Half year results to 31 October 2017

Growing with customers

7 December 2017

The Power of Less®

Introduction

Growing with our customers

- Volumes +5.2%
  - Growth in all regions
  - e-commerce and pan-European strength

- In line performance, delivery against all our financial KPIs
  - Profitable volume growth offsetting substantial headwinds
  - Price recovery of input costs proceeding as expected
  - Net debt / EBITDA 2.0x

- Excellent start from US business
  - Strong trading performance
  - Integration ahead of expectations
  - Positive employee and customer reaction
  - Cost synergy target raised to $30 million

- Continuing to grow the business organically and inorganically
  - Ecopaper / Ecopack
  - Exciting opportunities for growth in Europe and North America

- Good momentum into H2 2017/18

Financial review

H1 2017/18: delivering on our targets

Volume growth	Return on sales	Return on average capital employed	Net debt / EBITDA	Cash conversion
+5.2%	9.0%	14.6%	2.0x	118%
Target: 3.4%	**Target: 8-10%**	**Target: 12 - 15%**	**Target: ≤2.0x**	**Target: >100%**

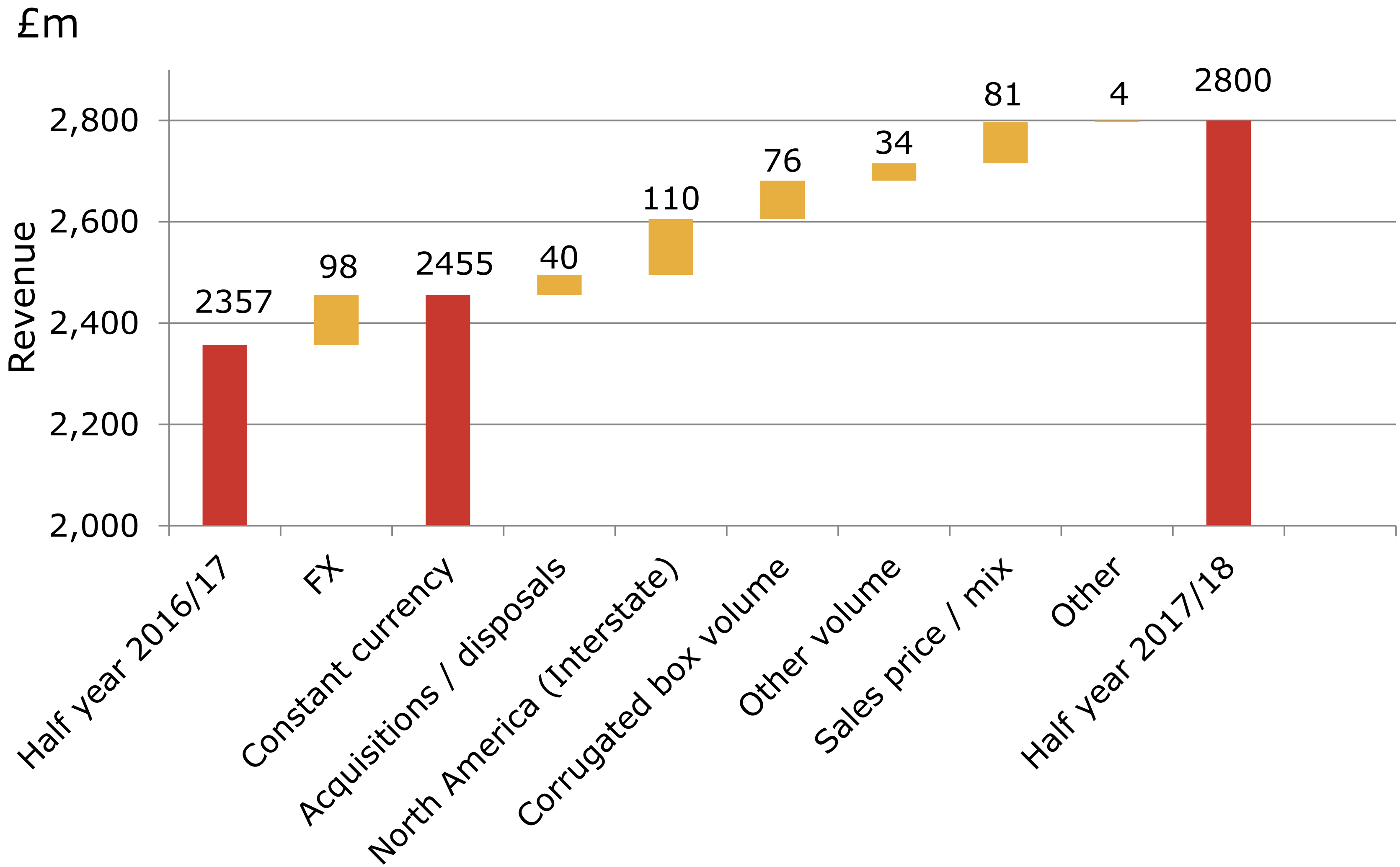
Note – Volumes on a like-for-like basis. All figures on a constant currency basis, before adjusting items and amortisation

Financial highlights

Continuing operations	**H1 2017/18**	**Change** *reported*	**Change** *constant currency*
Revenue (£m)	2,800	+19%	+14%
Operating profit(1) (£m)	251	+11%	+6%
Return on sales(1)	9.0%	-60bps	-60bps
Adjusted EPS(1)	17.4p	+6%	+2%
Dividend per share	4.9p	+7%	+7%
Asset turnover(2)	1.6x	-	-
ROACE(1)	14.6%	-50bps	-40bps

(1) Before amortisation and adjusting items
(2) Revenue divided by average capital employed for the year

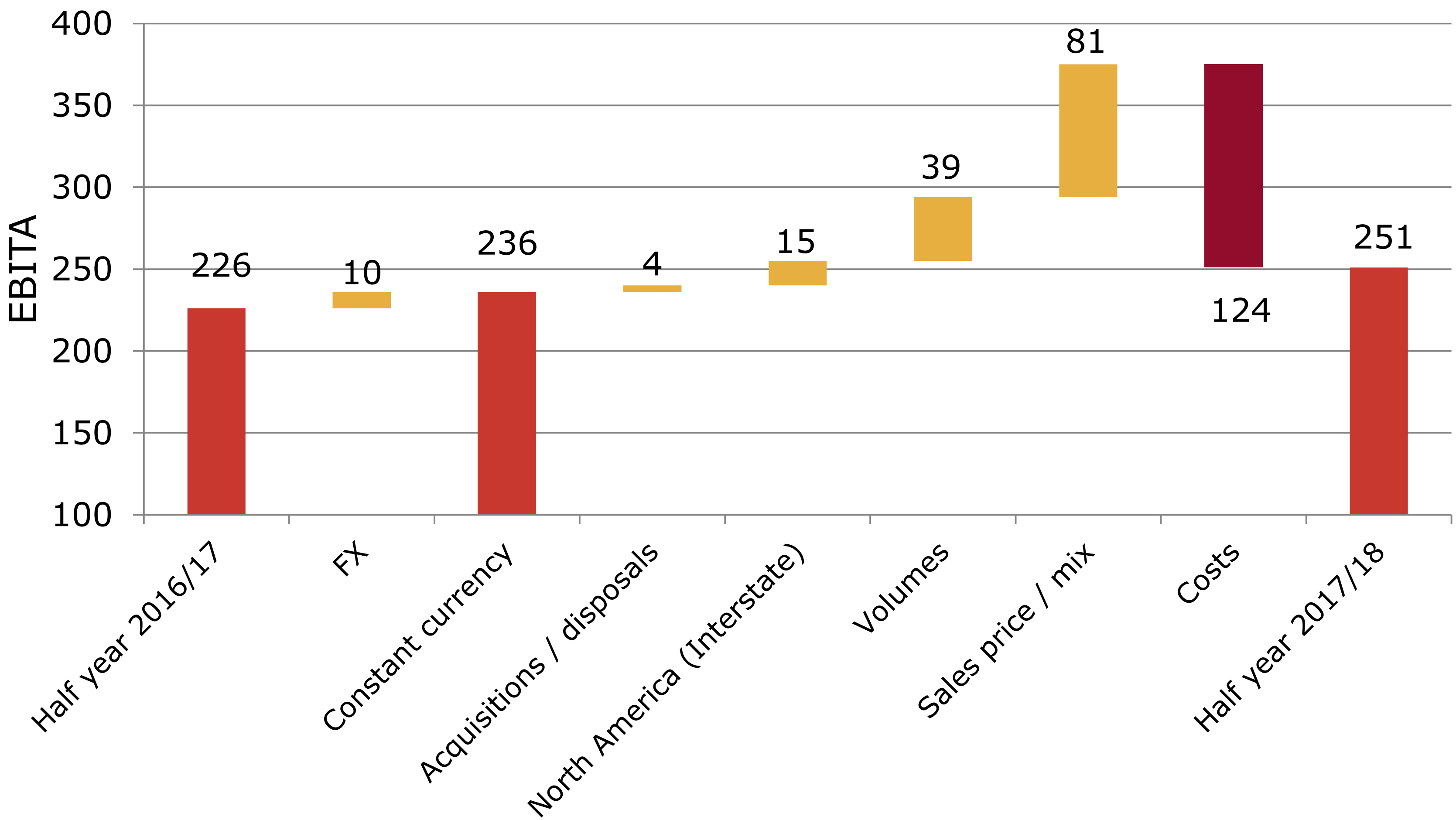
Acquisitions, volumes and pricing driving revenues



Note: Other volume includes plastics, paper, recycling and corrugated sheet

Strong volumes offsetting cost impacts

£m



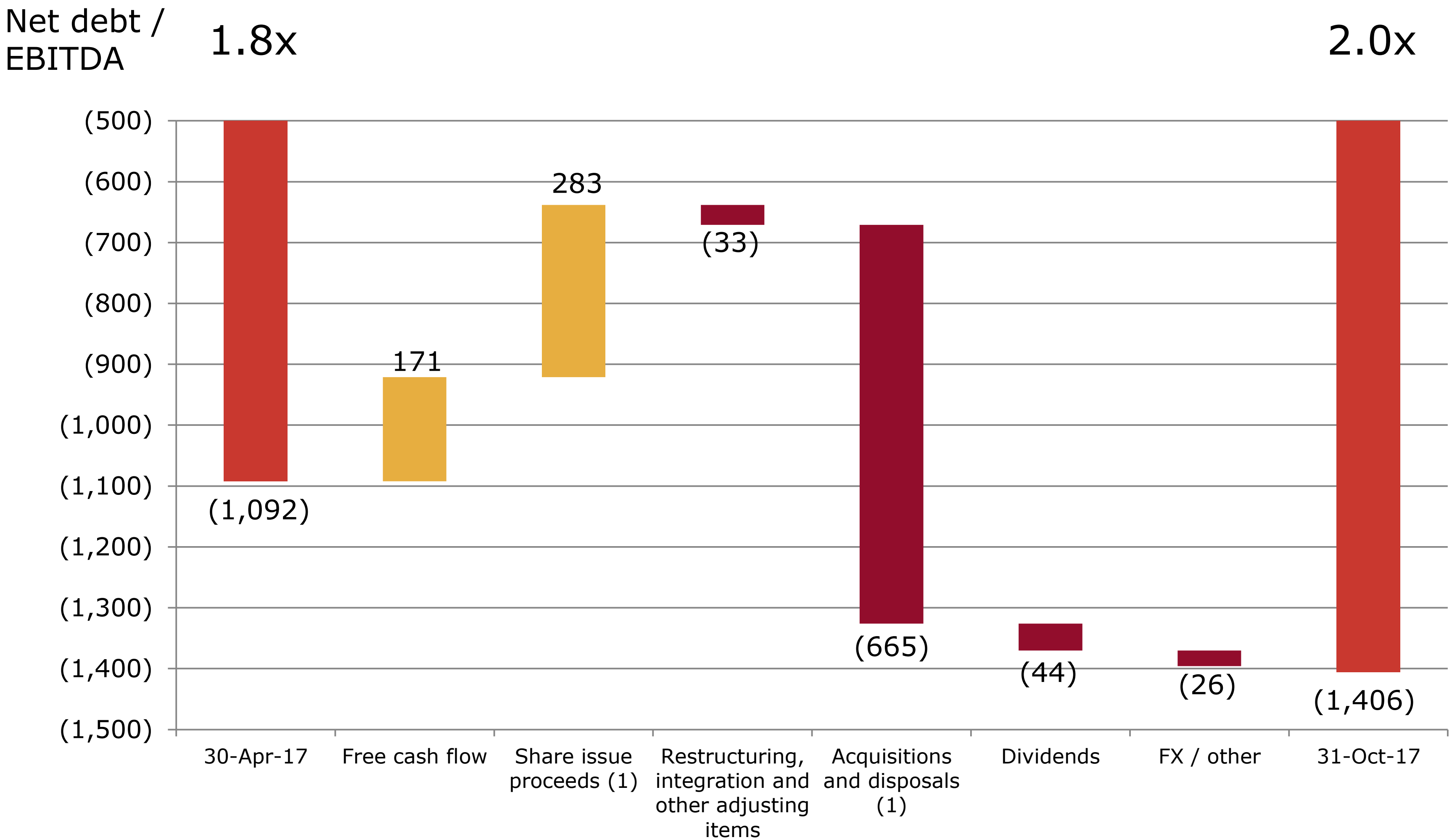
Group margin in centre of target range

EBITA £m Return on sales %	H1 2017/18	H1 2016/17
UK	£55m	£45m
	10.0%	9.7%
Western Europe	£55m	£56m
	7.7%	8.9%
DCH & Northern Europe	£43m	£45m
	7.9%	9.2%
Central Europe & Italy	£63m	£62m
	9.0%	10.1%
North America Packaging & Paper	£15m	-
	13.6%	-
Plastics	£20m	£18m
	11.2%	11.2%
Total	£251m	£226m
	9.0%	9.6%

Continued progress on working capital

£m	H1 2017/18	H1 2016/17
EBITDA	**332**	**300**
Working capital	25	35
Pension payments/other	(7)	(14)
Capex (net of proceeds)	(121)	(84)
Tax and interest	(58)	(55)
Free cash flow	**171**	**182**
FCF per share	**16.9p**	**19.3p**

Strong cash flow invested for growth



(1) NB. The consideration shares issued at the time of completion are not a cash item and therefore not included in the share issue proceeds or the acquisition item in cash-flow.

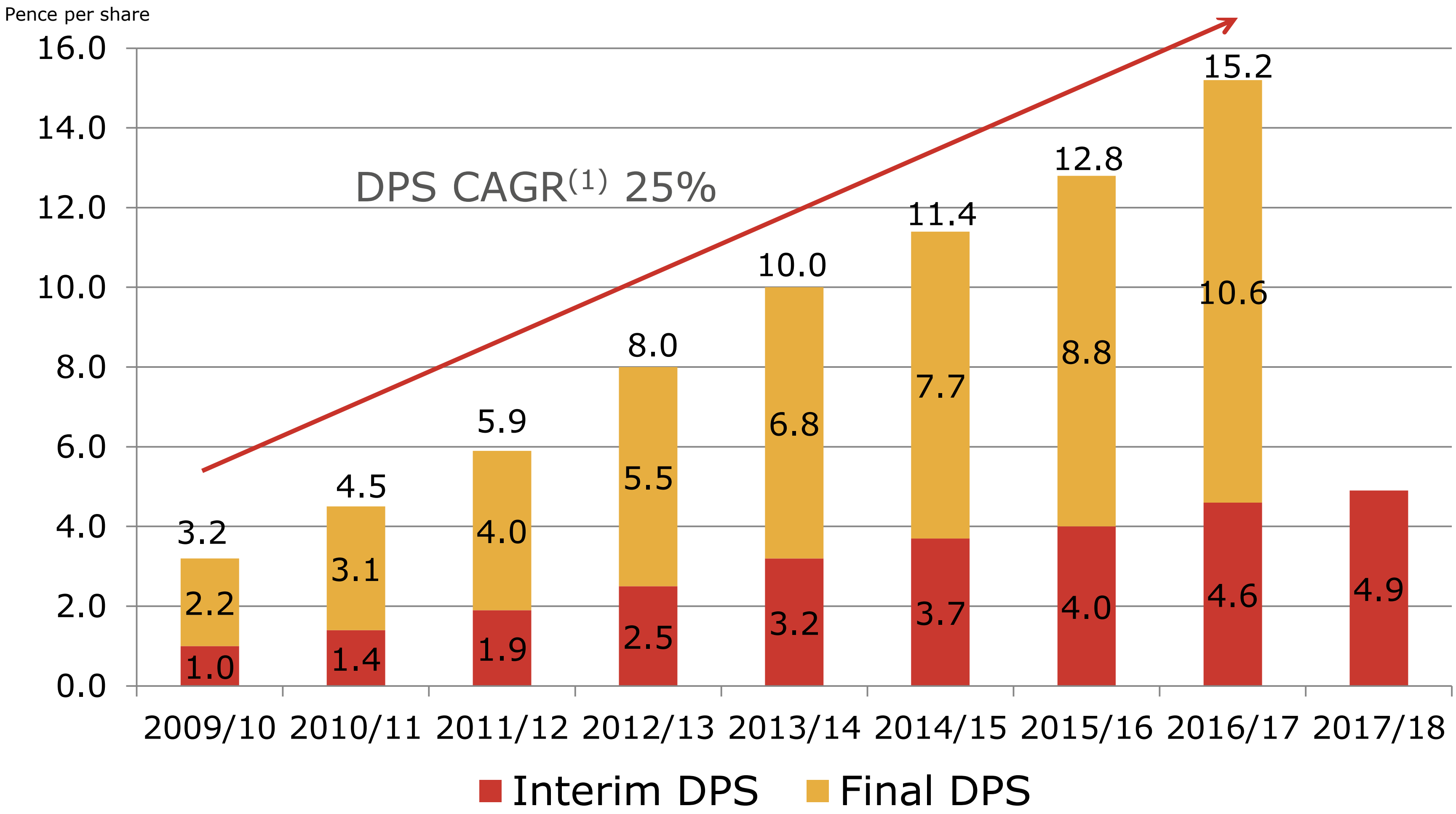
Technical guidance

For the financial year 2017/18:

Reflects completion of the Interstate acquisition on 25 August 2017

- Capex c. £280m
- Depreciation c. £175m - £185m
- Tax rate c. 23%
- Amortisation charge c. £90m
- Interest, inclusive of pension interest c. £60m
    - IAS 19 pension interest charge £5m
- Pension deficit reduction cash contribution c. £20m
- Expected adjusting costs c. £60m - £65m
- FX: €1c move impacts EBITA by c. £2.4m

Delivering sustainable shareholder returns



(1) 2009/10 – 2016/17

Chief Executive’s review

Structural changes continuing to drive growth

Market trends

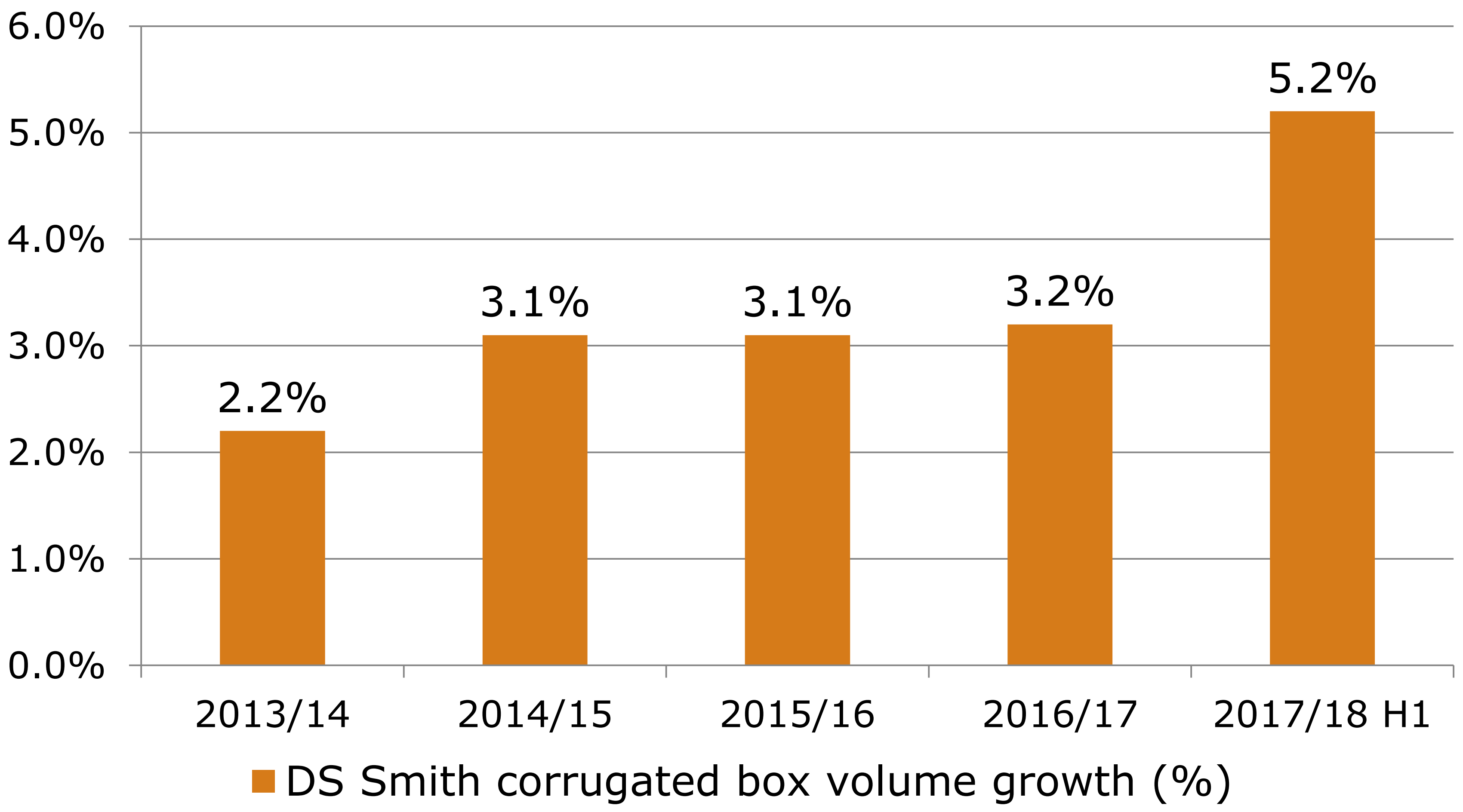
- Changing demographics and consumer choices
- Pack sizes reducing
- Proliferation of retail channels
  - Continued rise of e-commerce
- Increased relevance of packaging at point-of-sale
- Growth in emerging brands
- Sustainability of fibre based packaging

→ **Increased requirement for packaging**

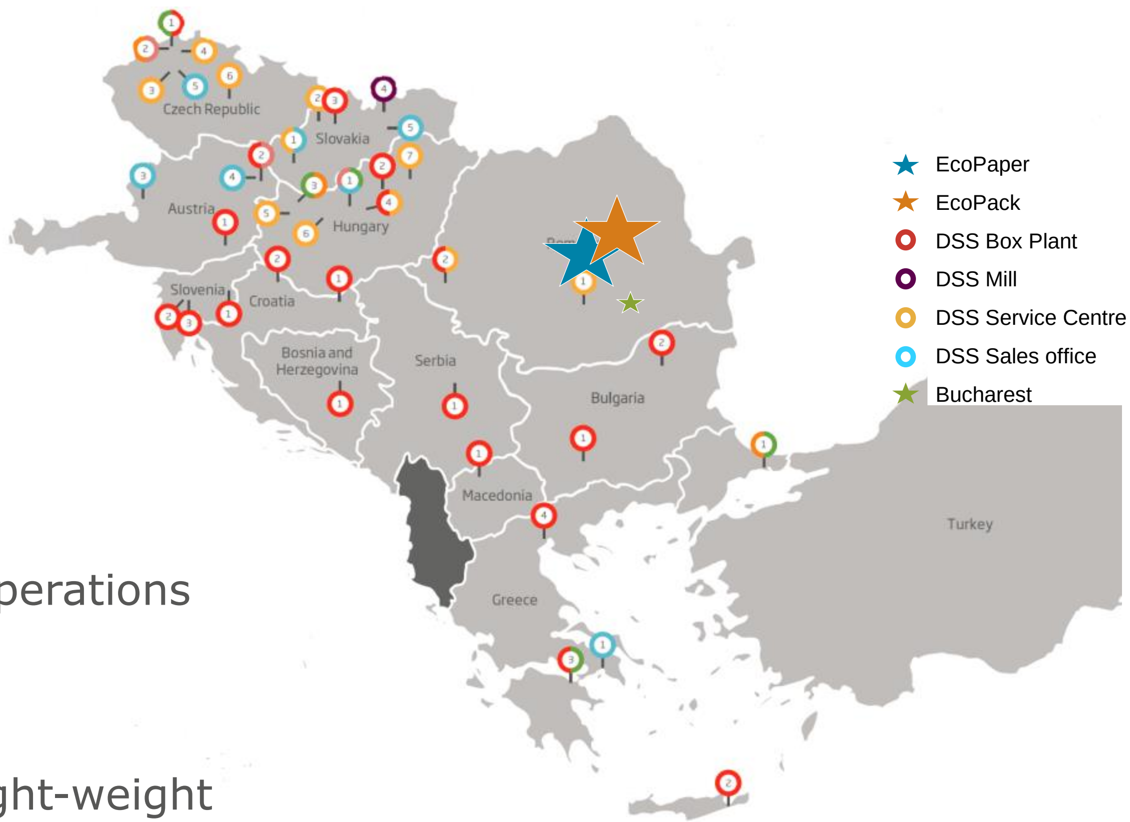
Customer trends

- Driving efficiency though enhanced packaging
- Consolidating suppliers

Volume growth reflecting chosen markets and sectors



Acquisition in Romania



- High growth region
- Excellent fit with existing operations
- High quality packaging site
- New paper machine with light-weight capability
- Immediately earnings enhancing
- Completion expected in January 2018

Opportunities for further expansion in Europe

Strong demand underpinning growth

- Further box capacity required in growth regions
- 3 year programme to build sites in Poland and Spain
- Building on success of Erlensee (Germany) site development
- Strong financial returns

Excellent start with Interstate

Strong underlying US market

- Robust volume and high margin environment
- Attractive cost base

Very positive employee engagement

- Senior management team in place from day one
- Integration ahead
  - Plans developed
  - Implementation well advanced

Financial performance materially better than prior year

- Strong packaging volume growth – ahead of group average
- EBITA for 2 months to 31 October 2017 of £15 million

Delivering against acquisition rationale

Customer pull

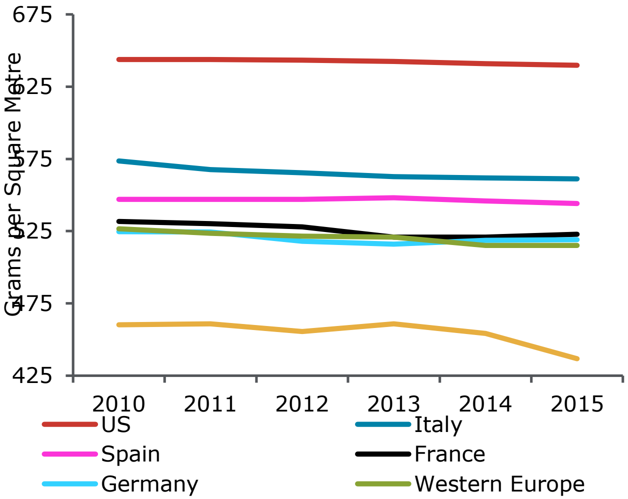
Global supply chain benefits

Synergies

Customer pull drivers

Customer pull

Performance packaging opportunity

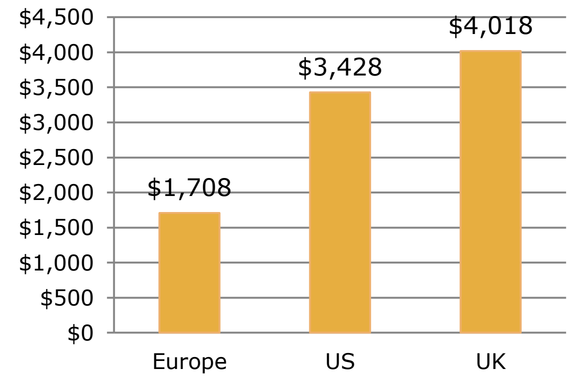


Retail ready opportunity

	RRP penetration[1]	2016-2021(f) CAGR
UK	c. 50%	1.6%
Continental Europe	c. 30%	2.3%
US	c. 15%	2.7%

E-commerce opportunity

Average annual e-commerce spend per e-shopper



Recognise benefit of our technology and expertise

Growing business with existing customers

Good progress with global customers

Already benefiting from global supply chain

Global supply chain benefits

- Procurement opportunities driven by global footprint and scale
- Economics of two way flows of paper and OCC greater than anticipated

Further synergy opportunities

Synergies

Cost synergy upgrade

- Cost synergy up from $25m to $30m

Experienced integration team and processes

- Proven track record

New site developments over next 3 years

- Areas of strongest customer demand

Opportunities for further US expansion

Demand underpinning growth

- Further box capacity required to support growth
- 3 year programme to build 2 new sites

Summary

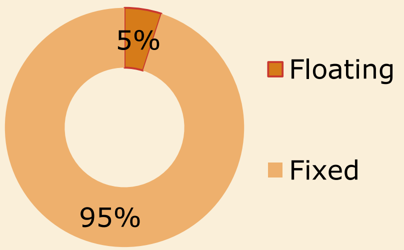
- Volumes +5.2%
- Continued delivery against all our financial medium-term targets
- Excellent start from US business
- Opportunities to grow the business
- Good momentum into H2 2017/18

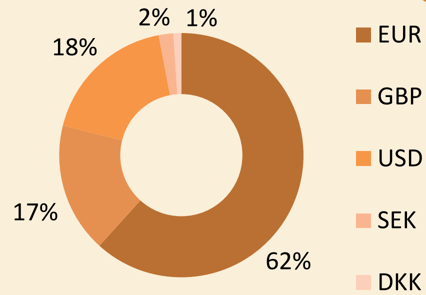
Appendix

Foreign exchange exposure

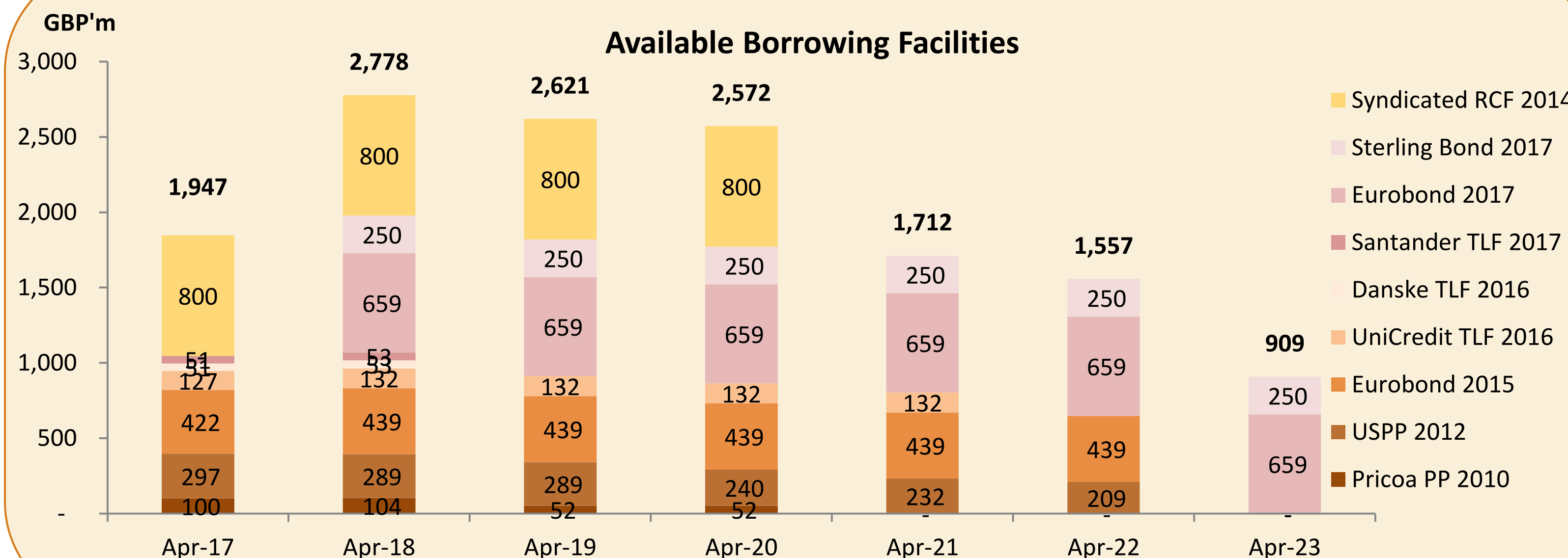
HY 2017/18	Revenue (%)	EBITA (%)	Average rate HY 2016/17	Average rate FY 2016/17	Average rate HY 2017/18	Closing rate 31 Oct 2017
GBP	18.9%	17.1%				
EUR	58.8%	54.2%	1.190	1.179	1.129	1.138
PLN	2.8%	2.2%	5.183	5.103	4.789	4.831
SEK	2.6%	2.5%	11.322	11.255	10.872	11.088
DKK	2.5%	1.1%	8.747	8.685	8.401	8.470
USD	5.7%	13.1%	1.340	1.285	1.303	1.325
Other	8.7%	9.8%				

Debt analysis





Net Debt	£ 1,406m
Net Debt/ EBITDA ratio*	2.0x
EBITDA/ Net Interest ratio*	13.2x



* Ratios as defined in the Group's banking agreements.

As at 31 October 2017, the weighted average remaining life of the Group's committed borrowing facilities was 4.9 years.