

DS Smith Plc – AGM trading statement

DS Smith Plc, the leading supplier of recycled packaging for consumer goods, today issues a trading update in respect of the period since 1 May 2015. DS Smith will hold its Annual General Meeting at 12 noon today.

Trading update

The business has made good progress since the start of the year and performance has been in line with our expectations. Volume growth remains good and reflects the continued customer support for our unique products and service proposition on a pan-European basis.

Our return on sales and return on average capital employed have both shown further improvement versus the comparable prior year period, reflecting the ongoing benefits from our scale which gives us the opportunity to gain share and lead the market in quality and innovation while remaining competitive on price.

Strengthening our business

We continue to actively manage our asset portfolio to enhance the quality of our business and our geographic footprint. On 31 May 2015, we completed the acquisition of Duropack, a recycled corrugated packaging business with market-leading positions across south eastern Europe, for €305 million. We are very pleased with the reaction from employees and from customers, with a limited impact on volumes from customer overlap. The integration work to date has progressed well and we now expect cost synergies of €15 million per annum and cash synergies of €18 million to be delivered within three years of ownership, compared to the original estimates of €12 million and €13 million respectively.

On 31 July 2015 we completed the acquisition of the corrugated activities of Grupo Lantero for approximately €190 million. The business is a well-invested Iberian corrugated producer with a strong focus in the FMCG sector and the acquisition significantly strengthens our operations in Spain, an important and growing market for corrugated packaging, increasing our market share to approximately 10%. Integration is progressing well and we are pleased with the initial response.

On 18 May 2015, the Group completed the sale of StePac, a specialist modified atmosphere packaging business based in Israel, for \$31 million.

On 26 August 2015, we announced to employees the proposed closure of Wansbrough Mill and the commencement of employee representative consultation.

Outlook

Our outlook remains positive as volumes and financial returns continue to grow, despite ongoing challenging market conditions. The Board expects continued performance in line with our medium term financial targets and views the remainder of the year with confidence.

Miles Roberts, Group Chief Executive, said:

“We are pleased with our start to the year as we continue to grow organically and actively manage our business portfolio. Packaging has ever increasing relevance in a dynamic retail and consumer environment and our progress with customers is evidenced by continued volume growth, together with increased margins and returns, from our compelling offering and enhanced geographic footprint. We have a clear vision of further growing DS Smith both in geographic scale and quality of service and our most recent acquisitions, together with the customer and market opportunities for growth, give us confidence for the future.”

Conference Call

A conference call for analysts and investors, hosted by Miles Roberts, will take place today, 8 September 2015 at 8.00am London time. The dial-in number is:

UK / International	+44 (0)20 3003 2666
UK Toll Free	0808 109 0700
Password	DS Smith

A play-back facility of this call will be available until 15 September 2015. The dial-in number is: +44 (0)20 8196 1998, access pin 3068567#. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.com/investors.

Forthcoming Dates

Results for the half year to 31 October 2015	3 December 2015
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Notes

- *Return on sales*: earnings before interest, tax, amortisation and exceptional items as a percentage of revenue.
- *Return on average capital employed (ROACE)*: earnings before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale.
- For information on foreign exchange exposure please reference page 15 of our results statement of 25 June 2015, available on www.dssmith.com/investors

Cautionary statement

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