DS Smith Plc

Proposed acquisition of SCA Packaging

17 January 2012

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Proposed acquisition of SCA Packaging – Summary

- Proposed acquisition of SCA's packaging division, excluding kraftliner mills ("SCA Packaging")
  - Non-core, well invested asset of SCA [(1)]
  - Revenue of €2.5bn to December 2010
- Fully in line with existing strategy
  - Long recycling, Long packaging and Short paper
  - Highly complementary geographic fit, focused on Northern and Central Europe
- Net consideration of c.€1.6bn in cash (c.£1.3bn[(2)]) after adjusting for pension
  - c.6.0x LTM EBITDA[(3)]
  - Other customary post closing adjustments expected
- Gross consideration €1.7bn
  - Cash and debt free basis
- Creating value: Expected return on investment above cost of capital and substantial enhancement to DS Smith's EPS[(4)] in first full financial year of ownership
  - Further improvement in 2nd and 3rd financial years
  - Cost synergies of at least €75m, one off working capital and capex benefit of at least €40m and one off costs of €80m by the end of third full financial year
- Proposed financing of the Acquisition with debt (£920m) and Rights Issue (£466m)
  - Week long premarketing process with strong support from shareholders, including Standard Life 14.6% holder
- Leverage on Completion expected to be moderately above medium term target of 2.0x net debt/EBITDA, reducing to the targeted level by the end of the first full financial year after Completion

An opportunity to create exceptional value for shareholders

(1) Svenska Cellulosa Aktiebolaget (publ) ("SCA")
(2) Based on an exchange rate of 1.2102 EUR/GBP as of 16 January 2012
(3) Pro Forma LTM to September 2011 including associates

(4) Earnings per share before goodwill, amortisation, exceptional items and one-off costs associated with the integration of SCA Packaging. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of DS Smith will necessarily be greater than the historic published figure

Accelerating our successful strategy

DS Smith is achieving its key strategic objectives

- Consistent GDP+ growth ✓
- Reducing cyclicality ✓
- Improving margins ✓
- Improving return on invested capital ✓

Delivered strong financial performance

- EPS + 44%, DPS + 40% HY2012 vs. HY2011 ✓
- Delivering on strategic financial targets ✓
- Delivering on Otor targets ✓

Business development supporting strategy

- Otor acquisition and successful integration—14.8% ROIC ✓
- Spicers disposal – 6.9x EV/EBITDA ✓
- Exit of 2 paper mills on track ✓
- Creation of group wide support functions ✓
- Strong experienced Board and integration team ✓

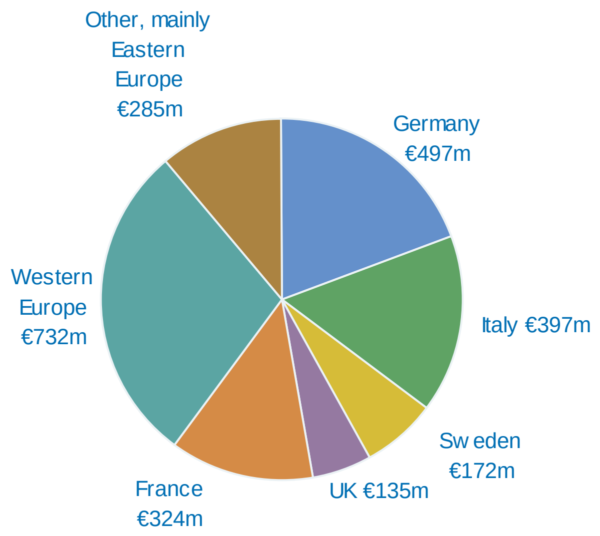
The right time for DS Smith

Information on SCA Packaging

SCA Packaging is a well invested packaging business

- SCA Packaging is a well invested and attractive packaging business
  - Transaction excludes kraftliner mills
- Full service supplier of packaging solutions with three product lines
  - Recycling – c.3.6million tonnes of recycled fibre
  - Corrugated and packaging – c.1.8million tonnes of corrugated
  - Containerboard – c.1.4million tonnes of CCM (testliner and fluting)
- Revenue of €2,542m to December 2010
- c.50% of box sales to FMCG customers
- Focus on innovation and design
  - 15 design centres with over 250 designers
  - Innovation centre in Brussels
- Experienced management team

Revenue by location(1)



(1) According to the historical information for the year to 31 December 2010

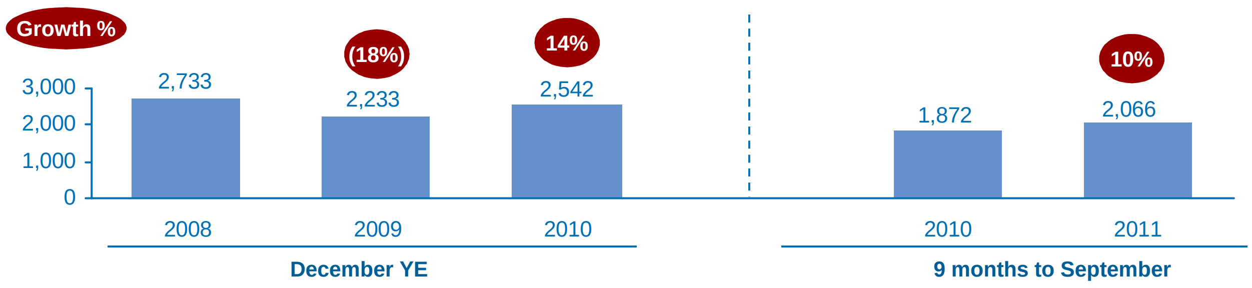
Second largest producer of packaging in Europe

Recycling	■ Recycling operations across Europe with 16 centres ■ c.3.6m tonnes of recycled fibre sold p.a. ■ Includes sorting and collection as well as trading
Recycled Corrugated Packaging	■ Second largest packaging company in Europe with a market share of c.8.1%[(1)], c.1.8 million tonnes sales volumes p.a. ■ Good market positions and broad geographic spread – 109 corrugated manufacturing locations across 20 countries ■ Broad range of packaging products – c.50% of box sales to FMCG customers
Containerboard	■ 4 CCM mills – production of c.1.4m tonnes p.a. ■ High degree of integration with net short paper position

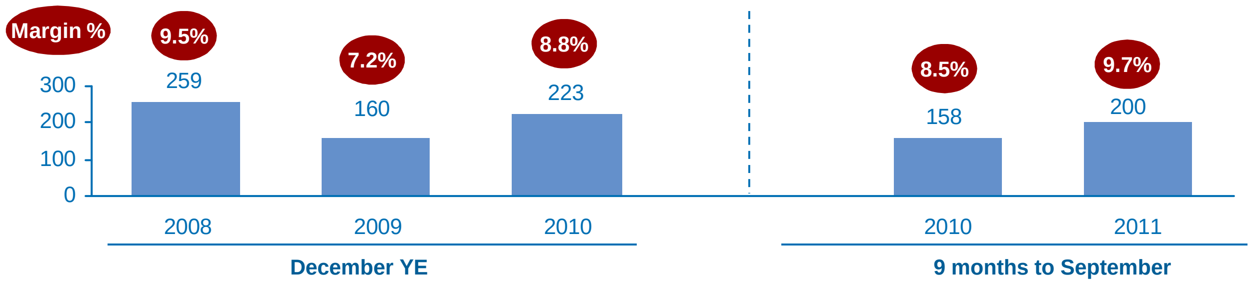
(1) FEFCO 2010, excluding Turkey

SCA Packaging: Historical financial information

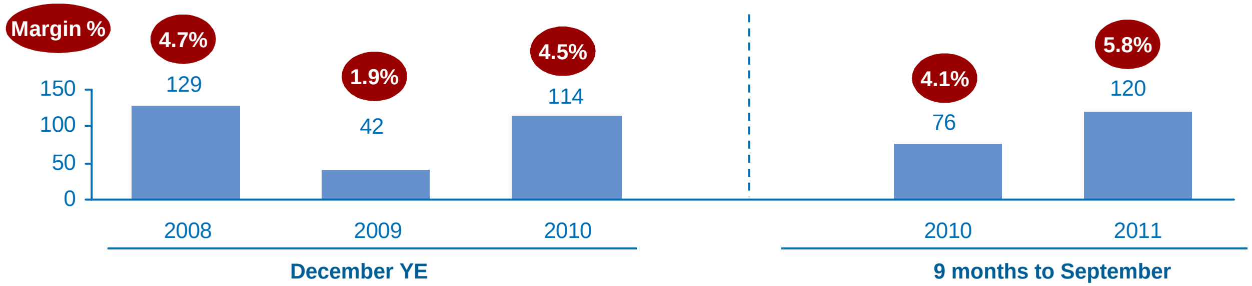
Group Revenue (€m)



Group EBITDA (€m) (1)



Group EBITA (€m) (1)



- 2010 and 2011 improving performance driven by:
  - Higher prices
  - Higher volumes
  - Margins still below DS Smith's and the industry average
- 2009 performance impacted by:
  - Excess personnel levels – 2,100 reductions subsequently
  - Loss making plants – Exited16 corrugated plants and UK paper mill
  - Subsequent c.€100m restructuring spend with c.€100m benefit
- Enhanced by restructurings in recent past
- Enhanced control over pricing

(1) Before exceptional items including associates

Strategic rationale

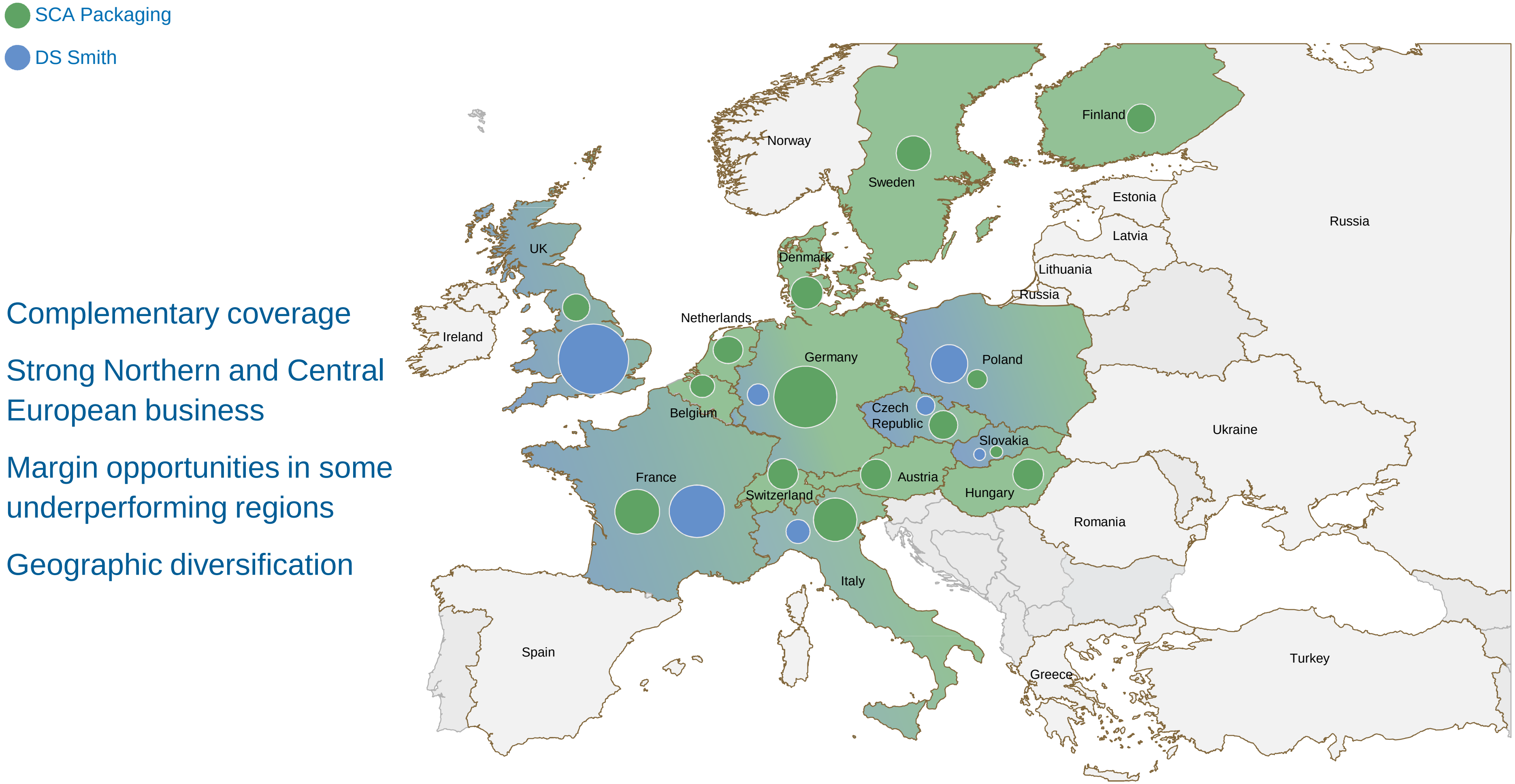
Compelling strategic benefits

1. Complementary geographical coverage: access to new markets to supply existing key FMCG customers
2. Strong customer “pull” into new markets and access to new customers
3. Enhanced customer offering through improved innovation and capability
4. Drive benefits from the DS Smith’s proven operational structure
5. Significant cost, working capital and capital expenditure synergies
6. Expected return on investment above weighted average cost of capital and substantial enhancement to DS Smith’s EPS(1) in first full financial year of ownership with further improvement in the 2nd and 3rd full financial years following Completion

Creating a leading supplier of recycled packaging across Europe

(1) Earnings per share before goodwill, amortisation, exceptional items and one-off costs associated with the integration of SCA Packaging. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of DS Smith will necessarily be greater than the historic published figure

Complementary strengths



- Complementary coverage
- Strong Northern and Central European business
- Margin opportunities in some underperforming regions
- Geographic diversification

Broader geographic reach across continental Europe better matching location and scale of key customers

Note: Bubbles represent size of revenues from the respective countries; Spain, Turkey, Ukraine and Russia limited to JVs; Countries shaded represent countries with substantial revenue all other named countries represent locations with limited operations
Source: SCA Packaging December 2010 revenues and DS Smith April 2011 revenues

Our customers have requested this

- Develop broader relationships with existing customers
  - Access the FMCG client base of the new business with our expertise and products (RRP)
  - Supply existing key customers across more geographies (such as Germany, Switzerland) and products (such as display)
  - Strong "pull" evidenced from extensive feedback and surveys
  - Expand existing pan-European customer management

- Growth from combining substantial innovation capability to create a leader in a fragmented market
  - SCA Packaging shares DS Smith's strong emphasis on design and innovation
  - Huge customer "pull" for industry leadership
  - Technological improvements

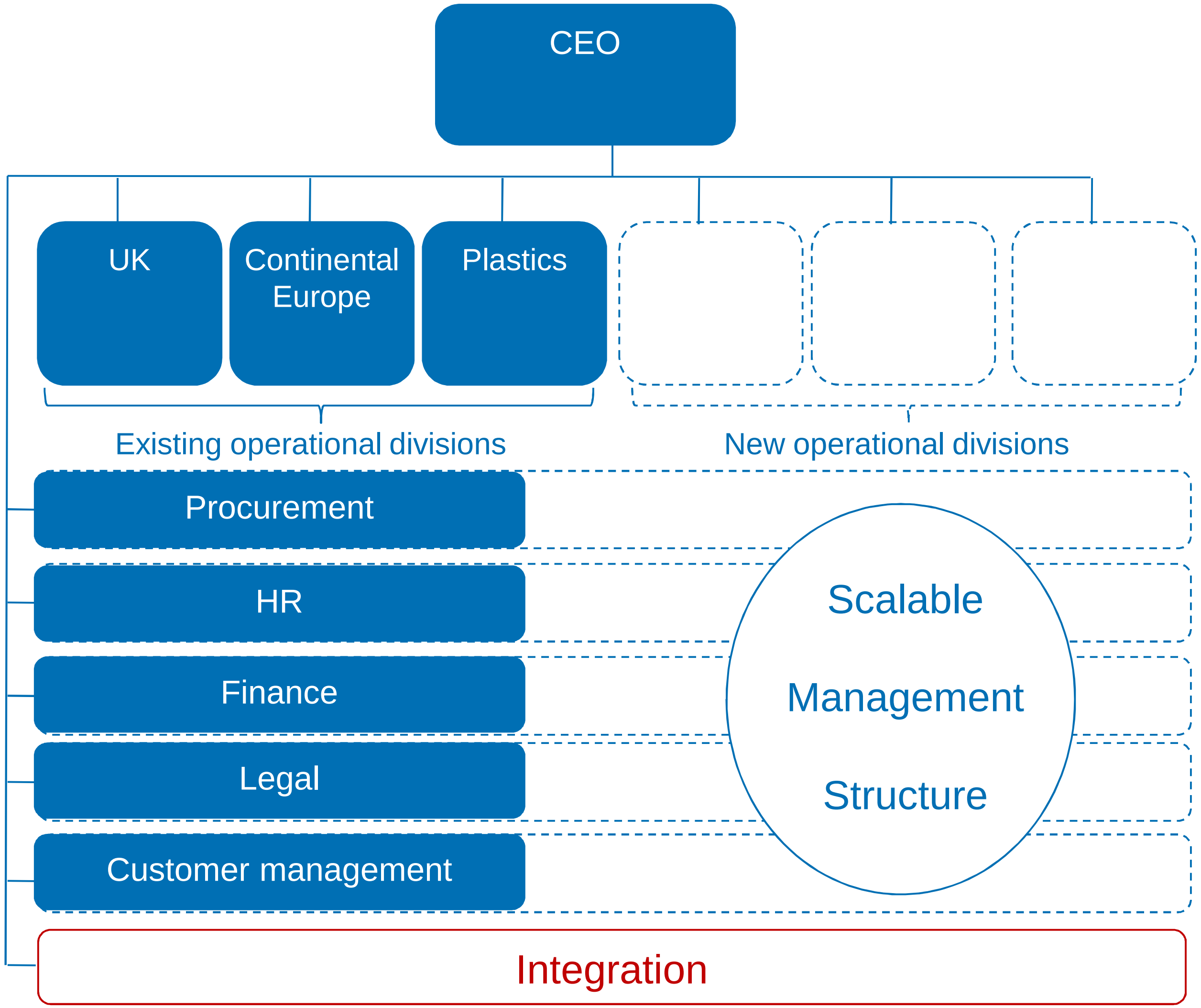
kraft foods
Reckitt Benckiser
DANONE
Unilever
Barilla
Procter&Gamble
Nestlé

Enhanced customer offering

Enhanced geographical footprint and customer offering to service existing pan-European customers

Drive benefits from our proven operational structure

- DS Smith's operational structure is fully scalable
  - Continually delivering benefits
  - Strengthened key commercial and operational functions
  - Clear framework to drive efficiency
  - Otor shows the substantial benefits that accrue from this structure
- Enlarged Group operations will be enhanced by SCA Packaging personnel
  - SCA Packaging team has strength in depth



Significant cost, working capital and capital expenditure synergies

- DS Smith is expecting to deliver by the end of the third full financial year following Completion:
  - Cost synergies at an annual run-rate of at least €75 million
  - Cumulative capital expenditure and working capital benefits of at least €40 million
  - Expected one-off costs to implement the integration and deliver the synergies are estimated at €80 million
- The source of synergies includes:
  - Procurement efficiencies
  - Operational improvements
  - Capital expenditure and working capital improvements

Substantial value creation

- Expectation for the transaction in the first full financial year following Completion:
  - ROACE will exceed WACC
  - Substantially enhance DS Smith's EPS[(1)]
  - Further improvement in 2nd and 3rd financial years
- Prudent financing structure
  - Funding from Rights Issue and existing and new debt facilities
- Leverage on Completion expected to be moderately above medium term target of 2.0x net debt/EBITDA, reducing to the targeted level by the end of the first full financial year after Completion

(1) Earnings per share before goodwill, amortisation, exceptional items and one-off costs associated with the integration of SCA Packaging. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of DS Smith will necessarily be greater than the historic published figure

Delivery against our stated financial objectives

Metric	DS Smith medium term target	Execution
Volume growth	GDP + 1%	■ New markets and customers ■ Developing existing customer relationships
EBITA margin	7%–9%	■ Supported by expected pre-tax cost synergies of at least €75m (£62m)[3] (run-rate)
ROACE	12%–15%	■ Historic LTM multiple paid of 6.0x[4] EBITDA ■ First full financial year greater than WACC
Operating cash flow[1]/ operating profit	>120%	■ Good underlying cash generation ■ Opportunities for further capital efficiencies, working capital and capital expenditure synergies of at least €40m
Net debt / EBITDA	<2.0x	■ Initially moderately above target ■ Reduce to the targeted level by the end of the first full financial year of ownership

Expected return on investment above cost of capital and substantial enhancement to DS Smith's EPS[2] in first full year of ownership

(1) Before growth capital expenditure
(2) Earnings per share before goodwill, amortisation, exceptional items and one-off costs associated with the integration of SCA Packaging. This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of DS Smith will necessarily be greater than the historic published figure
(3) Base on an exchange rate of 1.2102 EUR/GBP on 16 January 2012
(4) Pro Forma LTM to September 2011 including associates

Integration

Integration plan - management structure

Group Steering team (Incl. Integration Director)

Integration Management Office

Merger Management

Business Integration
- Recycling
- Paper
- Packaging

Functional Integration
- Finance
- HR
- Legal
- Procurement
- Rebranding

Value Capture

Synergy delivery:
- Procurement
- Operations
- Tax
- Working Capital
- Capital expenditure

Integration support

Organisational Design

Communications

Information Technology

Integration plan - First 100 days

30 Days

- Implement business and functional organisation structure
- Integration Office
- Operational divisions
- Management roles
- Objectives including synergy delivery
- Reporting and Control
- Communication to staff and customers

60 Days

- Customer management + actions plans
- Synergy work streams and plans in place
- Local business plans in development
- First update of synergies including procurement, operations and working capital
- First reporting

90 Days

- Update acquisition business plan with local plans
- Review synergy opportunities

100 Days

- Update shareholders

Financing

Acquisition structure

- Acquisition of SCA Packaging is conditional, *inter alia*, upon
  - DS Smith shareholder approval
  - Antitrust clearances
- Two legs to the Acquisition structure
  - Gross acquisition price of €1.7bn, after pension price adjustment the net price is c.€1.6bn
  - Non French Business to be acquired under Acquisition Agreement for gross price of €1.6bn
  - French Business (c.6% of assets) to be acquired under the Offer Letter and French Acquisition Agreement for a gross price of €100m
    - Agreement would only be binding upon SCA's acceptance following the French Works Councils consultations
    - Similar structure to that used to acquire Otor and for the Spicers disposal
- Transaction is expected to complete in second quarter of calendar 2012

Acquisition prudently financed

Description

Sources	£m	Uses	£m
Drawdown on existing £610m RCF due Sept 2016*	342	Purchase price	1,336
New Term Loans**: €300m Jan 2015 & €400m Jun 2016	578	Transaction costs	50
Rights issue	466		
Total sources	**1,386**	**Total uses**	**1,386**

* Currently undrawn, leaving headroom of c. £268m

** Provided by existing relationship banks RBS, HSBC, J.P.Morgan and Lloyds, on "borrower-friendly" documentation based on recent £610m RCF – strong support from relationship banks – financing was over-subscribed

Conservative financing structure

- All new facilities already signed and committed
- No imminent maturities on new debt
- Prudent headroom of undrawn committed facilities
- Prudent headroom against financial covenants*
- Highly cost competitive – average cost of debt 4.6%
- Intention to refinance Term Loans in the debt capital markets in due course, but no time-pressure to do so
- FX exposure of acquisition hedged efficiently
- Interest rate hedges to be used to lock into current low rates

* 3.25x Net Debt/EBITDA and 4.5x EBITDA/Net Interest

Appropriate capital structure

- Board's capital structure target is <2.0x Net Debt/EBITDA
- Important message for shareholders, banks and private placement holders
- By the end of the first full financial year after Completion, with synergies and trading performance, leverage reducing to the targeted 2.0x level
- Thereafter, Board will balance further deleveraging with the ability to grow returns to shareholders

Financial impact of the transaction and current trading

- Expected weighted cost of interest 2012/13 of 4.6%[(1)]
- Assumed weighted average tax rate of 27.6%
- Average working capital as a percentage of sales: DS Smith 5.6%, SCA Packaging c.10% excluding impact of synergies
- Expected annual combined capex of £160m per annum excluding impact of synergies
- Maintain dividend policy of 2.0-2.5x cover on average over the cycle

- DS Smith trading update: *"In the period since 1 November 2011, performance has been good, with volume growth for the year to date remaining in DS Smith's stated "GDP +1%" range, at around 3 per cent. This has been driven by a particularly strong performance across the continental European business, where DS Smith continues to gain market share due to the packaging solutions tailored to its FMCG customers. DS Smith remains focused on growing margins and the plastics business also continues to perform well."*
- SCA Packaging trading update: *"In the period since 30 September 2011, SCA Packaging has seen broadly the same market conditions as the first nine months of the year. Corrugated board prices have stabilised in the fourth quarter and volumes have remained subdued in some markets in light of the macroeconomic situation. SCA Packaging continues to make progress with slightly lower raw material costs and cost savings."*

(1) Based on current outstanding debt facilities and Acquisition-related facilities

Equity offering summary

Rights Issue Summary	
Proposed funds to be raised	c.£466m
Rights issue terms	9 for 8
Closing Price at close 16 January 2012	203.6p
Issue price	95.0p
8 Current shares @ 203.6p:	1,629p
9 New shares @ 95.0p:	855p
17 Total shares:	2,484p
Theoretical ex rights price (TERP)	146.1p
Theoretical nil paid price (TNPP)	51.1p
Expected discount to TERP	c.35.0%

Expected timetable	
Record date for Rights Issue	C.O.B.1st February 2012
DS Smith GM:	3rd February 2012
Nil paid dealings expected to commence	8:00am 6th February 2012
Deadline for acceptance of Rights Issue	11:00am 21st February 2012
Expected date of Completion of acquisition	Q2 2012

Equity offering – EPS, dividends, number of shares

April 2011 EPS[1]	
A: Reported continuing EPS	14.5p[2]
B: Share price at 16 January 2012	203.6p
C: TERP	146.1p
D: Indicative bonus factor[1] (D=C/B)	0.72
Indicative bonus adjusted historic adjusted continuing EPS (DxA)	10.4p
Indicative bonus adjusted historic adjusted DPS[3]	4.7p

Illustrative mid year rights issue EPS [1]	
E: Expected number of shares from 1 May 2011 to 21 February 2012 (E)	431m
F: Expected number of shares from 21 February 2012 to 30 April 2012	922m
G: Expected number of shares from 1 May 2011 to 21 February 2012 restated for the bonus factor (G=E/D)	601m
H: Expected weighted average number of shares for the year to 30 April 2012 adjusted for the bonus factor $\left(H = \frac{F \times 10}{52} + \frac{G \times 42}{52}\right)$	662m
I: Illustrative Net Income 2012	£100m[4]
J: Illustrative bonus adjusted 2012 EPS	£100m[4]/662m

(1) The actual bonus factor will be calculated as at close on 3 February 2012, being the last trading day before the shares go ex-rights. Historic EPS/ DPS restated for bonus element (IAS 33)
(2) Based on historic continuing operations EPS of 14.5p for the year to April 2011
(3) Based on historic DPS of 6.5p for the year to April 2011
(4) £100m has been selected for illustrative purposes only

Accelerating strategy, delivering value

- SCA Packaging is a strong, well invested, diverse and attractive packaging business
- This transaction is a step change to being a leading pan-European recycled packaging business
  - Complementary geographical coverage: access to new markets to supply existing key FMCG customers
  - Develop broader relationships and win new customers
  - Enhanced customer offering through improved innovation
  - Drive benefits from the DS Smith's proven operational structure
- Compelling financial rationale
  - Substantial synergies expected and delivery of DS Smith's stated financial objectives
  - Expected return on investment above cost of capital and substantial enhancement to DS Smith's EPS(1) in first full financial year, with further improvement expected in 2nd and 3rd full financial years following Completion
  - Leverage on Completion expected to be moderately above medium term target of 2.0x net debt/EBITDA, reducing to the targeted level by the end of the first full financial year after Completion

Opportunity to create exceptional value for shareholders

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Questions Please

Appendix

Pro Forma adjusted EBITDA

DS Smith Adjusted EBITDA for 12 months ended 31 October 2011[1)]	£m
EBITDA for 6 months ended 31 October 2011	111.8
EBITDA for 12 months ended 30 April 2011	178.0
EBITDA for 6 months ended 31 October 2010	86.5
EBITDA for 12 months ended 31 October 2011	**203.3**

SCA Packaging Adjusted EBITDA for 12 months ended 30 September 2011[(1)]	€m
EBITDA for 9 months ended 30 September 2011	199.5
EBITDA for 12 months ended 31 December 2010	223.3
EBITDA for 9 months ended 30 September 2010	158.2
EBITDA for 12 months ended 30 September 2011	**264.6**

SCA Packaging Adjusted EBITDA for 12 months ended 30 September 2011	£m
EBITDA for 9 months ended 30 September 2011[(2)]	173.8
EBITDA for 12 months ended 31 December 2010[(3)]	191.2
EBITDA for 9 months ended 30 September 2010[(4)]	137.0
EBITDA for 12 months ended 30 September 2011	**228.0**

	£m
DS Smith pro forma adjusted EBITDA for the 12 months	**431.3**

Note: All figures calculated on historical financial information; (1) Before exceptional items and including associates
(2) Based on an exchange rate of 1.1480:1 €:£ for the 9 months ended 30 September 2011
(3) Based on an exchange rate of 1.1677:1 €:£ for the 12 months ended 31 December 2010
(4) Based on an exchange rate of 1.1548:1 €:£ for the 9 months ended 30 September 2010

Bonus adjustments

The effects of the rights issue

- Deep discount rights issue is treated as a bonus issue of shares and an issue of fully paid up shares
- The bonus factor is used to reflect the bonus element of the issue (IAS 33)
- The historic EPS and DPS are rebased to reflect the bonus element
- Note that after rebasing the historic dividend, the theoretical dividend yield is maintained on the new shareholding

Rights Issue Summary

Bonus Element

TERP:	146.1p
Share price at close 16 January 2012 :	203.6p
= Indicative bonus factor(1)	0.72

EPS Restatement

Reported continuing EPS 2010/11	14.5p(2)
Indicative bonus factor	0.72
Indicative bonus adjusted historic adjusted continuing EPS (DxA)(2)	10.4p

Dividend Restatement

Reported continuing DPS 2010/11	6.5p(3)
Indicative bonus factor	0.72
Indicative bonus adjusted historic adjusted DPS(3)	4.7p

(1) The actual bonus factor will be calculated as at close on 3 February 2012, being the last trading day before the shares go ex-rights. Historic EPS/ DPS restated for bonus element (IAS 33)
(2) Based on historic continuing operations EPS of 14.5p for the year to April 2011
(3) Based on historic DPS of 6.5p for the year to April 2011