



**"THE GROUP'S
OUTSTANDING
PERFORMANCE
IN 2007/2008
TESTIFIES TO
THE ACHIEVEMENTS
OF THE LAST FOUR
YEARS AGAINST
OUR STRATEGIC
GOALS."**

Leo Quinn
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Leo Quinn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Business Review

+9.6%

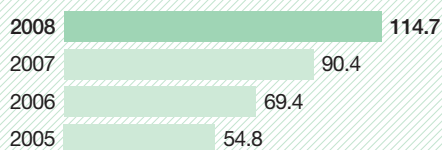
Revenue
(£m)



£124.1m

Profit before tax and exceptional items⁽¹⁾
+21.2 per cent on last year

Group underlying operating profits⁽¹⁾
(£m)



+32.3%

Headline earnings per share⁽²⁾: 58.1 pence

108%

Operating cash flow conversion
(£m)



⁽¹⁾ before exceptional income of £2.6m (2006/2007 : nil)

⁽²⁾ before exceptional income of £2.6m (2006/2007 : nil) and charge for the change in the German tax rate of £3.1m (2006/2007 : nil)

A Year of Strength

The Group's outstanding performance in 2007/2008 testifies to the achievements of the last four-years against our strategic goals. Continuing improvement to both our sales and profitability demonstrate the success of every business in implementing our combined strategy of innovation and productivity to drive value.

It is from a position of strength, mindful of the need to continue to stretch the Group to deliver shareholder returns, that we took the decision to re-examine our portfolio for its value potential over the next three to five years.

Strategic Review

As the results for last year demonstrate, our strategy since 2004 has created two market-leading divisions, each with strong management teams, reinvigorated product offerings and excellent prospects.

The Strategic Review initiated at the end of 2007 by the Board concluded that:

De La Rue's historic strength has been its relationships with Central Banks and Governments through the Security Paper and Print Division (SPPD) and these remain core to its success.

Our Cash Systems Division has been developed significantly in the last four years and is now a strong business in its own right, serving the retail/commercial banking sector.

On the whole, these divisions are two distinct entities operationally and there is little opportunity for synergies between them. They serve different customer bases, the exception being Cash Processing Solutions (CPS) which develops and supplies banknote sorters and cash optimisation software largely to Central Banks. CPS is integral to the Currency offering and will become part of that business.

Subject to achieving appropriate value, the Board therefore decided to explore the sale of Cash Systems, excluding CPS, as one possible route to crystallise its value for shareholders. Discussions are ongoing which may, or may not lead to a sale. The business is performing well and the Board will only recommend its sale to shareholders if terms are agreed which reflect its quality and future prospects, and the strength of its customer relationships.

The Group's holding in Camelot, the UK national lottery operator has proved an excellent investment. Following Camelot's award of the third lottery licence for a ten year period to 2019, the Board believes that the investment offers strong future value and should be retained. During the year, the Group subscribed for 10,000 redeemable shares of £1 each at par in Camelot Group plc.

Business Review

continued

The financial strength of the Group now provides our Board with the confidence to increase the level of distribution to shareholders by means of the following proposals:

- a new dividend policy, which will take effect in respect of the year ending 28 March 2009, for a dividend cover of approximately 1.75 times, based on the underlying earnings for the year. The Board intends to maintain a progressive dividend policy and is prepared to consider different levels of dividend cover as a result of any short term fluctuations in earnings;
- a return of £160.0m to shareholders by way of a special dividend, using the surplus cash in hand, appropriately adjusted for advance payments from customers, and a new debt facility that has been arranged; and
- if Cash Systems is sold, a further return to shareholders of the net proceeds of the sale.

Going forward, the Group will continue to monitor the shape of the balance sheet and, where appropriate, consider future returns of surplus cash.

Group Results

De La Rue has delivered another very strong financial performance. Revenue grew 9.6 per cent to £753.6m (2006/2007 : £687.5m) and Group underlying operating profit rose 26.9 per cent to £114.7m (2006/2007 : £90.4m), representing an improvement in the Group's underlying operating margin of 2.1 percentage points, to 15.2 per cent. Profit before tax and exceptionals increased by 21.2 per cent to £124.1m (2006/2007 : £102.4m). Headline earnings per share were up 32.3 per cent to 58.1p (2006/2007 : 43.9p), reflecting the improved trading performance and the benefits of the share consolidation carried out in conjunction with the special dividend payment last year. Basic earnings per share were 57.8p compared with 43.9p in 2006/2007, an increase of 31.7 per cent.

In Security Paper and Print, strong banknote and paper volumes (up 13.4 per cent and 19.2 per cent respectively) drove another excellent full year result with the Currency business once again operating at near capacity levels throughout the year, following our investments to refresh printing assets. In Cash Systems, both equipment and service volumes remained in line with our expectations, notwithstanding the more uncertain financial environment and its impact on the retail banking sector. In this context, we were particularly pleased to see a strong second half-year and an increasing order book for the division.

Cash generation was, as always, a key focus. Strong operating cash flow of £124.0m (2006/2007 : £144.5m) reflected both higher profits and tight management of working capital. Growth in trade working capital reflected the high trading activity in the Currency operations, together with a small reduction in advance payments, following the exceptional inflow last year. The Group ended the year with net cash on the balance sheet of £106.7m (2006/2007 net cash : £137.3m) after returning to shareholders a total during the year of £109.6m, comprising £105.4m in respect of dividends and the ongoing share buy back programme (£4.2m).

Associates

The main associated company is Camelot, the UK lottery operator. Profit from associates after tax was higher at £7.1m (2006/2007 : £6.6m). Dividends received from associates of £7.7m were higher than last year's £6.2m.

Looking Forward

The completion of our recent strategy review, four years after we set out to improve returns to our shareholders, confirms the progress made in realising De La Rue's true potential. Furthermore, the foundation that we have built presents a sustainable strategy for profitable growth in all our businesses.

Our combination of clear goals and strong processes, together with an energetic culture of encouraging employees at all levels to deliver innovation and productivity, remains our key competitive advantage. For this reason in particular, I would like to thank all our people for their support, drive and commitment on this journey. It is these characteristics that have built the premium reputation that De La Rue enjoys with its customers and give me every confidence that the Group will continue to out-perform its competitors in the future.