DS Smith Plc

11 October 2012

DS SMITH PLC STATEMENT - SCA PACKAGING INTEGRATION

DS Smith Plc ("DS Smith" or "the Group"), the leading supplier of recycled packaging for consumer goods, will today hold a presentation to update investors on the progress being made on the integration of SCA Packaging, following its acquisition on 30 June 2012.

On 17 January this year, DS Smith announced its intention to acquire SCA Packaging. The strategic rationale was:-

- to build a group with pan-European coverage, built up from the complementary footprints of the two businesses;
- to serve customers who want a pan-European supplier, as well as to access new customers;
- to enhance DS Smith's offering through improved innovation and capability;
- to drive benefits from DS Smith's operational structure;
- to realise significant cost, working capital and capital expenditure savings; and
- to deliver a return on investment above the weighted average cost of capital and substantial EPS enhancement in the first full year of ownership.

We are pleased to report that the integration is proceeding well, with good progress across all areas. This is built on very positive engagement by all our teams. In the presentation today, the following information will be included.

Synergy update

Over the first 100 days of ownership of SCA Packaging, we have undertaken a detailed analysis of synergies and engaged the management team. We have started to implement our synergy plans and are pleased to report that the opportunities are greater than first anticipated

Cost synergies, previously expected to reach €75 million per annum in year three following completion of the acquisition, are now expected to reach €100 million per annum in year three. €25 million per annum is expected to be delivered in the financial year 2012/13, as previously indicated. The remainder will be phased evenly over the following two years.

Cash synergies, previously expected to be €40 million over three years following completion of the acquisition, are now expected to be €130 million, which breaks down into €100 million of working capital savings and €30 million of capital expenditure efficiency. €60 million is expected to be realised by April 2012/13 (previously €13 million). The Group's capital expenditure in the year 2012/13 is now expected to be £150 million (previously £160 million). We also expect €100 million in proceeds from disposal of surplus property and non-core businesses.

The cost to achieve these synergies in total is expected to be €90 million (previously estimated at €80m), and the management teams are fully in place to deliver the revised targets.

The impact of the revised cost and cash synergies is that we now anticipate reducing our net debt / EBITDA ratio to the target level of 2.0x or lower by 30 April 2013, a year earlier than previously indicated.

Other updates

The review of the enlarged business included an analysis of all its commercial activities and we will selectively exit some categories of business where we believe such activity will not deliver attractive returns to shareholders. These categories amount to less than 4% of Group revenue and contribute minimal profitability. In paper we will align capacity to the needs of our packaging business to limit our exposure to this more volatile business.

The group interest charge is expected to be 4.4% (in January 2012 guided to be 4.6%), reflecting the benefit of refinancing undertaken this summer.

The group tax rate for 2012/13 is expected to be 24% (previously 27.6%), reflecting the better visibility we have of the tax rates and profits of the regions in which the enlarged Group operates.

The Group will be providing segmental reporting based on its geographic regions, as it has done in the past, reflecting the way in which our businesses are managed, aligned with our customers. The number of geographic groupings has increased, with the expanded business having c. 60% of its revenues denominated in euros. Details are in the appendix of this statement, including a re-statement of the DS Smith Plc revenue and operating profit for the full year and half year 2011/12 by the revised segments.

Miles Roberts, Group Chief Executive, said

"Six months ago DS Smith and SCA Packaging were already two strong packaging businesses, neither of which could reach its full potential on its own. The improved synergies that we have been able to announce today show how the new enlarged group is not just bigger, but far stronger. Our customers and our employees have responded enthusiastically to the opportunities opened up by the new scale of our business and the scope for further improvement.

"We are firmly on the right path. With a truly pan-European footprint, and a management team that combines the best of both businesses, we are well placed to drive growth in the FMCG sector in what remains a challenging economic environment. At the same time we will continue to perform for our shareholders through delivering the greater synergies we have identified, and further improving our business mix. As a consequence, we expect to deliver a return on this investment above our cost of capital in this financial year, together with substantial earnings enhancement."

Enquiries

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Presentation

A presentation to investors and analysts will be held at 10:30a.m.today at Holborn Bars 138-142 Holborn, London EC1N 2HG.

The slides accompanying the presentation will be available on our website shortly before the start. A dial-in for the presentation is available, with details as follows:

UK / International	+44 (0) 20 3003 2666
Password	DS Smith

A play-back facility of this call will be available until 18 October 2012. The dial-in number is: +44 (0) 20 8196 1998, access pin 1154020. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.uk.com

Forthcoming dates

Pre-close statement	6 November 2012
Results for the half year to 31 October 2012	6 December 2012

Appendix

Revised segmental reporting structure

Reporting division	**Constituent businesses**
UK	UK
Western Europe	France, Belgium, Netherlands, Spain
Northern Europe	Denmark, Sweden, Finland, Norway
Central Europe	Germany, Austria, Switzerland
Eastern Europe and Italy	Poland, Czech Republic, Romania, Hungary, Slovakia, the Baltics, Italy
Plastics	Global liquid packaging and dispensing, and returnable transit packaging plastics businesses

Re-stated revenue break-down

Reporting division	**HY to 31 October 2011 (£m)**	**FY to 30 April 2012 (£m)**
UK	514.4	960.2
Western Europe	296.3	569.4
Northern Europe	-	-
Central Europe	3.4	7.3
Eastern Europe and Italy	86.5	167.2
Plastics	133.9	265.3
Total	**1,034.5**	**1,969.4**

c. 60% of revenues of the enlarged business are denominated in euros.

Re-stated EBITA break-down

Reporting division	**HY to 31 October 2011 (£m)**	**FY to 30 April 2012 (£m)**
UK	39.9	64.4
Western Europe	19.2	38.9
Northern Europe	-	-
Central Europe	0.2	0.3
Eastern Europe and Italy	8.6	16.4
Plastics	10.4	22.0
Total	**78.3**	**142.0**