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4 June 2018

For immediate release

DS SMITH PLC

PROPOSED ACQUISITION OF EUROPAC AND FULLY UNDERWRITTEN RIGHTS ISSUE

CREATING A HIGHER QUALITY, HIGHER MARGIN GROUP WITH FURTHER GROWTH POTENTIAL

Summary

- DS Smith plc ("**DS Smith**", or the "**Company**"), a leading international packaging business, is pleased to announce the proposed acquisition of Papeles y Cartones de Europa, S.A., known as Europac ("**Europac**"), a leading Western European integrated packaging business (the "**Acquisition**").

- The offer price of €16.80 per Europac share (the "**Offer Price**") values the entire share capital of Europac at €1,667 million (£1,453 million), with an implied enterprise value of €1,904 million (£1,659 million) and which represents an EV/EBITDA multiple of 8.4 times Europac's LTM EBITDA to 31 March 2018 including the full run rate of pre-tax cost synergies.

- Europac is a leading, Spanish listed, approximately 42 per cent. family owned, highly complementary, vertically integrated packaging business. Europac has a diversified customer portfolio with strong customer relationships and FMCG orientation. In 2017 Europac delivered revenues of €868 million (c.£756 million) and had EBITDA of €158 million (c.£138 million).

- The Acquisition has a highly compelling strategic rationale and DS Smith expects that it will create significant value for customers and consistent and attractive returns for DS Smith shareholders:

  - Exceptional scale opportunity to enhance DS Smith's customer offer in a key packaging growth region;
  - Clear opportunity to develop Europac's packaging assets;
  - Strengthens DS Smith's global supply chain;
  - Substantial annual run-rate pre-tax cost synergies of €50 million (c.£44 million) and further integration benefits identified; and
  - Attractive financial returns with the Acquisition accretive to earnings per share and ROIC (pre-tax) to exceed WACC in first full financial year of ownership.

- Europac's Board of Directors has confirmed that the Acquisition is friendly and attractive, subject to fiduciary duties and to further assessment of the Acquisition on the basis of the documentation to be prepared by DS Smith and to be approved by the CNMV, as well as taking into account any advice received from its legal or financial advisers.

- DS Smith has received undertakings to accept the Acquisition from a total of 58.97 per cent. of the entire share capital of Europac ("**Acceptance Undertakings**"). The Acceptance Undertakings comprise:

    - irrevocable undertakings which are binding in all circumstances from certain members of the Isidro family, including the Executive Chairman, the Executive Vice Chairman and two further Board members of Europac, and other key shareholders representing 52.83 per cent. of the entire share capital of Europac; and
    - agreement from the Board of Europac that it will procure acceptance at the start of the acceptance period for the Acquisition in respect of all treasury shares currently held by Europac, representing 6.14 per cent. of the entire share capital of Europac (subject to fiduciary duties and to issuing the mandatory board report taking into account the relevant financial and legal advice).

Financing and expected timetable

- The Acquisition, DS Smith's transaction expenses and the refinancing of Europac debt will be financed from a rights issue to raise approximately £1,000 million (c.€1,148 million) net of expenses (the "**Rights Issue**"), which has been fully underwritten on a standby basis, and a new committed debt facility of €740 million (c.£645 million). DS Smith expects to publish a prospectus and launch the Rights Issue at the time of the announcement of its full year results in June 2018.

- Following completion of the Acquisition, DS Smith is expected to have net debt to EBITDA of less than 2.5 times by the end of the current financial year with a clear deleveraging profile to below DS Smith's net debt to EBITDA medium term target of 2.0 times. The Board of DS Smith remains committed to this medium term target and to sustaining DS Smith's existing investment grade credit rating and the proposed financing structure for the Acquisition reinforces these commitments.

- The Acquisition is conditional on the receipt of acceptances from Europac shareholders representing at least 50 per cent. plus 1 share of the entire share capital of Europac, receipt of regulatory approvals and the approval of DS Smith shareholders. DS Smith expects to publish a circular, including the notice of a General Meeting at the time of the announcement of its full year results in June 2018.

- Subject to the satisfaction of the conditions to the Acquisition, including the receipt of regulatory approvals, the Acquisition is anticipated to complete during Q4 2018. On completion DS Smith intends to delist Europac's shares from their listings on the stock markets of Madrid and Barcelona.

Current trading and strategic review of DS Smith Plastics

- DS Smith is expected to report its 2018 full year results in June 2018. As announced at the pre-close trading update on 1 May 2018, DS Smith delivered strong performance in its financial year to 30 April 2018 with continuing box volume growth, successful ongoing input cost recovery and good momentum in all regions. Since the start of the current financial year, DS Smith's group performance has continued to be in line with management expectations.

- Since the completion of the acquisition of 80 per cent. of Indevco Management Resources, Inc ("**Interstate Resources**") in August 2017, financial performance of the business has been materially better than the prior year with integration ahead of plan. As a result, the DS Smith management team has raised cost synergy expectations to an annualised rate of $35 million by the third full year of ownership, as previously communicated.

- Consistent with DS Smith's strategy to be the leading supplier of sustainable packaging solutions and increasing focus on the production of high quality, cost effective corrugated packaging, DS Smith has initiated a strategic review of its Plastics business.

Commenting on the Acquisition, Miles Roberts, Group Chief Executive of DS Smith, said:

"The acquisition of Europac is a very exciting development for DS Smith, strengthening our position as a leading global supplier of sustainable packaging solutions. We have a long-standing relationship with Europac, which is a company we have long admired, given the quality of their assets, employees and customers. This acquisition will enhance our customer offer in Western Europe, a key packaging growth region, and help us meet the rising demand for our high-quality packaging and sustainable products. It will also strengthen our global supply chain and means we can serve our, and Europac's, customers better.

Along with improving our customer offer, this acquisition delivers value for our shareholders. We anticipate delivering attractive returns and significant synergies, which we have a strong track record of doing, as demonstrated by the successful acquisition of Interstate Resources.

We look forward to working with the Europac team and further capitalising on increasing global customer demand for high quality, sustainable and engaging packaging."

Also commenting on the Acquisition, José Miguel Isidro Rincón, Executive Chairman of Europac said:

"Europac is a great company, well structured, strongly positioned with its customers and has a great management team. Iberia is the third largest packaging market in Europe and has great growth potential. In my capacity as shareholder, I believe that the offer submitted by DS Smith, which upon implementation would result in a combination with Europac, would deliver important operating and commercial synergies for both companies."

This summary should be read in conjunction with the full text of this announcement.

Conference call

A conference call with investors and analysts will be held at 9 a.m. today. Please join via www.dssmith.com/investors, allowing sufficient time to register. Dial-in details for the call are as follows: +44 (0) 1452 555 566 (standard access) Password: 1599683. The slides accompanying the presentation will be available on our website shortly before the start of the call.

A replay will be available from 12pm (noon) for seven days on +44 (0) 1452 550 000, PIN 1599683. An audio file and transcript will also be available on www.dssmith.com later in the week.

A copy of this announcement will be made available at www.dssmith.com. The information contained within this announcement is inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. The person responsible for this announcement on behalf of DS Smith is Iain Simm, Group General Counsel and Company Secretary.

For further information, please contact:

DS Smith
Investors **+44 (0)20 7756 1800**
Hugo Fisher, Group Communications Director
Rachel Stevens, Investor Relations Director

Media **+44 (0)20 7756 1886**
Greg Dawson, Corporate Affairs Director

Goldman Sachs International *(Lead Financial Adviser and Joint Bookrunner)* **+44 (0)20 7774 1000**
Anthony Gutman
Nick Harper
Charlie Lytle

J.P. Morgan Cazenove *(Sponsor, Financial Adviser and Joint Bookrunner)* **+44 (0)20 7777 2000**
Charles Harman
Richard Walsh

Guy Bomford

Citigroup Global Markets Limited *(Joint Bookrunner)* **+44 (0)20 7986 4000**
Andrew Seaton
Alex Carter
Christopher Wren

Brunswick Group LLP **+44 (0)20 7404 5959**
Simon Sporborg
Emma Walsh
Christina Clark

Goldman Sachs International ("**GSI**" or "**Goldman Sachs**") is acting as lead financial adviser to DS Smith in connection with the Acquisition. J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("**JPMC**" or "**J.P. Morgan**") is acting as financial adviser and sponsor to DS Smith in connection with the Acquisition. GSI and JPMC are acting as joint underwriters on debt financing. Citigroup Global Markets Limited ("**Citi**"), GSI and JPMC are acting as joint underwriters on equity financing.

Important Notice

This announcement does not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction.

Any offer to acquire the Company's securities pursuant to the proposed Rights Issue referred to in these materials will be made, and any investor should make his investment, solely on the basis of information that will be contained in the prospectus to be made generally available in the United Kingdom in connection with such Rights Issue. When made generally available, copies of the prospectus may be obtained at no cost from the Company or through the website of the Company.

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There will be no public offering of securities in the United States, Australia, Canada, Hong Kong, Japan, South Africa, Switzerland or the United Arab Emirates, or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction

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No person has been authorised to give any information or to make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Citi, GSI or JPMC. None of the above take any responsibility or liability for, and can provide no assurance as to the reliability of, other information that you may be given. Subject to the Listing Rules, the Prospectus Rules and the Disclosure Guidance and Transparency Rules and the Disclosure Requirements, the issue of this announcement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company or Europac since the date of this announcement or that the information in this announcement is correct as at any time subsequent to the date of this announcement.

The distribution of this announcement in certain jurisdictions may be restricted by law. No action has been taken by the Company, Citi, GSI or JPMC that would permit an offering of such shares or possession or distribution of this announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes should inform themselves about and observe any such restrictions

Certain statements contained in this announcement or incorporated by reference into it constitute, or may be deemed to constitute, "forward-looking statements" with respect to the financial condition, results of operations and business of DS Smith and, upon completion of the Acquisition, the combined business and certain plans and objectives of the Directors with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use forward-looking terminology including words such as "anticipate", "target", "expect", "estimate", "intend", "aim", "plan", "predict", "projects", "continue", "assume", "goal", "believe", "will", "may", "should", "would", "could" or, in each case, their negative, or other variations thereon or words of similar meaning, which identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. In particular, any statements regarding the Company's strategy, plans, objectives, goals and other future events or prospects are forward-looking statements.

An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. Forward-looking statements are based on assumptions and assessments made by the Directors in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, and any forward-looking statements in this announcement relating to the Acquisition reflect the Company's view with respect to future events as of the date of this announcement and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the condition of the Acquisition being satisfied, management's maintenance of the business and the process of integrating the Acquisition following completion of the Acquisition including the retention of certain key Europac management, foreign exchange risks related to the price of the Acquisition, the successful realisation of the combined business' growth strategy, the successful realisation of the anticipated synergies and strategic benefits, an adequate return on its investment from the Acquisition and foreign exchange rate fluctuation between the euro and pound sterling, as well as the principal risks and uncertainties facing the business as described in the risk factors highlighted in the Company's 2017 annual report and the 2017 EMTN prospectus dated 20 July 2017. The factors described in the context of such forward-looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this announcement and/or information incorporated by reference into it.

Each forward-looking statement speaks only as of the date it was made and is not intended to give any assurances as to future results. Furthermore, forward-looking statements contained in this announcement that are based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the Listing Rules, the Disclosure Guidance and Transparency Rules and/or the Disclosure Requirements, none of the Company, Citi, GSI or JPMC undertakes any obligation to update or revise these forward-looking statements, and will not publicly release any revisions it may make to these forward- looking statements that may result from new information, events or circumstances arising after the date of this announcement. The Company will comply with its obligations to publish updated information as required by the Listing Rules, the Disclosure Guidance and Transparency Rules and/or the Disclosure Requirements or otherwise by law and/or by any regulatory authority, but assumes no further obligation to publish additional information.

Any indication in this announcement of the price at which DS Smith shares have been bought or sold in the past cannot be relied upon as a guide to future performance. No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

This announcement does not constitute a recommendation concerning any investor's options with respect to the Rights Issue. Any decision to participate in the Rights Issue must be made solely on the basis of the prospectus to be published by the Company in due course. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each shareholder or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

Unless otherwise indicated, references to pounds sterling, sterling, pence, p or £ are to the lawful currency of the United Kingdom, references to € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. Unless otherwise stated in this announcement, for current euro amounts, a rate of £1 to €1.1477 has been used.

DS SMITH PLC ("DS SMITH")

PROPOSED ACQUISITION OF EUROPAC AND FULLY UNDERWRITTEN RIGHTS ISSUE

CREATING A HIGHER QUALIY, HIGHER MARGIN GROUP WITH FURTHER GROWTH POTENTIAL

1. Introduction

DS Smith Group plc ("**DS Smith**", or the "**Company**"), a leading international supplier of paper and packaging, is pleased to announce the proposed acquisition of Papeles y Cartones de Europa, S.A., known as Europac ("**Europac**"), a leading Western European integrated packaging business (the "**Acquisition**"). The offer price of €16.80 per Europac share (the "**Offer Price**") values the entire share capital of Europac at €1,667 million (£1,453 million), with an implied enterprise value of €1,904 million (£1,659 million) and which represents an EV/EBITDA multiple of 8.4 times Europac's LTM EBITDA to 31 March 2018 including the full run rate of pre-tax cost synergies.

Europac operates from 23 locations, with Europac's assets concentrated in the Iberian Peninsula and France, and has c.2,300 employees. For the year ended 31 December 2017, Europac had revenues of €868 million, EBITDA of €158 million with an EBITDA margin of 18.2 per cent., and gross assets of €1,089 million.

Europac operates across the entire paper and packaging value chain including raw materials, paper manufacturing, design, packaging manufacturing and customer logistics. Customers in Spain and Portugal accounted for 53 per cent. of revenue generated and France for 34 per cent. of revenue generated in the year ended 31 December 2017. Europac produced approximately 940,000 tonnes of kraftliner and re-cycled papers and 360,000 tonnes of corrugated packaging in the year ended 31 December 2017. Europac has a diversified customer portfolio with a strong FMCG, agri-food and e-commerce orientation.

DS Smith is a leading multi-national provider of corrugated packaging in Europe and the United States, supported by paper and recycling operations. DS Smith has a growing business with global customers and the Acquisition of Europac further strengthens DS Smith's platform to address these growing customer opportunities.

DS Smith believes that the Acquisition represents an exceptional scale opportunity to build its position in a key packaging growth region. Specifically, DS Smith plans to build upon Europac's high quality, well-invested operational asset base and distribution network on the Iberian Peninsula and in France to support Europac's existing customers and DS Smith's multi-national customers, many of whom have operations in these regions.

DS Smith also believes the Acquisition will provide a clear opportunity to develop Europac's packaging assets and to strengthen DS Smith's global supply chain, delivering significant integration benefits, cost synergies and strong financial returns to DS Smith's shareholders.

DS Smith will draw upon its considerable experience in previous integrations to build on Europac's regional market presence and expertise in the management of paper and packaging assets to drive improved performance and realise the combined strength of DS Smith and Europac.

In view of its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules, and, therefore, requires the approval of DS Smith's shareholders. The Acquisition is conditional on, among other things, such approval being given.

Consistent with DS Smith's strategy to be the leading supplier of sustainable packaging solutions and increasing focus on the production of high quality, cost effective corrugated packaging, DS Smith has also initiated a strategic review of its Plastics business.

2. Background to and reasons for the Acquisition

The Board believes that the Acquisition represents an exceptional scale opportunity to enhance its position in one of the largest and fastest growing European fibre-based packaging regions to further accelerate DS Smith's vision to be the leading supplier of sustainable packaging solutions on a broader geographic basis.

The Board believes that the Acquisition has a highly compelling strategic rationale, will create significant value for customers and expects it to create consistent and attractive returns for shareholders:

- Exceptional scale opportunity to enhance DS Smith's customer offer in a key packaging growth region for DS Smith;
- Clear opportunity to develop Europac's packaging assets;
- Strengthens DS Smith's global supply chain;
- Significant cost synergies, delivering estimated €50 million (c.£44 million) annual run-rate pre-tax cost synergies identified from procurement and operational efficiencies by the end of 30 April 2021 with over 50 per cent. achieved in the first full financial year; and
- Anticipated to be accretive to EPS and offering an expected pre-tax return on invested capital above DS Smith's pre-tax weighted average cost of capital in the first full financial year following completion.

Overall, the Acquisition is expected to create a higher quality, higher margin group with further growth potential. In making the Acquisition, DS Smith expects to create significant value for its customers and offer DS Smith shareholders attractive financial returns.

2.1 Exceptional scale opportunity to enhance DS Smith's customer offer in a key packaging growth region

DS Smith believes that Western Europe, and the Iberia Peninsula in particular, has clear potential for further development, based on the strong regional demand and momentum from DS Smith and Europac customers for retail-ready packaging initiatives, e-commerce and increased fibre-based packaging efficiency. DS Smith's current Iberia assets have consistently delivered growth ahead of the average of the rest of the DS Smith group (the "**DS Smith Group**").

Europac is a high quality business centred on the Iberian Peninsula, with an attractive growth and margin profile and a leading market presence in a key packaging growth region for DS Smith.

In addition to the opportunities from Europac's existing customer base, the Board believes that, there are also clear opportunities to drive additional revenue growth through the strong pull effect for DS Smith's offering and multi-national capabilities from existing customers and the development of relationships with new customers.

The Acquisition is a highly complementary fit with DS Smith's current Western European asset base and builds on the successful acquisitions of Andopack, Lantero, Gopaca and P&I Display in the region and is anticipated to transform the scale and breadth of the combined business' operations and customer offering in the Iberian Peninsula.

2.2 Clear opportunity to develop Europac's packaging assets

Europac has direct exposure to the strong underlying trends driving pan-European market demand including the continued rise of e-commerce, changes in consumption style, customisation and sustainable paper packaging.

DS Smith believes that though Europac is well positioned, it has not capitalised on the strong fundamentals of the pan-European packaging market, and in particular that there is a clear opportunity to develop the performance of Europac's packaging assets, which have been impacted by the short-term lag effect of significant paper price increases. The Acquisition of Europac enhances DS Smith's Iberian market position and offers substantial growth, margin and customer opportunities.

Europac has a diverse, long-term customer portfolio which is primarily orientated towards value-added packaging segments (e.g. agri-foods, FMCG and e-commerce). The Board believes there is a significant packaging opportunity within the Europac customer base to drive sales by leveraging DS Smith's insight into lightweight, fibre-based packaging and in particular its retail-ready and e-commerce expertise. Europac also shares DS Smith's strong emphasis on design and innovation with both companies successfully employing customer-centric strategic partnership models.

DS Smith intends to apply its significant relevant expertise, drawn from delivering value in previous regional integrations to improve performance in the Europac packaging division by using DS Smith's insight to drive sales, in particular utilising its retail-ready and e-commerce expertise. DS Smith's strategy of focusing on value-added products and services has also enabled DS Smith to reduce its customers' supply chain costs, increasing the value of DS Smith's products to customers, and simultaneously assisting in the mitigation of raw material inflation.

DS Smith also believes that there is an opportunity to improve the operating efficiencies of Europac's packaging operations. DS Smith's established working practices are described in more detail in paragraph 2.4 below.

DS Smith intends that the combined business will continue to invest in packaging innovation and drive value into all areas of the supply chain and leverage DS Smith's strong track record of delivering value in previous integrations, in order to build on its recent successes to achieve a leading market position in Iberia, with substantial growth and margin potential.

2.3 Strengthens DS Smith's global supply chain

Europac is a well-invested, well-established, vertically integrated packaging company, with a high quality, geographically complementary asset base with dedicated kraftliner production capability.

DS Smith's 2017 acquisition of Interstate Resources has demonstrated the benefit of global procurement benefits and the Acquisition of Europac will be an important addition to DS Smith's global supply chain capabilities, with the addition of production assets in Europe.

The Board of DS Smith remains committed to DS Smith's short paper strategy, while retaining an appropriate level of supply and reflecting the significant historical and future expected growth of packaging production. The Acquisition also provides an opportunity for the Board to assess the paper asset base of the combined business once Europac is integrated.

2.4 Substantial annual run-rate pre-tax cost synergies of €50 million and further integration benefits identified

DS Smith has a very experienced management team with proven integration expertise based on a strong track record of integrating acquisitions, realising cost synergies from procurement and operational efficiencies and driving revenue growth. DS Smith is confident that through its long standing relationship with Europac, knowledge of the market and collaborative due diligence process that it will achieve similar success in respect of the Acquisition of Europac.

The Board believes the combined business will also, with a broader pan-European and global customer presence, be well positioned to benefit from enhanced revenue growth prospects. The attractive returns delivered by DS Smith's Duropack, Interstate Resources, Lantero, Otor and SCA Packaging acquisitions demonstrate the benefit accruing from functional disciplines (including commercial, procurement, human resources and finance) operating across a broader business.

The Board has developed a clear integration plan with paths to cost synergy achievement and believes that the Acquisition presents significant opportunities for recurring pre-tax cost synergies of approximately €50 million (c.£44 million) by 30 April 2021.

These cost synergies are expected to be realised through cost reductions, with approximately 70 per cent. expected to be through operational efficiencies including the optimisation of paper uses, implementing DS Smith's technology and operational practices at Europac and procurement benefits, and approximately 30 per cent. expected to be through efficiencies at the corporate centre and paper and packaging divisions.

DS Smith estimates one-off cash costs, including both net capex required and one-off exceptional items, to implement the integration and deliver these cost synergies of approximately €70 million (approximately €55 million of which the full one-off costs will be incurred largely by the end of the first full financial year). In addition, there is expected to be costs of up to £50 million in relation to the Acquisition and related financing. DS Smith also estimates there will be a potential working capital impact as a result of integrating Europac's paper assets into DS Smith's supply chain.

The estimated cost synergies are contingent on the Acquisition completing, could not be achieved independently and reflect both beneficial elements and relevant costs. The expected cost synergies have been calculated on the basis of the existing procurement and operational structures of DS Smith and Europac.

In assessing the estimate of cost synergies, the Board and management have been aided by their strong track record of integration experience, having completed 18 acquisitions since 2010 including the integration of Otor and SCA Packaging, more recently, Duropack in South-Eastern Europe, Lantero in Spain and in 2017 acquiring 80 per cent. of Interstate Resources in North America. DS Smith will be assisted and supported in the integration process by an experienced Europac management team.

The above statement of estimated cost synergies relates to future actions and circumstances, which, by their nature involve risks, uncertainties, contingencies and other factors. The figures set out in the preceding paragraphs are unaudited numbers based on management estimates.

2.5 Attractive financial returns

The Board believes that the Acquisition will also be financially attractive for DS Smith shareholders taking into account the terms of the Acquisition and the expected cost synergies and is consistent with DS Smith's focus on maintaining its medium-term financial targets.

The Acquisition is expected to be accretive to EPS in the first full financial year following completion[1], excluding any benefit other than cost synergies.

The Directors of DS Smith believe that the Acquisition will offer an expected pre-tax return on invested capital above DS Smith's pre-tax weighted average cost of capital in the first full financial year following completion, using only cost synergies and before exceptional costs, and anticipate further EPS and pre-tax return on invested capital accretion over the medium-term.

Acceptance Undertakings

DS Smith has received undertakings to accept the Acquisition from a total of 58.97 per cent. of the entire share capital of Europac ("**Acceptance Undertakings**").

The Acceptance Undertakings comprise:

- irrevocable undertakings, which are binding in all circumstances, from certain members of the Isidro family, including the Executive Chairman, the Executive Vice Chairman and two further Board members of Europac, and other key shareholders representing 52.83 per cent. of the entire share capital of Europac; and

- agreement from the Board of Europac that it will procure acceptance at the start of the acceptance period for the Acquisition (the "**Offer Term**") in respect of all treasury shares held by

[1] *This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the DS Smith Group will necessarily be greater than the historical published figures.*

Europac representing 6.14 per cent. of the entire share capital of Europac (subject to fiduciary duties and to issuing the mandatory board report taking into account the relevant financial and legal advice).

Irrevocable undertakings

DS Smith has received irrevocable undertakings which are binding in all circumstances (the "**Irrevocable Undertakings**") from certain members of the Isidro family, including the Executive Chairman, the Executive Vice Chairman and two further Board members of Europac, and two further key shareholders to accept the Acquisition, in aggregate covering a total of 52,430,671 Europac shares and representing approximately 52.83 per cent. of the entire share capital of Europac on 1 June 2018 (being the "**Last Practicable Date**"). In particular, the Irrevocable Undertakings commit all the relevant shareholders to accept the Acquisition in respect of such Europac shares as are held by each of them within the first five stock exchange trading days of the Offer Term (even in the event of competing takeover bids which offer a consideration higher than the Offer Price). The Irrevocable Undertakings also commit the Isidro family shareholders and one other key shareholder to, inter alia, exercise (or, where applicable, procure the exercise of) all rights attaching to their holdings of the Europac shares (or where such shareholders are directors of the Europac Board, to exercise all of their rights and powers in relation to Europac) to support the success of the Acquisition. The Irrevocable Undertakings also contain customary provisions in respect of the shareholders who are also members of the Board of Europac, relating to conduct of Europac's business prior to completion, assistance with provision of information and satisfaction of the conditions of the Acquisition.

Treasury shares

The Board of Europac has committed that it will not cancel, and will procure acceptance of the offer, in respect of all treasury shares held by Europac, which currently number 6,090,000 representing 6.14 per cent. of the entire share capital of Europac, subject to further assessment of the Offer on the basis of the documentation to be prepared by DS Smith and to be approved by the CNMV, as well as taking into account any advice received from its legal or financial advisers. Such acceptance must be procured by the date on which the Europac board publishes its formal report on the Acquisition, providing that such report expresses a favourable opinion on the Acquisition, there is no higher competing offer and that circumstances have not materially negatively changed by that date.

3. Financing of the Acquisition

The Acquisition will be financed through:

- a c.£1,000 million (c.€1,148 million) net of expenses fully underwritten Rights Issue; and
- the utilisation of up to €740 million (c.£645 million) from a new fully committed debt facility (the "**New Debt Facility**").

In light of the scale and size of the proposed Acquisition, the Board believes that it has taken a prudent approach to structuring and financing the Acquisition and associated expenses through a mixture of equity and debt, balancing a conservative financing structure and returns for shareholders. The targeted leverage profile is intended to give DS Smith significant headroom against its current banking covenants and is consistent with the DS Smith Group's aim to maintain a strong balance sheet, and to provide continuity of financing by having a range of maturities and borrowings from a variety of sources, supported by a sustainable investment grade rating.

The Board believes it is prudent to create a diverse funding structure that combines the New Debt Facility and the proceeds of the Rights Issue to provide the flexibility both to acquire Europac and to retain financial strength and flexibility given the future growth opportunities and current macroeconomic climate.

Following completion of the Acquisition, DS Smith is expected to have net debt to EBITDA of less than 2.5 times by the end of the current financial year with a clear deleveraging profile to below DS Smith's net debt to EBITDA target of 2.0 times in the medium term. The Board remains committed to this medium term target and to sustaining DS Smith’s existing investment grade credit rating and the proposed financing structure for the Acquisition reinforces these commitments.

Rights issue and standby underwriting

With respect to the Rights Issue, which is expected to raise approximately £1,000 million (c.€1,148 million) of net proceeds, DS Smith has entered into a fully underwritten standby underwriting agreement with Citi, Goldman Sachs and J.P. Morgan. The standby underwriting agreement is expected to remain in place until the publication of the prospectus, at which point it will be replaced by a definitive underwriting agreement. The standby underwriting agreement provides that the price of the DS Smith shares to be issued in connection with the Rights Issue will be agreed by DS Smith, Citi, Goldman Sachs and J.P. Morgan at the time the prospectus is published and will be set out in the underwriting agreement. The standby underwriting agreement contains customary representations and warranties, conditions and termination rights and the Rights Issue will be subject to customary conditions.

New debt facility

On 4 June 2018, DS Smith entered into the New Debt Facility of €740 million (c.£645 million) with Goldman Sachs International and J.P. Morgan Securities Plc as mandated lead arrangers, Goldman Sachs International Bank and JPMorgan Chase Bank, N.A., London Branch as original lenders (the “**Original Lenders**”) and J.P. Morgan Europe Limited as agent.

The New Debt Facility provides for DS Smith to receive one loan (the “Loan”) from the Original Lenders, which may be used to finance the Acquisition and pay related costs and expenses and for refinancing Europac’s debt. The Loan is available to be drawn until 31 March 2019.

DS Smith is initially required to repay the Loan within one year of the date of the New Debt Facility, although this may be extended such that the final repayment date could fall three years after the original date of the New Debt Facility.

The Loan is unsecured and is governed by English law.

4. Financial effects of the Acquisition on DS Smith

The Directors of DS Smith believe that the Acquisition will:

- be accretive to EPS in the first full financial year following completion of the Acquisition[2], excluding any benefit other than cost synergies; and
- offer an expected pre-tax return on invested capital above DS Smith’s pre-tax weighted average cost of capital in the first full financial year following completion, using only cost synergies and before adjusting items, and anticipate further EPS and pre-tax return on invested capital accretion over the medium-term.

The Directors of DS Smith also believe that, following the Acquisition, performance will be consistent with DS Smith’s stated medium-term targets.

The Board of DS Smith intends to continue DS Smith's current dividend policy for the combined business.

5. Management and employees

Europac has high-quality employees and an experienced management team which is expected to contribute further to the success of the DS Smith Group following completion of the Acquisition. The Board intends to respect the existing rights of Europac employees.

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[2] This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the DS Smith Group will necessarily be greater than the historical published figures.

6. Current trading, prospects and trend information

DS Smith

DS Smith is expected to report its 2018 full year results in June 2018. As announced at the pre-close trading update provided on 1 May 2018, DS Smith delivered strong performance in its financial year to 30 April 2018 with continuing box volume growth, successful ongoing input cost recovery and good momentum in all regions. Since the start of the current financial year DS Smith's group performance has continued to be in line with management expectations.

Since the completion of the acquisition of Interstate Resources in August 2017, financial performance of the business has been materially better than the prior year with integration ahead of plan. As a result, DS Smith management has raised cost synergy expectations to an annualised rate of $35 million by the third full year of ownership, as previously communicated.

Europac

On 9 May 2018, Europac published its consolidated financial statements for the quarter ended 31 March 2018. On a consolidated basis and relative to performance in the first quarter of 2017, Europac's revenues grew 12 per cent. to €235m, EBITDA grew 59 per cent.to €49m, and EBITDA margins improved by 620bps to 21 per cent.

Since 31 March 2018, Europac has continued to trade in line with the expectations of Europac's management.

7. Information on Europac

Founded in 1995, Europac is a leading Western European integrated packaging business. Europac's core business is the manufacture and sale of paper and corrugated board for packaging, and the manufacture of corrugated board packaging. Europac has its headquarters in Spain alongside four paper mills and fourteen packaging sites, and five waste management sites across Spain, Portugal and France.

Europac's business model is based on the vertical integration of its paper and packaging divisions. Europac's paper division produces a wide variety of papers and weights, including a significant volume of kraftliner paper as Europac is one of only five companies in Europe to produce this paper. In the year ended 31 December 2017, sales within Europac's paper division grew by approximately 14 per cent. driven by paper price rises and strategic positioning in higher value added segments.

Europac's packaging division is predominantly focused on the agri-food, FMCG and e-commerce sectors and provides a wide variety of packaging solutions, including retail-ready, heavy-duty and online packaging. In year ended 31 December 2017, the packaging division sales grew by 7 per cent., driven by progress in every geographic market where it is represented, particularly in Spain. The packaging division experienced a short term lag effect driven by increased paper prices which generated significantly increased raw material costs suppressing profitability.

On a consolidated basis, over the last three financial years (between 2015 and 2017) Europac revenues grew at 3.8 per cent. CAGR and EBITDA grew at 19.3 per cent. CAGR with EBITDA margins improving by 443bps to 18.2 per cent.

Summary Europac financial information

€m	**FY 2015**	**FY 2016**	**FY 2017**	**CAGR (%)**
Revenue	806	801	868	3.8%
Consolidated EBITDA	111	127	158	19.3%
Consolidated EBITDA Margin (%)	13.8%	15.8%	18.2%	443 bps

8. Information on DS Smith

DS Smith is a leading, vertically integrated international supplier of corrugated packaging. As at 30 April 2018, DS Smith employed approximately 28,500 people across its approximately 200 manufacturing locations and 42 Impact and PackRight Centres, in 37 countries. DS Smith operates six core divisions: UK, Western Europe, DCH and Northern Europe, Central Europe and Italy, North American Paper and Packaging, and Plastics. For the year ended 30 April 2018, the DS Smith Group's customer base for its corrugated box products was made up of approximately 68 per cent. FMCG, food and e-commerce.

DS Smith is listed on the main market of the London Stock Exchange and is a member of the FTSE 100 index. As at the Latest Practicable Date, DS Smith had a market capitalisation of approximately £6.0 billion. In the year ended 30 April 2018, DS Smith's sales volumes included 2.9 million tonnes of CCM, 8.0 billion square metres of corrugated board and 5 million tonnes of recycled fibre.

The DS Smith Group's principal operations are designing and manufacturing corrugated packaging. In order to support its packaging business, the DS Smith Group has a recycling business that collects used paper and corrugated cardboard, from which the DS Smith Group's paper manufacturing facilities make the CCM used in corrugated packaging. The DS Smith Group through its DS Smith Plastics business also designs and manufactures certain types of plastic packaging, in particular, the plastic bags and taps for bag-in-box packaging and rigid crates for bottled liquids.

Since 2010, DS Smith has transformed both its geographic footprint and customer offering capability. Its major acquisitions during the period comprise Otor c, SCA Packaging (€1.6 billion), Duropack (€305 million); Lantero (€190 million); 80 per cent. of Interstate Resources ($920 million); and EcoPack and EcoPaper (€208 million). Consistent with its strategic goal of increasing size and profitability, DS Smith is continuously seeking further opportunities to expand its scale and improve the quality of its businesses through strategic acquisitions.

For the year ended 30 April 2017, DS Smith reported revenue of £4,781 million, adjusted operating profit of £443 million, operating profit before adjusting items of £386 million and profit before income tax and adjusting items of £326 million.

9. Principal terms and conditions of the Acquisition

In order for the Acquisition to become unconditional, the following conditions precedent must be met:

- DS Smith shareholders to approve the Acquisition;
- at least 49,618,920 Europac shares being tendered in acceptance of the Acquisition (including the treasury shares currently held by Europac), representing greater than 50 per cent. of Europac's entire share capital. DS Smith has received Acceptance Undertakings, in aggregate covering a total of 58,520,671 Europac shares, representing approximately 58.97 per cent. of the entire share capital of Europac as at the Last Practicable Date; and
- the EU Commission making a decision to approve the Acquisition or, to the extent the Acquisition or any matter arising from it is referred to the competent authorities in one or more Member States, those competent authorities making a decision to the same effect.

If the acceptance condition relating to the tendering of acceptances of the Acquisition is fulfilled during the Offer Term, DS Smith intends to delist Europac's shares from their listings on the Madrid and Barcelona stock markets.

If the acceptance condition relating to the tendering of acceptances of the Acquisition is not fulfilled during the Offer Term, DS Smith may extend the Offer Term and / or waive the condition in accordance with Spanish law. As at the Last Practicable Date, DS Smith's current intention in such an event would be to not waive this condition.

10. Break Fee Agreement

DS Smith and Europac have entered into a break fee agreement on 4 June 2018 (the "**Break Fee Agreement**") pursuant to which:

(i) DS Smith agrees to pay to Europac a fee of £60.4 million (€69.4 million), payable in the event that the shareholders do not approve the Resolution at a General Meeting, however, in no event shall such fee be payable where:

(a) a competing proposal: (1) is authorised by the CNMV and completes, becomes effective, or is declared or becomes unconditional in all respects; and (2) is supported or agreed to by the Europac Board by means of an Europac board resolution, decision or proposal, or reported on favourably in any report on the competing proposal that is produced by the Europac Board; or

(b) a competing proposal announcement is made and after that competing proposal announcement DS Smith makes a formal announcement with the consent of the CNMV (to the extent such consent is required) that the Acquisition will not be made, or that the Acquisition will be withdrawn or not otherwise settled.

(ii) Europac agrees to pay to DS Smith a fee of €15.6 million (£13.6 million), payable in the event that a higher competing offer is authorised by the CNMV and completes.

The Break Fee Agreement also contains customary provisions relating to conduct of business prior to completion, assistance with provision of information and satisfaction of the conditions of the Acquisition.

11. Expected timetable of principal events

Event	Date
Acquisition announcement	4 June 2018
DS Smith full year results announcement	June 2018
Anticipated posting of Prospectus and Circular	June 2018
Anticipated launch of the rights issue	July 2018
Proposed DS Smith EGM to approve the Acquisition	July 2018
Expected completion of the rights issue	July 2018
Anticipated receipt of CNMV approval, publication of Spanish tender offer prospectus and start of Offer Term	Q4 2018
Anticipated regulatory approvals and anti-trust clearances	Q4 2018
Anticipated completion of the Acquisition	Q4 2018

12. Further information

Further details of the Acquisition, together with a notice convening a General Meeting to consider the Acquisition, will be contained in a circular which is expected to be sent to shareholders at the same time as the publication of a prospectus in relation to the Rights Issue in June 2018 at the time of the announcement of DS Smith's full year results for the financial year ended 30 April 2018. Further details on the terms are set out in the Appendix and will be included in the Spanish tender offer prospectus, which will be filed for approval with the CNMV in due course and, in any event, no later than 5 July 2018.

KEY NOTES

In this announcement:

1. The financial information of the DS Smith Group has been extracted, without material adjustment, from the 2017 Annual Report and Accounts. The financial information is inclusive of amounts which are disclosed in the 2017 Annual Report and Accounts as exceptional items.

2. The financial information of Europac has been extracted, without material adjustment, from Europac's 2015, 2016 and 2017 Annual Report and Accounts and Europac's results announcement dated 9 May 2018 in respect of the quarter ended 31 March 2018 (which are unaudited).

3. The GBP:EUR exchange rate used in this announcement is £1: €1.1477.

4. All references to Europac shares are to Europac ordinary shares of €2 each.

5. As at the close of business on the Last Practicable Date, Europac had in issue 99,237,837 Europac shares (including 6,090,000 treasury shares). The ISIN for Europac Shares is BBG000BQXX19.

6. The implied value of the entire issued share capital of Europac at Offer Price and implied enterprise value include the treasury shares held by Europac and, where appropriate, include Europac's net debt as at 31 December 2017 of c.€236 million (c.£206 million).

7. All references to DS Smith shares are to DS Smith ordinary shares of 10 pence each.

8. As at the close of business on the Last Practicable Date, DS Smith had in issue 1,074,521,594 DS Smith shares. The ISIN for DS Smith Shares is GB0008220112.

9. Certain figures included in this Announcement have been subject to rounding adjustments.

APPENDIX

Translation of today's announcement by DS Smith in Spain.

NATIONAL SECURITIES MARKET COMMISSION

n accordance with the provisions of Article 228 of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015 of 23 October, and enacting regulations, DS Smith plc hereby announces the following

RELEVANT EVENT

In accordance with the provisions of Article 16 of Royal Decree 1066/2007, of 27 July, on the rules for public tender offers for securities, please find attached herewith the prior announcement for the voluntary tender offer launched by DS Smith plc for the acquisition of Papeles y Cartones de Europa, S.A.'s shares and which shall be presented by this entity to the National Securities Market Commission. The aforementioned prior announcement contains the main characteristics of the offer, which is subject to authorisation by the National Securities Market Commission.

London, 4 June 2018

DS Smith plc

Miles Roberts
Group Chief Executive

This announcement is not for release, publication or distribution, directly or indirectly, in or into the United States of America, Australia, Canada, Hong Kong, Japan, South Africa, Switzerland or the United Arab Emirates, or any other jurisdiction in which its distribution or release would be unlawful.

PRIOR ANNOUNCEMENT OF THE VOLUNTARY TENDER OFFER LAUNCHED BY DS SMITH PLC FOR THE ACQUISITION OF THE SHARES OF PAPELES Y CARTONES DE EUROPA, S.A.

This announcement is released in compliance with Article 16 of Royal Decree 1066/2007, 27 July, on the rules for public tender offers for securities and contains the main terms of the offer, which is subject to authorisation by the National Securities Market Commision *(Comisión Nacional del Mercado de Valores)*.

The terms and conditions of the offer described below will be included in the offer prospectus which will be published once the referred authorisation has been obtained.

1. Offering Company details

The Offering Company is DS Smith plc, an English corporation, with its registered offices at 350 Euston Road, London, NW1 3AX, registered at Companies House of England and Wales with number 01377658 ("**DS Smith**" or the "**Offering Company**").

The share capital of DS Smith is GBP 107,452,159.40, represented by 1,074,521,594 shares. The Offering Company shares are all of a single class and each share has a nominal value of GBP 0.10. The Offering Company shares are held in certificated form and registered in CREST. The shares of DS Smith are listed on the London Stock Exchange's Main Market.

The Offering Company is not controlled, either on a stand-alone basis or by persons acting in concert, by any individual or legal entity, both for the purposes of Article 5 of the consolidated text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October (the "**Securities Market Act**") or for the purposes of Part 21A and Schedule 1A to the Companies Act 2006 (as amended).

2. Decision to launch the tender offer

The decision to carry out the Offer was adopted by the Offering Company through the resolution of DS Smith's Board of Directors effective on 4 June 2018.

The launching of the Offer requires a resolution to be passed by DS Smith General Shareholders Meeting in accordance with Chapter 10 of the UK Listing Rules. In this regard, DS Smith will use its reasonable endeavours to obtain the DS Smith Shareholders' approval as soon as practicable following publication of this announcement and, in any event, prior to the commencement of the acceptance period of the Offer. In particular, DS Smith shall convene the DS Smith General Shareholder Meeting no later than 11 July 2018, such meeting to be held within the following 14 clear working days (subject to any requirements as to notice provisions as set out in the Articles of Association of DS Smith) including seeking to obtain the DS Smith shareholders' approval of the Offer in the agenda of the DS Smith General Shareholders Meeting.

3. Filing of the offer

In accordance with Article 17.2 of Royal Decree 1066/2007, 27 July, on the rules for public tender offers for securities ("**Royal Decree 1066/2007**"), the Offering Company shall file with the CNMV the application for the authorisation of the Offer, together with the Offer prospectus and the rest of the documents that must be provided in accordance with the aforementioned Article 17, within one month of the publication of this announcement, that is to say, on 5 July 2018, at the latest. The Offering Company foresees that such filing will take place in the second half of the aforementioned period.

4. Type of offer

The Offer is considered a voluntary offer, in accordance with Article 137 of the Securities Market Act and Article 13 of Royal Decree 1066/2007.

5. Interest held by the Offering Company in the Target Company

Neither the Offering Company, its directors, its group companies nor the directors of the group companies hold, directly or indirectly, any share or any other security which may confer on them the right to acquire shares of Papeles y Cartones de Europa, S.A. ("**Europac**" or the "**Target Company**"), nor any voting rights of other holders of such shares are ascribed to them pursuant to the computation rules of Article 5 of Royal Decree 1066/2007.

Neither the Offering Company, its group companies, its directors, nor the members of management bodies in the Offering Company or any of its subsidiaries, nor any person/s who act in concert with the Offering Company or on behalf of the Offering Company, has acquired, directly or indirectly, shares of the Target Company or any financial instrument which grants the right to acquire or subscribe shares of the Target Company in the 12 months prior to the announcement of the Offer.

On 4 June 2018, the Offering Company and certain shareholders of the Target Company have signed submission, filing and acceptance undertakings regarding the Offer for the transfer and acquisition of shares of the Target Company, in accordance with the terms and conditions provided under the following Section 11 of this announcement.

Regarding the Offer and the Target Company, it is hereby stated that the Offering Company is not acting in concert with any other entity or individual and that the acceptance undertakings regarding the Offer included in Section 11, do not constitute a case of concerted action under Article 5 of Royal Decree 1066/2007.

None of the directors or managers of the Target Company has been appointed by the Offering Company.

6. Information regarding the Target Company

The Target Company is Papeles y Cartones de Europa, S.A., commercially known as Europac, a Spanish corporation (*sociedad anónima*), with registered offices at Carretera de Burgos a Portugal km. 96, 34210 Dueñas (Palencia) and headquarters located at Avenida de Fuencarral, 98, (Alcobendas) Madrid, registered with the Commercial Registry of Palencia under volume 227, sheet 208, page P-2350, and Tax Identification Number (*N.I.F*) A34158824.

Europac has a current share capital of EUR 198,475,674 divided into 99,237,837 shares (including 6,090,000 treasury shares as of the date of this announcement), of EUR 2.00 nominal value each, all of a single class and series, fully subscribed and paid. The shares of Europac are represented in book-entry form, which registry is carried out by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), and its participating entities. Europac's shares are listed on the Madrid and Barcelona Stock Exchanges through the Automated Quotation System (*Mercado Continuo*).

Europac has not currently issued any preemptive subscription rights, bonds convertibles into shares, securities exchangeable for shares, or any other similar security or financial instrument which might entitle the holder to, directly or indirectly, subscribe or acquire Europac's shares.

7. Securities and exchange markets targeted by the Offer

The Offer targets all the issued shares into which Europac's share capital is divided, namely 99,237,837 shares (including 6,090,000 treasury shares).

Notwithstanding the foregoing, in the event that the Europac share capital is modified as a result of the corporate resolutions that Europac may pass at the General Shareholders Meeting that is scheduled to be held on 27 June 2018, on first call, or on the following day, 28 June 2018, on second call (the "**2018 Meeting**") following the proposal communicated in the notice convening the 2018 Meeting, the Offer will be addressed to all the shares issued in which Europac's share capital is divided as result of passing said resolutions in the 2018 Meeting. Europac has committed to DS Smith, as described in Section 11 of this announcement, that it will not take any steps to increase or decrease the number of issued shares prior to settlement of the Offer and will therefore not use the authorisation of any corporate resolutions passed at the 2018 Meeting to modify the Europac share capital (subject to fiduciary duties).

The terms of the Offer are the same for all of the targeted shares of Europac, including the Offer consideration of EUR 16.80 in cash in exchange for each of Europac's shares.

The aforementioned number of shares includes a total of 52,430,671 Europac shares, which represent 52.83% of the share capital of Europac, which are held, directly or indirectly, by certain Europac shareholders who have irrevocably undertaken to accept the Offer, as described in Section 11 of this announcement.

Europac has further committed, as described in Section 11 of this announcement, to procure that its Board accepts the Offer in respect of all 6,090,000 treasury shares (representing 6.14% of the share capital of Europac), subject to fiduciary duties and to further assessment of the Offer on the basis of the documentation to be prepared by DS Smith and to be approved by the CNMV, as well as taking into account any advice received from its legal or financial advisers. Such acceptance must be procured by the date on which the Europac board publishes its formal report on the Offer, providing that such report expresses a favourable opinion on the Offer, that there is no higher competing offer and that circumstances have not materially negatively changed by that date.

The Offer will be exclusively carried out on the Spanish market, which is the only market where Europac's shares are publicly listed. The Offer will be open to acceptance by all the shareholders of Europac, regardless of their nationality or place of residence.

This announcement and its content do not constitute the formulation or distribution of the Offer in any jurisdiction or territory other than Spain. Consequently, this announcement and the future Offer prospectus must not be published, distributed or delivered to any jurisdiction or territory in which the Offer could be considered illegal or where the filing of additional information may be required, and the persons receiving either this announcement or the future Offer prospectus may not publish, distribute or deliver them to said jurisdictions or territories.

Specifically, this announcement shall not be disclosed or distributed, nor shall this Offer be carried out, directly or indirectly, in the United States of America, or through the use of the postal system or any other interstate or international means of commerce or instruments, or through the mechanisms of the United States' stock exchanges, nor through any other method or means sent or distributed in or to the United States of America. This announcement is not a purchase bid nor does it constitute an offer to purchase or a bid or offer to sell or tender shares in the United States of America.

8. Offer price

The Offer is structured as a share purchase. The consideration offered by the Offering Company to the holders of the Target Company shares is EUR 16.80 in cash for each of Europac's shares. DS Smith has the necessary funds to cover the offered consideration. The consideration shall be made available fully in cash and will be secured by one or more bank guarantees and/or cash deposits in accordance with the provisions of Article 15 of Royal Decree 1066/2007. The Offer is not conditional upon the Offering Company obtaining any financing to pay the offer price.

The Offer price will not be adjusted by any dividend distribution or any other distribution declared payable or paid by Europac to its shareholders in the ordinary course and in line with Europac's current dividend policy. For these purposes, the Europac's current dividends policy (i) represents a pay out ratio of up to 50% of Europac's consolidated profit for the 2017 financial year, (ii) includes, if applicable, the interim dividend amounting to up to 15% of Europac's consolidated profit in line with the expected dividends policy for the 2018 financial year (50% of Europac's consolidated profit) which may be payable by 28 February 2019, and (iii) includes the dividend of EUR 38,981,473.50 proposed for the 2018 Meeting.

The consideration of the Offer, i.e. EUR 16.80 per share, does not consider the eventual increase of the share capital through the issuance of 3,969,513 new shares proposed for the 2018 Meeting. In the event that the share capital increase is executed, the consideration per share would require proportional adjustment. However, as described in Section 11 of this announcement, Europac has committed to DS Smith that it will not take any steps to increase or decrease the number of issued shares prior to settlement of the Offer and will therefore not use the authorisation of any corporate resolutions passed at the 2018 Meeting to modify the Europac share capital (subject to fiduciary duties).

In accordance with article 28 of Royal Decree 1066/2007, in the event Europac were to carry out any extraordinary dividend distribution or were it to remunerate its shareholders in any other way not in accordance with the current dividends policy described in the previous paragraph, before the completion of the Offer, the Offer price (EUR 16.80 for each share of the Target Company) shall be adjusted in accordance with the provisions of Article 33 of Royal Decree 1066/2007.

The consideration of the Offer, i.e. EUR 16.80 per share, shall not be adjusted as a result of the eventual approval by the 2018 Meeting of a share capital reduction for the cancellation of 1,984,756 shares as proposed to such meeting. Europac has committed to DS Smith, as described in Section 11 of this announcement, that it will not take any steps to increase or decrease the number of issued shares prior to settlement of the Offer and will therefore not use the authorisation of any corporate resolutions passed at the 2018 Meeting to modify the Europac share capital (subject to fiduciary duties).

Even though the Offer is a voluntary Offer, the Offering Company considers that the offered consideration qualifies as an equitable price for the purposes of the provisions of Article 9 of Royal Decree 1066/2007, given that (i) it is equal to the consideration agreed on by the Offering Company and certain Target Company shareholders in the acceptance undertakings described under Section 11, (ii) such consideration is the highest price paid for or agreed on by the Offering Company for these securities during the 12 months prior to the announcement of the Offer, (iii) no compensation additional to the agreed consideration exists, (iv) no payment deferral has been agreed and (v) none of the circumstances set out in Article 9 of Royal Decree 1066/2007 which may cause the modification of the equitable price have arisen. Notwithstanding the above, it is expressly stated that the treatment as "equitable price" for the offered consideration is subject to confirmation by the CNMV.

9. Offer conditions

In accordance with the provisions of Article 13 of Royal Decree 1066/2007, the Offer is subject to the following conditions:

(i) that shareholders of DS Smith in aggregate holding more than 50% of the ordinary shares of DS Smith approve the Offer at a General Meeting of DS Smith; and

(ii) that Europac Shares representing greater than 50% of Europac's entire share capital, i.e. 49,618,919 shares on the basis of the current share capital, are tendered in acceptance of the Offer.

The Offering Company may waive condition (ii) in the terms that will be detailed in the Offer prospectus.

Additionally, in accordance with Article 26 of Royal Decree 1066/2007, the Offer is conditional on obtaining the mandatory antitrust authorisations described in greater detail in the following Section 10.

10. Antitrust filings and authorisations required

The Offering Company considers that, in accordance with Council Regulation (EC) 139/2004, of 20 January 2004, on the control of concentrations between undertakings, the concentration arising from the Offer is subject to authorisation by the European Commission. In particular, the Offer is conditional upon:

(i) the EU Commission taking a decision (or being deemed to have taken a decision) that it authorises the concentration according to Articles 6(1)(b), 6(2), 8(1) or 8(2)of the EU Merger Regulation in relation to the Offer or any matter arising from it; and

(ii) if the EU Commission makes a referral under Article 9(1) of the EU Merger Regulation, to the competent authorities of one or more Member States which operate suspensory merger control regimes in relation to concentrations arising from the proposed Offer or any matter arising from it, it being established that each proposed concentration has been granted approval (or has been deemed to have been granted such approval) in each such Member State (provided that each such approval has an equivalent effect to the decision at (i) above).

The Offering Company, with cooperation from Europac, aims to start the procedure for authorisation from the European Commission as soon as practicable after announcement and in any event within a period which will allow for completion no later than Q4 2018.

In accordance with Article 26.1 of Royal Decree 1066/2007, in the event that before the expiration of the acceptance period of the Offer, the competent authority finds the transaction inadmissible, the Offering Company shall withdraw the Offer. If before the expiration of the acceptance period of the Offer, no express or tacit resolution has been issued, the Offering Company may withdraw the Offer. If remedies have been imposed, the Offering Company may not withdraw the Offer.

The Offering Company considers that there are no further obligation to obtain any other relevant authorisations, whether of an antitrust nature or to be granted by any other supervisory authority (except for the authorisation of the Offer by the CNMV).

11. Agreements related to the Offer

Agreements entered between DS Smith and certain shareholders of Europac

On 4 June 2018, DS Smith and certain shareholders of Europac, who are members of the Isidro family, entered into irrevocable undertakings, which are binding in all circumstances, regarding the sale and purchase of the direct and indirect interest of these shareholders in Europac, having agreed to sell their direct and indirect interests in the Offer (the "**Family Irrevocable Undertakings**").

The complete list of Family Irrevocable Undertakings signed and the shareholders who undertook the commitment to sell their direct and indirect shares in the Offer (the "**Family Shareholders**"), including the Executive Chairman (Mr. José Miguel Isidro Rincón), the Executive Vice Chairman (Mr. Enrique

Isidro Rincón) and two further Board members of Europac (Mr. Fernando Isidro Rincón and Aguasal, S.A.U., represented by Ms. María Amelia Ángela Isidro Rincón), is the following:

Shareholder	Number of Shares	% of Total
Jose Miguel Isidro Rincón	5,083,840	5.12%
Corporación Oudaloi, S.L.	629,513	0.63%
Enrique Isidro Rincón	3,804,360	3.83%
Manuel Isidro Martín	191,129	0.19%
Cristina Isidro Martín	191,129	0.19%
Fernando Isidro Rincón	3,137,289	3.16%
Ana Carmen Pinedo Calvo	17,246	0.02%
Equipamiento e Instalaciones Industriales, S.A.	499,106	0.50%
Diego Isidro Rincón	4,090,167	4.12%
Gonzalo Isidro Navarro	4,960	0.00%
Alejandra Isidro Navarro	4,960	0.00%
Mª de los Ángeles Isidro Rincón	3,955,956	3.99%
Pilar Isidro Rincón	3,910,315	3.94%
Beatriz Isidro Rincón	3,883,000	3.91%
Marta Isidro Rincón	3,762,286	3.79%
Fernando José Sánchez-Girón González	21,840	0.02%
María Amelia Ángela Isidro Rincón	3,079,873	3.10%
Aguasal, S.A.U.	208,551	0.21%
Manuel Isidro Rincón	3,231,073	3.26%
Total	**39,706,593**	**40.01%**

Also on 4 June 2018, DS Smith and certain other shareholders of Europac entered into irrevocable undertakings, which are binding even in the event of a higher competing offer for Europac being formally announced, regarding the sale and purchase of the direct and indirect interest of these shareholders in Europac, having agreed to sell their direct and indirect interests in the Offer (the "**Other Irrevocable Undertakings**" and, together with the Family Irrevocable Undertakings, the "**Acceptance Undertakings**").

The Other Irrevocable Undertakings are attached to this announcement as Schedule 2.

The complete list of Other Irrevocable Undertakings signed and the shareholders who undertook the commitment to sell their direct shares in the Offer (together with the Family Shareholders, the "**Selling Shareholders**") is the following:

Shareholder	Number of Shares	% of Total
Mr Ángel Fernández González. and Ms. Concepción Herrero Cuadrado	6,770,025	6.82%
Onchena, S.L.	5,954,053	6.00%

Certain terms and conditions of the Acceptance Undertakings to tender the shares are identical, and include the following:

(i) The commitment of the Selling Shareholders to accept the Offer will stand even if a higher competing offer is authorised by the CNMV.

(ii) DS Smith undertakes to launch the Offer in accordance with the terms included in this announcement and not to withdraw the Offer even if the relevant antitrust authorities impose remedies.

(iii) The Selling Shareholders undertake the irrevocable commitment to accept the Offer in connection with all of their direct and indirect interest in Europac.

(iv) The Selling Shareholders will exercise their corresponding voting rights with the purpose of promoting and allowing the implementation of the Offer.

(v) The Selling Shareholders undertake not to transfer, sell nor maintain conversations or negotiations for the transfer or sale of their direct or indirect stake in Europac. Likewise, the Selling Shareholders shall not negotiate other transactions which could compromise the viability and acceptance of the Offer.

As an exception to the above, it is expressly stated that Mr. Ángel Fernández González and Ms. Concepción Herrero Cuadrado have not undertaken the obligations referred in paragraphs (iv) and (v) above, having undertaken only the obligation to accept the Offer, even in the case that the CNMV were to authorise a competing offer.

Further terms of the Family Irrevocable Undertakings to tender the shares are identical between such Family Irrevocable Undertakings, and include the following:

(vi) Those Family Shareholders who are directors of the Target Company (a) shall, in connection with the report that shall be issued by the Board of Directors regarding the Offer, present the Offer in a favourable manner and vote in favour, and (b) shall exercise all their rights in connection with Europac to procure that Europac accepts the Offer with the treasury stock that Europac may own, not later than the date when the Board of Directors issues the corresponding report referred to in (a) above, and does not revoke the acceptance, all of the above in full compliance with fiduciary duties (in particular regarding any conflicts of interest to which they may be subject).

Agreements entered between DS Smith and Europac

On 4 June 2018, DS Smith and Europac entered into a break fee agreement (the "**Break Fee Agreement**") pursuant to which:

(i) DS Smith agrees to pay to Europac a fee of EUR 69.357 million, payable in the event that the shareholders do not approve the resolution at the General Shareholders Meeting of DS Smith, however, in no event shall such fee be payable where:

  (a) a competing proposal: (1) completes, becomes effective, or is declared or becomes unconditional in all respects; and (2) is supported or agreed to by the Europac Board by means of an Europac board resolution, decision or proposal, or reported on favourably in any report on the competing proposal that is produced by the Europac Board; or

  (b) a competing proposal announcement is made and after that competing proposal announcement DS Smith makes a formal announcement with the consent of the CNMV (to the extent such consent is required) that the Acquisition will not be made, or that the Acquisition will be withdrawn or not otherwise settled.

(ii) Europac agrees to pay to DS Smith a fee of EUR 15.649 million, payable in the event that a higher competing offer is authorised by the CNMV and completes.

The Break Fee Agreement contains customary provisions relating to conduct of business prior to completion, assistance with provision of information and satisfaction of the conditions of the Offer, including agreement by Europac not to modify the share capital of Europac in any way, including by increasing or decreasing the number of issued shares by way of bonus issue or cancellation of treasury stock (subject to fiduciary duties).

The Break Fee Agreement also includes the Europac obligation to tender all the shares that Europac may have as treasury stock not later than the date when its Board of Directors publishes its report on the Offer, and not to revoke such acceptance, all the above subject to fiduciary duties and to further assessment of the Offer on the basis of the offer prospectus, as well as taking into account any advice received from Europac's legal or financial advisers, and providing that (i) the report referred to above contains a favourable opinion of the Offer, (ii) there is no competing offer, and (iii) circumstances have not materially negatively changed.

The Break Fee Agreement has been executed by Mr. Enrique Isidro Rincón in the name and on behalf of Europac, further to the resolutions passed by the Board of Directors of Europac held on 30 May 2018, and by Mr. José Miguel Isidro Rincón, Mr. Enrique Isidro Rincón and Mr. Fernando Isidro Rincón in their capacity as shareholders.

Other agreements

DS Smith and Europac have entered into a non-disclosure agreement as is customary in this kind of transaction.

DS Smith has addressed a letter to Mr. José Miguel Isidro Rincón, Mr. Enrique Isidro Rincón and Mr. Fernando Isidro Rincón, in their capacity as executive directors of Europac, confirming them that their services agreements entered with Europac shall be terminated on the date of settlement of the Offer, which shall imply the obligation of Europac to pay the amounts deriving from such contracts for the settlement of their remunerations, compensation due to termination, compensation for the post-contractual non-compete obligation and the delivery of shares under the long term incentive plan of Europac.

Except for the agreements which are attached to this announcement, the non-disclosure agreement and the letter addressed to the executive directors which are summarised in the previous paragraphs, there is no other agreement in connection with the Offer nor with Europac between DS Smith, or its group companies, and Europac, its shareholders, members of its corporate, management or supervision bodies, nor has any advantage or benefit been agreed for the shareholders of Europac, its directors or its management.

12. Measures regarding listing

In the event that the requirements provided under Article 136 of the Securities Market Act and Article 47 of Royal Decree 1066/2007 are fulfilled, the Offering Company intends to exercise the squeeze-out right.

The execution of the transaction of forced sale resulting from the exercise of the aforementioned right will give rise to, in accordance with articles 47 and 48 of Royal Decree 1066/2007 and the related regulations, the exclusion of the shares of Europac from the stock markets of Madrid and Barcelona. Said exclusion will be effective from the date on which the transaction of forced sale is settled.

In the event that the forced sale thresholds are not met, DS Smith intends to promote the exclusion of the shares of Europac from the stock markets of Madrid and Barcelona, by benefitting from the delisting offer exemption foreseen in Article 11.d) of Royal Decree 1066/2007, and for such purposes it will provide a valuation report executed by an independent expert to justify the consideration offered in this Offer in accordance with Article 10 of Royal Decree 1066/2007.

13. Other Information

DS Smith considers that there is no information, which would be necessary for a proper understanding of the announced Offer, other than the information contained in this announcement and in the press release and the investor presentation which have been prepared in connection with the Offer and which are attached as Schedule 4 and 5.

London, 4 June 2018

DS Smith plc

Miles Roberts
Group Chief Executive

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In accordance with Section 30.6 of Royal Decree 1362/2007 of October 19, from the date of this announcement, those shareholders of Papeles y Cartones de Europa, S.A. that acquire securities carrying voting rights must notify said acquisition to the CNMV if the percentage of voting rights held by them reaches or exceeds 1%. Likewise, shareholders already holding 3% of the voting rights will be required to notify any transaction that involves a change in such holding.

In accordance with paragraph 2.b) of the fifth rule of Circular 1/2017 of April 26 of the CNMV, from the date of this announcement onwards if the Target Company has entered into a market making agreement, it shall be suspended.

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This announcement will be published for the purposes of Article 16 of Royal Decree 1066/2007, of 27 July, on the rules for public tender offers for securities. The effectiveness of the offer described in this document is subject to the corresponding authorisation by the National Securities Market Commission. The detailed terms and characteristics of the offer will be included in the offer prospectus that will be published in accordance with the terms provided in the applicable rules after obtaining the authorisation.