4 December 2014

# DS SMITH PLC – 2014/15 HALF YEAR RESULTS

## Strong profit growth

| 6 months to 31 October 2014 | | Change (reported) | Change (constant currency) |
|---|---|---|---|
| Revenue | £1,971m | (5)% | 0% |
| Adjusted operating profit(1) | £176m | +10% | +17% |
| Profit before tax | £123m | +45% | +58% |
| Adjusted EPS(1) | 12.9p | +15% | +24% |
| Interim dividend per share | 3.7p | +16% | NA |
| Return on sales(4) | 8.9% | +120bps | +130bps |
| ROACE(5) | 13.8% | +170bps | +170bps |

**Highlights**

- Continued success with customers driving growth
  - Corrugated packaging volume growth of +2.3% - all regions in growth
  - Underlying(6) revenue growth of 2.0%
- Strong financial performance in line with our KPI's
  - Return on sales(4) increase of 130 bps (constant currency) to 8.9%
  - ROACE(5) improvement of 170 bps to 13.8%
  - Strong cash flow generation
  - Net debt reduced by £133 million to £694 million
- Active investment and management of business portfolio
  - 4 acquisitions and 2 disposals announced or completed
  - Roll-out of design centre network through Europe

"We are pleased with performance in the first half of this financial year. We have continued to make good progress with our customers, benefitting from our differentiated commercial offering, and this has translated into strong financial performance, with a particularly good progression on margins and returns as well as excellent cash flow generation. We continue to actively manage our business portfolio and are excited by the opportunities for the Group.

Our outlook remains positive as the business continues to grow, despite ongoing economic headwinds in many of our markets. The Board expects continued performance in line with the Group's medium term financial targets."

**Miles Roberts**, **Group Chief Executive**

**Sustained delivery against medium term targets**

| Medium term targets | Delivery in H1 2014/15(9) |
|---|---|
| Organic volume growth(2) at least GDP(3)+1% | +2.3% |
| Return on sales(4) 7% – 9% | 8.9% |
| ROACE(5) 12% - 15% | 13.8% |
| Net Debt / EBITDA(7) ≤2.0x | 1.6x |
| Operating cash flow/ operating profit(8) ≥ 120% | 124% |

See notes to the financial tables below

## Enquiries

| | |
|---|---|
| DS Smith Plc | +44 (0)20 7756 1800 |
| Hugo Fisher, Group Communications Director | |
| Rachel Stevens, Investor Relations Manager | |
| | |
| Bell Pottinger | |
| John Sunnucks | +44 (0)20 3772 2549 |
| Ben Woodford | +44 (0)20 3772 2566 |

## Presentation and dial-in details

A presentation to investors and analysts will be held at 9:30am today at JP Morgan, 60 Victoria Embankment, EC4Y 0JP. Dial-in access for the presentation is available with details as follows: +44 (0) 20 3003 2666 (standard access) or 0808 109 0700 (UK Toll Free) Password: DS Smith. The slides accompanying the presentation will be available on our website shortly before the start of the presentation. Dial-in participants will have the opportunity to participate in the Q&A. A replay is available for 7 days on +44(0)20 8196 1998, PIN 4221465.

## Notes to the financial tables

(1) Continuing operations, before exceptional items and amortisation of intangible assets
(2) Corrugated box volumes, adjusted for working days
(3) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country for the FY 2013/14 = 1.3%. Source: Eurostat (14 Nov 2014)
(4) Earnings before interest, tax, amortisation and exceptional items as a percentage of revenue
(5) Earnings before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale
(6) Underlying revenue excludes the effect of FX translation, acquisitions and disposals, and the change in accounting presentation for income from tooling and waste
(7) EBITDA being earnings before interest, tax, depreciation and amortisation
(8) Free cash flow before tax, net interest, growth capital expenditure and pension payments as a percentage of earnings before interest, tax, amortisation and exceptional items
(9) Organic growth and return on sales for the 6 months to 31 October 2014. ROACE, net debt / EBITDA and cash conversion given for the 12 months to 31 October 2014

**Cautionary statement:** This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

## Overview

In the six months to 31 October 2014 DS Smith has continued to deliver sustainable growth in line with our medium term targets. Corrugated box volumes have grown at 2.3%, achieving our target of GDP+1%, with volume growth across all regions. This results from our strong customer partnerships and support for our differentiated offering, driven by our dual focus on product and service innovation and on removing complexity and cost from our customers' supply chains across Europe.

We have had continued success with our commercial offering which helps customers sell more, with less cost and lower risks, by assessing the whole supply cycle. The most notable success has been agreeing a five-year contract with Mondelez, the international snack and confectionery business, for the sole supply of their corrugated packaging in Europe. This agreement demonstrates the strength of our business model where we are able to offer a genuinely pan-European service with consistently high quality and service standards. At the same time, in Northern Europe and the UK, we rolled out a programme for "Performance Packaging", where we work with our customers to agree the necessary performance characteristics of their packaging (such as strength, print quality etc) and contract with them on this basis, rather than purely on the basis of weight. The importance of this approach is that we are able to optimise the amount of fibre used in our packaging, improving efficiency for our customers and ensuring DS Smith is regarded as a genuine business partner.

For the half-year period, reported revenues reduced primarily due to foreign exchange ("FX") translation, the disposal of the Scandinavian foams business and a minor change in accounting presentation. Excluding these items, underlying revenues increased by 2.0%, with the positive impact of increased volumes in corrugated packaging and plastics partially offset by reduced external revenue from paper and recycling, principally due to improved levels of integration.

Adjusted operating profit was up £26 million, or 17%, on a constant currency basis and operating margin improved by 130 bps, reflecting both organic growth and the ongoing benefit of synergies. With a more stable paper pricing environment for the majority of the reporting period, the net effect of sales price, mix, and overall input costs has been relatively flat. We have delivered the planned €20 million of cost synergies from the SCA Packaging acquisition versus the prior comparative period and are on track to deliver the remaining €20 million over the coming 6 months to complete the programme, as previously announced.

We have maintained our focus on cash and return on capital, reducing our net debt substantially and delivering further significant improvement in our ROACE which now stands at 13.8%. In addition to strong operating cash flow through our focus on working capital and tight capital management, net debt at the half year benefited from FX translation and fair value effects of £28 million and net proceeds of £9 million from the disposal of the Scandinavian foams business less the acquisitions of Kaplast and Italmaceri.

Since the period end, we are pleased to have announced the acquisition of Andopack, a Spanish corrugated packaging business. We have also announced today that we have entered into a letter of intent with a view to acquiring a corrugated packaging business in Turkey and Greece, as set out later in this statement.

## Operating review

Unless otherwise stated, any commentary and comparable analysis in the operating review is based on constant currency performance.

### UK

| | Half year ended 31 October 2014 | Half year ended 31 October 2013 | Change |
|---|---|---|---|
| Revenue | £465m | £481m | (3)% |
| Operating profit* | £46m | £28m | 66% |
| Return on sales* | 9.9% | 5.8% | +410bps |

*Adjusted, before amortisation and exceptional items

In the UK sales decreased 3% to £465 million (H1 2013/14: £481 million) while adjusted operating profit has improved 66% to £46 million (H1 2013/14: £28 million). Corrugated box volumes in the period have been broadly flat, consistent with the overall retailing landscape. The fall in revenues is principally due to lower external revenues from recycling and an improved integration of paper, with revenues from the packaging operations showing modest growth. The improvement in adjusted operating profit and 410 bps improvement in operating margin reflects the significant benefit of the efficiency programme implemented at our Kemsley mill in Kent, along with the success of the packaging business which continues to lead with innovation such as Performance Packaging, and genuine customer insight obtained through our PackRight Centres.

### Western Europe

| | Half year ended 31 October 2014 | Half year ended 31 October 2013 | Change – reported | Change – constant currency |
|---|---|---|---|---|
| Revenue | £481m | £529m | (9)% | (2)% |
| Operating profit* | £37m | £44m | (17)% | (11)% |
| Return on sales* | 7.7% | 8.5% | (80)bps | (80)bps |

*Adjusted, before amortisation and exceptional items

In Western Europe corrugated box volumes in the period were positive despite the continued economic headwinds with revenue declining mainly as a result of FX. Adjusted operating profit reduced by 11%, as the benefit of synergies were countered by the challenging market environment and a lower level of paper integration than other areas of the Group.

### DACH and Northern Europe

| | Half year ended 31 October 2014 | Half year ended 31 October 2013 | Change – reported | Change – constant currency |
|---|---|---|---|---|
| Revenue | £486m | £529m | (8)% | 0% |
| Operating profit* | £48m | £45m | 7% | 18% |
| Return on sales* | 10.0% | 8.5% | +150bps | +160bps |

*Adjusted, before amortisation and exceptional items

DACH and Northern Europe has delivered a solid performance with volume growth in line with the Group average. Packaging revenues were positive, contributing to flat revenues versus the prior period largely due to greater integration of paper. Adjusted operating profit increased 18%, reflecting the benefit of synergies and a continued focus on costs.

### Central Europe and Italy

| | Half year ended 31 October 2014 | Half year ended 31 October 2013 | Change – reported | Change – constant currency |
|---|---|---|---|---|
| Revenue | £379m | £376m | 1% | 10% |
| Operating profit* | £32m | £29m | 10% | 18% |
| Return on sales* | 8.4% | 7.8% | +60bps | +60bps |

*Adjusted, before amortisation and exceptional items

The Central Europe and Italy division has seen revenues increase by 10%, reflecting good organic growth and the inclusion of the recycling business, Italmaceri, acquired during the year. Corrugated box volumes in central and eastern Europe have grown strongly compared to the Group average, reflecting very strong growth in a positive market. Our corrugated box volumes in Italy have also grown ahead of our overall corrugated box volume growth. Adjusted operating profit increased 18% reflecting the organic growth, together with improvements in the performance of the paper mill in Italy, where the associated energy plant was bought in 2013/14, and the ongoing benefit of synergies.

### Plastics

| | Half year ended 31 October 2014 | Half year ended 31 October 2013 | Change – reported | Change – constant currency |
|---|---|---|---|---|
| Revenue | £160m | £166m | (4)% | 1% |
| Operating profit* | £13m | £14m | (8)% | (3)% |
| Return on sales* | 7.8% | 8.2% | (40)bps | (30)bps |

*Adjusted, before amortisation and exceptional items

Plastics has seen revenue increase by 1%, due to the impact of the disposal of our Cool Logistics business in January 2014 partially offsetting organic growth, with operating profit remaining broadly flat at £13 million. Overall performance in the business has been good with the Flexibles business in North America particularly strong. We continue to add customer demand-driven capacity within the business with a bag-in-box site opened in November 2014 in Illinois and running at over 50% capacity from the outset. As previously described, we are also restructuring our European Flexible packaging operations, with two new sites in Eastern Europe taking the place of two sites in the UK. The profitability of this business has obviously been impacted in the period with the transition; however, with the new plants now running we anticipate a continuous improvement over the next 18 months.

**Acquisitions and disposals in the period**

Our strategic aim is to grow our corrugated and recycling businesses to meet the requirements of our major customers. We also remain focussed on our overall short paper position whilst investing in our paper mills which produce high quality lightweight papers and reducing further our exposure to those that do not. In the period, we have completed two acquisitions and one disposal. Since the period end, we have announced three further transactions.

On 10 July 2014 we acquired the 50% that we did not previously own of Italmaceri, a recycling business based in Italy. The Italmaceri business operates in northern Italy with annual volumes of approximately 500k tonnes.

On 31 August 2014 we completed the disposal of the Scandinavian foams business for £23 million, which DS Smith had acquired as part of the SCA Packaging acquisition.

On 9 September 2014 we acquired Kaplast, an injection-moulding business in Croatia to expand the returnable transit packaging element of our Plastics business.

On 6 November 2014 we acquired a corrugated manufacturing business in Spain, Andopack, for £35 million. The business operates from one well-invested site with substantial opportunity to grow the business by serving our pan-European customer based in this important region.

On 20 November 2014 we received a binding offer for the purchase of a small paper mill in Nantes, France with annual capacity of c. 60k tonnes of testliner. We are currently engaged in works council consultation; until the conclusion of this process there can be no certainty of any transaction proceeding. Any reduction in our paper capacity is consistent with our strategy to reduce the proportion of our net integration of paper manufacture versus the requirements of our corrugated business, and we continue to assess our paper manufacturing footprint.

On 3 December 2014 Kaplamin Ambalaj, in which the Group has a minority interest, was required to announce by the Turkish Stock Exchange that DS Smith and Cukurova have entered into an exclusive letter of intent in relation to the potential acquisition by DS Smith of Cukurova's majority shareholdings in Kaplamin Ambalaj and a wider group of packaging assets in Turkey and Greece in which DS Smith currently has non-controlling interests. These businesses currently have a consolidated annual turnover of approximately €160 million with five plants across western Turkey and three plants in Greece. Discussions are at a preliminary stage and any acquisition remains subject, inter alia, to a number of conditions and satisfactory completion of due diligence. There is therefore no certainty at this stage as to whether agreement will be reached, or as to the timing of any transaction.

**Outlook**

Our outlook remains positive as the business continues to grow, despite economic headwinds in many of our markets. The Board expects continued performance in line with the Group's medium term financial targets.

**Financial Review**

Group revenue for the half-year to 31 October 2014 declined 5% to £1,971 million (H1 2013/14: £2,081 million), reflecting a substantial adverse FX translation effect (£114 million); on a constant currency basis, revenue increased by 0.2%. A minor change in accounting presentation in relation to waste and tooling was made, reducing this half-year period versus the comparable period by £25 million, or 1.2%. Revenue versus the prior half-year was also reduced by £10 million by the net effect of acquisitions and disposals. The remaining increase of £39 million, or 2.0% on the prior year comparable figure, represents organic growth, of which the majority relates to additional corrugated box volumes.

Adjusted operating profit increased 10% to £176 million (H1 2012/13: £160 million). On a constant currency basis, growth was 17%. Within organic growth, growth in corrugated box volumes contributed the majority of the c. £12 million to the profit uplift while sales price and input costs broadly offset each other. Cost synergies of €20 million (£16 million) were delivered as planned. The delivery of synergies has continued on schedule with the remaining incremental €20 million expected to be delivered over the next six months to bring the total delivered to €120 million, as previously announced.

Free cash flow (being EBITDA plus the cash flow effect of working capital, pension payments, capital expenditure (net of proceeds), tax and interest) was £151 million (H1 2013/14: £110 million), driven by EBITDA of £233 million and a further positive contribution from working capital, offset by the expected levels of capital expenditure, tax and interest.

Net capital expenditure was £63 million in the period with a total of £150 - 160 million expected to be spent in the full financial year, as previously indicated.

Amortisation for the period was £23 million (H1 2013/14: £25 million), with a similar charge expected in the second half of the year. Depreciation of £57 million is slightly lower than the prior year (H1 2013/14: £61 million), largely due to the impact of foreign exchange. The underlying slight increase in depreciation from new investments has been broadly offset by the finalisation of the SCA fair value and asset life assessment. Depreciation for the full financial year is expected to be in the range of £115 – 120 million.

Return on average capital employed of 13.8% for the 12 month period to 31 October 2014 (FY to 31 October 2013: 12.1%) represents a 170 bps increase. This increase is driven by the significant improvement in profitability and tight working capital management over the period.

Exceptional costs of £10 million in the period were incurred, principally comprising £4 million in relation to business restructuring and £4 million in relation to the write-off of unamortised finance costs.

Net interest expense was £17 million (H1 2013/14: £21 million), reflecting the benefit of the refinancing undertaken in the period. The charge for the second half of the year is expected to be broadly similar.

Tax on profits has been charged at a rate on continuing operations before amortisation and exceptional items of 22.8% (H1 2013/14: 23.0%).

Profit after tax for continuing operations after exceptional items was £95 million (H1 2013/14: £70 million).

Earnings per share for continuing operations before amortisation and exceptional items increased 15% to 12.9 pence (H1 2013/14: 11.2 pence) or 24% on a constant currency basis, reflecting the significant operating profit growth together with tight management of interest cost.

**Foreign exchange translation**

Approximately 65 per cent of the Group's EBITA is earned in euros. The results for the year 2014/15 will be influenced by foreign exchange translation, where the euro is currently weaker than the average rate over 2013/14 of 1.19. A change of 1c impacts EBITA by approximately £1.7 million and profit before tax by approximately £1.3 million.

**Financial position**

Net debt at 31 October 2014 was £694 million (30 April 2014: £827 million), representing 1.6x EBITDA for the prior 12 month period, an improvement of 0.4x since 30 April 2014. This has been achieved through tight capital discipline, and continued focus on working capital where a further reduction has been achieved, bringing average working capital as a percentage of sales down to 3.4%. Net proceeds from business disposals, less acquisitions during the period, was £9 million.

## Dividend

The Board considers the dividend to be an important component of shareholder returns. In considering dividends the Board will be mindful of the Group's leverage, earnings growth potential and future expansion plans. As first set out in December 2010, our policy is that dividends will be progressive and, in the medium term, dividend cover should be on average 2.0x to 2.5x through the cycle.

The Board recommends an interim dividend for this half year of 3.7 pence per share (H1 2013/14: 3.2 pence per share). This represents an increase of 16% demonstrating our commitment to a progressive dividend and the confidence of the Board in the outlook for the Group. The dividend will be paid on 1 May 2015 to ordinary shareholders on the register at the close of business on 7 April 2015.

## Risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The principal risks and uncertainties discussed in the Business Review on pages 34 to 37 of the 2014 Annual Report, available on the Group's website at www.dssmith.com, remain relevant.

In summary, the Group's key risks and uncertainties are:

- Acquisition and market consolidation risks;
- Capital market and liquidity capacity risks;
- Integration risks;
- Security of paper supply risks;
- Commercial differentiation risks;
- Legal, regulatory and governance risks; and
- Sustainable strategy risks.

## Going concern

The Group's recent trading and forecasts, after taking account of reasonably foreseeable changes in trading performance, shows that the Group is able to operate within its current debt facilities. At 31 October 2014 there was significant headroom on the Group's committed debt facilities of c. £670 million with the next significant maturity not due until May 2017. As a consequence, the Directors believe that the Group is well placed to manage its business risks (as summarised above) successfully despite the uncertainties inherent in the current economic outlook. After making enquiries, the Directors have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the interim financial statements.

**Responsibility statement**

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication on important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the interim management report includes a fair review of the information required by DTR4.2.8R (disclosure of related parties' transactions and changes therein).

| | |
|---|---|
| Miles Roberts | Adrian Marsh |
| Group Chief Executive | Group Finance Director |

3 December 2014

## INDEPENDENT REVIEW REPORT TO DS SMITH PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

## DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 October 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**
Chartered Accountants and Statutory Auditor
London, United Kingdom

3 December 2014

# CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Half year ended 31 October 2014** | | | Half year ended 31 October 2013 | | | Year ended 30 April 2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Before exceptional items** | **Exceptional items (note 3)** | **After exceptional items** | Before exceptional items | Exceptional items (note 3) | After exceptional items | Before exceptional items | Exceptional items (note 3) | After exceptional items |
| ***Continuing operations*** | Note | **£m** | **£m** | **£m** | £m | £m | £m | £m | £m | £m |
| **Revenue** | 2 | **1,971** | **–** | **1,971** | 2,081 | – | 2,081 | 4,035 | – | 4,035 |
| Operating costs | | **(1,795)** | **(4)** | **(1,799)** | (1,921) | (3) | (1,924) | (3,728) | (31) | (3,759) |
| **Operating profit before amortisation, acquisition and SCA Packaging related costs** | 2 | **176** | **(4)** | **172** | 160 | (3) | 157 | 307 | (31) | 276 |
| Amortisation of intangible assets and acquisition related costs | 3 | **(23)** | **(1)** | **(24)** | (25) | (1) | (26) | (51) | (4) | (55) |
| SCA Packaging related exceptional costs | 3 | **–** | **–** | **–** | – | (21) | (21) | – | (3) | (3) |
| **Operating profit** | 2 | **153** | **(5)** | **148** | 135 | (25) | 110 | 256 | (38) | 218 |
| Finance income | 4 | **1** | **–** | **1** | 1 | – | 1 | 3 | – | 3 |
| Finance costs | 4 | **(18)** | **(4)** | **(22)** | (22) | – | (22) | (44) | – | (44) |
| Employment benefit net finance expense | 5 | **(3)** | **–** | **(3)** | (4) | – | (4) | (7) | – | (7) |
| **Net financing costs** | | **(20)** | **(4)** | **(24)** | (25) | – | (25) | (48) | – | (48) |
| **Profit after financing costs** | | **133** | **(9)** | **124** | 110 | (25) | 85 | 208 | (38) | 170 |
| Share of loss of equity accounted investments, net of tax | 3 | **–** | **(1)** | **(1)** | – | – | – | – | (3) | (3) |
| **Profit before income tax** | | **133** | **(10)** | **123** | 110 | (25) | 85 | 208 | (41) | 167 |
| Income tax (expense)/credit | 6 | **(30)** | **2** | **(28)** | (22) | 7 | (15) | (45) | 22 | (23) |
| **Profit for the period from continuing operations** | | **103** | **(8)** | **95** | 88 | (18) | 70 | 163 | (19) | 144 |
| ***Discontinued operations*** | | | | | | | | | | |
| Loss for the period from discontinued operations | | **–** | **–** | **–** | – | – | – | (3) | – | (3) |
| **Profit for the period** | | **103** | **(8)** | **95** | 88 | (18) | 70 | 160 | (19) | 141 |
| | | | | | | | | | | |
| **Profit for the period attributable to:** | | | | | | | | | | |
| Owners of the parent | | **104** | **(8)** | **96** | 88 | (18) | 70 | 159 | (19) | 140 |
| Non-controlling interests | | **(1)** | **–** | **(1)** | – | – | – | 1 | – | 1 |

| ***Earnings per share*** | | | **Half year ended 31 October 2014** | | Half year ended 31 October 2013 | | Year ended 30 April 2014 |
|---|---|---|---|---|---|---|---|
| ***Adjusted from continuing operations*** [1] | | | | | | | |
| Basic | 7 | **12.9p** | | 11.2p | | 21.4p | |
| Diluted | 7 | **12.7p** | | 11.2p | | 21.1p | |
| ***From continuing operations*** | | | | | | | |
| Basic | 7 | | **10.2p** | | 7.5p | | 15.3p |
| Diluted | 7 | | **10.1p** | | 7.5p | | 15.2p |
| ***From continuing and discontinued operations*** | | | | | | | |
| Basic | 7 | | **10.2p** | | 7.5p | | 15.0p |
| Diluted | 7 | | **10.1p** | | 7.5p | | 14.9p |

[1] Adjusted for amortisation and exceptional items

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Items which will not be reclassified subsequently to profit or loss | | | |
| Actuarial (losses)/gains on employee benefits | **(6)** | 46 | 57 |
| Income tax on items which will not be reclassified subsequently to profit or loss | **–** | (17) | (18) |
| Items which may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation differences | **(47)** | (5) | (55) |
| Movements in cash flow hedges | **(4)** | (3) | (16) |
| Income tax on items which may be reclassified subsequently to profit or loss | **(6)** | (2) | (4) |
| **Other comprehensive (expense)/income for the period, net of tax** | **(63)** | 19 | (36) |
| **Profit for the period** | **95** | 70 | 141 |
| **Total comprehensive income for the period** | **32** | 89 | 105 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | **33** | 89 | 104 |
| Non-controlling interests | **(1)** | – | 1 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **At 31 October 2014 £m** | At 31 October 2013 £m | At 30 April 2014 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | | **896** | 1,015 | 961 |
| Property, plant and equipment | | **1,347** | 1,352 | 1,372 |
| Equity accounted investments | | **20** | 27 | 24 |
| Other investments | | **6** | 5 | 8 |
| Deferred tax assets | | **43** | 63 | 84 |
| Other receivables | | **3** | 3 | 3 |
| Derivative financial instruments | | **7** | 7 | 4 |
| **Total non-current assets** | | **2,322** | 2,472 | 2,456 |
| **Current assets** | | | | |
| Inventories | | **270** | 281 | 272 |
| Other investments | | **–** | 2 | 1 |
| Income tax receivable | | **33** | 37 | 11 |
| Trade and other receivables | | **631** | 691 | 650 |
| Cash and cash equivalents | 10 | **90** | 159 | 98 |
| Derivative financial instruments | | **2** | 1 | 2 |
| Assets held for sale | 11 | **36** | 5 | 45 |
| **Total current assets** | | **1,062** | 1,176 | 1,079 |
| **Total assets** | | **3,384** | 3,648 | 3,535 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Interest-bearing loans and borrowings | 10 | **(765)** | (842) | (786) |
| Employee benefits | 5 | **(146)** | (163) | (151) |
| Other payables | | **(5)** | (9) | (4) |
| Provisions | | **(21)** | (36) | (23) |
| Deferred tax liabilities | | **(119)** | (151) | (163) |
| Derivative financial instruments | | **(25)** | (29) | (40) |
| **Total non-current liabilities** | | **(1,081)** | (1,230) | (1,167) |
| **Current liabilities** | | | | |
| Bank overdrafts | 10 | **(34)** | (4) | (34) |
| Interest-bearing loans and borrowings | 10 | **(1)** | (86) | (96) |
| Trade and other payables | | **(940)** | (995) | (930) |
| Income tax liabilities | | **(134)** | (119) | (90) |
| Provisions | | **(38)** | (46) | (49) |
| Derivative financial instruments | | **(11)** | (8) | (20) |
| Liabilities held for sale | 11 | **(12)** | (3) | (18) |
| **Total current liabilities** | | **(1,170)** | (1,261) | (1,237) |
| **Total liabilities** | | **(2,251)** | (2,491) | (2,404) |
| **Net assets** | | **1,133** | 1,157 | 1,131 |
| **Equity** | | | | |
| Issued capital | | **94** | 93 | 94 |
| Share premium | | **715** | 710 | 715 |
| Reserves | | **326** | 356 | 323 |
| **Total equity attributable to owners of the parent** | | **1,135** | 1,159 | 1,132 |
| **Non-controlling interests** | | **(2)** | (2) | (1) |
| **Total equity** | | **1,133** | 1,157 | 1,131 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital £m | Share premium £m | Hedging reserve £m | Translation reserve £m | Own shares £m | Retained earnings £m | Total reserves attributable to equity shareholders £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 May 2014** | **94** | **715** | **(31)** | **4** | **–** | **350** | **1,132** | **(1)** | **1,131** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **96** | **96** | **(1)** | **95** |
| Actuarial loss on employee benefits | **–** | **–** | **–** | **–** | **–** | **(6)** | **(6)** | **–** | **(6)** |
| Foreign currency translation differences | **–** | **–** | **–** | **(47)** | **–** | **–** | **(47)** | **–** | **(47)** |
| Cash flow hedges fair value changes | **–** | **–** | **(4)** | **–** | **–** | **–** | **(4)** | **–** | **(4)** |
| Income tax on other comprehensive income | **–** | **–** | **1** | **(7)** | **–** | **–** | **(6)** | **–** | **(6)** |
| **Total comprehensive (expense)/ income** | **–** | **–** | **(3)** | **(54)** | **–** | **90** | **33** | **(1)** | **32** |
| Share-based payment expense (net of tax) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Dividends paid | **–** | **–** | **–** | **–** | **–** | **(30)** | **(30)** | **–** | **(30)** |
| **Other changes in equity in the period** | **–** | **–** | **–** | **–** | **–** | **(30)** | **(30)** | **–** | **(30)** |
| **At 31 October 2014** | **94** | **715** | **(34)** | **(50)** | **–** | **410** | **1,135** | **(2)** | **1,133** |
| | | | | | | | | | |
| At 1 May 2013 | 93 | 710 | (17) | 65 | (2) | 238 | 1,087 | (2) | 1,085 |
| Profit for the period | – | – | – | – | – | 70 | 70 | – | 70 |
| Actuarial gain on employee benefits | – | – | – | – | – | 46 | 46 | – | 46 |
| Foreign currency translation differences | – | – | – | (5) | – | – | (5) | – | (5) |
| Cash flow hedges fair value changes | – | – | (3) | – | – | – | (3) | – | (3) |
| Income tax on other comprehensive income | – | – | – | (2) | – | (17) | (19) | – | (19) |
| Total comprehensive (expense)/income | – | – | (3) | (7) | – | 99 | 89 | – | 89 |
| Employee share trust | – | – | – | – | 2 | (2) | – | – | – |
| Share-based payment expense (net of tax) | – | – | – | – | – | 6 | 6 | – | 6 |
| Dividends paid | – | – | – | – | – | (23) | (23) | – | (23) |
| Other changes in equity in the period | – | – | – | – | 2 | (19) | (17) | – | (17) |
| At 31 October 2013 | 93 | 710 | (20) | 58 | – | 318 | 1,159 | (2) | 1,157 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *Continuing operations* | Note | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash generated from operations | 9 | **219** | 181 | 309 |
| Interest received | | **–** | – | 3 |
| Interest paid | | **(17)** | (21) | (46) |
| Tax paid | | **(6)** | (30) | (55) |
| **Cash flows from operating activities** | | **196** | 130 | 211 |
| **Investing activities** | | | | |
| Acquisition of subsidiary businesses, net of cash and cash equivalents | 14 | **(13)** | – | (27) |
| Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents | 14 | **22** | – | 12 |
| Capital expenditure | | **(69)** | (63) | (174) |
| Proceeds from sale of property, plant and equipment and intangible assets | | **6** | 8 | 18 |
| Decrease in restricted cash | | **2** | 15 | 16 |
| Loan to associate | | **(2)** | – | – |
| **Cash flows used in investing activities** | | **(54)** | (40) | (155) |
| **Financing activities** | | | | |
| Proceeds from issue of share capital | | **–** | – | 6 |
| (Decrease)/increase in borrowings | | **(117)** | 19 | 8 |
| Repayment of finance lease obligations | | **–** | – | (2) |
| Dividends paid to Group shareholders | 8 | **(30)** | (23) | (74) |
| **Cash flows used in financing activities** | | **(147)** | (4) | (62) |
| **(Decrease)/increase in cash and cash equivalents from continuing operations** | | **(5)** | 86 | (6) |
| ***Discontinued operations*** | | | | |
| Cash used in discontinued operations | | **–** | – | (4) |
| **(Decrease)/increase in cash and cash equivalents** | | **(5)** | 86 | (10) |
| Net cash and cash equivalents at 1 May | | **64** | 78 | 78 |
| Exchange losses on cash and cash equivalents | | **(3)** | (9) | (4) |
| **Net cash and cash equivalents** | 10 | **56** | 155 | 64 |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 October 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), the disclosure requirements of the Listing Rules and in accordance with IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2014. Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain an adverse statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared using the same accounting policies as those adopted in the annual financial statements for the year ended 30 April 2014, which are prepared in accordance with adopted IFRSs.

There were no other new accounting standards, amendments and standards or interpretations adopted by the Group as of 1 May 2014.

The information presented for the year ended 30 April 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half year ended 31 October 2014 is unaudited but has been reviewed by Deloitte LLP, the Group's auditor, and a copy of their review report forms part of this half year report.

*Foreign exchange rates*

The Group's main currency exposure is to the euro and the following significant exchange rates applied during the period:

| | **Half year ended 31 October 2014** | | Half year ended 31 October 2013 | | Year ended 30 April 2014 | |
|---|---|---|---|---|---|---|
| | **Average** | **Closing** | Average | Closing | Average | Closing |
| euro | **1.260** | **1.277** | 1.171 | 1.181 | 1.191 | 1.215 |

*Going concern*

As explained in the narrative section of this half year financial report under the heading 'Going concern', the financial statements are prepared on the going concern basis. This is considered appropriate given that the Group has adequate resources to continue in operational existence for the foreseeable future.

*Estimates and judgments*

The application of the Group's accounting policies requires management to make estimates and assumptions; these estimates and assumptions affect the reported assets and liabilities and financial results of the Group.  Actual outcomes could differ from the estimates and assumptions used.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 30 April 2014, being impairments, pensions and other employee benefits, provisions and taxation.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 2. Segment reporting

### Operating segments

| **Half year ended 31 October 2014** | **UK £m** | **Western Europe £m** | **DACH and Northern Europe £m** | **Central Europe and Italy £m** | **Plastics £m** | **Total Continuing Operations £m** |
|---|---|---|---|---|---|---|
| **External revenue** | **465** | **481** | **486** | **379** | **160** | **1,971** |
| **Operating profit** [1] | **46** | **37** | **48** | **32** | **13** | **176** |
| Unallocated items: | | | | | | |
| Amortisation | | | | | | **(23)** |
| Exceptional items | | | | | | **(5)** |
| **Total operating profit (continuing operations)** | | | | | | **148** |

| Half year ended 31 October 2013 | UK £m | Western Europe £m | DACH and Northern Europe £m | Central Europe and Italy £m | Plastics £m | Total Continuing Operations £m |
|---|---|---|---|---|---|---|
| External revenue | 481 | 529 | 529 | 376 | 166 | 2,081 |
| Operating profit [1] | 28 | 44 | 45 | 29 | 14 | 160 |
| Unallocated items: | | | | | | |
| Amortisation | | | | | | (25) |
| Exceptional items | | | | | | (25) |
| Total operating profit (continuing operations) | | | | | | 110 |

[1] Adjusted for amortisation and exceptional items

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. Exceptional items

Items are presented as exceptional in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group. Such items include business disposals, restructuring and optimisation, acquisition related and integration costs, and impairments.

| *Continuing operations* | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| SCA Packaging integration costs | **–** | (21) | (42) |
| SCA Packaging acquisition finalisation | **–** | – | 39 |
| SCA Packaging related exceptional costs | **–** | (21) | (3) |
| Acquisition related costs | **(1)** | (1) | (4) |
| Other restructuring costs | **(4)** | (7) | (29) |
| Impairment of assets | **–** | (1) | (5) |
| Rebranding | **–** | – | (4) |
| Gain on acquisitions and divestments | **5** | – | 4 |
| Other | **(5)** | 5 | 3 |
| **Total pre-tax exceptional items (recognised in operating profit)** | **(5)** | (25) | (38) |
| Exceptional interest expense | **(4)** | – | – |
| Income tax credit on exceptional items | **2** | 7 | 22 |
| Share of exceptional loss of associate, net of tax | **(1)** | – | (3) |
| **Total post-tax exceptional items** | **(8)** | (18) | (19) |

*Half year ended 31 October 2014*
Acquisition costs of £1m relate to professional advisory, legal and consultancy fees relating to aborted and completed deals during the period.

Restructuring projects in the UK and DACH make up the majority of the £4m other restructuring costs.

The gain on acquisitions and divestment of £5m comprises a £3m gain on the disposal of the foam business in Denmark and Sweden in September 2014, and a gain of £2m on the step acquisition of the Italian Recycling business from 50% to 100% in July 2014.

Other exceptional items of £5m principally relate to continuing UK centralisation projects.

Exceptional interest expense of £4m relates to the write-off of unamortised finance costs relating to the SCA acquisition following the refinancing of borrowings in May 2014.

The share of exceptional loss of associate relates to the Group's share of post-tax foreign exchange losses recognised in the Group's Ukrainian associate Rubezhansk as a result of the significant decline in the value of the Ukrainian currency, Hryvnia, during the local geopolitical crisis.

An income tax credit on exceptional items has been recognised in respect of business integration projects and finance costs.

*Year ended 30 April 2014 and half year ended 31 October 2013*
SCA Packaging integration costs relate to the completion of integration projects which began in 2012/13 and are associated with achieving cost synergies from the acquisition of SCA Packaging in 2012.

The SCA Packaging completion process concluded in December 2013. Together with the effects of the subsequent acquisition of the power plant adjacent to the paper mill in Italy, and the release of an onerous contract provision recognised in the statement of financial position on acquisition of SCA Packaging, the Group has recorded a gain of £39m in 2013/14.

Acquisition costs of £4m in 2013/14 (£1m in half year ended 31 October 2013) primarily relate to professional advisory, legal and consultancy fees relating to the finalisation of the completion accounts process of the acquisition of SCA Packaging.

In November 2013, the Group announced a major rebranding, bringing the businesses together under one unified corporate identity. Of the £4m cost in the year, the majority related to signage, internal and external communication and marketing costs.

Of the £29m other restructuring costs in 2013/14 (£7m in half year ended 31 October 2013), £12m in 2013/14 (£3m in half year ended 31 October 2013) relates to restructuring and rationalisation in the Plastics businesses, £7m in 2013/14 (£2m in half year ended 31 October 2013) relates to UK site closures and reorganisations, and £4m in 2013/14 relates to restructuring of businesses in the DACH region.

Other exceptional items principally relate to a provision release for employee compensation, partly offset by costs relating to UK centralisation projects, onerous lease and dilapidation provisions.

The income tax credit on exceptional items includes the reversal of prior year provisions for exceptional tax and the tax effect of exceptional items that are subject to tax.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. Finance income and costs

| *Continuing operations* | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Interest income from financial assets | **–** | – | 1 |
| Other | **1** | 1 | 2 |
| **Finance income** | **1** | 1 | 3 |
| Interest on loans and overdrafts | **(16)** | (21) | (41) |
| Other | **(2)** | (1) | (3) |
| **Finance costs excluding exceptional items** | **(18)** | (22) | (44) |
| Exceptional finance costs | **(4)** | – | – |
| **Total finance costs** | **(22)** | (22) | (44) |

## 5. Employee benefits

Movements in the net liability for employee benefit plans' obligations recognised in the statement of financial position.

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| **Opening employee benefit deficit** | **(151)** | (214) | (214) |
| Expense recognised in operating profit | **(2)** | (3) | (7) |
| Employment benefit net finance expense | **(3)** | (4) | (7) |
| Employer contributions | **10** | 10 | 19 |
| Other payments and contributions | **3** | – | – |
| Actuarial (losses)/gains | **(6)** | 46 | 57 |
| Currency translation | **3** | 2 | 1 |
| **Employee benefit deficit** | **(146)** | (163) | (151) |
| Deferred tax asset | **38** | 41 | 40 |
| **Net employee benefit deficit** | **(108)** | (122) | (111) |

The table above is the aggregate value of all Group employee benefit schemes including both overseas and UK schemes. The Group's principal funded, defined benefit pension scheme, the DS Smith Group Pension scheme ('the Group scheme'), is in the UK and is now closed to future accrual.

The Group also operates various local post-retirement arrangements for overseas operations, pre-retirement benefits and long-service awards and a small UK unfunded scheme.

## 6. Income tax expense – continuing operations

Tax on profit for continuing operations has been charged at an underlying rate before exceptional items and amortisation of 22.8% (half year ended 31 October 2013: 23.0%; year ended 30 April 2014: 23.0%) being the expected full year rate.

The tax credit on amortisation was £6m (half year ended 31 October 2013: £9m; year ended 30 April 2014 £14m).

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7. Earnings per share

| **Basic earnings per share from continuing operations** | **Half year ended 31 October 2014** | Half year ended 31 October 2013 | Year ended 30 April 2014 |
|---|---|---|---|
| Profit from continuing operations attributable to ordinary shareholders | **£96m** | £70m | £143m |
| Weighted average number of ordinary shares | **940m** | 930m | 932m |
| Basic earnings per share | **10.2p** | 7.5p | 15.3p |

| **Diluted earnings per share from continuing operations** | **Half year ended 31 October 2014** | Half year ended 31 October 2013 | Year ended 30 April 2014 |
|---|---|---|---|
| Profit from continuing operations attributable to ordinary shareholders | **£96m** | £70m | £143m |
| Weighted average number of ordinary shares | **940m** | 930m | 932m |
| Potentially dilutive shares issuable under share-based payment arrangements | **8m** | 7m | 8m |
| Weighted average number of ordinary shares (diluted) | **948m** | 937m | 940m |
| Diluted earnings per share | **10.1p** | 7.5p | 15.2p |

| **Basic earnings per share from discontinued operations** | **Half year ended 31 October 2014** | Half year ended 31 October 2013 | Year ended 30 April 2014 |
|---|---|---|---|
| Profit/(loss) attributable to ordinary shareholders | **–** | – | (£3m) |
| Weighted average number of ordinary shares | **940m** | 930m | 932m |
| Basic earnings per share | **–** | – | (0.3p) |

| **Diluted earnings per share from discontinued operations** | **Half year ended 31 October 2014** | Half year ended 31 October 2013 | Year ended 30 April 2014 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | **–** | – | (£3m) |
| Weighted average number of ordinary shares | **940m** | 930m | 932m |
| Potentially dilutive shares issuable under share-based payment arrangements | **8m** | 7m | n/a |
| Weighted average number of ordinary shares (diluted) | **948m** | 937m | 932m |
| Diluted earnings per share | **–** | – | (0.3p) |

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the period of nil (half year ended 31 October 2014: 1m, year ended 30 April 2014: 1m).

### Adjusted earnings per share from continuing operations

The Directors believe that the presentation of an adjusted earnings per share, being the basic earnings per share adjusted for exceptional items and amortisation of intangible assets, better explains the underlying performance of the Group. A reconciliation of basic to adjusted earnings per share is as follows:

| | **Half year ended 31 October 2014** | | | Half year ended 31 October 2013 | | | Year ended 30 April 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **£m** | **Basic – pence per share** | **Diluted – pence per share** | £m | Basic – pence per share | Diluted – pence per share | £m | Basic – pence per share | Diluted – pence per share |
| Basic earnings | **96** | **10.2p** | **10.1p** | 70 | 7.5p | 7.5p | 143 | 15.3p | 15.2p |
| Add back amortisation, after tax | **17** | **1.8p** | **1.8p** | 16 | 1.7p | 1.7p | 37 | 4.1p | 4.0p |
| Add back exceptional items, after tax | **8** | **0.9p** | **0.8p** | 18 | 2.0p | 2.0p | 19 | 2.0p | 1.9p |
| **Adjusted earnings** | **121** | **12.9p** | **12.7p** | 104 | 11.2p | 11.2p | 199 | 21.4p | 21.1p |

## 8. Dividends proposed and paid

| | **Pence per share** | **£m** | **Pence per share** | **£m** |
|---|---|---|---|---|
| 2012/13 interim dividend - paid | | | 2.5p | 23 |
| 2012/13 final dividend - paid | | | 5.5p | 51 |
| 2013/14 interim dividend - paid | 3.2p | 30 | | |
| 2013/14 final dividend - paid | 6.8p | 64 | | |
| 2014/15 interim dividend - proposed | 3.7p | 35 | | |

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Paid in the period | **30** | 23 | 74 |

The final dividend in respect of 2013/14 of 6.8 pence per share (£64m) was paid after the half year-end on 3 November 2014. The 2013/14 interim dividend was paid during the half year.  An interim dividend in respect of the half year ended 31 October 2014 of 3.7p per share (£35m) has been proposed by the Directors after the reporting date.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 9. Cash generated from operations

| *Continuing operations* | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Profit for the period | **95** | 70 | 144 |
| Adjustments for: | | | |
| Pre-tax SCA Packaging integration costs and other exceptional items | **8** | 24 | 34 |
| Amortisation of intangible assets and acquisition related costs | **24** | 26 | 55 |
| Cash outflow for exceptional items | **(18)** | (33) | (78) |
| Depreciation | **57** | 61 | 123 |
| Profit on sale of non-current assets | **(2)** | (3) | (8) |
| Share of loss of equity accounted investments, net of tax | **1** | – | 3 |
| Employment benefit net finance expense | **3** | 4 | 7 |
| Share-based payment expense | **2** | 1 | 4 |
| Finance income | **(1)** | (1) | (3) |
| Finance costs | **18** | 22 | 44 |
| Other non-cash items (including other deposits) | **(2)** | – | (8) |
| Income tax expense | **28** | 15 | 23 |
| Change in provisions | **(6)** | (7) | (21) |
| Change in employee benefits | **(11)** | (5) | (13) |
| **Cash generation before working capital movements** | **196** | 174 | 306 |
| Changes in: | | | |
| Inventories | **(17)** | 2 | (6) |
| Trade and other receivables | **1** | (51) | (25) |
| Trade and other payables | **39** | 56 | 34 |
| **Working capital movement** | **23** | 7 | 3 |
| **Cash generated from continuing operations** | **219** | 181 | 309 |

## 10. Net debt

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Cash and cash equivalents | **90** | 159 | 98 |
| Overdrafts | **(34)** | (4) | (34) |
| Net cash and cash equivalents | **56** | 155 | 64 |
| Restricted cash – receivable after one year | **4** | 1 | 5 |
| Restricted cash – receivable within one year | **–** | 5 | 1 |
| Other deposits | **27** | 21 | 25 |
| Interest-bearing loans and borrowings due – after one year | **(760)** | (837) | (782) |
| Interest-bearing loans and borrowings due – within one year | **–** | (85) | (96) |
| Finance leases | **(6)** | (5) | (4) |
| Derivative financial instruments | | | |
| – assets | **8** | 7 | 4 |
| – liabilities | **(23)** | (35) | (44) |
| | **(750)** | (928) | (891) |
| **Net debt** | **(694)** | (773) | (827) |

Derivative financial instruments above relate to interest rate and cross-currency swaps used to hedge the Group's borrowings. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the Group's statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 10. Net debt (continued)

Certain other deposits balances are included, as these short-term receivables have the characteristics of net debt.

During the period, the Group refinanced its committed bank borrowing facilities. The syndicated term loan facility, under which €380m was outstanding at 30 April 2014, was repaid on 23 May 2014, and replaced with a €300m syndicated bank term loan facility maturing in May 2017. In addition, on the same date, the £610m syndicated revolving credit facility was repaid and replaced with a £800m syndicated bank revolving credit facility maturing in 2019, but with options to extend this facility to 2021.

## 11. Assets and liabilities held for sale

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| Intangible assets | **–** | – | 2 |
| Property, plant and equipment | **19** | 1 | 24 |
| Inventories | **7** | 1 | 9 |
| Trade and other receivables | **10** | 3 | 10 |
| **Total assets held for sale** | **36** | 5 | 45 |
| Trade and other payables | **(12)** | (3) | (18) |
| **Total liabilities held for sale** | **(12)** | (3) | (18) |

Assets and liabilities held for sale at 31 October 2014 primarily relate to assets in the UK.

Assets and liabilities held for sale at 30 April 2014 primarily relate to assets in the UK across a number of businesses, as well as our Scandinavian Foam business.

## 12. Reconciliation of net cash flow to movement in net debt

| | **Half year ended 31 October 2014 £m** | Half year ended 31 October 2013 £m | Year ended 30 April 2014 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Operating profit before amortisation and exceptional items | **176** | 160 | 307 |
| Depreciation | **57** | 61 | 123 |
| **Adjusted EBITDA** | **233** | 221 | 430 |
| Working capital movement | **23** | 7 | 3 |
| Change in provisions | **(6)** | (7) | (21) |
| Change in employee benefits | **(11)** | (5) | (13) |
| Other | **(2)** | – | (5) |
| **Cash generated from operations before exceptional cash items** | **237** | 216 | 394 |
| Capital expenditure | **(69)** | (63) | (174) |
| Proceeds from sale of property, plant and equipment and other investments | **6** | 8 | 18 |
| Tax paid | **(6)** | (30) | (55) |
| Net interest paid | **(17)** | (21) | (43) |
| **Free cash flow** | **151** | 110 | 140 |
| Cash outflow for exceptional items | **(18)** | (33) | (78) |
| Dividends paid to Group shareholders | **(30)** | (23) | (74) |
| Acquisition of subsidiary businesses, net of cash and cash equivalents | **(13)** | – | (27) |
| Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents | **22** | – | 12 |
| **Net cash flow** | **112** | 54 | (27) |
| Proceeds from issue of share capital | **–** | – | 6 |
| Recognition of finance leases | **(2)** | – | – |
| Write-off of capitalised fees | **(5)** | - | - |
| **Net movement on debt** | **105** | 54 | (21) |
| Foreign exchange and fair value movements | **28** | (10) | 15 |
| **Net debt movement – continuing operations** | **133** | 44 | (6) |
| **Net debt movement – discontinued operations** | **–** | – | (4) |
| Opening net debt | **(827)** | (817) | (817) |
| **Closing net debt** | **(694)** | (773) | (827) |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 13. Financial instruments

*Carrying amounts and fair values of financial assets and liabilities*
Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

| | 31 October 2014 | | 30 April 2014 | |
|---|---|---|---|---|
| | **Carrying amount £m** | **Fair value £m** | **Carrying amount £m** | **Fair value £m** |
| **Financial assets** | | | | |
| Cash and cash equivalents | **90** | **90** | 98 | 98 |
| Other investments – restricted cash | **4** | **4** | 6 | 6 |
| Available for sale – other investments | **2** | **2** | 3 | 3 |
| Loans and receivables | **634** | **634** | 653 | 653 |
| Other financial assets in designated hedge accounting relationships | **9** | **9** | 6 | 6 |
| **Total financial assets** | **739** | **739** | 766 | 766 |
| **Financial liabilities** | | | | |
| Trade and other payables | **(945)** | **(945)** | (934) | (934) |
| Bank and other loans | **(358)** | **(358)** | (423) | (423) |
| Note purchase agreements | **(402)** | **(464)** | (455) | (514) |
| Finance lease liabilities | **(6)** | **(6)** | (4) | (4) |
| Bank overdrafts | **(34)** | **(34)** | (34) | (34) |
| Other financial liabilities in designated hedge accounting relationships | **(36)** | **(36)** | (60) | (60) |
| **Total financial liabilities** | **(1,781)** | **(1,843)** | (1,910) | (1,969) |

The fair value is the amount for which an asset or liability could be exchanged or settled on an arm's-length basis. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value note purchase agreements, cross-currency swaps and interest rate swaps. All derivative financial instruments are shown at fair value in the consolidated statement of financial position.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, only the portions of the note purchase agreements which form part of an effective fair value hedge are carried at fair value in the consolidated statement of financial position. The majority of the Group's note purchase agreements are within effective cash flow and net investment hedges, and are therefore held at amortised cost. The fair values of financial assets and liabilities which bear floating rates of interest are estimated to be equivalent to their book values.

IFRS 7 *Financial Instruments: Disclosures* requires the classification of fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the assessments.

All of the Group's financial instruments are Level 2 financial instruments, where inputs are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

## 14. Acquisitions and disposals

*(a) 2014/15 acquisitions and disposals*

During the half year ended 31 October 2014, the Group completed the disposal of the Scandinavian Foam business for £22m and various business acquisitions with total cash consideration of £13m which are not considered material to the Group individually or in aggregate.

*(b) 2013/14 acquisitions and disposals*

During the year ended 30 April 2014, the Group completed various business combination transactions with total cash consideration of £27m, and various business disposals with total cash consideration of £12m which are not considered material to the Group individually or in aggregate.

## 15. Subsequent events

Subsequent to the period end, the Group made the following acquisitions:

- Andopack, a Spanish corrugated packaging business for cash and assumed debt of £35m.
- The Less Packaging Company Limited, a packaging and supply chain consultancy for £2m.

There are no other events after the reporting date which require disclosure.