

27 October 2011

## **DS SMITH PLC PRE-CLOSE STATEMENT**

DS Smith Plc, the international supplier of recycled packaging for consumer goods, today issues its pre-close statement for the half-year to 31 October 2011.

### **DS Smith Group**

The encouraging overall trading reported in our IMS of 6 September 2011 has continued. Like-for-like volumes in corrugated packaging are up 3% for the financial year to date and are set against strong comparatives in the corresponding period. This is in line with the previously announced Group targets, reflecting our resilient fast-moving consumer goods (FMCG) customer base. At the same time, we have continued to generate strong cashflow and to make progress on margins. As a consequence of this, and due to a strong contribution from Otor, we expect the half year to 31 October 2011 to show significant EPS growth compared to the comparable period last year.

We have recently completed a refinancing of our revolving credit facility with a new five year facility of £610 million.

### **Packaging**

Our Corrugated Packaging businesses have continued to perform well. We are recovering our input cost increases progressively. Margins are improving due to our focus on offering customers a high standard of service and quality and innovative solutions that differentiate our packaging offering and add value to customers' supply chains.

Our previously announced operating cost and capital savings programmes are making good progress. Specifically, we are well on track to reach the targeted £10 million run-rate savings from procurement by the end of this financial year, split between cost and capital savings. We now expect to see £9 million benefit from procurement savings in the current financial year (up from £6 million previously). The programme to save £10 million run-rate in operating expenditure in the UK by April 2014 is on course, as is the programme for €13 million of cost synergies from the Otor acquisition.

As part of the strategy to reduce non-integrated paper manufacturing, we have sold one paper mill in this period, Higher Kings Mill, which produced 34kt per annum of specialist paper. The previously announced process to close our paper mill at Hollins (95kt) is on track.

The performance of the Plastics business continues to develop, with strong volume growth, and good cost control.

### **Office Products Wholesaling**

The trading performance at Spicers has been good. The process to dispose of the Spicers business is on track with a binding agreement in respect of the sale signed on 7 September

2011. Completion is expected before 31 December 2011. Accordingly, Spicers will be treated as a discontinued item in the half year results, see appendix.

### **Delivering against our strategic goals**

Following the disposal of Spicers, DS Smith will be a focused, international supplier of recycled packaging for FMCG customers with improving operational performance, and the financial strength to invest in the organic growth of the business and to pursue acquisitions within a fragmented packaging sector. We shall maintain strict financial discipline, pursuing only acquisition opportunities that would result in returns to shareholders in line with our medium term financial targets, as we have done with Otor.

### **Outlook**

We remain confident in our trading outlook for the year, despite the challenging macro-economic environment and the recent turmoil in global markets. The Group expects to make further progress towards its previously announced medium term financial objectives in this financial year, in terms of margin improvement, return on capital and cash generation.

### **Conference call**

A conference call for analysts and investors, hosted by Miles Roberts and Steve Dryden, will take place today, 27 October 2011 at 08.00 BST. The dial-in number is:

UK/International: + 44 (0)20 8817 9301

Confirmation number: 5881577

A play-back facility of this call will be available until 3 November 2011. The dial-in number is: + 44 (0)20 7769 6425, passcode 5881 577#

A recording and transcript of the call will also be available through the Investor Relations section of our website: [www.dssmith.uk.com](http://www.dssmith.uk.com)

### **Forthcoming Dates**

Results for the half-year to 31 October 2011

7 December 2011

### **Enquiries**

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## Appendix

Below is the restated half year to 31 October 2010 and full year to 30 April 2011, for continuing operations only, where the Office Products Wholesaling division is classified as a discontinued item.

### Condensed Consolidated Income Statement

	Half-year ended 31 October 2010	Year ended 30 April 2011
	£m	£m
<b>Continuing operations</b>		
<b>Revenue</b>	822.2	1,759.3
Cost of sales	(627.3)	(1,341.0)
<b>Gross profit</b>	194.9	418.3
Operating expenses	(139.4)	(307.4)
<b>Operating profit</b>		
<b>Before amortisation and exceptional items</b>	55.5	110.9
Amortisation of intangible assets	(1.9)	(6.8)
Pre-tax exceptional items	(6.0)	0.9
<b>Operating profit</b>	47.6	105.0
Finance income	0.3	0.8
Finance costs	(8.8)	(20.8)
Employment benefit net finance expense	(3.5)	(7.4)
Net financing costs	(12.0)	(27.4)
<b>Profit after financing costs</b>	35.6	77.6
<b>Profit before income tax</b>		
<b>Before amortisation and exceptional items</b>	43.5	83.5
Amortisation of intangible assets	(1.9)	(6.8)
Pre-tax exceptional items	(6.0)	0.9
<b>Profit before income tax</b>	35.6	77.6
<b>Income tax expense</b>		
On profit before exceptional items	(11.3)	(21.6)
Exceptional items tax credit/(expense)	0.1	(2.9)
Income tax expense	(11.2)	(24.5)
<b>Profit for the financial period from continuing operations</b>	24.4	53.1
<b>Discontinued operations</b>		
<b>Profit for the financial period from discontinued operations</b>	3.4	17.6
<b>Profit for the financial period</b>	27.8	70.7
<b>Profit for the financial period attributable to:</b>		
Owners of the parent	27.5	70.1
Non-controlling interests	0.3	0.6
<b>Earnings per share</b>		
<b>Continuing operations</b>		

Basic - adjusted for amortisation and exceptional items	7.7p	14.5p
Diluted - adjusted for amortisation and exceptional items	7.5p	14.2p
Basic	5.8p	12.4p
Diluted	5.7p	12.2p
<b><i>Discontinued operations</i></b>		
Basic - adjusted for amortisation and exceptional items	1.0p	4.4p
Diluted - adjusted for amortisation and exceptional items	1.0p	4.3p
Basic	0.8p	4.2p
Diluted	0.8p	4.1p
	Interim	Total
<b>Proposed/actual dividends per share</b>	2.0p	6.5p

\* Restated following the sale of Spicers business and subsequent classification as a discontinued operation