive Vacher, Chief Executive Officer	
Rob Harding, Interim Chief Financial Officer	
Paul Sharma, Head of Investor Relations	
Rothschild & Co (Sponsor and Financial Adviser to De La Rue plc)	+44 (0) 20 7280 5000
Neil Thwaites	
Peter Nicklin	
David Weinberg	
Investec (Joint Global Coordinator, Joint Bookrunner and Corporate Broker)	+44 (0) 20 7597 5970
Sara Hale	
David Anderson	
James Rudd	
Ben Griffiths	
Numis (Joint Global Coordinator and Joint Bookrunner)	+44 (0) 20 7260 1000

James Taylor

Jonathan Wilcox

Jamie Loughborough

Barclays (Joint Global Coordinator and Joint Bookrunner) +44 (0) 20 7623 2323

Richard Probert

Lawrence Jamieson

Ben West

Brunswick Group LLP (Financial PR) + 44 (0) 20 7404 5959

Stuart Donnelly

Charles Pretzlik

The person responsible for the release of this announcement on behalf of De La Rue is Jane Hyde (General Counsel and Company Secretary).

This announcement should be read in its entirety. In particular, you should read and understand the information provided in the ‘Important Notices’ section below.

IMPORTANT NOTICES

This announcement has been issued by, and is the sole responsibility of, the Company. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by the Sponsor or the Joint Bookrunners or by any of their respective affiliates or agents or any of its or their respective directors, officers, employees, members, agents, advisers, representatives or shareholders as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

This announcement is not a prospectus but an advertisement and investors should not acquire any shares referred to in this announcement except on the basis of the information contained in the Prospectus to be published by the Company in connection with the Capital Raising.

The information contained in this announcement is for information purposes only and does not purport to be full or complete. No reliance may or should be placed by any person for any purpose whatsoever on the information contained in this announcement or on its accuracy or completeness. The information in this announcement is subject to change.

Neither this announcement nor any copy of it nor the information contained in it and any related materials is intended for publication or distribution in, and does not constitute an offer of securities in, any jurisdiction, including the United States, Australia, Canada, Japan, New Zealand, Singapore, Switzerland, the Republic of South Africa, where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would (i) result in a requirement to comply with any governmental or other consent or any registration filing or other formality which the Company regards as unduly onerous, or (ii) otherwise breach any applicable law or regulation, and is not for distribution to any securities analyst or other person in any of those jurisdictions.

This announcement is not for use in the United States (other than as provided to a limited number of "qualified institutional buyers" as defined in Rule 144A under the US Securities Act) and may not otherwise be released, published, re-transmitted or re-distributed, directly or indirectly, in whole or in part, in, into or within the United States. The securities of the Company have not been, and will not be, registered under the US Securities Act, or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the securities of the Company in the United States. The New Ordinary Shares, the Prospectus, the application form distributed in respect of the Capital Raising ("**Application Form**") and this announcement have not been recommended, approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of the Application Form, the Prospectus or this announcement. Any representation to the contrary is a criminal offence in the United States.

Accordingly, subject to certain exceptions, the Capital Raising was not and will not be made in the United States and neither this announcement, the Application Form nor the Prospectus constitute or will constitute an offer, or an invitation to apply for, or an invitation to subscribe for or acquire any New Ordinary Shares in the United States.

In Canada, the announcement is directed exclusively at persons in Canada who are both "accredited investors" within the meaning of National Instrument 45-106 – Prospectus Exemptions (or section 73.3(1) of the Securities Act (Ontario), as applicable) and "permitted clients" within the meaning of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations. Shares issued in connection with the Capital Raising may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors and are permitted clients. Any resale of such shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this announcement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 – Underwriting Conflicts ("**NI 33-105**"), the Sponsor and the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Capital Raising.

N. M. Rothschild & Sons Limited, which is authorised and regulated by the FCA in the United Kingdom; Barclays Bank PLC, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom; Investec Bank plc, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom; and Numis Securities Limited, which is authorised and regulated by the FCA in the United Kingdom, are each acting exclusively for De La Rue and no one else in connection with the Capital Raising or any other transaction(s), arrangement(s) or matter(s) referred to in this announcement and will not regard any other person (whether or not a recipient of this announcement) as a client and will not be responsible to anyone other than De La Rue for providing the protections afforded to their respective clients or for providing advice in connection with the Capital Raising referred to in this announcement or any other transaction(s), arrangement(s) or matter(s) referred to in this announcement.

This announcement does not constitute a recommendation concerning any investor's options with respect to the Capital Raising. The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each investor or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

The New Ordinary Shares to be issued or sold pursuant to the Firm Placing and Placing and Open Offer will not be admitted to trading on any stock exchange other than the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

Cautionary note regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the directors, De La Rue or the Group concerning, amongst other things, the results of operations, profitability, financial condition, liquidity, prospects, growth and strategies of De La Rue and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond De La Rue's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, profitability, financial condition, liquidity, prospects, growth and/or strategy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the results of operations, profitability, financial condition, liquidity, prospects, growth and/or strategy of the Group and the development of the industry in which it operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

None of the Company, Rothschild & Co, Barclays, Investec or Numis are under any obligation to update or revise publicly any forward-looking statement contained within this announcement, whether as a result of new information, future events or otherwise, other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Regulation Rules and the Market Abuse Regulation).

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/ EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Capital Raising. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

De La Rue plc

Proposed Firm Placing of 45,410,026 New Ordinary Shares at 110 pence per New Ordinary Share

Proposed Placing and Open Offer of 45,499,065 New Ordinary Shares at 110 pence per New Ordinary Share

1. INTRODUCTION

The Company today announces that it proposes to raise approximately £100 million (approximately £92 million net of expenses) by way of a Firm Placing and Placing and Open Offer of, in aggregate, 90,909,091 New Ordinary Shares at an issue price of 110 pence per New Ordinary Share. 45,410,026 New Ordinary Shares will be issued through the Firm Placing and 45,499,065 New Ordinary Shares will be issued through the Placing and Open Offer on the basis of 7 New Ordinary Shares for every 16 Existing Ordinary Shares.

The Offer Price represents a discount of 28.0 per cent. to the Closing Price of 152.8 pence per Ordinary Share on 16 June 2020 (being the last Business Day prior to the publication of this announcement) and a premium of 14.6 per cent. to the 90 trading day volume weighted average price of 96 pence per Ordinary Share for the 90 trading days ending 16 June 2020 (being the last Business Day prior to the publication of this announcement).

The Capital Raising has been fully underwritten by the Joint Bookrunners, subject to the conditions set out in the Placing Agreement.

The Capital Raising is conditional on, among other things, the passing of the Resolutions by Shareholders at the General Meeting, which is scheduled to take place on 6 July 2020. De La Rue has received irrevocable undertakings from the Directors in respect of approximately 0.1 per cent. of the Company's existing issued share capital to vote in favour of the Resolutions to be proposed at the General Meeting.

A Prospectus containing further information on the Capital Raising, including full details of how Shareholders can participate in the Open Offer, is expected to be published later today.

2. BACKGROUND TO AND REASONS FOR THE FIRM PLACING AND PLACING AND OPEN OFFER AND USE OF PROCEEDS

2.1 Introduction

De La Rue is a leading global supplier to governments, central banks and commercial organisations of products and services that underpin the integrity of trade, personal identity and the movement of goods. The Group currently protects goods worth approximately US$60 billion each year.

Founded in 1821, De La Rue has a long-established brand and reputation for integrity, innovation and manufacturing and service excellence. Approximately 70 per cent. of the world's countries partner with De La Rue, with some relationships stretching back more than 150 years. In recent years, the Group has undertaken a significant strategic transformation, including a series of disposals and acquisitions, in response to changes within its markets.

De La Rue today has two focussed business divisions:

- Currency (representing 67 per cent. of the Group's FY 19/20 revenue on an IFRS basis and 80 per cent. of its adjusted core revenue), operating in the following key market areas:
    - paper and polymer banknote printing;

- production of polymer substrate; and
- the provision of security features for both paper and polymer banknotes.

- Authentication (representing 15 per cent. of the Group's FY 19/20 revenue on an IFRS basis and 20 per cent. of its adjusted core revenue), operating in the following key market areas:
  - *Government revenue solutions*: the supply of products and services to governments which authenticate goods as genuine and to assure tax revenues;
  - *Brand protection*: the supply of products and services to support businesses in protecting their revenue streams, product supply chain and brand; and
  - *ID security components*: the provision of security components for the identity industry.

De La Rue's UK passport production contract with the UK Government is due to terminate at the end of September 2020. This contract, together with the Group's Identity Solutions Business (the sale of which was completed in October 2019) represented 18 per cent. of the Group's FY 19/20 revenue on an IFRS basis.

2.2 **De La Rue's markets**

De La Rue is focussed on product and service offerings where the Group has a technology and service advantage, where it enjoys an established leadership position in markets which are growing strongly and where long-term contracts provide significant revenue visibility.

In Currency:

- Cash remains the most used form of payment worldwide and, despite the growth in electronic payment as a proportion of the payment ecosystem, cash was still used in approximately 85 per cent. of global transactions in 2016. Total cash in circulation globally has grown by between 3 and 4 per cent. per annum since 2014, even in advanced economies;
- Approximately 172 billion banknotes are estimated to be issued annually, of which only approximately 13 per cent. are currently outsourced to commercial printers, potentially providing significant opportunity for further outsourcing;
- De La Rue is the largest of only four independent banknote manufacturers, with approximately 30 per cent. share of the outsourced market;
- In De La Rue's core markets, cash remains the dominant payment method, with the volume of transactions made by cash standing at approximately 99 per cent. in Africa, approximately 98 per cent. in emerging Asia Pacific countries, and approximately 91 per cent. in Latin America;
- Polymer substrate, of which De La Rue is one of only two global suppliers, is being rapidly adopted in the banknote market as part of a long term structural shift from paper banknotes to polymer banknotes. As at the Latest Practicable Date, approximately 3 per cent. of the world's banknotes by volume and 12 per cent. by denomination, have moved from paper to polymer (including the £5, £10 and £20 banknotes for the Bank of England), with 25 issuing authorities using De La Rue's Safeguard® product in 2020 compared with only 2 in 2013; and

- The ever-more sophisticated counterfeiting threat demands an increasing use of high-tech, high-margin security features on banknotes, for which De La Rue is a market leader by volume in respect of paper banknotes.

In Authentication:

- The total value of counterfeit and pirated goods in 2019 was estimated to be US$2.2 trillion, with the consequences of illicit trade being far-reaching and damaging for society;

- To combat illicit trade, the demand for reliable and consistent authentication of products to guarantee source to consumption, for which De La Rue is a market leader, is growing rapidly;

- According to the Company's data, the market for government revenue solutions is worth approximately £350 million and is forecast to have a compound annual growth rate of 18 per cent. between 2020 and 2024, driven by increased regulation worldwide to protect tax revenues;

- De La Rue is the second largest provider of government revenue (tax) protection solutions globally, with a focus on Africa and the Middle East. Tax stamp schemes deliver repeatable and stable monthly incomes for the Group and generally only require capital investment by the Group once the relevant contract has been signed. The Company is fully accredited and operates to ISO 14298, ISO 27001 and ISO 9001;

- The tobacco trade is a source of particular growth in the government revenue solutions market as more countries adopt tobacco tax stamp schemes to comply with the World Health Organisation's Framework Convention on Tobacco Control ("**FCTC**"). Each government which has ratified the FCTC is required to implement a track-and-trace system for tobacco products by 2023. Out of the 59 governments which had ratified the FCTC as at the Latest Practicable Date, 40 are yet to implement the required track-and-trace system;

- The product authentication market was worth £563 million in 2017 and is forecast by Smithers Pira to have a compound annual growth rate of 5.2 per cent. between 2017 and 2022. Included within this is the brand holography market, which is targeted at brand owners and focusses on anti-counterfeit verification for labels or packaging. This market is worth approximately US$380 million of which between US$200 million and US$230 million represents an addressable market for De La Rue. The Company has market-leading imaging capability developed from its Currency division operations and is one of only two suppliers for Lippmann holography in the brand holography market; and

- De La Rue has a significant opportunity to build out middle-market volume customers by leveraging its established position in anti-counterfeit solutions for brand owners, including its role as an integral partner to Microsoft (to which it has supplied anti-piracy solutions for more than 20 years).

2.3 The Turnaround Plan

In recent years, De La Rue has changed significantly both operationally and financially. The Group has rationalised its business portfolio with the aim of reducing its capital intensity and financial volatility overall, including through the sale, in 2019, of its Identity Solutions Business and, in 2018, 90 per cent. of its shareholding in Portals De La Rue (with which it now has a long-term paper supply contract).

Over the same period, the Company has seen certain sizeable contracts conclude or not be renewed, including a banknote contract with Venezuela (the loss of which was exacerbated by the impact of the non-payment of a significant related invoice) and the UK passport production contract, which individually and collectively have had a significant impact on the financial performance of the Group.

In addition, since the start of FY 19/20, De La Rue has seen significant changes in the market for currency, including pricing pressure as a result of reduced overspill demand (chiefly as a result of Venezuela's withdrawal from the banknote market), which had a material impact on volumes and profitability in the first half of FY 19/20 in particular, and it is expected to take time for currency market conditions to normalise. As a result of the combined impact of these strategic actions, material contract losses and changes in the currency market, De La Rue has been operating with a cost base inappropriate for the resized business.

Notwithstanding the above, the Directors also believe that in recent years sufficient focus was not given to: (i) value-enhancing opportunities outside its core banknote production business; and (ii) operational execution, with the Group's business becoming functionally siloed, without sufficient cohesion across its divisions. The Directors also consider that, prior to the implementation of the Turnaround Plan, the Group's allocation of its available capital was ineffective, partly as a result of the Company not rationalising its manufacturing sites and processes.

A combination of the above factors has resulted in De La Rue's underperformance in recent years, with the profitability, cash flow and balance sheet strength of the Group impacted materially.

In response, there has been a significant number of senior management changes during FY 19/20, including the appointment of a new Chairman, Chief Executive, interim Finance Director and divisional Managing Directors.

This new management team, which collectively has significant turnaround and relevant commercial experience, has undertaken a forensic, data-driven review of the Group in order to assess the appropriate strategy to transform the operational and financial performance of the business, with a target of returning the Company to a strong, financial position and an operating platform which will deliver higher quality earnings and scope to grow further, sustainable growth at mid-teens operating margins and strong cash generation in the medium term.

This Turnaround Plan, which is underpinned by actions already taken and contracts already won, covers the three-year period from FY 20/21 to FY 22/23 inclusive.

(A) ***Cost reduction***

The Company is enacting an accelerated cost reduction programme, scheduled to be substantively complete by August 2020. The Company's cost structure will be re-based to enable it to compete more effectively across all of its market segments, allowing it to tender for currency orders it would previously have declined, and to improve margins on existing work.

Actions expected to deliver £35.9 million of cost savings on an annualised basis are expected to have been implemented by the third quarter of FY 20/21, with actions expected to deliver £24.8 million of annualised savings having already been implemented as at the Latest Practicable Date. The breakdown of such targeted annualised savings is as follows:

- Actions expected to deliver £10 million of savings (on an annualised basis) were implemented in FY 19/20. These savings will result from reduced overhead costs as a consequence of the re-organisation of the Group's business from three divisions to two. £4.6 million of these savings are reflected in the 2020 Financial Statements while the full £10 million annual savings are expected to be reflected in the Group's financial statements for FY 20/21 and subsequent financial years;

- Actions expected to deliver £14.8 million of savings (on an annualised basis) have already been implemented in FY 20/21 (as at the Latest Practicable Date). £13 million of these savings are expected to be reflected in the Group's financial statements for FY 20/21 while the full £14.8 million annual savings are expected to be reflected in the Group's financial statements for FY 21/22 and subsequent financial years:

    - ***Alignment of terms and conditions and implementation of Alternative Line Model***: the amendment of terms and conditions to address legacy employment issues (by, among other things, consolidating employment contracts and altering shift patterns) and the introduction of an Alternative Line Model operating model at Debden, which will enable the manufacturing site to become more cost effective in line with reduced Bank of England volumes (expected total annual saving of £4.1 million);

    - ***Divisional third party provider cost reductions and reduced travel and marketing spend****:* the review and removal of unnecessary or ineffective third party partners and a sustained reduction in travel and marketing spend (expected total annual saving of £4 million):

    - ***Change to employer pension contribution****:* a reduction to the employer pension contribution for UK employees, which was implemented on 1 May 2020 following consultation with the Group's UK workforce (expected total annual saving of £1 million);

    - ***Restructuring of enabling functions***: the reduction of support functions in alignment with the resized De La Rue business (expected total annual saving of £4.4 million); and

    - ***Cessation of banknote printing at Gateshead***: initial volume and labour cost savings as a result of the proposed closure of the Group's Gateshead manufacturing site for future banknote printing (scheduled to be implemented by the start of Q3 FY 20/21 (subject to completion of a collective consultation process announced by the Group today) and expected to deliver total annual savings of £1.3 million). After the completion of this action, and following a period of transition and the relocation of equipment to other sites, it is expected that the Group will have at least the same printing capacity as it does today (if not more), while operating four currency print factories instead of five.

- Actions expected to deliver a further £11.1 million of savings (on an annualised basis) are scheduled to be implemented over the next few months as set out below. £8.6 million of these savings are expected to be reflected in the Group's financial statements for FY 20/21 while the full £11.1 million annual savings are expected to be reflected in the Group's financial statements for FY 21/22 and subsequent financial years:

    - ***Cessation of banknote printing at Gateshead***: significant further volume and labour cost savings as a result of the proposed closure of the Group's Gateshead manufacturing site for future banknote printing (scheduled to be implemented by the start of Q3 FY 20/21 (subject to completion of a collective consultation process announced by the Group today) and expected to deliver further annual savings of £6 million). As stated above, this action will not result in a reduction of De La Rue's worldwide printing capacity and the Group will continue to print banknotes in the UK as well as at its international sites;

- ***Further restructuring of enabling functions***: the achievement of further savings as a result of the reduction of support functions in alignment with the resized De La Rue business (scheduled to be implemented by the end of Q1 FY 20/21 and expected to deliver further annual savings of £2.9 million); and

- ***Manufacturing site structural review***: efficiency gains and de-layering of management levels at manufacturing sites with the focus on a series of cost reduction exercises at the Group's Malta and Westhoughton manufacturing sites (scheduled to be implemented by the end of Q2 FY 20/21 and expected to deliver total annual savings of £2.2 million).

These cost reduction actions will more than mitigate the financial impact of the loss of the Group's UK passport production contract which is due to terminate at the end of September 2020.

The restructuring cash costs for this element of the plan will be approximately £16 million in FY 20/21.

Management is fully focussed on identifying and enacting further cost reduction opportunities wherever possible, whilst being conscious of the importance of continuing to deliver a market-leading manufacturing capability and service offering to its clients.

(B) ***Currency market leadership***

The Turnaround Plan is targeting improved and sustainable profitability in the Currency division, with the following being the key focus areas:

- ***Improve profitability of banknotes:*** the cost reduction and re-purposing actions summarised above will ease pressure and ensure that the Group's business has the operational flexibility and capacity to take advantage of large, highly profitable "overspill" orders that come to market when countries experience high inflation or state print works are unable to satisfy increased domestic demand. The Group expects to have an annual stretch capacity of 7 billion banknotes once the Turnaround Plan is complete at the end of FY 22/23 as compared to its current annual stretch capacity of 6.2 billion banknotes, to better position it to service this overspill demand.

  The introduction of a more flexible manufacturing model at significantly lower cost is expected to result in the banknote business remaining profitable even in down cycles. The optimisation of the Group's Debden manufacturing site is expected to be completed by the end of FY 21/22 and, as a result of the changes implemented by the Turnaround Plan, by the end of FY 22/23 UK banknote profitability is expected to increase by approximately £10 per 1000 banknotes with the targeted labour cost reduction increasing profitability by approximately £1.75 per 1000 banknotes.

- ***Protect and grow paper thread position***: De La Rue's strategy aims to ensure that its existing paper thread portfolio can be produced at scale for external sales and that its existing differentiating capability (e.g. classical holography) can continue. The Group also plans to compete in the premium thread market by scaling the newest banknote security features beyond its current capacity limitation of 500 million banknotes per annum. To achieve these goals, De La Rue will use a bespoke sales force, which will represent a new approach to this market for the Group. De La Rue expects the relevant investment in its paper thread portfolio envisaged by the Turnaround Plan to be completed by the end of FY 21/22.

- ***Convert the world to polymer and be the market leader:*** De La Rue has established a leading position in polymer banknotes, and as one of only two global suppliers is leading the rapidly growing adoption of polymer over paper. Since 2013, 83 per cent. of all issuing authorities have selected De La Rue's Safeguard® solution for their new polymer banknotes. The new Bank of England £20 note, released this year, represents the 42nd banknote worldwide that De La Rue has secured on its Safeguard® polymer substrate. De La Rue will also be designing and printing the Bank of England's new £50 banknote for release in 2021.

  A cornerstone of the Group's strategy will be investing in, and supporting customers with, the significant trend of the transition from paper to polymer banknotes, which the Company believes is likely to be accelerated by the current COVID-19 pandemic and the resulting worldwide demand for cleaner banknotes. Given that 85 per cent. of banknotes are still paper-based, there is a significant addressable market of approximately 150 billion banknotes for De La Rue to target.

  De La Rue expects to increase its polymer output by the end of FY 20/21 and is aiming to double its current polymer capacity by the end of FY 21/22 (with the installation of a second Cerutti printing press targeted to be completed during FY 21/22). As a result of the implementation of the Turnaround Plan: (i) the Group's capacity to produce polymer banknotes is projected to increase from 97,000 reams in FY 19/20 to 226,000 in FY 24/25; and (ii) the volume of polymer banknotes sold by the Group (including direct polymer substrate sales as well as polymer substrate that is subsequently printed and sold as part of the Group's finished banknote print portfolio) is projected to increase from 70,000 reams in FY 19/20 to 219,000 in FY 24/25.

- ***Invest R&D in polymer security features and leapfrog the competition:*** the Group's strategy will focus on the development of the most advanced security features in the market for polymer banknotes. 69 per cent. of polymer banknotes currently have no security features and accordingly there is a significant opportunity for De La Rue to upsell security features as the worldwide demand for polymer banknotes increases. As part of its strategy, De La Rue expects to launch its first foil feature on polymer substrate by the end of FY 21/22 and is targeting the roll-out of at least two other new polymer security features by the end of the Turnaround Plan. The Group also plans to use focussed sales and technical teams and a standardised pricing models to professionalise and standardise its business operations in this market.

With established products and recent innovations, De La Rue has also built a portfolio of industry-leading paper security features that are the choice of a growing range of customers and will continue to be a focus for the business. In the currency printing market, De La Rue is already in the process of increasing its competitiveness and is among the world's most experienced printers of both paper and polymer banknotes. The Turnaround Plan targets a mid-teen adjusted operating profit margin for the Currency division from FY 20/21.

(C) *Continued strong growth in Authentication*

Following the significant growth delivered in FY 19/20, De La Rue is targeting continued strong year-on-year growth of its Authentication division during the three-year period of the Turnaround Plan as follows:

- ***Government revenue solutions***: De La Rue plans to leverage the growth of the tobacco tax stamp market (following the adoption by an increasing number of countries of tobacco tax stamps to comply with the FCTC) to increase its sales and marketing presence in developing markets like Latin America and Asia and improve its suite of products. The Group is in discussions with a number of governments regarding the roll-out of tobacco and drinks tax stamp schemes and is targeting agreements with several new countries each year. Each project win may trigger incremental investment requirements but these planned investments are not needed in advance of contract signature. As at the Latest Practicable Date, the Group has forecasted £11.6 million of new win revenue in this market for FY 20/21 (£9.5 million of which has been secured as of the Latest Practicable Date). This follows a very successful FY 19/20, during which the Group's revenue from government revenue solutions grew by more than 500% compared to FY 18/19.

- ***Brand***: De La Rue aims to: (i) build out middle-market volume customers, using new security labels and its existing holographic capability for novel features to entrench its presence in the market (with the launch of new functionality and features for the Group's Traceology™ technology expected by the end of FY 20/21); (ii) revitalise the Company's longstanding relationship with Microsoft through innovation and service and growing into new product areas (e.g. new securitised labels and technologies); and (iii) expand the geographical reach of the Group's anti-counterfeit Izon® technology, re-shaping the sales team and refreshing Izon® designs to improve market share in Europe and Asia. As at the Latest Practicable Date, the Group expects to record £2 million of new account revenue in respect of its security label products in FY 20/21 and revenue growth of £0.6 million in the same period in respect of its Izon® technology.

- ***Identification and Other***: De La Rue's strategy is focussed on: (i) capitalising on its work on the next generation Australian passport by securing its Australian polycarbonate customer base, building on its award of the Note Printing Australia polycarbonate datapage contract (which the Group entered into on 31 March 2020 and in respect of which the Group has secured revenue of £6 million for FY 21/22); and (ii) using its position as the only major high-security printer in sub-Saharan Africa to increase its presence in Africa within the cheques and cards market. As at the Latest Practicable Date, the Group has budgeted for £0.4 million of revenue growth in this market in FY 20/21.

Under the Turnaround Plan, De La Rue is targeting Authentication division revenues of £100 million by FY 21/22, with strong operating margins.

Overall, the Turnaround Plan is expected to address De La Rue's historic financial volatility and underperformance, creating a business with structural revenue growth, a realigned operating cost base to underpin strong and sustainable profitability and cash flow and position the Company to take advantage of attractive growth opportunities within its end markets.

Once implemented, the Turnaround Plan is expected to deliver savings of: (i) £36 million per annum in respect of operating costs; and (ii) £9 million per annum in respect of pension payments (including both the UK Pension Scheme and the Group's defined contribution pension scheme).

2.4 Reasons for the Capital Raising

The Directors believe that the Capital Raising is required to provide the Company and its management with operational and financial flexibility to implement the Turnaround Plan. In particular, given the investment needed to achieve the full benefits of the Turnaround Plan, the upcoming refinancing requirement of its existing debt facilities, the loss of the Group's UK passport production contract at the end of September 2020, and the current unprecedented uncertainty in the financial and commercial markets, the Directors believe that the Capital Raising is necessary in order to enable the transformation of the Group's operational and financial performance.

The Directors have determined that the Capital Raising is in the best interests of the Group having considered appropriate alternative options.

The Company has agreed with its lending banks to extend its existing financing facilities to December 2023, conditional on the completion of the Capital Raising.

2.5 **Use of proceeds**

The Group intends to use the net proceeds from the Capital Raising to invest in the Turnaround Plan (as further described above). As at the Latest Practicable Date, the Directors expect to use the net proceeds to:

- provide the investment required to grow the Authentication division, especially in respect of the provision of tobacco tax stamps compliant with the FCTC (expected investment of approximately £35 million);
- cover the restructuring cash costs of the Group's accelerated cost reduction programme (expected investment of approximately £16 million);
- invest in new equipment to double the Currency division's capacity for polymer production (expected investment of approximately £15 million);
- finance footprint-related capital expenditure in respect of the Group's overseas manufacturing sites (expected investment of approximately £9 million); and
- invest in the expansion of the Group's security features business (in respect of both the Currency and Authentication divisions) (expected investment of approximately £5 million).

The balance of approximately £12 million is expected to be used for general working capital purposes and/or to strengthen the Company's balance sheet.

2.6 **Financial performance**

The Directors expect the underlying profitability of De La Rue to grow broadly consistently over the Turnaround Plan period, taking into account the financial impact of the planned exit of its Identity Solutions Business.

The financial benefits of the initial phases of the cost reduction plan have already positively impacted performance in FY 19/20, and budgeted improvements in performance for FY 20/21 are largely underpinned by already initiated cost-out actions and contract wins in both the Currency and Authentication divisions.

The Directors expect growth beyond the current financial year to be driven principally by new contract wins in polymer (Currency) and government revenue solutions (Authentication), with a significant pipeline of identified future opportunities.

Management's forecasts for the future financial performance of the Group do not include an assumption of any new large volume, high margin paper currency contracts coming to market, which represent a significant potential upside, and which historically have been a regular feature of the broader currency market.

Taking into account the proceeds of the Capital Raising, by the end of the Turnaround Plan in FY 22/23, the Directors are targeting:

- average annual revenue growth for the Group of approximately 9 per cent. (based on continuing operations);
- De La Rue to achieve mid-teens, and growing, operating margins at the Group level;
- the Currency division's traditional banknote printing business to represent broadly half the Group by revenue and a third by operating profit;
- the higher growth, higher margin polymer and security features businesses within the Currency division and the entire Authentication division to represent, in aggregate, broadly half the Group by revenue and two-thirds by operating profit;
- following an initial period of cash outflow to fund the Turnaround Plan, the Group to be generating positive free cash flow and capable of supporting sustainable cash dividends to Shareholders; and
- the Company to have a net debt / EBITDA ratio (excluding deficits on retirement benefit schemes) of below 1 times and decreasing as free cash flow increases.

2.7 **Capital allocation policy**

The Directors' objective is to maximise long term shareholder returns through a disciplined deployment of the Group's capital and resources.

To support this, following completion of the Capital Raising, the Board intends to adopt the following capital allocation framework:

- **Organic investment**: De La Rue will invest in growth-focussed R&D and technology, manufacturing efficiency and cost optimisation programmes, and the requirements of new contracts as they are awarded, where such investment is demonstrably accretive to value.
- **Regular returns to shareholders**: the Directors recognise the importance of a regular, sustainable dividend to Shareholders. The Directors intend to review the reinstatement of a dividend on a regular basis, with an expectation that a dividend will be paid within the Turnaround Plan period once the Company is: (i) permitted to do so under the terms of its financing arrangements (as the Company is prevented from paying dividends to Shareholders within 18 months of the date on which the amendments to the Revolving Facility Agreement become effective); and (ii) generating sustainable positive free cash flow. Once the Turnaround Plan is successfully completed, De La Rue will target a dividend cover of 2 to 3 times underlying earnings, taking into account the sustainable free cash flow generated in the Relevant Period.

- **Acquisitions in line with strategy**: the Directors are focussed on the successful execution of the organic Turnaround Plan and therefore acquisitions are not a near term priority for De La Rue. In the medium term, the Group will explore value enhancing acquisition opportunities which increase De La Rue's technology advantage and its ability to accelerate growth in markets where the Group already has a leading position.

- **Balance sheet strength**: De La Rue is committed to maintaining a strong and efficient balance sheet, appropriate for the Group's investment requirements. Accordingly, the Directors will target a long-term gearing policy of below 1 times net debt / EBITDA (excluding deficits on retirement benefit schemes), which (as set out in paragraph 2.6 above) it expects to achieve by the end of the Turnaround Plan period, taking into account the net proceeds of the Capital Raising.

3. UPDATE ON COVID-19

The Company has assessed, and continues to assess, the potential for disruption caused by the COVID-19 pandemic and has put in place plans and measures in order to enable the business to maintain normal operations, to the extent possible, against the backdrop of an evolving situation.

Within the UK and across many of the other countries in which De La Rue operates, many of the Group's products and services are considered by customers, governments and other relevant stakeholders to be essential to the underpinning of trade integrity, personal identity and/or the movement of goods. Accordingly, despite the wider global impact of the COVID-19 pandemic:

- the Group's manufacturing sites have continued to operate with only moderate disruption;
- the Group's supply chain and distribution network have remained robust;
- the Group's order book remains strong; and
- the Group remains committed to implementing its Turnaround Plan.

The Group has nevertheless implemented actions to mitigate the impact of COVID-19 and whilst there remains considerable uncertainty in relation to the COVID-19 pandemic (including in relation to its duration, extent and ultimate impact), based on the facts as they stood as at the Latest Practicable Date, the Board believes that the Group's operations will continue to experience only limited disruption due to the impact of the COVID-19 pandemic and that such disruption will continue to diminish in the coming months.

Continued operation of manufacturing sites

Within the Group's Currency division, the Group's principal manufacturing facilities are located in the UK (Debden, Gateshead and Westhoughton), Malta, Kenya and Sri Lanka. Since the outbreak of the COVID-19 pandemic:

- The UK sites have each continued to operate with minimal disruption. The Group obtained express confirmation from the UK Government in March 2020 that it was able to continue operations at its UK sites without any restriction under the UK Government's guidelines and as at the Latest Practicable Date there has been no change to this position. The Group has therefore been able to maintain each of the Group's UK sites as fully operational, while implementing necessary safe working practices.

- The Group's Malta site has continued to operate without disruption, in accordance with relevant local government rules and advice, with record production output achieved in the final month of FY 19/20.

- The Group's Kenya site has remained operational, albeit its workforce has been impacted by the curfew introduced by the Kenyan Government in response to the COVID-19 pandemic. While this has necessitated the introduction of a double-day shift (with night-time operations temporarily suspended), the site's production has experienced only minimal disruption.

- Operations at the Group's Sri Lanka site were suspended between 16 March and 10 May 2020, in response to a curfew imposed by the Sri Lankan Government. The Group has since sought, and obtained, permission for the Sri Lanka site to resume operations, meaning that, since 11 May 2020, the site has resumed operations at slightly lower capacity.

Within the Group's Authentication division, the Group's principal manufacturing facilities are located in the UK, Malta and the United States (Utah). Each of these sites has continued to operate without material disruption, in accordance with relevant local government rules and advice, since the outbreak of the COVID-19 pandemic.

The Group continues to monitor and adhere to governmental responses to COVID-19 in those countries in which it operates and has implemented preventative measures to safeguard the health and wellbeing of its workforce across its manufacturing sites. The Board remains confident that, based on the facts as they stand as at the Latest Practicable Date, the Group's operational capacity will remain materially unaffected notwithstanding the COVID-19 pandemic.

Robust supply chain and distribution network

The Group's supply chain across both its Currency and Authentication divisions has remained materially unaffected since the outbreak of the COVID-19 pandemic. Throughout the duration of the COVID-19 pandemic, the Currency division's supply chain has remained fully functional and the Authentication division's supply chain has suffered no material disruption, with it being able to pass on the majority of increased air freight costs to relevant customers. As at the Latest Practicable Date, neither division has been required to buy additional stock in response to the impact of the COVID-19 pandemic.

The Group's distribution network within its Currency division has remained largely unaffected by the COVID-19 pandemic. By way of illustration, as at the Latest Practicable Date, since the start of the COVID-19 pandemic only one of the division's shipments has experienced significant delay as a result of the introduction of COVID-19 related transport restrictions. The Group's distribution network within its Authentication division has also not been materially impacted by the outbreak of the COVID-19 pandemic.

Strong order book

Within the Group's Authentication division, production volumes in brand and government revenue solutions are stable despite the COVID-19 pandemic. Manufacturing facilities have been able to fulfil increased demand from some of the Group's material customers, where short-term peaks have required a response to COVID-19 impacts in their supply chains. The division has developed a brand protection solution to secure COVID-19 related materials (for example test kits) and to enable authentication of COVID-19 immunity status in the future.

The Group's Currency Division is witnessing strong global demand for currency as central banks seek to increase stock levels during and after the COVID-19 pandemic. This has resulted in a number of significant opportunities for the Group's Currency division which are being actively pursued and the Board believes that this strong demand for currency is likely to continue for the remainder of FY 20/21.

Across the Currency and Authentication divisions, there has been some evidence of the COVID-19 pandemic delaying customers' processes for approving new contracts and orders with the Group. However, set against the new opportunities that COVID-19 presents for the Group, the impact of these delays on the Group's order book has been minimal and the Group's order book continues to be strong.

As at the Latest Practicable Date, the Group has not experienced material defaults on payment obligations among its customer base.

Mitigating actions

De La Rue has taken a number of additional mitigating actions in response to the COVID-19 pandemic. In particular:

- The Group has implemented plans to hold stock across multiple sites throughout its global operations, in order that it can be better able to maintain normal operations in the event of COVID-19-related disruption impacting a particular country or region.

- The Group has devised and, where necessary, implemented plans to mitigate the impact of site closures through a combination of increasing production at alternative sites and/or utilising outsourced options. By way of illustration, despite the Group's Sri Lanka manufacturing site (which accounted for approximately 17 per cent. of the Group's annual banknote production in FY 19/20) being forced to close between 16 March and 10 May 2020, the Group was able to increase production at its other sites to partially mitigate the effect of the closure.

- The Group has made limited use of the UK Government's job retention scheme by furloughing fewer than 60 UK-based colleagues (out of a total UK-based workforce numbering approximately 1,200) within higher-risk health categories or who are unable to work from home. The Group considers this the right approach to help safeguard the well-being of the more vulnerable members of its workforce. As at the Latest Practicable Date, the Group has not made use of any other support scheme made available by the UK Government.

Turnaround Plan commitment

The Board remains committed to implementing the Turnaround Plan and believes that, whilst there remains uncertainty in relation to the impact of the COVID-19 pandemic, the Group's execution of the Turnaround Plan remains deliverable over the three-year period contemplated by the plan. In particular:

- **Cost reduction:** The Board remains committed to achieving the accelerated cost reduction programme described at section 2 above. The Board believes that achieving targeted savings on an annualised basis from the second half of FY 20/21 of £35.9 million is achievable and, as at the Latest Practicable Date, implementation of the Group's cost-reduction strategy continues on-schedule and on-budget with actions expected to deliver £24.8 million of annualised savings already implemented as at the Latest Practicable Date.

- **Currency market leadership:** The Board continues to implement its plan to achieve market leadership in the currency industry through a combination of: (i) improved, sustainable profitability in its paper and polymer currency print business; (ii) increased investment, and support to customers, in the transition from paper to polymer banknotes; and (iii) greater investment in the

Group's security features offering. As recently as April 2020, the Board approved significant further investment in the Group's polymer equipment (subject only to completion of the Capital Raising), notwithstanding the escalation of the COVID-19 pandemic.

- **Continued strong growth in Authentication:** The Board continues to believe that the Group's aim to achieve strong year-on-year growth in its Authentication division during the three-year period of the Turnaround Plan is achievable, despite the impact of the COVID-19 pandemic. As noted above, the Authentication division is witnessing strong demand for its offering from both new and existing customers and in March 2020 entered into a significant new contract for the supply of its ID security features, with revenues which are incremental to those forecast in the Turnaround Plan forecast to be delivered from FY 21/22.

4. CURRENT TRADING AND OUTLOOK

4.1 FY 19/20 financial highlights

The Company has today also published its 2020 Financial Statements, which are available on the Company's website at www.delarue.con/investors. The financial highlights of FY 19/20 are set out below:

- Adjusted revenue of £426.7 million (FY 18/19: £516.6 million) and IFRS revenue (which includes "pass-through" revenue on paper and the Identity Solutions Business' non-novated contracts) of £466.8 million (FY 18/19: £564.8 million), reflecting a decline in volumes and average price for the Currency division and the sale of the Identity Solutions Business in October 2019, which more than offset the significant increase in revenue from the Authentication division.

- Gross profit of £105.9 million (FY 18/19: £162.4 million) due to lower currency volumes and price, the sale of the Identity Solutions Business and negative manufacturing variances, more than offsetting the growth in the Authentication division and the profits earned on the UK passport production contract.

- A decline in adjusted operating expenses of £20.1 million reflecting cost saving initiatives and the sale of the Identity Solutions Business.

- Adjusted operating profit from continuing operations of £23.7 million (FY 18/19: £60.1 million), resulting from a loss suffered by the Currency division driven by the decline in currency volumes and margin offset by increased profits in the Authentication division due to increased volumes and the benefit of profits from the UK passport production contract.

- IFRS operating profit of £42.8 million (FY 18/19: £31.5 million) was higher than adjusted operating profit due mainly to a gain on the sale of the Identity Solutions Business of £25.3 million, a credit of £8.7 million relating to the change in revaluation rates for certain UK Pension Scheme members, offset by £9.3 million of restructuring charges.

- Adjusted basic EPS for continuing operations was 12.1p per Ordinary Share (FY 18/19: 42.9p) and IFRS basic EPS from continuing operations was 33.1p per Ordinary Share (FY 18/19: 18.8p).

- Net debt of £102.8 million (FY 18/19: £107.5 million), down £4.7 million year-on-year, reflecting the proceeds from sale of the Identity Solutions Business, offset by a negative working capital adjustment, final dividend payment, pension funding contributions and capital expenditure.

- Net debt reduced by £67.9 million since H1 19/20, reflecting the sale of the Identity Solutions Business and an improved operating cash flow compared to prior year.

- The Group's UK Pension Scheme moved to net surplus of £64.8 million (30 March 2019: £76.8 million deficit on an accounting basis under IAS 19 at 28 March 2020).

4.2 **FY 20/21**

De La Rue has had a strong start to the new financial year, with a series of significant contract wins for both its Authentication and Currency divisions.

In Authentication, it has signed a five-year agreement to supply polycarbonate data pages for the new Australian passport. This follows the development agreement signed with Note Printing Australia in 2017, under which De La Rue has developed several new security features to be produced at the Company's factory in Malta. De La Rue will scale up manufacturing with a view for first deliveries in the fourth quarter of FY 20/21.

De La Rue's brand protection expertise has been selected by an international customer to authenticate and protect its COVID-19 testing kits that are being shipped around the world, and it has developed existing physical and digital solutions to provide a COVID-19 immunity certification scheme.

To date in FY 20/21, De La Rue's Authentication division has been awarded contracts with total lifetime value exceeding £100 million, which further underpins the Company's expectation of Authentication division revenue of £100 million by FY 21/22, with strong operating margins.

In Currency, De La Rue is experiencing strong demand that has continued during the COVID-19 pandemic. The Company has been awarded contracts representing 80 per cent. of its available full-year Currency printing capacity, compared to 79 per cent. at the same point in FY 19/20. In addition, the Company continues to make progress in enhancing its portfolio of offerings and the realignment of its cost base to enable it to become more competitive. As a result, it continues to expect the Currency division to reach a mid-teens adjusted operating margin in FY 20/21 (before allocation of overhead costs incurred at Group level).

In addition, De La Rue has continued to implement the relevant actions envisaged by the Turnaround Plan to date in FY 20/21.

For further details on the impact of COVID-19 on the Group's business, please see paragraph 3 above.

5. PENSIONS

The Group's major retirement benefit scheme is the UK Pension Scheme, which is a defined benefit pension scheme based in the UK. The latest actuarial valuation of the UK Pensions Scheme as at 31 December 2019 revealed a funding shortfall (technical provisions minus the value of the assets) of £142.6 million. The Recovery Plan makes an allowance for post-valuation market conditions up to 30 April 2020 (at which point there is an estimated funding shortfall of £190 million). The cash funding schedule agreed with the Trustee as part of the Recovery Plan funds this deficit with payments of £15 million per annum (payable quarterly in arrears) under the Recovery Plan payable from 1 April 2020 until

31 March 2023 and then payments of £24.5 million per annum (payable quarterly in arrears) from 1 April 2023 until 31 March 2029 (whereas under the 2015 Recovery Plan the payments would have been £22.2 million between 1 April 2020 and 31 March 2021, £23.1 million between 1 April 2021 and 31 March 2022 and £23 million per annum thereafter).

Additional contingent contributions can be payable in certain exceptional circumstances. The Group has reached an agreement with the Trustee of the UK Pension Scheme as to the level of contributions up until March 2029. The funding of the Recovery Plan is to be sourced from cash generation of the future business activities, but the Trustee has contractually agreed not to request any portion of the Capital Raising proceeds. This agreement with the Trustee is conditional on an amount in full settlement of the Capital Raising in the gross amount of at least £100 million having been received by the Company by no later than 31 July 2020 If these criteria were not to be met then the Group's current obligations in respect of the UK Pension Scheme under the 2015 Recovery Plan would (subject to the outcome of the 2018 valuation) continue unaffected.

6. SUMMARY OF THE PRINCIPAL TERMS OF THE FIRM PLACING AND PLACING AND OPEN OFFER

The Company is proposing to raise gross proceeds of approximately £100 million (approximately £92 million after deduction of estimated commissions, fees and expenses) by way of:

(i) a Firm Placing of 45,410,026 New Ordinary Shares; and

(ii) a Placing and Open Offer of 45,499,065 New Ordinary Shares,

(together, the "**Capital Raising**") in each case at an Offer Price of 110 pence per New Ordinary Share. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Capital Raising is fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Placing Agreement.

A cash box structure will be used for the issue of the New Ordinary Shares pursuant to the Capital Raising.

The Board has considered the best way to structure the proposed equity capital raising in light of the Group's current financial position. The decision to structure the equity capital raising by way of a combination of a Firm Placing and a Placing and Open Offer takes into account a number of factors, including the total net proceeds to be raised. The Board believes that the Firm Placing will enable the Company to satisfy demand from potential new investors as well as current Shareholders wishing to increase their equity positions in the Company. The Board has sought to balance the dilution to existing Shareholders arising from the Firm Placing with the need to bring in substantial investors with guaranteed commitments to ensure the success of the Capital Raising. As a result, 50 per cent. of the New Ordinary Shares being issued will be available to existing Shareholders through the Open Offer on a pro rata basis. The Board is seeking the approval of Shareholders, by way of the Resolutions at the General Meeting, to the proposed Capital Raising.

6.1 Offer Price

The Firm Placing and the Placing and Open Offer will each be made at an Offer Price of 110 pence per New Ordinary Share. The Offer Price represents a discount of 28.0 per cent. to the Closing Price of 152.8 pence per Ordinary Share on 16 June 2020 (being the last Business Day prior to the announcement of the Capital Raising) and a premium of 14.6 per cent. to the 90 trading day volume weighted average price of 96.0 pence per Ordinary Share for the 90 trading days ending 16 June 2020 (being the last Business Day prior to publication of this announcement). The Offer Price (and the discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares. The Board, having taken appropriate advice from its advisors, believes that the Offer Price (including the discount) is appropriate in the circumstances.

6.2 **Firm Placing**

The Company proposes to issue 45,410,026 Firm Placing Shares to Firm Placees at the Offer Price, on a non-pre-emptive basis. The Firm Placing will not be subject to clawback to satisfy Open Offer Entitlements and Excess Open Offer Entitlements taken up by Qualifying Shareholders.

Pursuant to the Placing Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure subscribers for the Firm Placing Shares at the Offer Price (to the extent not already procured prior to the date of the Placing Agreement). To the extent that: (i) the Joint Bookrunners fail to procure subscribers in the Firm Placing for the Firm Placing Shares (including in the event that a prospective Firm Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Offer Price); and/or (ii) any Firm Placees procured other than by the Joint Bookrunners fails to subscribe for any or all of the Firm Placing Shares allotted to it in the Firm Placing (including in the event that such prospective Firm Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Offer Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such Firm Placing Shares at the Offer Price in its agreed proportion.

6.3 **Placing and Open Offer**

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for New Ordinary Shares pro rata to their current holdings on the basis of 7 New Ordinary Shares for every 16 Existing Ordinary Shares held by them and registered in their name at the Record Time (and so in proportion to any other number of Existing Ordinary Shares then held) on the terms and subject to the conditions set out in the Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Application Form).

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlements. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlements will be rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 3 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares but may be able to apply for Excess Open Offer Shares under the Excess Application Facility. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Open Offer Entitlements.

Pursuant to the Placing Agreement, the Joint Bookrunners have also severally agreed to use reasonable endeavours to procure Conditional Placees to subscribe for New Ordinary Shares not validly taken-up by Qualifying Shareholders under the Open Offer ("**Non-Taken Up Shares**") (to the extent not already procured prior to the date of the Placing Agreement). To the extent that: (i) the Joint Bookrunners fail to procure subscribers in the Placing for such Non-Taken Up Shares (and/or to the extent that any Placee so procured fails to subscribe for any or all of the Non-Taken Up Shares allocated to it in the Placing (including by defaulting in paying the Placing Price in respect of the Non-Taken Up Shares so allocated to it or which it has agreed to subscribe at the Placing Price); and/or (ii) any Placee procured other than by the Joint Bookrunners fails to subscribe for any or all of the Non-Taken Up Shares allocated to it in the Placing (including by defaulting in paying the Placing Price in respect of such Non-Taken Up Shares allocated to it), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such Open Offer Shares at the Offer Price in its agreed proportion.

Excess Application Facility

Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the application for Excess Open Offer Shares will be met in full or in part or at all.

Impact of not applying for New Ordinary Shares

Any New Ordinary Shares which are not applied for under the Open Offer will be allocated to Conditional Placees pursuant to the Placing. Pursuant to the Placing Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure conditional subscribers (subject to clawback to satisfy Open Offer Entitlements and Excess Open Offer Entitlements taken up by Qualifying Shareholders) for the New Ordinary Shares at the Offer Price. If the Joint Bookrunners are unable to procure subscribers for any New Ordinary Shares that are not taken up by Qualifying Shareholders pursuant to the Open Offer (including in the event that a prospective Conditional Placee fails to take up any or all of the Firm Placing Shares which have been allocated to it or which it has agreed to take up at the Offer Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such New Ordinary Shares at the Offer Price in its agreed proportion.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to Conditional Placees pursuant to the Placing.

6.4 **Dilution**

If a Qualifying Shareholder who is not a Placee does not take up any of their Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 46.6 per cent. as a result of the Capital Raising.

If a Qualifying Shareholder who is not a Placee takes up their Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder’s holding, as a percentage of Enlarged Share Capital, will be diluted by 23.3 per cent. as a result of the Firm Placing.

Shareholders in the United States and the Restricted Jurisdictions will not be able to participate in the Open Offer and will therefore experience dilution as a result of the Capital Raising (subject to any participation in the Firm Placing).

6.5 **Conditionality**

The Capital Raising is conditional upon:

(i) the Resolutions having been passed by Shareholders at the General Meeting;

(ii) the Placing Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and

(iii) Admission having become effective by not later than 8:00 a.m. on 7 July 2020 (or such later time and/or date as the Company and the Joint Bookrunners may agree, not being later than 21 July 2020).

If any of the conditions are not satisfied or, if applicable, waived, then the Capital Raising will not take place.

7. DIVIDEND POLICY

In its 19/20 Half-Year Results for the period ended 29 September 2019, the Company announced the decision of the Company’s board of directors to suspend future dividend payments in order to manage the Group’s net debt levels as one of a number of measures being undertaken in order to manage the material uncertainty regarding the Group’s ability to continue as a going concern which was identified in the Directors’ report contained within those results. Furthermore, pursuant to the Revolving Facility Agreement Amendment, the Company is prevented from paying dividends to Shareholders within 18 months of the date on which the amendments to the Revolving Facility Agreement become effective (which is expected to be on or around Admission).

As noted in paragraph 2.7 above, the Directors nevertheless recognise the importance of a regular, sustainable dividend to Shareholders. The Directors therefore intend to review regularly the reinstatement of a dividend, with an expectation that a dividend will be paid within the Turnaround Plan period once the Company is permitted to do so under the Revolving Facility Agreement (as amended by the Revolving Facility Agreement Amendment) and is generating sustainable positive free cash flow. Once the Turnaround Plan is successfully completed, De La Rue will target a dividend cover of 2 to 3 times underlying earnings, taking into account the sustainable free cash flow generated in the Relevant Period.

8. DIRECTORS' INTENTIONS

Each of the Directors has irrevocably undertaken to: (i) vote in favour of the Resolutions to be proposed at the General Meeting to approve the Capital Raising; and (ii) take up in full their Open Offer Entitlements to subscribe for New Ordinary Shares, comprising 111,238 Existing Ordinary Shares in aggregate, representing in aggregate 0.1 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

In addition, Kevin Loosemore, Clive Vacher and Maria da Cunha have agreed to subscribe for a total of 1,068,180 New Ordinary Shares in the Firm Placing (for further details please see paragraph 9.2 below).

9. SIGNIFICANT COMMITMENTS AND RELATED PARTY TRANSACTIONS

9.1 Commitments in respect of the Capital Raising

Crystal Amber

Subject to the passing of the Resolutions, Crystal Amber has committed to subscribe for 8,733,313 New Ordinary Shares at the Offer Price, pursuant to the Firm Placing. Crystal Amber has not conditionally committed to subscribe for any New Ordinary Shares pursuant to the Placing.

Following the Capital Raising, Crystal Amber will, assuming that it takes up its Open Offer Entitlements in full, hold 19.2 per cent. of the Enlarged Share Capital (being 37,339,563 Ordinary Shares, comprising 19,900,000 Existing Ordinary Shares and 17,439,563 New Ordinary Shares).

Brandes

Subject to the passing of the Resolutions, Brandes has:

(i) committed to subscribe for 5,416,702 New Ordinary Shares at the Offer Price, pursuant to the Firm Placing; and

(ii) conditionally committed to subscribe for 5,427,323 New Ordinary Shares at the Offer Price (subject to clawback to satisfy Open Offer Entitlements and Excess Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing

Following the Capital Raising, Brandes will, assuming that it takes up its Open Offer Entitlements in full (and subject to the clawback referred to in (ii) above) hold 14.7 per cent. of the Enlarged Share Capital (being 28,554,531 Ordinary Shares, comprising 12,320,352 Existing Ordinary Shares and 16,234,179 New Ordinary Shares).

9.2 Related Party Transactions

Crystal Amber

Crystal Amber is a related party of the Company for the purposes of the Listing Rules as it is a substantial shareholder of De La Rue which is entitled to exercise, or control the exercise of, 19.14 per cent. of the votes able to be cast at general meetings of the Company.

The maximum aggregate value of the New Ordinary Shares to be issued to Crystal Amber pursuant to the Firm Placing is approximately £9.6 million. Accordingly, the issue of such New Ordinary Shares to Crystal Amber is a transaction of sufficient size to require Shareholder approval under the Listing Rules, which will be sought at the General Meeting. Any New Ordinary Shares issued to Crystal Amber as a result of it taking up its Open Offer Entitlements are exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules.

Brandes

Brandes is a related party of the Company for the purposes of the Listing Rules as it is a substantial shareholder of De La Rue which is entitled to exercise, or control the exercise of, 11.84 per cent. of the votes able to be cast at general meetings of the Company.

The maximum aggregate value of the number of New Ordinary Shares which could be issued to Brandes pursuant to the Firm Placing and the Placing is approximately £11.9 million. Accordingly, the issue of such New Ordinary Shares to Brandes is a transaction of sufficient size to require Shareholder approval under the Listing Rules, which will be sought at the General Meeting. Any New Ordinary Shares issued to Brandes as a result of it taking up its Open Offer Entitlements are exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules.

Directors

Each Director is a related party of the Company for the purposes of the Listing Rules. Any New Ordinary Shares issued to the Directors as a result of them taking up their Open Offer Entitlements are exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules.

However, subscriptions by the Directors for Firm Placing Shares fall within the scope of such rules and, due to its size, the subscription by Kevin Loosemore for 909,090 Firm Placing Shares at the Offer Price for the total amount of £999,999 constitutes a smaller related party transaction for the purposes of paragraph 11.1.10 of the Listing Rules.

Each of the subscription by Clive Vacher for 136,363 Firm Placing Shares at the Offer Price for the total amount of £149,999 and the subscription by Maria da Cunha for 22,727 Firm Placing Shares at the Offer Price for the total amount of £25,000 is exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules on account of their respective size.

10. GENERAL MEETING

In light of the prevailing guidance from the UK Government in relation to the COVID-19 outbreak and specifically the restrictions on unnecessary travel and large gatherings, the General Meeting will be convened with the minimum quorum of Shareholders (which will be facilitated by De La Rue's management) in order to conduct the business of the meeting. Therefore, instead of attending the General Meeting, we urge Shareholders to vote by proxy on the Resolutions as early as possible. The Board strongly recommends that Shareholders appoint the Chairman of the General Meeting as their proxy. In the interests of safety, any proxy who is not the Chairman of the General Meeting or any Shareholder attending the General Meeting in person will be denied access to the General Meeting.

De La Rue will continue to closely monitor the developing impact of COVID-19, including the latest UK Government guidance. Should it become appropriate to revise the current arrangements for the General Meeting, any such changes will be notified to Shareholders through our website at www.delarue.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

The Proxy Form will be enclosed with the Prospectus. To be valid, a Proxy Form should be completed, signed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar by not later than 10:30 a.m. on 4 July 2020.

Alternatively, the Proxy Form may be submitted electronically at www.investorcentre.co.uk/eproxy. Further details of the procedure are set out in the Notice of General Meeting, which is included in the Prospectus. CREST members may also choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting, which is included in the Prospectus.

Resolutions

The purpose of the General Meeting is to consider and, if thought fit, to pass the Resolutions.

In summary, the Resolutions (which comprise three ordinary resolutions) seek the approval of Shareholders:

(i) Resolution 1: to issue up to 8,733,313 new Ordinary Shares to Crystal Amber pursuant to the Firm Placing, in light of Crystal Amber's existing holding of 19,900,000 Ordinary Shares at the Latest Practicable Date;

(ii) Resolution 2: to issue up to 10,844,025 new Ordinary Shares to Brandes pursuant to the Firm Placing and the Placing, in light of Brandes' existing holding of 12,320,352 Ordinary Shares at the Latest Practicable Date; and

(iii) Resolution 3:

a. to the terms of the Firm Placing and the Placing and Open Offer as set out in the Prospectus, and to direct the Company's board of directors to exercise all powers to cause the Company to implement the Firm Placing and the Placing and Open Offer; and

b. to grant the Company's board of directors authority to allot the New Ordinary Shares.

Please note that this is not the full text of the Resolutions, which is set out in the Notice of General Meeting included in the Prospectus.

As at today's date, the Company holds no Ordinary Shares in treasury.

11. FURTHER INFORMATION

You should not subscribe for any New Ordinary Shares except on the basis of information contained in, or incorporated by reference into, the Prospectus.

12. WORKING CAPITAL AND IMPORTANCE OF YOUR VOTE

12.1 Working capital statement

In the opinion of the Company, taking into account its available debt facilities and the net proceeds of the Capital Raising, the working capital available to the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this announcement).

(A) Impact of COVID-19

In preparing the working capital statement above, the Company is required to identify, define and consider a reasonable worst case scenario. That has involved making certain assumptions regarding the potential evolution of the COVID-19 pandemic and its potential impact on the Group in that reasonable worst case scenario.

The reasonable worst case projections prepared by the Company, which take into account its available debt facilities and the net proceeds of the Capital Raising show that there is no liquidity shortfall or covenant breach in the 12 month period following the date of this announcement. However, given the uncertainties as to the ultimate potential impact of COVID-19 on the Group and its business, the Company believes that it is appropriate to provide additional disclosure on the key COVID-19 assumptions included in the Group's reasonable worst case scenario in relation to the prospective impact of, and business disruption during, the COVID-19 pandemic in that reasonable worst case scenario.

(B) COVID-19 - reasonable worst case assumptions

The key COVID-19 reasonable worst case assumptions are as follows:

- In respect of the manufacturing sites which service the Group's Currency division:
  - production output at each of the UK sites, from the date of this announcement, is reduced to 75 per cent. of Company budget forecast levels for a period of two months;
  - production output at the Group's Malta site, from the date of this announcement, remains at the Company's budget forecast level; and
  - the Group's Sri Lanka and Kenya sites each, from the date of this announcement, record production output equal to 0 per cent. of Company budget forecast levels for a period of two months, 25 per cent. of Company budget forecast levels for a further period of one month, 50 per cent. of Company budget forecast levels for a further period of one month and 75 per cent. of Company budget forecast levels for a further period of one month.
- Within the Group's Authentication division:
  - entry into new contracts in the Government Revenue Solutions market is delayed by three months compared to the relevant original budgeted date, with corresponding impacts to Group revenue anticipated to accrue from those contracts of up to 2 per cent. of Company budget forecasts for Group revenue in FY 20/21 and the capital expenditure anticipated to be spent in service of those contracts of up to 4 per cent. of Company budget forecasts for Group capital expenditure in FY 20/21;
  - the Group's Kenya site, from the date of this announcement, records production output equal to zero per cent. of Company budget forecast levels for a period of one month and 75 per cent. of Company budget forecast levels for a further period of one month.
  - production output from the Group's UK site at Westhoughton, from the date of this announcement, is reduced to 75 per cent. of Company budget forecast levels for a period of one month; and
  - Government Revenue Solutions production output from the Group's Malta site, from the date of this announcement, is reduced to 75 per cent. of Company budget forecast levels for a period of one month.

(C) Basis of preparation of the working capital statement

The working capital statement in this announcement has been prepared in accordance with the ESMA Recommendations, and the technical supplement to the FCA Statement of Policy published on 8 April 2020 relating to the COVID-19 pandemic.

12.2 Importance of the vote

The Revolving Facility Agreement Amendment

The Directors believe that the Capital Raising is required to provide the Company and its management with operational and financial flexibility to implement the Turnaround Plan.

Furthermore, if the Capital Raising does not proceed, the Directors' base case projections (and the Directors' reasonable worst case projections) show that executing the Turnaround Plan is expected, under the terms of the Group's existing and un-amended Revolving Facility Agreement, to result in the Group breaching the Consolidated Net Debt to EBITDA ratio covenant for the testing period ending on 30 September 2020 and subsequent testing periods, as the Consolidated Net Debt to EBITDA ratio on the relevant dates is forecasted in those projections to exceed the three times multiple threshold which would also constitute an event of default under the terms of the Revolving Facility Agreement. An event of default caused by a covenant breach would give the Lenders the right to immediately withdraw and cancel the Group's facility and demand repayment of any drawings on the facility.

Accordingly, in order to facilitate the Capital Raising and provide existing Shareholders and new investors with sufficient certainty around the continued availability, and terms, of the Group's financing to successfully implement the Turnaround Plan and support the future growth of the business, the Group entered into negotiations and agreed terms with the Lenders in order to secure (among other things): (i) an extension to the maturity date of the Group's existing Revolving Facility Agreement to 1 December 2023; (ii) a temporary relaxation of applicable financial covenants; and (iii) appropriately sized committed bonding facilities. Save for the Long Stop Provision (as defined below), all amendments to the Revolving Facility Agreement envisaged by the Revolving Facility Agreement Amendment are conditional, among other things, upon the Company receiving the proceeds of an equity capital raise in the gross amount of at least £100 million by no later than 31 July 2020 (the "**Long Stop Date**").

In exchange for agreeing to these key changes, the Lenders required that the Company agrees to the inclusion of a provision in the Revolving Facility Agreement Amendment which, if the Capital Raising does not proceed, requires the Company to agree an alternative financing plan with the Lenders, failing which an immediate event of default under the Revolving Facility Agreement is automatically triggered (as further described below) (the "**Long Stop Provision**"). The Long Stop Provision entered into effect upon the Company entering into the Revolving Facility Agreement Amendment.

In view of the importance of the Capital Raising to the Company and its Shareholders as a whole, the Directors have concluded that entry into the Revolving Facility Agreement Amendment, which the Directors consider a necessary pre-condition to the Capital Raising, is in the best interests of the Company and its Shareholders as a whole. Accordingly, immediately prior to the announcement of the fully underwritten Capital Raising, the Company entered into the Revolving Facility Agreement Amendment.

Consequences of the Capital Raising not proceeding

If the Capital Raising does not proceed and the proceeds of an equity capital raise in the gross amount of at least £100 million are not received by the Company on or before the Long Stop Date then:

(i) pursuant to the Long Stop Provision, the Company must agree an alternative financing plan with the Lenders (acting reasonably) as soon as reasonably practicable and, at the latest, within 45 days of the Long Stop Date (or such longer period as the Company and the Lenders may agree) (the "**Plan Deadline**"). During this period, the ability of the Group borrowers to borrow further funds (either as cash loans or new bonding arrangements) under the Revolving Facility Agreement would be restricted under the Revolving Facility Agreement Amendment; and

(ii) in addition, the agreement between the Trustee and Company to reduce the current contributions to the UK Pension Scheme will not become effective. As a result, until a new schedule of contributions can be agreed or is ultimately imposed by the Pensions Regulator, the Company will be required to pay to the UK Pension Scheme £22.2 million between 1 April 2020 and 31 March 2021, £23.1 million between 1 April 2021 and 31 March 2022 and £23 million per annum thereafter until 31 March 2028 instead of £15 million per annum from 1 April 2020 until 31 March 2023 and payments of £24.5 million per annum thereafter until 31 March 2029. However, it is unlikely that the Group would be able to make any further payments to the UK Pension Scheme if, pursuant to the Long Stop Provision, an alternative financing plan were not to be agreed between the Company and the Lenders by the Plan Deadline. If an alternative financing plan were to be agreed, such plan would be likely to require the Trustee to accept a reduced schedule of contributions from the Company to the UK Pension Scheme.

There can be no certainty that an alternative financing plan would be agreed with the Group's Lenders by the Plan Deadline. Moreover, even if an alternative financing plan were to be agreed, there can be no certainty as to its terms, which could, among other things, require the Group to dispose of one or more of its businesses, implement a debt for equity swap and/or further restructure its debt on unfavourable terms.

If an alternative financing plan were not agreed by the Plan Deadline, this would constitute an immediate event of default under the Revolving Facility Agreement (as amended by the Revolving Facility Agreement Amendment) and, as a result, the Lenders would have the right to immediately withdraw and cancel the Group's facility and demand repayment of any drawings on the facility, which, as at the Latest Practicable Date, amounted to £153.5 million.

Under these circumstances, the Group is not expected to have sufficient cash resources to repay the amounts drawn and/or to continue trading and the Group could be forced into insolvent liquidation.

Accordingly, the Directors believe that the Capital Raising and the Resolutions are in the best interests of the Company and its Shareholders as a whole and consider it critical that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings.

13. RECOMMENDATION

The Board, which has been so advised by Rothschild & Co, believes that the terms of: (i) Crystal Amber's participation in the Firm Placing; and (ii) Brandes' participation in the Firm Placing and the Placing, are fair and reasonable insofar as De La Rue's Shareholders are concerned. In providing its advice to the Board, Rothschild & Co has taken into account the Directors' commercial assessment of the relevant related party transactions.

The Board believes that the Capital Raising and the Resolutions are in the best interests of the Company and its Shareholders as a whole and unanimously recommends that Shareholders in

favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings.

CAPITAL RAISING STATISTICS

Offer Price	110 pence per New Ordinary Share
Basis of Open Offer	7 New Ordinary Shares for every 16 Existing Ordinary Shares[1]
Number of Existing Ordinary Shares[2]	103,997,862
Discount of New Ordinary Shares to the Closing Price on 16 June 2020 (being the Business Day prior to the announcement of the Capital Raising)	28.0 per cent.
Number of New Ordinary Shares to be issued pursuant to the Capital Raising	90,909,091
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer	45,499,065
Number of New Ordinary Shares to be issued by the Company pursuant to the Firm Placing	45,410,026
Number of Ordinary Shares in issue immediately following Admission	194,906,953
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission	46.6 per cent.
Estimated gross proceeds of the Capital Raising[3]	£100 million
Estimated net proceeds of the Capital Raising (after deduction of expenses) [4]	£92 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to the timetable set out below.

6:00 p.m. on 12 June 2020

[1] Fractions of New Ordinary Shares will not be allotted to Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the whole nearest number of New Ordinary Shares.

[2] In issue as at 15 June 2020, being the Latest Practicable Date.

[3] Unless otherwise stated, for the purposes of the table above and this announcement, the number of New Ordinary Shares to be issued under the Capital Raising is stated on the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under any share plan, or otherwise, between the date of the Prospectus (when published) and the relevant time. In addition, the gross and net proceeds of the Capital Raising have been calculated on the basis that 45,410,026 New Ordinary Shares are issued under the Firm Placing and that 45,499,065 New Ordinary Shares are issued under the Placing and Open Offer.

[4] Expenses are expected to be approximately £8 million (excluding recoverable VAT).

Record Time for Open Offer Entitlements	
Announcement of the Capital Raising	**7:00 a.m. on 17 June 2020**
Ex-Entitlements Time for the Open Offer	8:00 a.m. on 17 June 2020
Publication of the Prospectus	17 June 2020
Posting of the Prospectus, Application Forms (to Qualifying Non-CREST Shareholders only) and Proxy Forms	18 June 2020
Open Offer Entitlements and Excess Open Offer Entitlements credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as practicable after 8:00 a.m. on 19 June 2020
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4:30 p.m. on 29 June 2020
Latest time for depositing Open Offer Entitlements into CREST (i.e. if your Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form)	3:00 p.m. on 30 June 2020
Latest time and date for splitting Application Forms (to satisfy *bona fide* market claims only)	3:00 p.m. on 1 July 2020
Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)	**11:00 a.m. on 3 July 2020**
Latest time and date for receipt of Proxy Forms or electronic proxy appointments	10:30 a.m. on 4 July 2020
General Meeting	**10:30 a.m. on 6 July 2020**
Announcement of the results of the Capital Raising and the General Meeting	6 July 2020
Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**by 8:00 a.m. on 7 July 2020**
New Ordinary Shares credited to CREST stock accounts (uncertificated Shareholders only)	as soon as practicable after 8:00 a.m. on 7 July 2020
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	on or around 20 July 2020

Notes:

1. The ability to participate in the Open Offer is subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom, details of which are set out in Part V (Terms and Conditions of the Capital Raising) and Part VI (Overseas Shareholders) of the Prospectus, which is expected to be published later today.

2. These times and dates set out in the above timetable and mentioned in this announcement and the Application Form are indicative only and may be adjusted by the Company in consultation with the Sponsor and the Joint Bookrunners, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

3. References to times in this timetable are to BST.

APPENDIX

DEFINITIONS

"2020 Financial Statements"	means the audited consolidated financial statements of the Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 28 March 2020, together with the notes thereto and auditor's report thereon;
"Admission"	means the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
"Application Form"	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer;
"Bank of England"	means the Bank of England of the United Kingdom;
"Barclays"	means Barclays Bank PLC, acting through its investment bank;
"Board"	means the board of directors of the Company (as the date of this announcement unless otherwise stated);
"Brandes"	means Brandes Investment Partners, L.P.;
"BST"	means British Summer Time;
"Business Day"	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in Euro);
"Capital Raising"	means the Firm Placing and the Placing and Open Offer;
"certificated" or "in certificated form"	refers to a share or other security which is not in uncertificated form (that is, not in CREST);
"Chairman"	means the chairman of the Company, unless otherwise stated;
"Chief Executive Officer"	means the chief executive officer of the Company, unless otherwise stated;
"Closing Price"	means the closing middle market quotation of an Existing Ordinary Share as derived from the Daily Official List;
"Companies Act 2006"	means the Companies Act 2006 of England and Wales, as amended, modified or re-enacted from time to time;
"Company" or "De La Rue"	means De La Rue plc of De La Rue House, Jays Close, Viables, Basingstoke, Hampshire, RG22 4BS, a company incorporated in England and Wales with registered number 03834125;
"Computershare"	means Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZZ;
"Conditional Placee"	means any person who agrees to conditionally subscribe for Open Offer Shares (subject to clawback to satisfy Open Offer

	Entitlements and Excess Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing;
“Consolidated Net Debt”	has the meaning given to it in the Revolving Facility Agreement;
“COVID-19”	means the Corona Virus Disease 2019 as designated by the World Health Organization;
“CREST”	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK is the operator (as defined in the CREST Regulations);
“CREST member”	means a person who has been admitted by Euroclear UK as a system-member (as defined in the CREST Regulations);
“CREST Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“Crystal Amber”	means Crystal Amber Fund Limited;
“Daily Official List”	means the daily official list of the London Stock Exchange;
“Directors”	means the directors of the Company (as at the date of this announcement unless otherwise stated);
“Disclosure Guidance and Transparency Rules”	means the disclosure guidance and transparency rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
“EBITDA”	means operating profit before amortisation and non-recurring costs after writing off bidding and mobilisation costs incurred;
“Enlarged Share Capital”	means the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares;
“EU” or “European Union”	means the European Union first established by the treaty made at Maastricht on 7 February 1992;
“Euroclear UK”	means Euroclear UK & Ireland Limited, the operator of CREST;
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for New Ordinary Shares in excess of their Open Offer Entitlements;
“Excess Open Offer Entitlements”	means, in respect of each Qualifying CREST Shareholder, the conditional entitlement to apply for Excess Open Offer Shares under the Excess Application Facility, which are subject to allocation in accordance with the Prospectus;
“Excess Open Offer Shares”	means the New Ordinary Shares which Qualifying Shareholders will be invited to subscribe for pursuant to the Excess Application Facility;
“Ex-Entitlements Time”	means the time at which the Existing Ordinary Shares are marked ex-entitlement, being 8:00 a.m. on 17 June 2020;
“Existing Ordinary Shares”	means, in relation to a particular date, the Ordinary Shares in issue as at that date;

"FCA"	means the Financial Conduct Authority in the UK;
"FCA Handbook"	means the FCA's Handbook of Rules and Guidance, as amended from time to time;
"FCTC"	means the World Health Organisation's Framework Convention on Tobacco Control;
"Firm Placee"	means any person that has conditionally agreed to subscribe for Firm Placing Shares;
"Firm Placing"	means the conditional placing of the Firm Placing Shares on the terms and subject to the conditions contained in the Placing Agreement;
"Firm Placing Shares"	means the 45,410,026 New Ordinary Shares which are to be issued by the Company pursuant to the Firm Placing;
"FSMA"	means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;
"FY"	means, in relation to a year, the financial year ending on or around the last Saturday in March of that year (such that "**FY 19/20**" means the financial year starting on 31 March 2019 and ending on 28 March 2020, and analogous expressions shall be construed accordingly);
"General Meeting"	means the general meeting of De La Rue to be held on 6 July 2020, or any adjournment thereof, to consider and, if thought fit, to approve the Resolutions;
"Group"	means the Company and each of its direct and indirect subsidiaries from time to time (where "subsidiary" shall have the meaning ascribed to it in the Companies Act 2006);
"IAS"	means the International Accounting Standards, as set by the International Accounting Standards Committee in the United Kingdom;
"Identity Solutions Business"	means the Group's former international identity solutions contracts, associated software, passport assembly facilities in Malta, and certain printing contracts of security documents such as visas and birth/death/marriage certificates;
"IFRS"	means the International Financial Reporting Standards, as adopted in the European Union;
"**Investec**"	means Investec Bank plc;
"Joint Bookrunners"	means Barclays, Investec and Numis;
"Kenya"	means the Republic of Kenya;
"Latest Practicable Date"	means 15 June 2020, being the latest practicable date prior to the publication of the Prospectus;
"Lenders"	means Barclays Bank PLC, HSBC Bank Plc, Lloyds Bank Plc, Santander UK Plc, The Governor and Company of the Bank of Ireland and The Royal Bank of Scotland Plc;

"Listing Rules"	means the rules and regulations made by the FCA under FSMA and contained in the FCA's publication of the same name;
"London Stock Exchange"	means London Stock Exchange Group plc;
"Long Stop Date"	means 31 July 2020;
"Long Stop Provision"	has the meaning given to it in paragraph 12.2 of this announcement;
"Malta"	means the Republic of Malta;
"Market Abuse Regulation"	means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, in the form retained in the English law and as amended from time to time;
"Microsoft"	means Microsoft Corporation of 1 Microsoft Way, Redmond, Washington, 98052, United States;
"MiFID II"	means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended;
"MiFID II Product Governance Requirements"	has the meaning given to it in the 'Information to Distributors' section of this announcement;
"New Ordinary Shares"	means the new Ordinary Shares to be issued by the Company pursuant to the Capital Raising;
"Numis"	means Numis Securities Limited;
"NI 33-105"	means Canadian National Instrument 33-105 – Underwriting Conflicts;
"Offer Price"	means 110 pence per New Ordinary Share;
"Official List"	means the official list maintained by the FCA pursuant to FSMA;
"Open Offer"	means the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares and Excess Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in the Prospectus and in the case of Qualifying Non-CREST Shareholders only, the Application Form;
"Open Offer Entitlements"	means entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
"Open Offer Shares"	means the 45,499,065 New Ordinary Shares which are to be issued by the Company pursuant to the Open Offer;
"Ordinary Shares"	means the ordinary shares of $44^{152}/_{175}$p each in the capital of the Company (including, if the context requires, the New Ordinary Shares);
"Placee"	means a Conditional Placee or a Firm Placee;
"Placing"	means the conditional placing of Open Offer Shares, subject to clawback pursuant to the Open Offer, on the terms and subject

	to the conditions contained in the Placing Agreement;
"Placing Agreement"	means the sponsor, placing and open offer and underwriting agreement dated 17 June 2020 between the Company, the Sponsor and the Joint Bookrunners;
"Plan Deadline"	has the meaning given to it in paragraph 12.2 of this announcement;
"PRA"	means the Prudential Regulation Authority of the United Kingdom;
"Prospectus"	means the prospectus which is expected to be published by De La Rue on 17 June 2020, comprising a circular and a prospectus relating to the Company for the purpose of the Capital Raising and Admission;
"Prospectus Regulation Rules"	means the prospectus regulation rules made by the FCA pursuant to Part VI of FSMA (as set out in the FCA Handbook), as amended;
"Proxy Form"	means the form of proxy for use by Shareholders in connection with the General Meeting;
"Qualifying CREST Shareholders"	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
"Qualifying Non-CREST Shareholders"	means Qualifying Shareholders holding Ordinary Shares in certificated form;
"Qualifying Shareholders"	means holders of Ordinary Shares on the register of members of the Company at the Record Time with the exclusion of the Restricted Shareholders;
"Record Time"	means 6:00 p.m. on 12 June 2020, being the date specified in the Expected Timetable of Principal Events on which a Shareholder must hold Ordinary Shares to be Qualifying Shareholder;
"Recovery Plan"	means the schedule of contributions and recovery plan, setting out a programme for clearing the UK Pension Scheme deficit, agreed by the Trustee and the Company on 31 May 2020;
"Registrar"	means Computershare;
"Regulatory Information Service"	means any of the services set out in Schedule 12 to the Listing Rules of the FCA;
"Relevant Period"	means (a) each financial year of the Company; and (b) each period beginning on the first day of the second half of a financial year of the Company and ending on the last day of the first half of its next financial year;
"Resolutions"	mean the resolutions set out in the Notice of General Meeting;
"Restricted Jurisdiction"	means any jurisdiction, including but not limited to Australia, Canada, Japan, New Zealand, the Republic of South Africa, Singapore, Switzerland and the United States of America, where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would (i) result in a requirement to comply with any governmental or other consent

	or any registration filing or other formality which the Company regards as unduly onerous, or (ii) otherwise breach any applicable law or regulation;
"Restricted Shareholders"	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in, the United States or any other Restricted Jurisdiction;
"Revolving Facility Agreement"	means the revolving facility agreement dated 12 June 2012 originally entered into between the Company, various members of the Group, Barclays Bank PLC, HSBC Bank Plc, Lloyds Bank Plc, Abbey National Treasury Services Plc and The Royal Bank of Scotland Plc (as amended and restated on 19 March 2015 and from time to time), details of which will be set out in section 13.3 of Part VIII (Additional Information) of the Prospectus;
"Revolving Facility Agreement Amendment"	means the amendment and restatement agreement dated 17 June 2020 in respect of the Revolving Facility Agreement, details of which will be set out in section 13.4 of Part VIII (Additional Information) of the Prospectus;
"Rothschild & Co"	means N.M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4N 8AL;
"Shareholders"	means the holder(s) of Ordinary Shares from time to time;
"Sponsor"	means Rothschild & Co;
"Sri Lanka"	means the Democratic Socialist Republic of Sri Lanka;
"stock account"	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
"subsidiary"	has the meaning given in section 1159 of the Companies Act 2006, unless otherwise provided;
"Target Market Assessment"	has the meaning given to it in the 'Information to Distributors' section of this announcement;
"Trustee"	means the trustee of the UK Pension Scheme;
"Turnaround Plan"	means the turnaround plan announced by De La Rue on 25 February 2020, details of which are set out in paragraph 2.3 of this announcement;
"UK Pension Scheme"	means the De La Rue Pension Scheme, being the Group's defined benefit pension scheme based in the UK with assets held separately from the Group;
"uncertificated" or "in uncertificated form"	refers to a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"United Kingdom" or "UK"	means the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	means the United States of America, its territories and possessions, any state of the United States and the District of

	Columbia;
“US Securities Act”	means the US Securities Act of 1933, as amended; and
“Venezuela”	means República Bolivariana de Venezuela.

All references to legislation in this announcement are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this announcement to “£”, “pounds”, “pounds sterling”, “Pounds Sterling" or “sterling” are to the lawful currency of the United Kingdom and references to “pence” or “p” represent pence in the lawful currency of the United Kingdom.

Unless otherwise indicated, all references in this announcement to “EUR”, “€” or “euro” are to the lawful currency in the Member States of the European Union that have adopted the single currency introduced in application of the European Economic Community Treaty.

Unless otherwise indicated, all references in this announcement to “$”, “US$”, “USD”, or “US Dollar” are to the lawful currency of the United States.