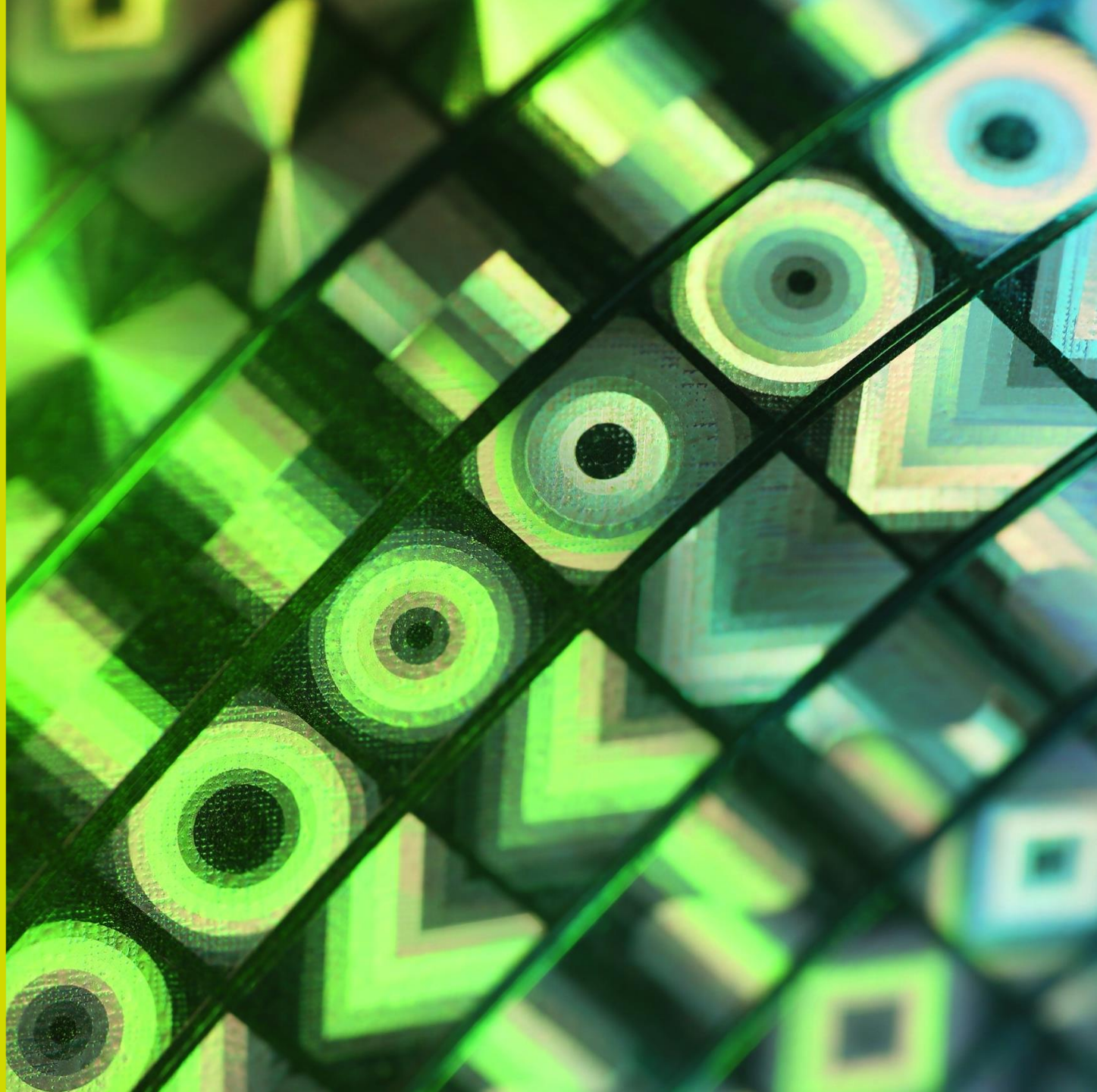


De La Rue

2019/20
Full Year Results

17 June 2020



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Clive Vacher

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Clive Vacher

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Rob Harding

Outlook
Clive Vacher

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Introduction

- Adjusted operating profit⁽¹⁾ of £23.7m in line with half year guidance with stronger second half
- Strong start to the new financial year, with a series of significant contract wins in both Authentication and Currency
- New management team in place with three year Turnaround Plan announced on 25 February 2020
- Compelling opportunities for cash generative, structural growth
- New agreements with lenders and pension fund
- Fully underwritten equity capital raising of approx. £100m gross proceeds through Firm Placing and Placing and Open Offer
- Limited disruption experienced to date from COVID-19 outbreak
- SFO decided to discontinue investigation into De La Rue

(1) Adjusted operating profit is a non-IFRS measure and excludes exceptional items net credits of £20.0m (2018/19: net charges of £27.9m), amortisation of acquired intangible assets of £0.9m (2018/19: £0.7m). See slide 22 for reconciliation of non-IFRS to comparable IFRS measures

FY 2019/20 showing good progress

Preliminary results summary

- Adjusted Currency revenue⁽¹⁾ down 29.4% - stabilised in the second half
- Authentication revenue⁽²⁾ up 60.4% - showing good growth
- Polymer currently a small contributor but growing strongly

Adjusted operating profit⁽³⁾

- £23.7m in line with half year guidance
- Authentication growth⁽²⁾ of +36.7%
- Stabilisation of Currency in second half

Net debt

- Reduced by £67.9m (from £170.7m to £102.8m) in H2 2019/20 due to proceeds from sale of Identity Solutions business and working capital inflow

Key operational developments

- Cost cutting well underway

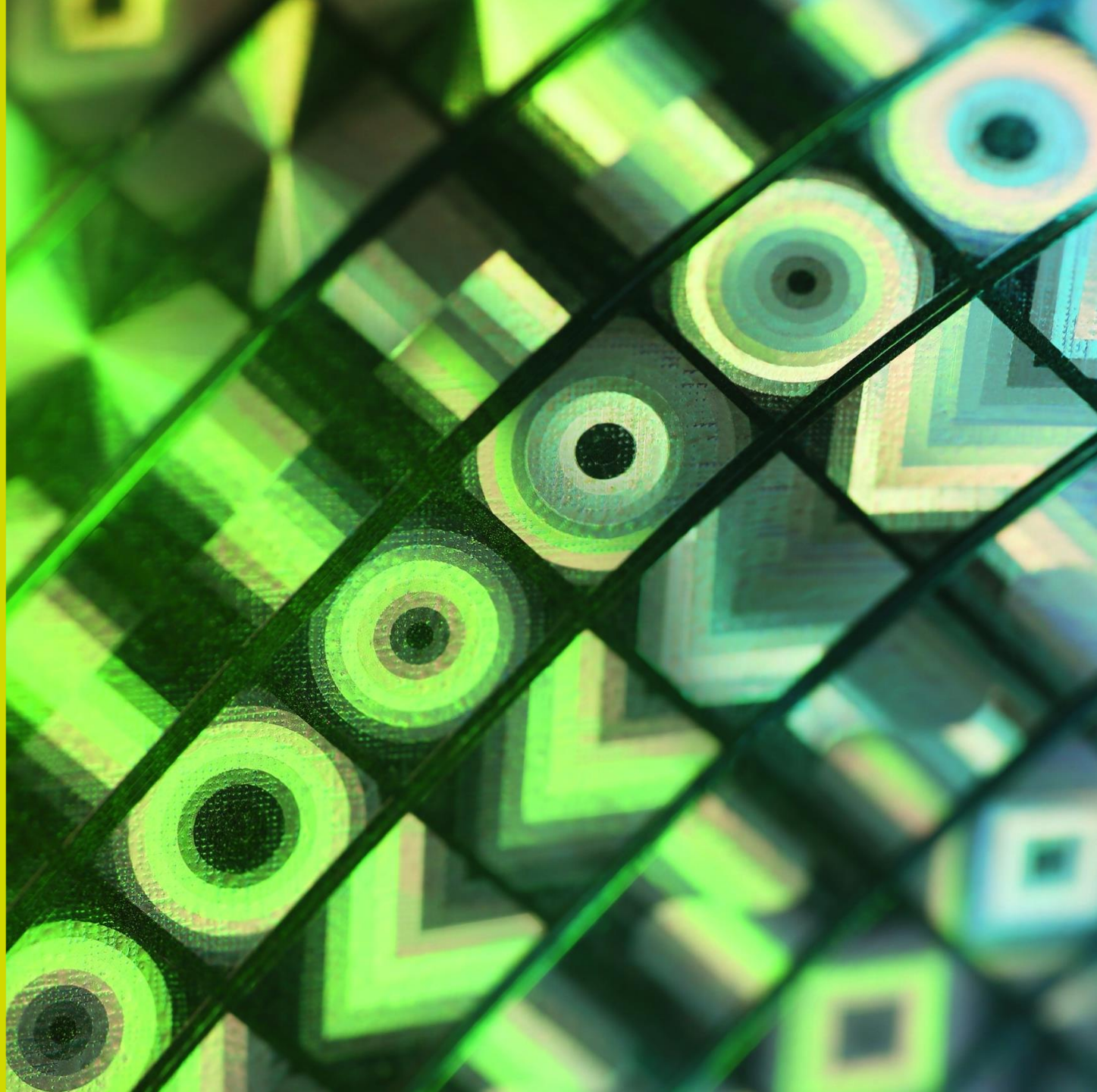
Current trading & COVID-19 update

- Strong order book on both sides of the company, with significant contract wins since March year end
- Only limited disruption from COVID-19 outbreak

(1) Adjusted revenue is a non-IFRS measure and excludes revenue from non-novated paper contracts of £33.5m (2018/19: £48.2m).

(2) Comparative Authentication and Identity Solutions results for FY 2018/19 have been restated to present the results of one of the Group's subsidiaries solely in the Authentication division consistent with where management of the subsidiary's business now falls. The impact of this has been the transfer of the following amounts from the Identity Solutions results to Authentication: Revenue of £3.4m, gross profit of £2.1m and operating profit and profit before tax of £1.6m that would have been presented in the Identity Solutions division previously.

(3) Adjusted operating profit is a non-IFRS measure and excludes exceptional items net credits of £20.0m (2018/19: net charges of £27.9m), amortisation of acquired intangible assets of £0.9m (2018/19: £0.7m)
See slide 22 for reconciliation of non-IFRS to comparable IFRS measures



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Divisional update

Currency

- **Improving performance during year**
 - Weak start to year with reduced overspill demand
 - Ability to bid competitively in second half following cost reductions
 - Good start to FY 2020/21
 - Continued focus on cost base
- **Polymer and new products**
 - Continued good growth in polymer
 - New security feature Ignite™ gaining traction
 - Nexus™ issued by Qatar Central Bank

Authentication

- **Continued growth momentum**
 - Contracts ongoing with UAE and Kingdom of Saudi Arabia
 - Ongoing sales to current customers
 - Good pipeline of orders
- **Operational progress**
 - Polycarbonate page for Australian passport
 - Authenticate COVID-19 test kits contract
 - Traceology software platform for brand protection customer
 - Extension of UK HMRC contract

Identity Solutions

- Phased transition to the new supplier for UK Passport during H1 2020/21
- International Identity Solutions business sale completed October 2019

The Turnaround Plan : Growth and cost reduction

Three key pillars - well-positioned platform for future growth

Cost reduction	<ul style="list-style-type: none"> • Accelerated cost out programme - scheduled to be substantively complete by end of calendar 2020 • Cost structure will be re-based to compete more effectively across all of its market segments • ~£36m annualised cost out - £24.8m already implemented • The restructuring cash costs of approximately £16 million in FY 2020/21 • Fully focussed on identifying and enacting further cost reduction opportunities
Currency	<ul style="list-style-type: none"> • Targeting improved and sustainable profitability in the Currency division: consultation on Gateshead⁽¹⁾ <ul style="list-style-type: none"> ○ Improve profitability of banknotes ○ Protect and grow paper thread division ○ Convert the world to polymer and be the market leader ○ Invest R&D in polymer security features and leapfrog the competition
Authentication	<ul style="list-style-type: none"> • Targeting continued strong year-on-year growth in the Authentication division <ul style="list-style-type: none"> ○ Leverage growth of tobacco and drink tax stamp market within Government Revenue Solutions ○ Build out middle market customers, revitalise key customer relationships and expand geographic product reach in Brand ○ Capitalising on next generation Australian passports and presence in sub-Saharan Africa in Identification

(1) Subject to consultation

Platform for future growth

At the end of the Turnaround Plan we target:

Group operating margins - mid-teens, and growing

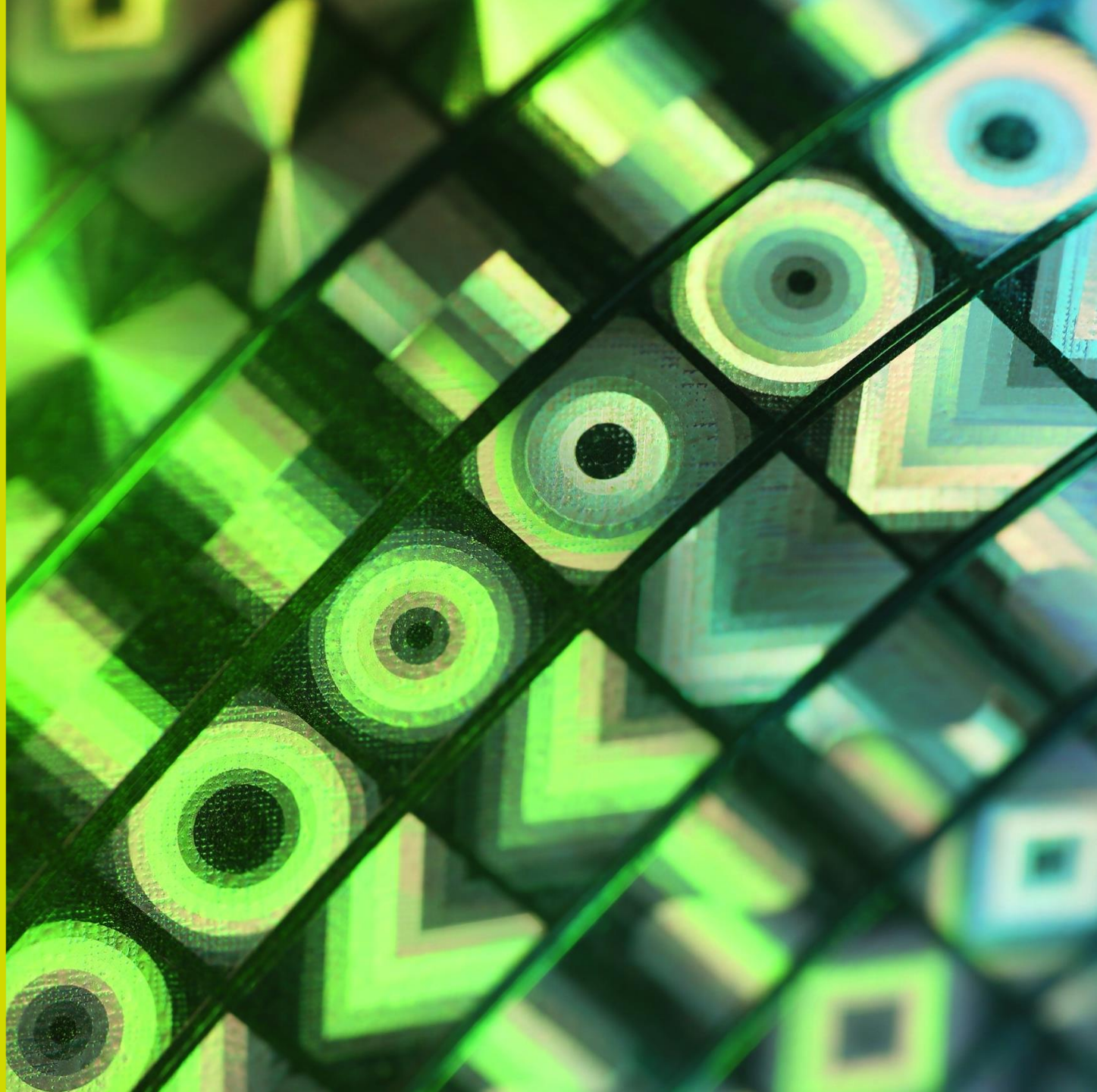
Banknote printing - broadly half of Group revenue and one third of operating profit

Polymer, Security Features, Authentication - broadly half of Group revenue and two-thirds of operating profit

Cash flow - generating positive free cash flow and capable of supporting sustainable cash dividends

Pension - stable, manageable contributions of £15m p.a. over the next 3 years

Stable capital structure – supportive banks, pension fund and shareholders



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Income statement

	FY20 £m	FY19 £m	Change
Adjusted Revenue ⁽¹⁾	426.7	516.6	-17.4%
IFRS Revenue	466.8	564.8	-17.4%
Gross profit	105.9	162.4	-34.8%
Adjusted operating profit ⁽²⁾	23.7	60.1	-60.6%
Adjusted operating margin ⁽³⁾	5.5%	11.6%	-608bps
IFRS operating profit	42.8	31.5	+35.9%
Adjusted basic earnings per share ⁽⁴⁾	12.1p	42.9p	-71.8%
IFRS basic earnings per share	33.1p	18.8p	+76.1%
Dividend per share	-	25.0p	N/A

(1) Adjusted revenue is a non-IFRS measure and excludes revenue from non-novated paper and International ID contracts of £40.1m (2018/19: £48.2m).

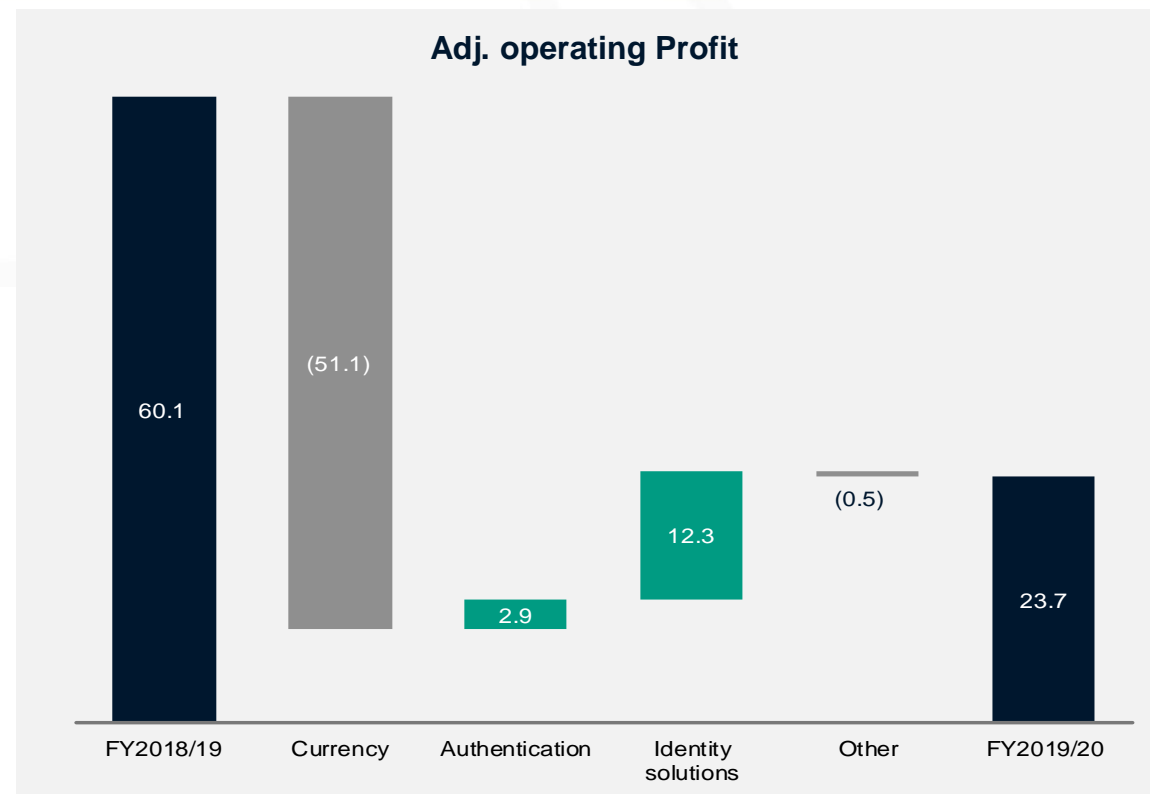
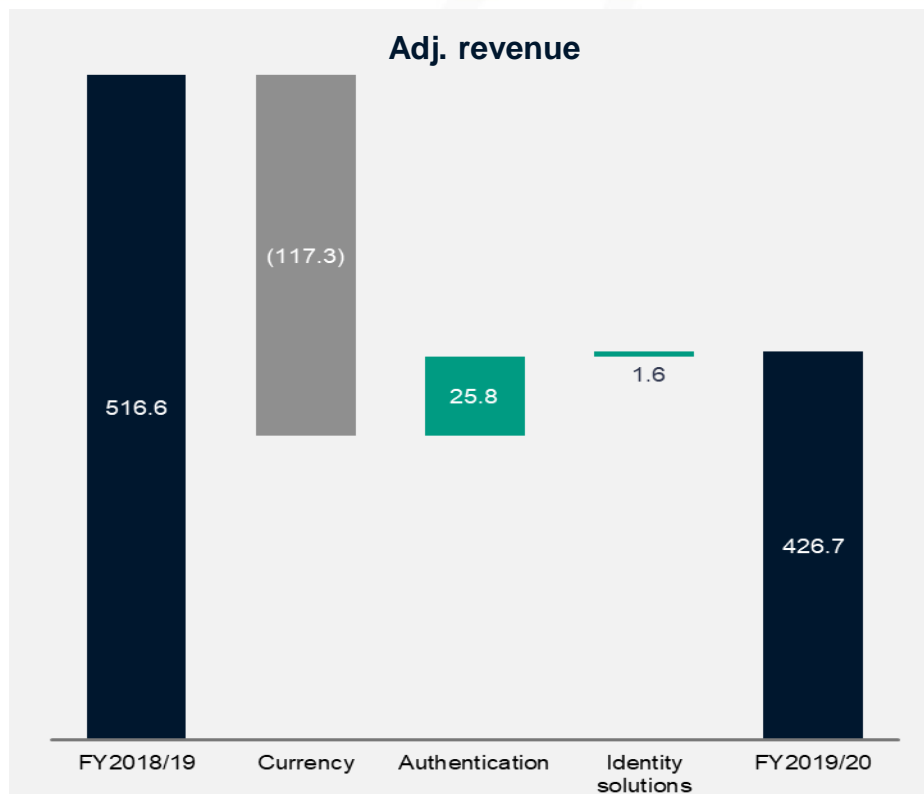
(2) Adjusted operating profit is a non-IFRS measure and excludes exceptional items net credit of £20.0m (2018/19: net charges of £27.9m), amortisation of acquired intangible assets of £0.9m (2018/19: £0.7m)

(3) Adjusted operating margin is a non-IFRS measure and excludes exceptional items net credit of £20.0m (2018/19: net charges of £27.9m), amortisation of acquired intangible assets of £0.9m (2018/19: £0.7m)

(4) Adjusted basic earnings per share is a non-IFRS measure and excludes exceptional item net credit of tax of £22.5m (2018/19: net tax of £23.7m) and amortisation of acquired intangible assets net credit of tax of £0.7m (2018/19: £1.0m)

See slide 22 for reconciliation of non-IFRS to comparable IFRS measures

Adjusted revenue⁽¹⁾⁽²⁾ and operating profit⁽³⁾



(1) Adjusted revenue is a non-IFRS measure and excludes revenue from non-novated paper and International ID contracts of £40.1m (2018/19: £48.2m).

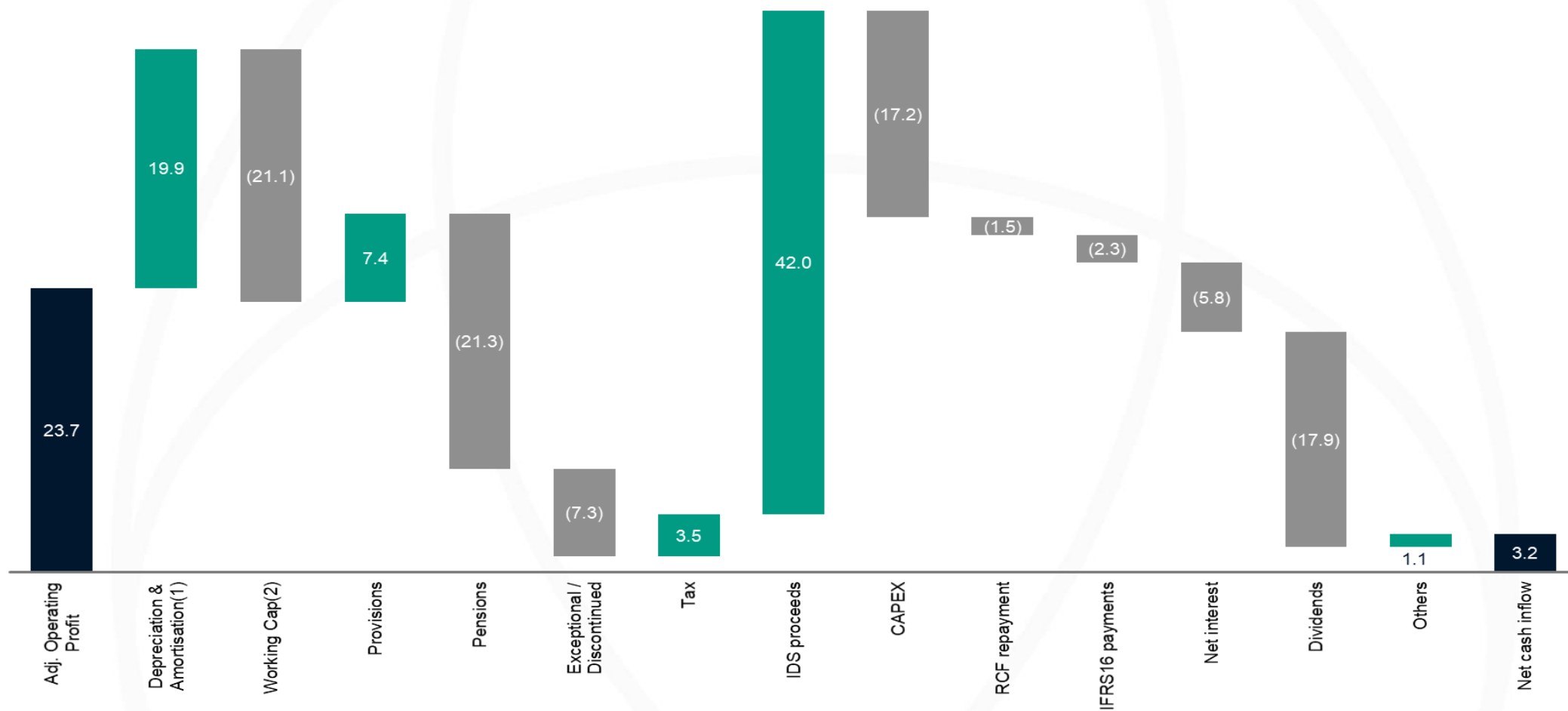
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See slide 22 for reconciliation of non-IFRS to comparable IFRS measures

The Group has revised its methodology for allocating central costs to its reporting segments in its FY 2019/20 results. This change was considered appropriate considering the substantial changes that have occurred in the year with the reorganisation of the business into the new Currency and Authentication divisional structure and the sale of International Identity Solutions. This has resulted in the Currency and Identify Solutions segments receiving a lower percentage of central costs and Authentication receiving a higher percentage of costs

Cashflow



(1) Excludes amortisation of acquired intangibles of £0.9m

(2) Includes adverse movement of inventory £(12.1)m, adverse movement of payables £(19.2)m offset by positive movement of receivables £10.2m. Working capital movements excludes amounts relating to IDS disposal in order to show true cashflows for the period.

Delivering a sustainable capital structure

Material de-risking of the balance sheet

Bank financing

- Supportive and constructive lender group
- £275m facility size (of which £100m guaranteed bonding line to support future growth, and additional flexibility built in)
- Term extended to December 2023 (existing facility maturing in December 2021)
- Lower interest covenant levels agreed for FY 2021 to FY 2023
- +150bps cash cost of borrowing across the margin grid – in line with current market
- 18 month restriction on cash (or other similar) payments to shareholders

Pension contributions

- Revised deficit reduction plan agreed with trustees delivering immediate cash savings whilst ensuring deficit will be repaid
- £142.6m deficit at 31 December 2019 valuation
- Agreed reduced contributions from £23m to £15m per annum⁽¹⁾ (to April 2024, £24.5m thereafter to FY2028/29)
- Additional contributions payable only in exceptional circumstances
- Next triennial valuation in 31 December 2022 (results by April 2024)

(1) Conditional on Capital Raise

Financing the Turnaround Plan

Turnaround Plan

- **Lower headcount and reduce manufacturing footprint**
 - Gateshead⁽¹⁾ proposal underway
- **Increase polymer capacity and accelerate security features**
- **Deliver Authentication opportunities**
 - Tax stamps mandated growth
 - Brand 'track-and-trace' driven by online sales
- **Refinance bank debt (contingent on equity raise)**
 - Term extended, interest payments increased
- **Pension payment reductions (contingent on equity raise)**
 - DB deficit contributions reduced from ~£23m p.a. to expected £15m pa⁽²⁾ and future DC payments to current employees reduced by £1m p.a.
- **By the end of the Turnaround Plan period targeting approximately 9% Group revenue CAGR**

Funding requirements

Funding need

£4.7m – Security features R&D

£8.8m – CAPEX in footprint rationalisation

£14.8m - Polymer capacity investment

£16.3m – Restructuring cost

£35.2m – Authentication expenditure

£79.8m – Total

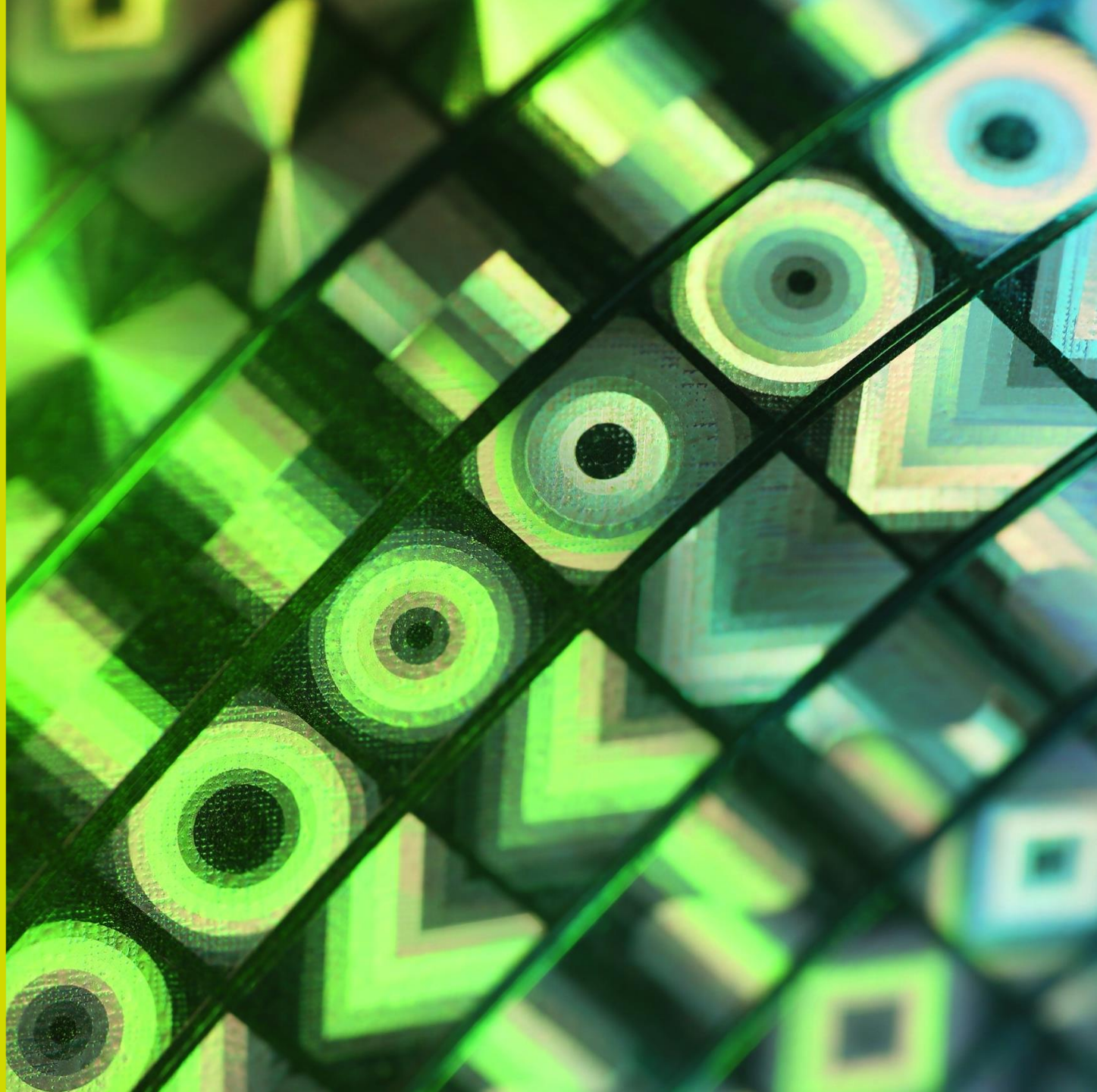
Balance to be used for general working capital purposes and / or strengthening the balance sheet

Savings from Turnaround Plan

- c. £36m per annum operating costs
- c. £9m per annum expected reduction in pension payments

(1) Subject to consultation

(2) Conditional on Capital Raise



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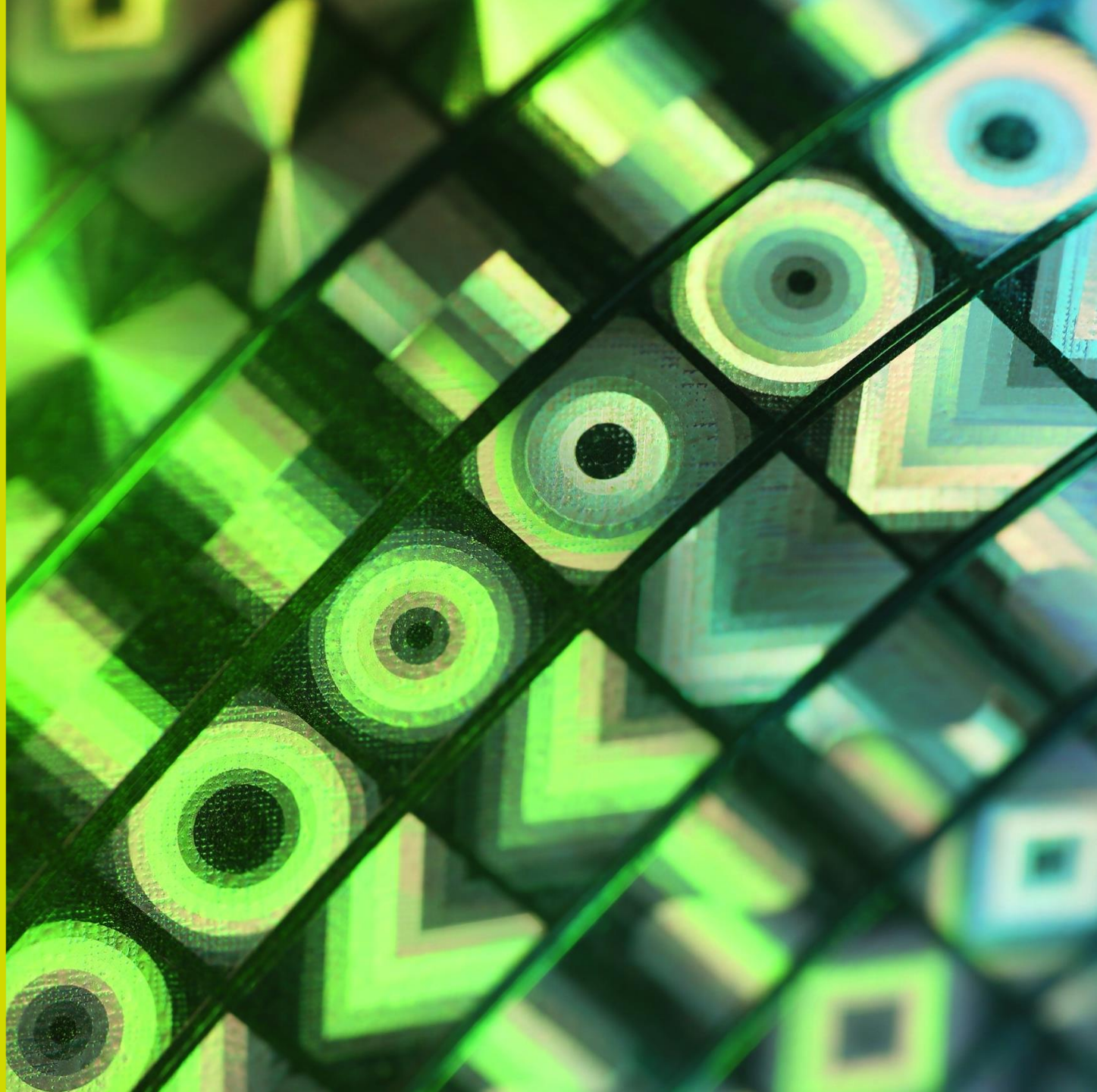
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Outlook

- Good progress made on Turnaround Plan – new management team in place to deliver the plan and progress to date on track
- Strong start to the new financial year, with a series of significant contract wins in both Authentication and Currency
- Equity capital raising to provide the Company with stability to implement the Turnaround Plan
- Target of returning the Company to a strong, financial position
- Initial period of cash outflow - aim for the Group to be capable of supporting sustainable cash dividends to shareholders



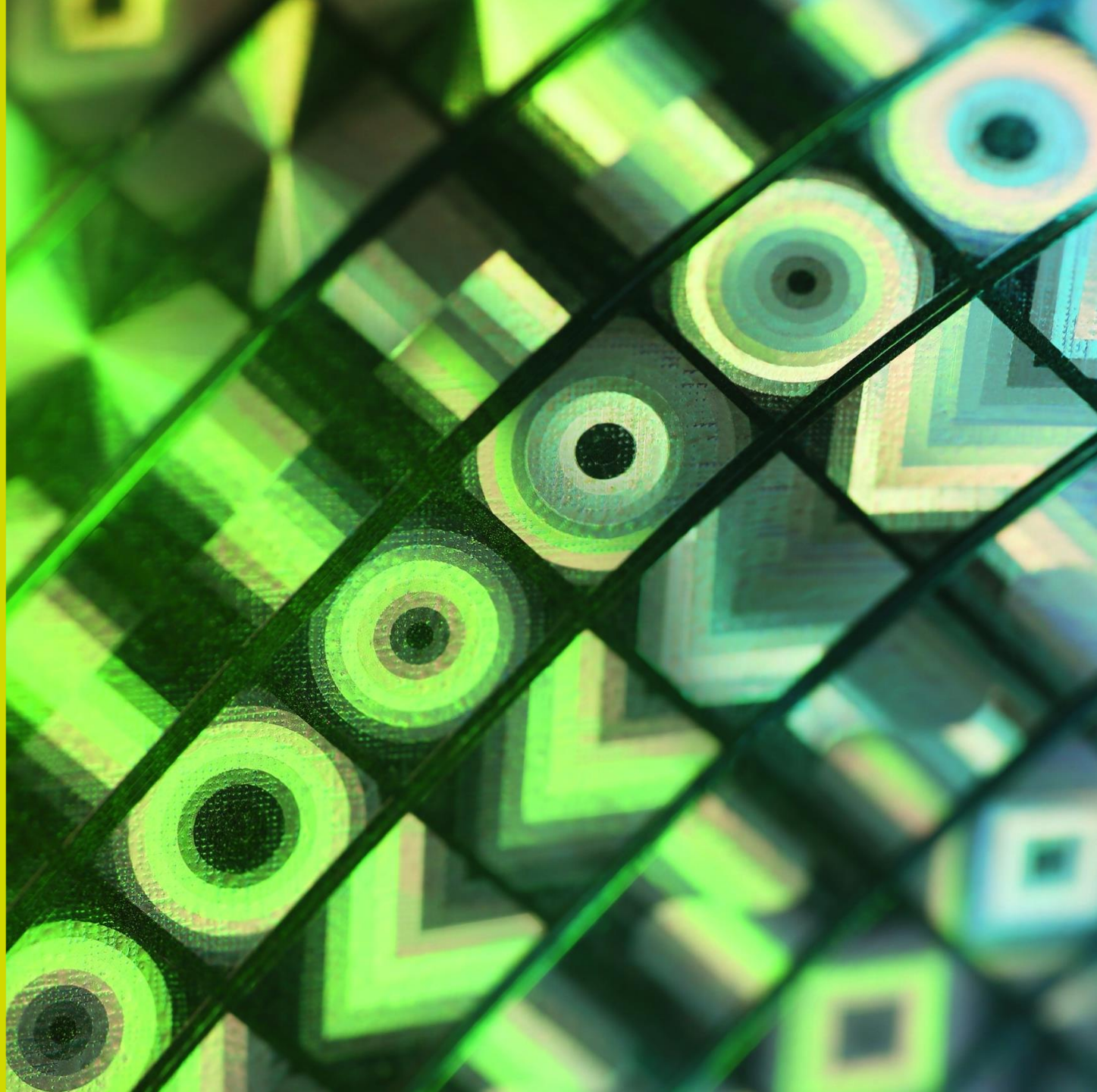
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Appendices

De La Rue – A snapshot

We supply governments and commercial organisations with products and services that underpin the integrity of trade, personal identity, and the movement of goods

Overview	Key figures
<p>✓ A global leading supplier of banknotes, product authentication products and security components in the identity industry</p>	<p>c.\$60bn of goods protected p.a.</p>
<p>✓ Diverse customer base including governments, central banks, business and State print works</p>	<p>#1 In commercial banknote market</p>
<p>✓ Approximately 70% of the world's countries partner with De La Rue, with many relationships stretching back more than 150 years</p>	<p>c.£350m FY2019/20E continuing revenue</p>
<p>✓ De La Rue works as the Bank of England's strategic partner through every stage of the production chain – with products including the polymer £5, £10 and newly released £20 notes</p>	<p>83% (1) Issuing authorities for polymer</p>
<p>✓ De La Rue is currently amongst the largest providers of tax stamp solutions worldwide and is fully accredited and operates to ISO14298, 27001 and 9001</p>	<p>1,000+ patents underpin our SF market leadership</p>

(1) Since 2013

Cash flow - working capital movements

	FY 2019/20 £m
Inventories	(12.1)
Trade and other receivables	10.2
Trade and other payables	(19.2)
Total cash flow working capital movement	(21.1)

- Increased inventories relating primarily to the build of finished goods within Currency which was attributable to changes in production schedules by customers
- a reduction in receivables mainly due to strong cash collections in the Currency division
- a reduction in payables resulting from a net reduction in advanced payments and settlement of trade creditors, the adverse impact of which was partially offset by increase in derivative liabilities due to currency fluctuations

Exceptional items

	2020 £m	2019 £m
Site relocation and restructuring	(9.3)	(4.8)
Gain/(loss) on disposal of subsidiary (net of costs associated with disposal) ⁽¹⁾	22.7	(2.6)
Pension underpin costs	(1.1)	(0.5)
Guaranteed minimum pension adjustment	–	(1.7)
Gain on resolution of a historical issue relating to UK defined benefit pension scheme	8.7	–
Venezuela expected credit loss provision	(1.0)	(18.1)
Acquisition related	–	(0.2)
Exceptional items in operating profit	20.0	(27.9)
Tax (charge)/credit on exceptional items	2.5	4.2

(1) £22.0m relates to gain on disposal of IDS business (net of associated costs of disposal), £0.7m relates to gain on sale of Portals following final release of the recompense provision.

Non-IFRS measures

De La Rue plc publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles. Amortisation of acquired intangible assets and exceptional items are excluded as they are not considered to be representative of underlying business performance.

The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate.

Adjusted revenue

Adjusted revenue excludes "pass through" revenue relating to non-novated contracts following the paper and international identify solutions business sales. The following amounts of "pass through" revenue have been excluded: Paper £33.5m (FY 2018/19: £48.2m) and Identify Solutions: £6.6m (FY 2018/19: £nil).

	2019	2020
Revenue on an IFRS basis	564.8	466.8
– exclude pass-through revenue	(48.2)	(40.1)
Adjusted revenue	516.6	426.7

Non-IFRS measures

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	2018 £m	2018 ¹ Excluding paper £m	2019 £m	2020 £m
Operating profit from continuing operations on an IFRS basis	123.0	131.5	31.5	42.8
– Amortisation of acquired intangible assets	0.7	0.7	0.7	0.9
– Exceptional items	(60.9)	(75.3)	27.9	(20.0)
Adjusted operating profit from continuing operations	62.8	56.9	60.1	23.7

Note:

1 2018 excluding paper removes £14.4m of exceptional cost in relation to the Portals paper disposal and removes the operating profit made from the paper business in 2018 of £5.9m.

Non-IFRS measures

Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	2018 £m	2018 excluding paper £m	2019 £m	2020 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	95.4	101.8	19.4	34.4
– Exceptional items	(60.9)	(75.3)	27.9	(20.0)
– Amortisation of acquired intangibles	0.7	0.7	0.7	0.9
– Tax on amortisation of acquired intangibles	(1.2)	(1.2)	0.3	(0.2)
– Tax on exceptional items	9.7	12.9	(4.2)	(2.5)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	43.7	38.9	44.1	12.6
Weighted average number of ordinary shares for basic earnings	101.9	101.9	102.9	104.0

	2018 pence per share	2018 pence per share excluding paper	2019 pence per share	2020 pence per share
Basic earnings per ordinary share continuing operations on an IFRS basis	93.7	n/a	18.8	33.1
Basic adjusted earnings per ordinary share for continuing operations	42.9	38.2	42.9	12.1

Disclaimer

Cautionary note regarding forward-looking statements

These results include 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", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" 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 these results and the information incorporated by reference into these results 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, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, investors or potential investors should not place undue reliance on these forward-looking statements. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update these forward-looking statements, which speak only as at the date of this document, and will not publicly release any revisions that may be made to these forward-looking statements, which may result from events or circumstances arising after the date of this document.