THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (FSMA) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

Subject to the restrictions set out below, if you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 6 February 2012 (the **ex-rights date**), please send this document together with the accompanying Form of Proxy and any Provisional Allotment Letter (duly renounced), if and when received, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. None of these documents should, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to (subject to certain exceptions) the United States and any of the Excluded Territories. If you sell or transfer or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the ex-rights date, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications in Part IV (*Terms and Conditions of the Rights Issue*) of this document and in the Provisional Allotment Letter. If you sell or transfer or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by Euroclear, which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

This document, which comprises: (i) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus relating to the Ordinary Shares prepared in accordance with the Prospectus Rules of the Financial Services Authority (**FSA**) made under section 73A of FSMA, has been approved by the FSA in accordance with section 87A of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made for the New Ordinary Shares to be admitted to the premium segment of the Official List of the UKLA and to be admitted to trading on the London Stock Exchange's main market for listed securities (together, **Admission**). It is expected that Admission will become effective, and that dealings on the London Stock Exchange in the New Ordinary Shares (nil paid) will commence at 8.00 a.m. on 6 February 2012.

Because the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the Official List of the UKLA of all of the Ordinary Shares then in issue will be cancelled, and application will be made for the immediate readmission of those Ordinary Shares to the premium segment of the Official List of the UKLA and to trading on the London Stock Exchange's main market for listed securities (together, **Re-admission**).

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares through CREST or otherwise, into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, the documents should not be distributed, forwarded to or transmitted in or into the United States or any Excluded Territories.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document. No action has been taken by the Company, the Sponsor or the Underwriters that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out in Part I *(Letter from the Chairman)* of this document and which contains a recommendation from your Board that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The section of this document entitled "Risk Factors" includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.

DS Smith Plc

(incorporated and registered in England and Wales with registered number 1377658)

Proposed Acquisition of SCA Packaging

Proposed 9 for 8 Rights Issue of up to 490,752,526 New Ordinary Shares at 95 pence per New Ordinary Share to raise approximately £466 million

Notice of General Meeting

A Notice of General Meeting of the Company, to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 9.30 a.m. on 3 February 2012, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by not later than 9.30 a.m. on 1 February 2012 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9.30 a.m. on 1 February 2012 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, should you so wish.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares in the United States.

None of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the New Ordinary Shares, this document or any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Each of J.P. Morgan Cazenove, JPMSL, HSBC and RBS, each of which is authorised and regulated in the United Kingdom by the FSA, is acting solely for DS Smith and no one else in connection with the Acquisition or the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition or the Rights Issue and will not be responsible to anyone other than DS Smith for providing the protections afforded to respective clients of J.P. Morgan Cazenove, JPMSL, HSBC and RBS nor for providing advice in connection with the Acquisition or the Rights Issue or any other matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove, JPMSL, HSBC and RBS under FSMA or the regulatory regime established thereunder, none of J.P. Morgan Cazenove, JPMSL, HSBC or RBS accepts any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with DS Smith, the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares, the Acquisition or the Rights Issue. Subject to applicable law, each of J.P. Morgan Cazenove, JPMSL, HSBC and RBS accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

Subject, *inter alia,* to the passing of the Resolutions, it is expected that Qualifying non-CREST Shareholders (subject to certain exceptions) will be sent a Provisional Allotment Letter on 3 February 2012, and that Qualifying CREST Shareholders (subject to certain exceptions) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 6 February 2012. The Nil Paid Rights so credited in CREST are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. The Underwriters may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Ordinary Shares and/or related instruments for their own account for the purpose of hedging their commitments under the Underwriting Agreement. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions.

The latest time and date for acceptance of, and payment in full for, the New Ordinary Shares by holders of Nil Paid Rights is expected to be 11.00 a.m. on 21 February 2012. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part IV *(Terms and Conditions of the Rights Issue)* of this document and, for Qualifying non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 5 of Part IV *(Terms and Conditions of the Rights Issue)* of this document.

Qualifying non-CREST Shareholders should retain this document for reference pending receipt of a Provisional Allotment Letter. Qualifying CREST Shareholders should note that they will receive no further written communication from DS Smith in respect of the Rights Issue. They should accordingly retain this document for, among other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Except as otherwise provided for herein, this document does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any Shareholder with a registered address in, or who is resident in, the United States or in the Excluded Territories. None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters have been or will be registered under the relevant laws of any state, province or territory of the United States or the Excluded Territories. This document does not constitute an offer to sell or a solicitation of an offer to buy New Ordinary Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such offer or solicitation is unlawful. Accordingly, the Rights Issue is only being extended: (i) in the United States to Qualified Institutional Buyers in a manner not requiring registration under the Securities Act; and (ii) outside the United States in offshore transactions to certain persons in accordance with Regulation S. Any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares granted, exercised, offered or sold in the United States will be subject to certain selling and transfer restrictions set forth in paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document. Each subscriber in the United States in the Rights Issue will be required to execute a QIB representation letter substantially in the form set forth in Annex 1 (*Form of QIB Representation Letter*) to this document.

The Underwriters may arrange for the offer of the New Ordinary Shares: (i) in accordance with Regulation S under the Securities Act; or (ii) to persons reasonably believed to be Qualified Institutional Buyers in reliance on an exemption from the registration requirement of the Securities Act. Any such persons are notified that such offers are being made in reliance on an exemption from the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer that is participating in the Rights Issue may violate the registration requirements of the Securities Act.

The Company is not subject to the periodic reporting requirements of the Exchange Act. In order to permit compliance with Rule 144A under the Securities Act in connection with resales of the New Ordinary Shares, the Company agrees to furnish upon the request of a Shareholder or a prospective purchaser from any Shareholder the information required to be delivered under Rule 144A(d)(4) of the Securities Act if at the time of such request it is not a reporting company under section 13 or section 15(d) of the Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

All Qualifying Shareholders with a registered address in the United States or any of the Excluded Territories and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter to any jurisdiction outside the United Kingdom should read paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE OR NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS SECTION.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purpose other than in considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by DS Smith or by J.P. Morgan, HSBC or RBS that would permit an offer of New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or Provisional Allotment Letters, Nil Paid Rights, or Fully Paid Rights, in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Pursuant to the requirements of applicable United States securities laws, the documents are confidential for distribution in the United States. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferable except in accordance with, and the distribution of this document is subject to the restrictions set out in paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

No person has been authorised to give any information or make any representations other than those contained in this document or incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by DS Smith or by J.P. Morgan, HSBC or RBS. None of the above take any responsibility for, or can provide assurance as to the reliability of, other information that you may be given. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of DS Smith and/or SCA Packaging since the date of this document or that the information in this document is correct as at any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

This document is dated 17 January 2012.

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WHERE TO FIND HELP

Please contact the Shareholder Helpline on 0871 384 2165 (or +44 121 415 0094 if calling from outside of the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

Please note the Shareholder Helpline cannot provide comments on the merits of the Acquisition or the Rights Issue, or legal, financial or taxation advice.

In addition, see Part III (*Some Questions and Answers on the Rights Issue*) of this document for further information.

SUMMARY

THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THE FULL TEXT OF THIS DOCUMENT. ANY DECISION TO INVEST IN NEW ORDINARY SHARES SHOULD BE BASED ON CONSIDERATION OF THIS DOCUMENT AS A WHOLE (INCLUDING THE INFORMATION INCORPORATED BY REFERENCE).

Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document. Where a claim relating to the information contained in this document is brought before a court, a claimant might, under the national legislation of an EEA State, have to bear the costs of translating this document before legal proceedings are initiated.

1. INTRODUCTION

On 17 January 2012 the Directors announced arrangements regarding the proposed acquisition of the packaging division of SCA excluding the kraftliner assets (**SCA Packaging**) for €1.7 billion (approximately £1.4 billion[1]) on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis (the **Acquisition**). Net consideration will be approximately €1.6 billion after taking into account a pension price adjustment. In addition, there will also be customary post-Completion adjustments. SCA Packaging is the second largest packaging business in Europe and the Acquisition represents a significant opportunity for DS Smith to achieve its stated strategic aim of becoming the leading supplier of recycled packaging for consumer goods in Europe.

2. INFORMATION ON DS SMITH

The DS Smith Group is a leading international supplier of recycled packaging in Europe. It supplies value-added corrugated board and plastic packaging products from a network of 94 manufacturing locations, including 50 corrugated packaging facilities in Europe and 21 plastic packaging facilities in Europe, the United States and Australasia, as at 31 October 2011. For the financial year ended 30 April 2011 (including the Office Products Wholesaling business, now sold), revenue was £2,474.5 million and adjusted operating profit[2] was £136.1 million (operating profit was £129.4 million).

The DS Smith Group's main focus is the production of corrugated packaging, supported by the recycling of used cardboard and the manufacture of corrugated case material (**CCM**) and other recycled paper in the United Kingdom and France, with a growing presence in Central and Eastern Europe. In the financial year ended 30 April 2011, DS Smith's production volumes included: 890 kilotonnes of CCM; 1,310 kilotonnes of corrugated board (on an annualised basis); and 1,800 kilotonnes of recycled fibre.

The DS Smith Group operates in three segments:

UK Packaging operates recycling, paper manufacturing and corrugated packaging businesses and accounted for 49.7 per cent. of external revenue in the six months ended 31 October 2011. As at 31 October 2011, the segment had 28 corrugated packaging factories, three paper mills and 15 recycling depots.

Continental European Corrugated Packaging operates a corrugated packaging business across Europe, with some paper manufacturing in France, and accounted for 37.3 per cent. of the external revenue in the six months ended 31 October 2011. The segment had 27 sites in France, Italy, Poland, Czech Republic and Slovakia as at 31 October 2011.

Plastic Packaging comprises the Liquid Packaging and Dispensing and Returnable Transit Packaging divisions and accounted for 12.9 per cent. of external revenue in the six months ended 31 October 2011. The segment operates facilities in 21 locations across the world, including the United States and Australasia.

3. INFORMATION ON SCA PACKAGING

The SCA Packaging Group is a full service supplier of paper based packaging solutions and Europe's second largest packaging company. Like DS Smith, SCA Packaging manufactures less paper than it uses, resulting in a short position in paper, which is consistent with DS Smith's strategy to own paper manufacturing assets only where strategically necessary to support the packaging business. SCA Packaging's corrugated box customer base is 49 per cent. fast-moving consumer goods (**FMCG**) customers and 51 per cent. industrial customers.

For the financial year ended 31 December 2010, revenue was €2,542.3 million and adjusted operating profit[2] was €112.4 million (operating profit was €82.0 million).

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[1] Based on an exchange rate of €1.00 to £0.8263 on 16 January 2012.

[2] Calculated as operating profit before exceptional items and amortisation.

In the year ended 31 December 2010, SCA Packaging (including the effect of certain joint ventures and discontinued operations) sold 3,621 kilotonnes of recycled fibre; sold 1,383 kilotonnes of CCM; and had corrugated sales volumes of 3,428 million square metres (approximately 1,783 kilotonnes).

As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures, but including discontinued operations) owned 110 corrugated manufacturing locations in 21 countries (109 corrugated manufacturing locations in 20 countries after a subsequent disposal). Its three largest markets (by revenue) are Germany, Italy and France, which accounted for 19.7 per cent., 16.5 per cent. and 12.7 per cent. of the SCA Packaging Group's revenue, respectively, for the nine months ended 30 September 2011.

The SCA Packaging Group operates three divisions:

Corrugated & Packaging comprises three main product lines: conventional corrugated board, heavy duty corrugated board and consumer packaging. The division accounted for more than 80 per cent. of external revenue in the financial year ended 31 December 2010.

Containerboard produces presentation liner, board liner and fluting. It had four CCM mills located in Italy, the Netherlands and Germany as at 30 September 2011. The division accounted for the balance of external revenue in the financial year ended 31 December 2010.

Recycling consists of recovered paper logistics. It had 16 recycling branches located in the United Kingdom, the Netherlands and Italy, and a large trading office in Germany as at 30 September 2011. The division is not separately accounted for in external revenues.

4. RATIONALE FOR THE ACQUISITION

The Board believes that the Acquisition would represent an exceptional opportunity to accelerate DS Smith's stated strategy to become the leading supplier of recycled packaging for consumer goods in Europe. While SCA Packaging has significant integrated paper production capacity, DS Smith is not acquiring SCA's kraftliner assets and the Enlarged Group will, consistent with the DS Smith's strategy to be short in paper, be a net purchaser of paper to supply its packaging operations.

SCA Packaging's main operations are in Northern and Central Europe, which is complementary to DS Smith's existing markets for recycled packaging. The Enlarged Group will be the second largest recycling business in Europe, with significant manufacturing, service and innovation capabilities. DS Smith's largest customers have significant operations in Northern and Central Europe and the Board believes that there are many opportunities to work more closely with customers in these markets, driving sustainable growth.

The Acquisition builds on the returns delivered by the successful Otor acquisition (which in the 12 months to 31 October 2011 generated a return on investment of 14.8 per cent. and cost synergies of 4 per cent. of revenues), demonstrating the benefits of DS Smith's operational structure and ability to share key commercial and operational functions across the group. The Board believes DS Smith's structure, further strengthened by SCA Packaging's management team, will support the successful integration of SCA Packaging.

5. KEY FINANCIAL INFORMATION ON DS SMITH

The data as at and for the three years ended 30 April 2009, 2010 and 2011 and as at and for the six months ended 31 October 2010 and 2011 set out below has been extracted without material adjustment from the Audited Financial Statements and 2011 Interim Financial Statements, respectively.

	Year ended 30 April			Six months ended 31 October (unaudited)	
£ millions	**2009[1]**	**2010[1]**	**2011[1]**	**2010[2]**	**2011**
Key income statement data					
Revenue	2,106.6	2,070.6	2,474.5	822.2	1,034.5
Gross profit	502.2	512.2	588.6	194.9	240.0
Adjusted operating profit[3]	97.5	98.1	136.1	55.5	78.3
Operating profit	43.4	80.7	129.4	47.6	55.8
Profit before tax	16.8	55.0	102.2	35.6	42.8
(Loss)/Profit for the period	(11.2)	38.1	70.7	27.8	34.8

(1) Figures have not been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation. For further information, see "*Disposal of Office Products Wholesaling Business*" at paragraph 2 of Part V (*Information on the DS Smith Group*) of this document.

(2) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

(3) Calculated as operating profit before exceptional items and amortisation.

£ millions	As at 30 April			As at 31 October (unaudited)
	2009	2010	2011	2011
Key balance sheet data				
Total assets	1,550.7	1,534.2	1,863.6	1,827.1
Total liabilities	(1,094.3)	(1,061.0)	(1,279.4)	(1,253.9)
Net debt[1]	(291.5)	(239.5)	(351.0)	(312.9)
Total equity attributable to equity shareholders	458.0	474.8	586.3	574.9

(1) Net Debt is defined as current and non-current interesting bearing loans net of cash and cash equivalents (including overdrafts), derivative financial assets/liabilities, non-current bank deposits and cash and cash equivalents classified within assets held for sale.

	Year ended 30 April			Six months ended 31 October (unaudited)	
	2009[1]	2010[1]	2011[1]	2010[2]	2011
Other key financial data					
Adjusted return on sales[3]	4.6%	4.7%	5.5%	6.8%	7.6%
Adjusted return on average capital employed[4]	9.7%	10.1%	12.7%	9.9%	12.9%

(1) Figures have not been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

(2) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

(3) Calculated as the ratio of adjusted operating profit to revenue. For further information see paragraph 4 of the section entitled *"Important Information"* of this document.

(4) Calculated as a percentage of average monthly capital employed for the last 12 months. Average monthly capital employed comprises assets less liabilities after excluding items of a financing nature, taxation balances, post-retirement benefit liabilities and non-current asset investments. For further information see paragraph 4 of the section entitled "*Important Information*" of this document.

6. KEY FINANCIAL INFORMATION ON SCA PACKAGING

The data as at and for the three years ended 31 December 2008, 2009 and 2010 and as at and for the nine months ended 30 September 2010 and 2011 set out below has been extracted without material adjustment from SCA Packaging Group's Combined Financial Information prepared in accordance with IFRS.

€ millions	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
Key income statement data					
Revenue	2,733.0	2,232.9	2,542.3	1,872.3	2,065.5
Gross profit	685.6	559.8	659.9	486.2	519.8
Adjusted operating profit[1]	129.3	42.3	112.4	75.1	118.7
Operating profit/(loss)	121.9	(86.5)	82.0	46.4	92.4
Profit/(loss) before tax	69.2	(112.1)	98.4	58.8	104.2
Profit/(loss) for the period	57.4	(88.7)	76.2	47.3	71.8

(1) Calculated as operating profit before exceptional items and amortisation.

€ millions	Year ended 31 December			Nine months ended 30 September
	2008	2009	2010	2011
Key balance sheet data				
Total assets	3,392.2	4,002.7	4,160.8	4,125.7
Total liabilities	(2,622.4)	(3,074.0)	(3,175.0)	(3,136.7)
Total invested capital attributable to owners of the SCA Packaging Group	769.2	928.1	985.3	988.4

€ millions	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
Other key financial data (unaudited)					
Gross margin[(1)]	25.1%	25.1%	26.0%	26.0%	25.2%
Adjusted return on sales[(2)]	4.7%	1.9%	4.4%	4.0%	5.7%

(1) Gross margin is calculated as gross profit as a percentage of revenue.

(2) Adjusted return on sales is calculated as the ratio of adjusted operating profit to revenue. For further information see paragraph 4 of the section entitled "*Important Information*" in this document.

7. CURRENT TRADING AND PROSPECTS

DS Smith

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 per cent." 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.

DS Smith remains confident in the trading outlook for the remainder of this financial year, due to its resilient, growing customer base and short paper position, despite the uncertain macroeconomic environment. The actions that DS Smith are taking to develop the packaging business and to drive efficiency improvements will position the DS Smith Group well in the more challenging trading environment. DS Smith's continuing investment in the packaging business underpins its confidence that the DS Smith Group will continue to develop positively in the medium term.

SCA Packaging

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.

8. FINANCIAL EFFECTS OF THE ACQUISITION AND THE RIGHTS ISSUE

The Board expects to add value for Shareholders through:

- estimated annualised pre-tax cost synergies of at least €75 million from procurement and operational efficiencies and cumulative capital expenditure and working capital benefits of at least €40 million, each by the end of the third full financial year following Completion. Expected one-off cash costs to implement the integration and deliver the synergies are estimated at €80 million over the first three full financial years following Completion;
- a return on capital above DS Smith's weighted average cost of capital for the first full financial year of ownership with further improvement in the second and third full financial years following Completion; and
- substantial enhancement of DS Smith's EPS.[3]

[3] 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 historic published figures.

9. DIVIDEND POLICY

The Board considers dividends to be an important component of the Enlarged Group's Shareholders' returns. It is the Board's intention to continue DS Smith's current dividend policy for the Enlarged Group, by taking into account the Enlarged Group's leverage, earnings growth potential and future expansion plans. The amount of the dividend will be set so that dividends are progressive and, in the medium term, the Board anticipates that dividend cover should be, on average, 2.0 to 2.5 times throughout the cycle.

10. FINANCING STRUCTURE

DS Smith has entered into the Acquisition Facilities Agreement with certain relationship banks in order to raise funds for the Acquisition. The Acquisition and associated expenses will be funded through a mixture of equity and debt, approximately: £466 million (€564 million[4]) from the Rights Issue; €700 million from the Acquisition Facilities Agreement; and €414 million from the Revolving Credit Facility.

Notwithstanding the scale and broader geographic coverage of the Enlarged Group, the Board believes that it is prudent to fund the Acquisition in part through the Rights Issue. The Board expects leverage on Completion to be moderately above its target of 2.0 times net debt/EBITDA, but to reduce to the targeted level by the end of the first full financial year after Completion.

11. PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Company proposes to raise approximately £466 million (gross), by way of the Rights Issue of up to 490,752,526 New Ordinary Shares. The Rights Issue Price of 95 pence per New Ordinary Share represents a 53.3 per cent. discount to the Closing Price of 203.6 pence per Existing Ordinary Share on 16 January 2012 (being the last trading day prior to announcement of the Rights Issue) and a 35.0 per cent. discount to the theoretical ex-rights price of 146.1 pence per New Ordinary Share calculated by reference to the Closing Price on the same day.

Subject to fulfilment of certain conditions, the Company proposes to offer New Ordinary Shares, in aggregate, by way of the Rights Issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in Part IV (*Terms and Conditions of the Rights Issue*) of this document:

9 New Ordinary Shares at 95 pence each for every 8 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date.

12. SUMMARY OF THE ACQUISITION

The Acquisition comprises the packaging division of SCA, excluding the kraftliner assets. Included in the packaging division is the French Business; however, under French law SCA cannot enter into a binding agreement to dispose of the French Business until it completes a mandatory information/consultation procedure with the Works Councils.

The total price for the Acquisition is €1.7 billion, of which €1.6 billion is payable for the non-French Business, and €100 million for the French Business.

The Acquisition Agreement

DS Smith Luxco has agreed to acquire the SCA Packaging Shares from SCA Dutchco for €1.6 billion on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis.

The Acquisition Agreement is conditional, amongst other things, on: (a) anti-trust clearance having been obtained from the European Commission; (b) the Shareholders approving the Resolutions; (c) completion of the Reorganisation; (d) the Underwriting Agreement not having been terminated before Admission and Admission occurring; and (e) SCA entering into a scheme apportionment arrangement with SCA Packaging and the trustees of the SCA UK pension plan. In certain circumstances where the Acquisition Agreement has been terminated, DS Smith Luxco shall pay SCA Dutchco an £8.8 million break fee.

The French Acquisition Agreement

DS Smith Dutchco has made a formal offer to acquire the French Business from the French Group Parent pursuant to the terms of the Offer Letter and the French Acquisition Agreement for €100 million on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. There is an

[4] Based on an exchange rate of €1.00 to £0.8263 on 16 January 2012

exclusivity period of seven months from the date of the Offer Letter, and SCA shall pay DS Smith Dutchco a €7 million break fee for breach of such exclusivity.

The French Group Parent may only accept the French Offer if it determines that the obligation to inform and consult with the Works Councils has been fulfilled. The French Group Parent shall pay DS Smith Dutchco a €3 million break fee if the offer is not accepted by seven months from the date of the Offer Letter.

The Offer Letter may be terminated by DS Smith Dutchco and/or DS Smith under certain limited circumstances. In such events, the French Group Parent shall pay a €3 million break fee as above.

13. PRINCIPAL RISK FACTORS

Investors should consider carefully the principal risks related to the DS Smith Group, the Enlarged Group, the Acquisition, the Rights Issue and an investment in Ordinary Shares.

- The Group is dependent on UK, continental European and other global economic conditions.
- Fluctuations in cost and availability of raw materials and energy could adversely affect profitability.
- The cyclical nature of the paper industry could threaten the Group's pricing structure.
- The Group may fail in implementing its business strategy.
- The Group is exposed to competition in the packaging industry, as well as downward pressure on pricing due to the commoditisation of CCM.
- The Group relies on third parties, and the termination or modification of such arrangements could negatively affect the Group's business.
- The Group is exposed to the risk of product substitution.
- The funding positions of the Group's defined benefit pension arrangements may not perform in line with expectations and are subject to local regulations and agreements with trustees.
- The Group may not be able to carry out further acquisitions.
- The Group's indebtedness could subject the Group to restrictions on its operations and limit its ability to finance future operations and capital needs or to pursue business opportunities.
- The Group may require funding for further capital investment or growth plans over the long term, and such funding may result in restrictions on business operations, a dilution of a Shareholder's investment, or dividends.

14. RECOMMENDATION

The Board considers the Acquisition, the Rights Issue and the Resolutions to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all of the Directors intend to do in respect of their own beneficial shareholdings held at the time of the General Meeting, amounting to 300,673 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 0.07 per cent. of DS Smith's existing issued ordinary share capital).

The Directors are fully supportive of the Rights Issue. Each of the Directors who holds Ordinary Shares intends to take up in full the Rights to acquire New Ordinary Shares to which he is entitled under the Rights Issue.

RISK FACTORS

The Rights Issue and any investment in the Company and the Ordinary Shares carry a significant degree of risk. If any or a combination of the following risks actually materialise, the business, reputation, financial condition, operating results and prospects of the Company, the DS Smith Group and the Enlarged Group and the share price of the Company could be materially and adversely affected to the detriment of the Company, the DS Smith Group, the Enlarged Group and the Shareholders and you may lose all or part of your investment. All risks of which the Directors are aware at the date of this document and which they consider material are set out in this section. However, further risks and uncertainties which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have a material effect on the Company, the DS Smith Group, the Enlarged Group and/or the Shareholders should they materialise. Prospective investors should review this document carefully and in its entirety (together with any documents incorporated by reference into it) and consult with their professional advisers before acquiring any New Ordinary Shares.

References in this section: (i) to the acquisition of a company or a business, or an acquired company or business, shall include references to the acquisition of an interest in such business or company; and (ii) to the Group shall be construed as, prior to completion of the Acquisition, the DS Smith Group, and following completion of the Acquisition, the Enlarged Group.

1. RISKS RELATING TO THE GROUP'S BUSINESS

1.1 The Group is dependent on UK, continental European and other global economic conditions

The Group's packaging products are generally sold to manufacturers and other intermediaries in both the consumer goods and industrial sectors. Since the markets for packaging products in many industrialised countries are generally mature, there is a significant degree of correlation between economic growth and demand for packaging products, especially with respect to customers outside the FMCG sector. As a result, the Group's performance depends to a significant extent on a number of macroeconomic factors which impact consumer and commercial spending, all of which are outside its control and difficult to predict. Factors which impact on disposable consumer income and the level of industrial activity include, among other things, GDP growth, unemployment rates, consumer and business confidence, social and industrial unrest, the availability and cost of credit, interest rates, taxation, regulatory changes, commodity (including oil and gas) and utility prices and terrorist attacks. Each of these factors could have a material adverse effect on the Group's business, financial condition and future prospects. If current volatile market conditions in the UK, continental Europe and globally persist or worsen, the Group's business and operating results could be materially and adversely impacted. Since the start of the global financial crisis in 2008, the global economy has been experiencing a period of significant turbulence. Although a number of economies in Europe and elsewhere experienced a degree of recovery in 2010 and the first half of 2011, volatility has increased in the second half of 2011 as a result of the continuing uncertainty regarding the ability of certain EU member states, including Greece, Spain, Portugal, Italy and Ireland, to service their sovereign debt obligations, the stability of numerous European banks and the recent downgrade of US sovereign debt by Standard & Poor's Ratings Services.

The present and long-term impact that the UK, continental European and global financial slowdown will have on the Group is impossible to predict. Difficult conditions across geographical markets have led to a deterioration in consumer confidence and commercial spending which could in the future reduce the level of demand for, and supply of, the Group's products. In particular, there can be no assurance as to the level of future economic growth, which is an important factor affecting the demand for certain of the Group's products. Accordingly, the demand for certain of the Group's products is likely to be adversely affected by a period of slow economic growth, which could have a material adverse effect on the future growth prospects, profitability and financial condition of the Group's businesses.

1.2 Fluctuations in cost and availability of raw materials could adversely affect the Group's profitability

The largest component of the Group's cost of sales is raw material costs. In the financial year ended 30 April 2011, the Group spent £924.2 million on paper, plastics and other raw materials. During the year ended 31 December 2010, the SCA Packaging Group consumed €1,189.4 million of raw materials and consumables recognised as cost of sales. The Group's raw material costs are subject to variations in supply and demand which result in volatility in their pricing. The achievement of price increases for the majority of the Group's business is substantially determined by the state of supply and demand in the relevant markets at any time and the Group's ability to structure contracts to pass through the increased cost of raw materials to customers. Due to the variety of contractual arrangements with customers, although certain of the Group's corrugated and

plastic packaging customer contracts include arrangements to link selling prices to an index of raw material prices, there can be no assurance that the Group will be able to fully or partially recover raw material prices on a timely basis or at all in the future, especially if economic conditions weaken and/or competition intensifies. As a result, margins may be squeezed for a period of time until price increases are achieved to recover input cost increases. However, in the present volatile trading environment there are likely to be difficulties in recovering input cost increases through price rises. Any inability to recover input cost increases could lead to a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Supply of waste paper. The Group's recycling business collects and trades waste paper to supply the Group's paper mills. It achieves this through long-term contracts with major suppliers of waste paper and the collection of waste paper from smaller suppliers through its network of collection depots. Any significant disruption to the business of the Group's recycling business could therefore have a material impact on the operation of the Group's paper mills and lead to a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Decreased paper manufacturing capacity. The Group has adopted a strategy of decreasing its paper manufacturing capability, including through the disposal of Higher Kings Mill paper mill and the proposed closure in 2012 of Hollins paper mill. As a result, the Group expects that it will increasingly have to purchase paper for use in corrugated case material (**CCM**) manufacturing from third-party suppliers. Currently, the Group expects that it will be able to obtain sufficient supply on the spot market and has not entered into any long-term contracts for paper supply as it believes there is substantial overcapacity in paper manufacturing and a high degree of cyclicality in that market. However, there can be no assurance that sufficient supply will be available in the future on commercially acceptable terms, and any increased supply costs that are not recovered from customers could materially and adversely affect the profitability of the Group.

1.3 Price fluctuations in energy costs could adversely affect the Group's manufacturing costs

The Group continues to have significant exposure to energy costs. The Group's total energy costs were approximately £126 million in the financial year ended 30 April 2011, or 6.7 per cent. of the Group's total cost of sales for the period. SCA Packaging's total costs for transportation and energy for the year ended 31 December 2010 were €218.5 million (or 11.6 per cent. of the SCA Packaging Group's total cost of sales for the period) and €129.1 million, respectively. Although the Group has implemented certain measures with a view to reducing the impact of higher and fluctuating electricity prices, including centralised purchasing, lobbying efforts, attempts to diversify away from fossil fuels and, where this is not possible, using long-term purchase strategies (which reduce the volatility of price movements) and the application of hedging techniques, there can be no certainty that the Group will continue to manage the impact of rising energy prices in the future, particularly in relation to the purchase of gas in the United Kingdom. Volatile and increasing energy prices or a failure in this hedging approach could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

1.4 The cyclical nature of the paper industry could result in overcapacity and consequently threaten the Group's pricing structure

The Group's and the SCA Packaging Group's historical operating results reflect the paper industry's historical cyclical pattern with periodic overcapacity and resulting pressure on pricing of packaging products. This cyclicality arises, in part, from the capital intensity of facilities such as paper mills (which generally results in continued production by paper mills as long as paper prices are sufficient to cover their marginal costs), the long lead time between the planning and completion of a new mill and the fact that new additions of CCM capacity tend to be large relative to the overall demand for the product. Consequently, the paper industry has from time to time experienced periods of substantial overcapacity and there can be no assurance that this will not recur. In the absence of sufficient economic growth to generate increased demand or the closure of facilities (either temporarily or permanently) to mitigate the effect, new capacity can cause a period of regional overcapacity which may lead to downward pricing pressure. In periods of overcapacity, industry participants may stop operating certain of their production facilities periodically to reduce inventory levels. In the event that the Group takes downtime at its mills for any significant length of time, but its competitors continue production at high levels, the Group's sales volumes could be adversely affected without any significant offsetting benefit of improved prices in the market. This could have a material adverse effect on the profitability of the Group's business.

These adverse effects could be further exacerbated in the event that producers in other regions (particularly the US) experience overcapacity within their own local and regional markets and seek to increase their level of exports into those within which the Group operates and do so at pricing levels which are uneconomic for the Group.

At the same time, the Group relies on external markets such as China to which it can export excess recycled fibre. In the financial year ended 31 December 2010, the SCA Packaging Group sold approximately 400 kilotonnes of recycled fibres to China. A material increase in both use of paper products and of recycling collection rates in such external markets could decrease demand for excess recycled fibres, which could in turn depress prices for recycled fibre in those markets and adversely affect the Group's selling prices and profitability.

1.5 The Group may fail in successfully implementing its business strategy

The Group's business strategy is to be the leading supplier of recycled packaging for consumer goods in Europe, implementing initiatives aimed at streamlining the Group's operations and generating profitable growth. In order to continue to realise cost savings, the Group must continue to reduce its overhead costs, improve its procurement processes and realise certain operating efficiencies. As the Group, in common with its competitors, is unable to influence commodity and energy prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs (including the costs of raw materials and consumables such as power, labour and transport) and maintain low-cost efficient operations, as well as to differentiate itself through service, quality and innovation. The Group's production costs are also significantly affected by production volumes and, therefore, the Group's ability to maintain production levels and maximise capacity utilisation will be a key factor in determining its overall cost competitiveness. A sustained material fall in prices for its products, an appreciable rise in its production costs, a decline in its production volumes or a combination of any of these events being sustained over a period of time could adversely affect the Group's ability to maintain earnings. A number of factors beyond the control of the Group, such as operating difficulties, personnel turnover, competition, delays in implementing or inadequacy of management forecasts in guiding initiatives and general economic or industry conditions could have an adverse effect on the Group's ability to implement its strategy by reducing its ability to grow or its ability to reduce costs and increase efficiency which could have a material adverse effect on the Group's business.

The Group cannot give any assurance that it will be successful in achieving cost savings, generating growth or in increasing its cash flows or profitability.

1.6 The Group is exposed to intense competition in the packaging industry, as well as downward pressure on pricing due to the commoditisation of corrugated case material

The packaging industry is characterised by commoditisation of products, a high level of price competition and cyclicality, as well as other competitive factors including innovation, design, quality and service. In addition, the packaging industry is also highly fragmented due to the requirement to have packaging facilities in close proximity to customers' facilities as a result of high transportation costs, resulting in a substantial level of localised competition. To the extent that any of the Group's competitors are more successful with respect to any key competitive factor either generally or in a particular region, the Group's business, results of operations and financial position could be adversely affected. Pricing pressure could arise from, among other things, limited demand growth and existing overcapacity in the market in question, price reductions by competitors, the ability of competitors to capitalise on their existing economies of scale and create excess product supply, the consolidation of competitors and/or customers, the ability of competitors to operate or successfully relocate or open production facilities in countries where production costs are lower than those in which the Group operates and the access of competitors to new technology which the Group does not possess.

Competition could be intensified due to a major development or breakthrough in packaging technology or materials which would create a substitute for one or more of the Group's key product lines, due to companies developing new cost structures (including through consolidation or relocation) or due to competitors establishing co-operative relationships or alliances among themselves or with third parties to increase the competitiveness of their products. Accordingly, in such events the Group's sales, margins and/or market shares may decrease. These and other competitive pressures may prevent the Group from competing successfully against current or future competitors. Such competitive pressures could have a significant impact on the Group's business, financial condition, prospects and results of operations.

Furthermore, CCM cannot generally be differentiated by producer, and this standardisation has led to intense price competition resulting in the cyclicality historically observed in the market for CCM. This could in turn

lead to a reduction in the Group's market share as well as lower product prices for its packaging products for which CCM is the principal production input, both of which could reduce earnings and have a material adverse effect on the Group. The Group's business has in the past faced significant cyclical downward pricing pressure, including as a result of standardisation, in certain of the markets in which it operates. Although the Group has sought to differentiate a number of its products, the Group still faces significant pressure to reduce its per unit cost to achieve commercially acceptable returns, including through achieving economies of scale, lower input costs (including raw materials, energy, transport and labour), and increasing efficiency. In circumstances where the Group is unable to adjust its cost base comparable to its competition in these markets or sufficiently differentiate its products, pricing pressure could have a material adverse effect on the Group's margins and the profitability of the relevant business and its market share.

1.7 The Group relies on a variety of third parties, including suppliers of raw materials, and the termination or modification of the arrangements with such third parties could negatively affect the Group's business

Due to current economic conditions in the United Kingdom, continental Europe and globally, there is an increased risk that the Group's suppliers, customers, counterparties and funding sources may face financial difficulties, become insolvent and/or cease trading which may result in disruption to the provision of products or services by them to the Group. Further, the slowdown has severely impacted the availability of credit to the Group's suppliers and customers and the terms on which such credit may be available which may have the same effect. If there is any interruption to the products or services provided by third parties, the business of the Group may be adversely affected and the Group may be unable to find adequate replacement products or services acceptable to the Group or its customers on a timely basis, or at all. This could result in a loss of customers, which may have an adverse effect on the Group's financial condition and future prospects.

As a general matter, the Group has access to numerous suppliers for its principal input (paper) and there are also alternative suppliers for its other material inputs (such as energy). Accordingly, the Group has not experienced any material supply difficulties in recent years, although no assurance can be made that this will not change in the future. Any significant breakdown in the supply of paper to the Group could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

1.8 The Group is exposed to the risk of product substitution

The Group's main products, including corrugated containers, plastic containers and (with respect to the SCA Packaging Group) solid board packaging, compete with other forms of packaging. There can be no assurance that further substitution will not occur in this sector, other sectors or other regions in which the Group operates, nor can there be any assurance that future packaging developments and trends will not drive further substitution. Product substitution is typically a longer-term trend given long implementation lead times and, accordingly, the Group does not expect any adverse impact as a result of product substitution over the 12 months following the date of publication of this document. Any significant substitution away from paper-based packaging products may however adversely affect the Group's profitability beyond that period.

1.9 The funding positions of the Group's defined benefit pension arrangements are volatile and may not perform in line with expectations and are subject to local regulations and, where applicable, agreements with trustees

The DS Smith Group operates a defined benefit pension scheme in the UK, which had a deficit of £152.0 million as at 31 October 2011. The scheme was closed to future accrual with effect from 30 April 2011. The Group made a contribution of £30.1 million to the Group scheme in the financial year ended 30 April 2011, comprising £15.6 million in respect of the historical agreed annual contributions and an additional one-off payment of £14.5 million in respect of the newly agreed pension deficit (as opposed to £15.6 million in the year ended 30 April 2010). The decision to close the scheme to future accrual was taken by the trustees in light of the growing deficit of the scheme and the trustees' responsibility to safeguard the accrued benefits to existing members. The funding of the Group's UK defined benefit scheme is sensitive to a number of key factors: the value of the assets, which include both equities and fixed-income securities, such as bonds and gilts as well as cash; the discount rate, based on the yield on high quality corporate bonds, which is used to calculate the scheme's liabilities; and the expected mortality rate of the scheme's members. If the value of these investments or relevant rates of return or expected mortality rates were to decrease, the Group may be required to contribute to offset increased deficits which could have a material adverse effect on its results of operation or financial condition.

The Pensions Act 2004 provides that the presence of a deficit in a scheme may now oblige the trustees or possibly the Pensions Regulator to seek some further funding of the scheme in the event of a significant corporate action or perceived decline in the Group's financial covenant. To comply with this requirement, the trustees prepared a recovery plan, which has been agreed by the principal employer to correct the deficit, being annual payments of £14.8 million starting in the financial year ended 30 April 2012, increasing by 2 per cent. per annum, for ten years. The Company also made an additional one-off payment of £14.8 million to the scheme in December 2011 in connection with the disposal of Spicers. The Board has informed the chairman of the trustees of the Acquisition and expects approximately a one-year acceleration of the previously agreed recovery plan as a result of the Acquisition. If the trustees or other regulatory bodies were to make further demands, the Group may be forced to provide further funding that could have a material adverse effect on the Group's financial condition or results of operations.

The SCA Packaging Group participates in arrangements providing retirement benefits in a number of countries. In some countries, notably in Switzerland, Belgium, Sweden, Germany and the Netherlands, the SCA Packaging Group participates in pension schemes providing defined benefits. In other jurisdictions, such as Italy and France, entitlements to payments accrue by reference to service. Defined contribution arrangements are also offered in most countries. The Acquisition Agreement provides that approximately 10 per cent. of SCA Packaging's historic defined benefit pension liabilities will remain with SCA Packaging. Based on assumptions by SCA Packaging in accordance with IAS 19 "*Employee Benefits*", the amount of pension assets expected to be retained by SCA Packaging are estimated at approximately £45 million (valued as at 30 September 2011) and the amount of pension liabilities and other retirement indemnities are estimated at approximately £100 million (valued as at 31 December 2011). Following the Acquisition, the Enlarged Group will be responsible for historic defined benefit pension liabilities in some countries, notably Switzerland, Belgium, Sweden and Germany.

Although the Acquisition Agreement provides for certain price reductions and indemnities by SCA in respect of undisclosed defined benefit pension liabilities, such liabilities are subject to frequent changes as a result of changing actuarial assumptions, market conditions (including any actuarially assessed increase in life expectancy), movements in the market values of assets, interest rates and the requirements of local regulation from time to time. In addition the accounting position of the SCA Packaging Group in relation to these defined benefit liabilities may change according to the changing requirements of accounting standards from time to time. Accordingly, the level of payments required from the Group from time to time in relation to each arrangement can increase or fall sharply. Where those payments increase, the amount of cash which the SCA Packaging Group has available for its other obligations or business needs will be reduced.

1.10 The Group may not be able successfully to carry out further acquisitions

The Group has made in the past, and may in the future make, acquisitions of, investments in, and joint venture and similar arrangements with other companies and businesses. The Group cannot make further acquisitions unless it can identify suitable candidates and agree on the terms with them. It then may encounter strong competition during the acquisition or investment process and may fail to select or value targets appropriately, which may result in it experiencing difficulties in completing such acquisitions or investments at reasonable cost, or at all. Further, such transactions also involve a number of risks. Risks that the Group could face with respect to any such future acquisitions may include:

(a) potential disruption of the Group's ongoing business and difficulty in maintaining its internal control environment, information systems and procedures;

(b) the inability successfully to integrate the services and products of any acquisition into the Group's operations or to realise any expected cost savings or other synergy benefits from any acquisition;

(c) customer overlap/loss of customers supplied prior to the acquisition by both the Group and the acquired group;

(d) a need to incur debt or equity financing, which may reduce the Group's cash available for operations and dividends and other uses due to increased debt service obligations (see paragraph 1.12 of this section entitled "*Risk Factors*"); and

(e) lack of return on the Group's investment.

The impact of any such future acquisitions on the Group cannot be predicted and any of the risks outlined above, should they materialise, could have a material adverse effect on the Group's business, financial results and financial position.

In addition, such transactions may involve the assumption of certain actual or potential, known or unknown, liabilities, which may have a potential impact on the financial risk profile of the Group. For example, even if an acquisition or investment is successful, the Group may have to allocate additional capital and human resources to implement the integration of the new line of business or incur expenses related to unexpected tax, litigation or other liabilities. There is no assurance that the Group can successfully obtain or renew licences or national or local government approvals for operating new lines of business, successfully integrate newly acquired businesses or do so within a reasonable period of time, or that the acquired businesses will generate the expected economic benefits.

1.11 The Group's level of indebtedness could subject the Group to restrictions on its operations and limit its ability to finance future operations and capital needs or to pursue business opportunities and activities

As at 31 October 2011, as adjusted to give effect to the Acquisition the Group would have had net debt of approximately £1,073.3 million as per Part XII (*Unaudited Pro Forma Combined Financial Information for the Enlarged Group*) of this document.

The Group's debt service obligations could have important adverse consequences for the Group's operations. For example, it could:

(a) require the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, which may reduce the funds available for acquisitions and limit the Group's flexibility in operating its business;

(b) increase the Group's vulnerability to both general and industry specific adverse economic conditions;

(c) limit the Group's ability to borrow additional funds or raise further capital; and

(d) limit the Group's ability to pay dividends.

The Group's financing arrangements contain financial and other restrictive covenants that limit the way in which the Group operates its business.

For example, these agreements restrict, among other things, the Group's ability to:

- borrow money;
- pay dividends or make other distributions;
- create certain liens;
- make certain asset dispositions;
- make certain loans or investments;
- issue or sell share capital of subsidiaries;
- issue certain guarantees;
- enter into transactions with affiliates; and
- merge, consolidate, or sell, lease or transfer all or substantially all of the Group's assets.

A portion of the Group's debt, including all of the debt it incurs under the Acquisition Facilities Agreement and the Revolving Credit Facility, bears interest at variable rates. An increase in the interest rates on the Group's debt will therefore reduce the funds available to repay the Group's debt and to finance its operations and future business opportunities and, as a result, may have a material adverse impact on the Group's capital structure. In order to minimise the risk posed by variable interest rates, the Group pursues a policy of prudent interest rate management with respect to its net debt.

1.12 The Group may require additional funding for further capital investment or growth plans over the long term, and such funding may result in further restrictions on the Group's business operations, a dilution of a Shareholder's investment, or limit its abilities to pay dividends

Although the Group has no current plans or anticipated need for additional financing beyond the matters set out in this document, over the long term, the Group may seek additional financing to provide further capital to maintain or expand its production facilities and equipment, implement research and development projects

or fund new acquisitions. The Group cannot predict with certainty whether such financing would be available on favourable terms or at all. Consequently, its operating results may suffer.

The Group may raise additional funds by issuing equity, equity-linked securities or debt securities, or by borrowing from banks or other resources. It cannot ensure that it will be able to obtain any additional financing on terms that are acceptable to it, or at all. If the Group fails to obtain additional financing on acceptable terms, it may not be able to implement new investment or growth plans fully. Even if it succeeds in obtaining financing, such financing may be accompanied by conditions that limit its ability to pay dividends or require it to seek lenders' consent for payment of dividends, or restrict its freedom to operate its business by requiring lenders' consent for certain corporate actions. Additional funding from debt financings may make it more difficult for the Group to operate its business because it would need to make principal and interest payments on the indebtedness and may be obligated to abide by restrictive covenants contained in the debt financing agreements. Further, if it raises additional funds by issuing new shares, any Shareholders unable or unwilling to participate in such fundraising may suffer dilution in their investment.

1.13 The occurrence of major operational problems could have a material adverse effect on the Group

The revenues of the Group will be dependent on the continued operations of its various manufacturing facilities. Operational risks include fire, floods or other natural disasters, equipment failure (including any failure of the Group's information technology systems), failure to comply with applicable regulations and industry standards, raw material supply disruptions, labour force shortages or work stoppages, and events impeding, or increasing the cost of, transporting the Group's products.

If the Group is unable to obtain timely replacements for damaged inventory or equipment, or if it is unable to find an acceptable third party manufacturer as a substitute for production facilities of the Group damaged by a catastrophic event, then major disruptions to production would result which would have significant adverse effects on the operations and financial results of the Group. The Group carries both property insurance and business interruption insurance, but these may not be sufficient to cover certain damages or lost profits as a result of the disruption to its production.

Whilst the manufacturing of certain products can be transferred to other sites within the Group, any disruption of the manufacturing processes could result in delivery delays, interrupt the production or even lead to a full cessation of production. While the Group has not experienced any major operational problems that could have a material adverse effect on the Group in the past several years, if production is interrupted, customers may decide to purchase products from other suppliers. The resulting loss of revenue and the impact on the Group's relationships with its customers could be significant and may adversely affect the Group's business, financial condition and results of operations.

1.14 Violations of health and safety, environmental and other laws, regulations and standards could restrict the Group's operations, expose it to liability, increase its costs and have a material adverse effect on its results, cash flow and/or financial condition

Managing health and safety and environmental compliance are critical to the long-term success of the Group. For details on these programmes, see paragraph 15 of Part V (*Information on the DS Smith Group*) and paragraph 11 of Part VI (*Information on the SCA Packaging Group*) of this document. In particular, due to the nature of the paper manufacturing process, paper mills tend to be inherently hazardous relative to the other types of facilities that the Group operates. As the DS Smith Group currently operates seven paper mills (three in the United Kingdom and four in France) and the SCA Packaging Group currently operates four paper mills (two mills in Germany and one in each of Italy and the Netherlands), the increase of the number of paper mills that the Group operates to a total of 11 mills (through the Acquisition) will necessarily increase the degree of health and safety risk. Further, the SCA Packaging Group operates a number of facilities that are ageing and may need substantial injections of capital expenditure in order to address outstanding safety and risk management concerns. Substantial fines, or other penalties, may be imposed for non-compliance with laws and regulations relating to health and safety, the environment, competition, tax, or other matters, and the Group's control mechanisms, ongoing programmes and systems, and special initiatives in place for monitoring compliance may not always be successful in achieving their objectives of requiring all employees to comply with all relevant laws and regulations in the countries in which they operate. The Group cannot be certain that employees always adhere to either the key corporate policies and values or the workplace malpractice policy and there is a risk that employees could be in violation of these policies without senior management being aware of this. Any resulting activity leading to liability on the

part of the Group could result in restrictions on the operations of the Group's facilities, damages, fines or other sanctions and increased costs of compliance, as well as reputational damage.

1.15 The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance with current and future laws and regulations may negatively affect the Group's business

The Group is and will continue to be subject to a wide range of environmental laws and regulations in all the jurisdictions in which it operates, including international, national, state and local laws and regulations. These requirements are complex, frequently changing and have tended to become more stringent over time. There can be no assurance that the requirements of such laws and regulations will not change in the future or that the associated cost of compliance will not increase. Such cost increases could have a negative impact on the results of operations of the Group.

Further, there can be no assurance that the Group will at all times be in compliance with its obligations, that the Group will not incur material costs or liabilities in connection with such requirements in the future, or that the Group will be able to obtain all licences, consents or other permits necessary to allow it to continue to operate its business as it intends. Similarly, there can be no assurance that the Group will not experience an accident or otherwise become liable for environmental contamination in the future or that such an event giving rise to such a liability may not have already occurred (including such liability to buyers of properties or businesses that the Group has sold or to third parties in respect of liabilities at properties or businesses that the Group has purchased). Failure to comply with such laws and regulations could result in the imposition of fines or penalties and/or the payment of damages, suspension or revocation of permits or licences, operational restrictions or other costs, suspension or cessation of production at one or more of the Group's facilities or a requirement to upgrade the equipment or processes at such facilities. Failure to comply may also damage the Group's reputation. In addition, there can be no assurance that environmental pressure groups and similar organisations will not mount campaigns against the Group which, were they to occur, could also have an adverse effect on the reputation of the Group.

The Group may incur significant expenditure in connection with the required remediation of past environmental conditions.

Further, the Group may also incur significant expenditure in order to comply with any present and new environmental laws and regulations. There can also be no assurance that the Group will not be required to incur significant costs to maintain compliance with existing and future laws, regulations and policies relating to these or similar matters.

1.16 The Group will be subject to increasing costs in the medium term related to climate change and carbon dioxide (CO_2) emissions

As a result of its substantial energy usage and production emissions, the Group is likely, in the medium term, to be increasingly subject to regulation and taxation of its CO_2 emissions, which would result in increased costs and could have a material adverse effect on the Group's financial condition and results of operations. In February 2005, the EU Emission Trading Scheme (**EU ETS**) came into force. The Group's UK and French paper operations as well as SCA Packaging's operations are subject to the terms of their respective national schemes for implementing the EU ETS. The Directors expect the Group's emissions to be slightly below allocated levels during phase two of EU ETS. The expectations regarding SCA Packaging's operations are that its emissions will also be significantly lower than allocated levels, and that there is enough of a gap between current emissions and allocated levels to keep SCA Packaging operations' emissions below shrinking allocation levels in the future.

However, the effects of phases from 2013 onwards are likely to be more onerous, being dependent upon the details of the emissions allocations and the market price of carbon under future phases of the scheme, and in particular on the large structural and price shifts expected to take place under the 2013 EU ETS regime. For a summary of these changes, see paragraph 3 of Part VII (*Information on the Packaging Industry*) of this document. Hence, this changing regulation scheme could have an adverse impact on the future operations and profitability of the Group, particularly in respect of the paper mills that are already required to participate in EU ETS.

1.17 The Group's operations are subject to various risks associated with the use, handling, storage and disposal of hazardous materials, some of which are corrosive and flammable

The Group uses, handles, stores and disposes of hazardous materials in the course of its operations and production process and may be subject to fines and/or clean-up liability for contamination at past and present operating sites under statutory regimes. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for the clean-up of contamination at, or arising from, such facilities, without regard to causation or knowledge of contamination. Investigations in the future may lead to discoveries of contamination that the Group is required to remedy or damage that may subject the Group to claims. Closure of facilities may trigger compliance requirements that are not applicable to operating facilities.

The Group cannot completely eliminate the risks of contamination, injury to employees or others, or other harms related to the use, handling, storage and disposal of hazardous material. There can be no assurance that it will not experience fires, leakages or other accidents. Therefore, over and above any statutory liability for clean-up, other regimes, including liability under common law (for example ongoing negligence, or nuisance) may be relevant and civil claims may be brought in respect of contamination. In the event of future incidents, the Group could be liable for any damages that may result, including potentially significant monetary damages for any civil litigation or government proceedings related to a personal injury claim, as well as fines, penalties and other consequences, including suspension or revocation of its licences or permits, suspension of production and cessation of operations at its manufacturing facilities, all of which would have a material adverse effect on its business, reputation, financial conditions and results of operations. Furthermore, the Group does not carry any insurance coverage for potential liabilities relating to the release of hazardous materials.

1.18 The Group faces increasing costs due to customer pressure to reduce packaging waste

As a packaging producer, the Group is under increasing pressure from customers to reduce the weight of packaging placed on the European market, to increase the amount of packaging that is recycled rather than sent to landfill and to increase the use of recycled materials in new packaging products. Future developments in relevant jurisdictions may expose the Group to further costs.

Customer pressure to decrease packaging waste and packaging used may also reduce demand for the Group's products. Certain types of products may become less popular with customers due to such environmental concerns, which could have a material adverse effect on the operating results of the related business lines of the Group.

1.19 The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates

The Group is subject to a variety of anti-trust and similar legislation in the jurisdictions in which it operates. In a number of markets, the Group has market positions which may make future significant acquisitions more difficult and may limit its ability to expand by acquisition or merger, if the Group wished to do so.

In addition, the Group is subject to legislation in many of the jurisdictions in which it operates relating to unfair competitive practices and similar behaviour. There can be no assurance that the Group will not be subject to allegations of, or regulatory investigations or proceedings into, such practices. In the event that such allegations are made or investigations or proceedings initiated (irrespective of merit), the Group may be required to devote significant management resources to defend itself against such allegations. In the event that such allegations are proved, the Group may be subject to significant fines, any relevant agreements being declared unenforceable, damages awards and other expenses.

1.20 Failure to maintain good employee relations may affect the Group's operations

Whilst the Group believes that all of its operations and those of SCA Packaging have, in general, good relations with their employees and, where applicable, the trade unions that represent those employees, and that it complies with applicable employment laws and regulations relating to employees' representatives information and consultation obligations, there can be no assurance that the Group's operations will not be affected by developments in the future. Since 2008, neither the SCA Packaging Group nor the Group has experienced any material industrial action or work stoppages due to labour action which would have a significant impact on the SCA Packaging Group or the Group, respectively, as a whole. There can also be no assurance that work stoppages or other labour-related developments (including the introduction of new

labour regulations in countries where the Group will operate) will not adversely affect the financial condition of the Group.

1.21 Uninsured losses or losses in excess of the Group's insurance coverage for various risks could adversely affect the Group

The Group maintains business insurance cover which the Directors consider appropriate for its business and activities. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to natural disasters, riots, acts of war or terrorism. In addition, even if a loss is insured, the Group may be required to pay a significant deductible on any claim for recovery of such loss prior to the insurer being obliged to reimburse the Group for the loss, or the amount of the loss may exceed the Group's coverage for the loss. The Group's business, financial condition, results of operations and prospects may be adversely affected by any uninsured losses.

1.22 Product liability claims against the Group could increase and have a material adverse effect on the Group's results, cash flow and/or financial condition

The Group's packaging products, many of which are supplied to the food and beverage industries, may give rise to potentially substantial product liability claims in the event of a failure of the packaging to perform its function when in use or from contamination of the product by its packaging. Further, if any of its products are defective, the Group may be subject to product liability claims or may have to engage in a product recall. Although the Group has not been held liable for any material product liability claims in the past several years, any material claim that arises in these areas could subject the Group to both monetary and reputational harm, and could have an adverse effect on the Group's business, operating results and financial condition.

1.23 Operating internationally subjects the Group to the risk that business or market disruptions will result in delays and/or increased costs in the production or delivery of its products and services or disrupt demand for its products

The Group operates and will continue to operate in many different countries. As a result, the Group will be vulnerable to risks in these countries, including:

(a) imposition of tariffs, quotas, import duties, additional taxes or other market barriers;

(b) increased difficulty in the collection of accounts receivable, including longer collection periods;

(c) inconsistent regulations and unexpected changes in legislation or regulatory requirements and increased difficulty and expense in hiring and dismissing employees;

(d) imposition of quotas relating to the composition of the employee base or the local sourcing of raw materials or other similar quotas;

(e) political and economic instability (including financial crises, civil unrest, wars, international conflicts, greater and tighter government regulation on cross-border trading, production, pricing and the environment), disruptions and government intervention in national economies and social structures, including the threat of terrorism;

(f) work stoppages, transport interruptions and difficulties in managing international operations;

(g) government expropriation of private sector assets;

(h) adverse tax consequences and inability to repatriate cash; and

(i) adverse currency fluctuations.

The occurrence of any of the foregoing could have a material adverse effect on the Group's earnings as a result of the related delays and/or increased costs in the production and delivery of products.

1.24 The Group may not be able adequately to secure and protect its intellectual property rights, which could harm its competitive advantage

The Group relies on intellectual property laws to protect its rights to certain aspects of its systems, products and processes including product designs, proprietary technologies, research and concepts. Key products subject to intellectual property rights include the R-Flute® trade name. The actions the Group takes to protect its proprietary rights may be inadequate to prevent imitation or unauthorised use. The laws of various countries offer different levels of protection for the Group's intellectual proprietary rights and there can be

no assurance that the Group's intellectual property rights will not be challenged, invalidated, misappropriated or circumvented by third parties. Any of these possibilities could have a material adverse effect on the Group's business, results of operations and financial condition.

1.25 The Group is subject to risk resulting from movements in foreign exchange rates and interest rates

The Group is and will continue to be exposed to the translation of the results of overseas subsidiaries into pounds sterling as well as the impact of currency fluctuations on its commercial transactions denominated in foreign currencies. The SCA Packaging Group is significantly exposed to the euro as a major currency, and so the effect of a change in the value of the pound sterling versus the euro will be of increased materiality to the Group following the Acquisition. Adverse movements in foreign exchange rates relating to foreign currency denominated assets and liabilities and transactions could have a material impact on the Group's results of operations or financial conditions. If the Group had any material cross-currency transactions then the Group would look to hedge the transactions' exposure.

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets and liabilities. The Group will be subject to the effects of interest rate fluctuations on certain of its financing arrangements and on banking deposits. Such fluctuations could lead to a material increase in the Group's cost of funding, which may affect its ability to make planned investments, and may otherwise adversely impact its business, results of operations and financial condition.

1.26 The Group may not be able to recruit or retain key personnel

The success of the Group depends, and will continue to depend, on the efforts, abilities, experience and expertise of its senior management teams, and on recruiting, retaining, motivating, effectively communicating with and developing highly skilled and competent people at all levels of the organisation. This includes retaining key SCA Packaging senior management following the Acquisition. There can be strong competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at all levels within the Group. While the Group has employment or service contracts with its key executives and technical personnel, and has in place schemes which provide for share grants (or equivalent cash-based awards) to incentivise key executives and technical personnel, it cannot guarantee the retention of such key executives and technical personnel. The failure to retain and/or recruit additional or substitute senior managers and/or other key employees of the Group could have a material adverse effect on its business.

In addition, while the Group has in place succession planning measures aimed at ensuring the development of its employees to provide successors, over time, for its existing Executive Directors and Senior Managers, there can be no assurance that these measures will be successful or that the Group will be able to attract, develop or retain executives of the right calibre. The departure of any of the Executive Directors or certain other senior employees of the Group could, in the short term, have a material adverse effect on the Group's future prospects, financial condition or results of operations.

1.27 The Group may not be able to attract and retain suitably qualified employees as required for its business

Certain parts of the Group's business are dependent on the availability of skilled and semi-skilled employees. A shortage of labour owing to the Group's inability to attract and retain such employees could have a material adverse effect on the Group's business, operating results or financial condition.

1.28 The Group may be adversely affected by increasing costs in maintaining its required level of workforce

The Group (excluding the Office Products Wholesaling business, held for disposal at that date, which has now been sold) had a workforce of over 10,000 employees as at 31 October 2011, and SCA Packaging had a workforce of 12,598 employees as at 30 September 2011 (including discontinued operations now sold), which will constitute a significant proportion of the cost base of the Group. Accordingly, inflationary pressures, changes in applicable laws and regulations or other factors resulting in increased labour costs could have a material adverse effect on the Group's business, operating results or financial condition.

2. RISKS RELATING TO THE ACQUISITION

2.1 The Group will face financial risks in refinancing the Acquisition due to its increased level of debt

In addition to the Rights Issue, the Group will finance the Acquisition with drawings made under the Acquisition Facilities Agreement and the Revolving Credit Facility. The terms of these financing arrangements, as well as their intended uses, are described under Part XVI (*Additional Information*) of this document. As at 31 October 2011, as adjusted to give effect to the Acquisition, the Group would have had net debt of approximately £1,073.3 million as per Part XII (*Unaudited Pro Forma Combined Financial Information for the Enlarged Group*) of this document. Substantially all of this debt financing is medium and long term, with the majority of the financing becoming due and payable between 2015 and 2016.

Subject to market conditions, the Group currently intends to refinance a portion of this debt following the completion of the Rights Issue when it believes it is appropriate to do so.

The Group's ability to refinance its medium and long-term indebtedness, or repay such indebtedness when due, will depend in part upon market conditions, and unfavourable conditions could increase costs beyond what is anticipated. Such costs could have a material adverse impact on cash flows or its results of operations or both. In addition, an inability to repay or refinance all or a substantial amount of these debt obligations, when they become due would have a material adverse effect on the financial condition and results of operations of the Group. If the Group does not deleverage as rapidly as targeted by the Board, the increased level of debt taken on by the Group to fund the Acquisition could have significant consequences. These could include increasing its vulnerability to general adverse economic and industry conditions, limiting its ability to fund future working capital and capital expenditure, engaging in future acquisitions of development activities or to otherwise realise the value of its assets and opportunities fully. This would be due to the need to dedicate a substantial portion of its cash flow from operations to payments of interest and principal on its debt, or to comply with any restrictive terms of its debt, limiting its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates. Such actions would impair the Group's ability to obtain additional financing in the future, and place the Group at a competitive disadvantage compared to those competitors that have less debt. See also paragraph 1.11 of this section entitled *"Risk Factors"*.

2.2 Completion of the Acquisition is conditional and the conditions may not be satisfied

The Acquisition is conditional, among other things, upon: (a) anti-trust clearance having been obtained from the European Commission; (b) the Shareholders approving the Resolutions; (c) completion of the Reorganisation; (d) the Underwriting Agreement not having been terminated before Admission and Admission occurring; and (e) SCA entering into a scheme apportionment arrangement with SCA Packaging and the trustees of the SCA UK pension plan. There can be no assurance that these conditions will be satisfied or waived, if applicable, and that Completion will be achieved.

2.3 French Works Council consultation requirements may delay or prevent the French Transaction

In accordance with French law, SCA must consult with the Works Councils before any definitive decision is taken to proceed with the French Transaction, with the view to obtaining opinions from the Works Councils on the French Transaction. The consultation procedure may last for several months. Although SCA is not legally bound by these opinions, these consultations should be conducted in such a way as to ensure their effectiveness. The Works Councils could bring legal action before the French courts to request the suspension of the French Transaction until the consultation procedure is completed, if they consider that they are not in a position to give their opinion due to insufficient information. Whilst it is possible that the French Transaction may be delayed for these reasons and that the delay may be such that the French Transaction does not proceed, DS Smith does not believe it to be a likely scenario.

2.4 The Group may not be able fully to realise the benefits of the Acquisition

The success of the Group is expected in part to be dependent upon the Group's ability to integrate SCA Packaging without any significant disruption to the business of DS Smith or SCA Packaging. This may divert management's attention from the ordinary course operation of the business and raise unexpected issues and may take longer or prove more costly than anticipated. For example, SCA Packaging capital expenditures on maintenance of certain of its properties, plants and assets has dipped below budgeted levels, on the basis of lower demand in recent years. If demand should increase beyond existing capacity levels, the Group may have to spend more than it currently anticipates in order to upgrade or replace assets in the future.

Further, the Acquisition and any uncertainty regarding the effect of the Acquisition could cause disruptions to the businesses of the Group. These uncertainties may materially and adversely affect the Group's business and its operations and could cause customers, distributors, other business partners and other parties that have business relationships with the Group to defer the consummation of other transactions or other decisions concerning the Group's business, or to seek to change existing business relationships with these companies. Any such issues may adversely affect the financial position of the Group, and ultimately the trading price of the Ordinary Shares.

2.5 The Group may need to rely on certain key management for the successful operation of the Group

The future success of the Group will, in part, be dependent upon the successful retention and motivation of key members of the Group's management and staff. Failure to retain certain individuals may affect the Group's ability successfully to manage the Group. This may have a detrimental effect on the future performance of the Group.

2.6 The Group may not realise the desired synergy benefits from the Acquisition

The Group is targeting significant synergies from the Acquisition, and the Group's financial planning and funding strategies are based in part on realising these synergies. Achieving the advantages of the Acquisition will depend partly on the rapid and efficient management and co-ordination of the activities of DS Smith and SCA Packaging, two businesses of considerable size that functioned independently and are located in different countries, with geographically dispersed operations, and with different business cultures and compensation structures. There is a risk that synergy benefits from the Acquisition may fail to materialise, or they may be materially lower than have been estimated. In addition, the costs of funding these synergies may exceed expectations. Such eventualities may have a material adverse effect on the financial position of the Group.

2.7 SCA Packaging may not perform in line with expectations

If the results and cash flows generated by the combination of the operations of SCA Packaging with those of the Group are not in line with the Directors' expectations, a write-down may be required against the carrying value of the Group's investment in SCA Packaging. Such a write-down may reduce the Group's ability to generate distributable reserves and consequently affect the Group's ability to pay dividends.

2.8 An impairment of goodwill or other intangible assets would adversely affect the Group's financial condition and results of operation

Upon completion of the Acquisition, a significant portion of the difference between the purchase price, SCA Packaging's net assets at that date and the allocation of costs of the combination to the assets acquired and the liabilities assumed, will be recorded as goodwill. In addition, other intangible assets will be recorded as a result of the purchase price allocation. Under IFRS, goodwill and intangible assets with indefinite lives are not amortised but are tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular if the combination of the businesses meets with unexpected difficulties, or if the business of the Group does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on the Group's results of operations and financial condition.

2.9 The Group will have foreign exchange risk related to the purchase price for the Acquisition

There could be a period of several months between Admission and the Group's obligation to acquire SCA Packaging for payment in euros becoming unconditional. During this time, the Group will be exposed to the risk of a significant appreciation in the euro against the pound sterling. As of the date of this document, the Group has entered into a currency hedge in respect of the anticipated net proceeds of the Rights Issue and may enter into further currency hedges prior to Completion as necessary in order to limit its total exposure in respect of the Acquisition to adverse currency movements of £50 million, although there is no guarantee that such measures will be implemented or fully effective.

2.10 The Group has incurred and will incur substantial transaction and offer related costs in connection with the Acquisition

The Group has incurred and will incur significant transaction fees and other costs associated with completing the Acquisition, combining operations and achieving desired synergies. These fees and costs are substantial and include financing, financial advisory, legal and accounting fees and expenses. Additional unanticipated costs may be incurred in the integration of SCA Packaging into the Group. Although the Group expects that the realisation of other efficiencies related to the Acquisition will offset the incremental and transaction costs over time, this net benefit may not be achieved in the near term, or at all.

2.11 The financial results of the Group will, as a result of the Acquisition and the resulting increased portion of assets, liabilities and earnings denominated in euros, be more exposed to fluctuations in the exchange rate between the pound sterling and the euro

The Group will present its financial statements in pounds sterling and will have a significant portion of euro denominated assets, liabilities and earnings as a result of the significant assets and revenues of SCA Packaging across the Eurozone. In addition, the Group will face increased exposure to the euro based on the euro amounts utilised pursuant to the Acquisition Facilities used to finance the Acquisition. The operational and financial results as well as the equity of the Group will therefore be more sensitive to fluctuations in the exchange rate of the pound sterling against the euro than they are currently. There has been a high degree of volatility in exchange rates since the onset of the global financial crisis and this volatility has continued with the recent EU sovereign debt crisis. A depreciation of the euro relative to the pound sterling could have an adverse impact on the consolidated financial condition and results of operation of the Group.

3. RISKS RELATING TO THE RIGHTS ISSUE AND AN INVESTMENT IN ORDINARY SHARES

3.1 The Rights Issue is not conditional upon Completion

It is possible that following Admission of the New Ordinary Shares, nil paid, and the Rights Issue becoming wholly unconditional, the Acquisition could cease to be capable of Completion; in particular, if any of the conditions precedent to Completion are not satisfied in accordance with the Acquisition Agreement or if DS Smith becomes aware of any potential breach of warranty that could give rise to a Material Adverse Effect (as defined in the Acquisition Agreement) or if a Material Adverse Change (as defined in the Acquisition Agreement) occurs or is reasonably likely to occur, DS Smith may terminate the Acquisition Agreement before Completion with immediate effect. In this case, as the Rights Issue is not conditional upon Completion, the Rights Issue would still be completed and funds would be raised by the Group.

In the unlikely event that the Rights Issue proceeds but Completion does not take place, the Directors' current intention is that the proceeds of the Rights Issue will be invested on a short-term basis while the Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Directors will consider how best to return surplus capital to Shareholders. Such a return could carry fiscal costs for certain Shareholders. The Underwriters' obligations under the Underwriting Agreement are conditional (although certain of these conditions can be waived) upon, amongst other things, the Acquisition Agreement and the Acquisition Facilities Agreement remaining in full force and effect and not having lapsed or been terminated in accordance with their terms prior to Admission.

3.2 The market value of listed securities may fluctuate and may not reflect the underlying asset value of the Group

Prospective investors should be aware that the value of an investment in the Group may go down as well as up. The market value of the Ordinary Shares can fluctuate and may not always reflect the underlying asset value. A number of factors outside the control of the Group may impact on its performance and the price of the Ordinary Shares. Such factors include the operating and share price performance of other companies in the industry and markets in which the Group operates, speculation about the Group's business in the press, media or investment community, changes to the Group's profit estimates, the publication of research reports by analysts and general market conditions. The market price of the Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the Group's actual results of operations and financial condition.

3.3 An active trading market in Nil Paid Rights may not develop on the London Stock Exchange

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the Nil Paid Rights price may be volatile and subject to the same risks as noted in the paragraph above. The existing volatility of the Ordinary Shares may also magnify the volatility of the Nil Paid Rights.

3.4 Shareholders who do not take up their rights in full will experience dilution in their ownership

If Shareholders do not take up the offer of New Ordinary Shares under the Rights Issue their proportionate ownership and voting interests in the Group will be reduced and the percentage that their Ordinary Shares will represent of the total share capital of the Group will be reduced accordingly. Even if a Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil Paid Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of the Group's share capital that may be caused as a result of the Rights Issue.

3.5 If there is a substantial decline in the price of the Ordinary Shares, the Nil Paid Rights may become worthless

The public trading market price of the Ordinary Shares may decline below the subscription price for the New Ordinary Shares. Should that occur after investors exercise their rights in the Rights Issue, investors will suffer an immediate unrealised loss as a result. Following the exercise of rights, such investors may be unable to sell New Ordinary Shares at a price equal to or greater than the subscription price.

After Admission, any obligation of the Underwriters to subscribe for, or of JPMSL to procure investors to subscribe for any New Ordinary Shares pursuant to the terms of the Underwriting Agreement shall be incapable of termination. Shareholders who decide not to exercise their rights may also sell or transfer their Nil Paid Rights. If the public trading market price of the Ordinary Shares declines below the subscription price for the New Ordinary Shares, investors who have acquired any such Nil Paid Rights in the secondary market will suffer a loss as a result.

3.6 Any future Ordinary Share issues and sales of Ordinary Shares by major Shareholders may have an adverse effect on the market price of the Ordinary Shares

The Group has no current plans for a subsequent offering of Ordinary Shares. However, it is possible that the Group may decide to offer additional Ordinary Shares in the future. An additional offering or a significant sale of Ordinary Shares by any of the Group's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares.

3.7 The take up of Nil Paid Rights under the Rights Issue will not be readily available to any Shareholders with a registered address in the United States or any other Excluded Territories (subject to certain exceptions)

The take up of Nil Paid Rights under the Rights Issue will not be readily available to any Shareholder with a registered address in the United States or other Excluded Territory (subject to certain exceptions) in the absence of certain other actions. If a Qualifying Shareholder is not able to take up Rights granted in respect of Existing Ordinary Shares under the Rights Issue, then it may not receive the economic benefit of such Rights because there is no assurance that the procedure in respect of Rights not taken up, described in Part IV (*Terms and Conditions of the Rights Issue*) of this document, will be successful in either selling the Nil Paid Rights or in respect of the prices obtained.

3.8 Investors may not receive compensation for expired and unexercised rights

The subscription period for the New Ordinary Shares being offered in the Rights Issue is expected to commence on 6 February 2012 and is expected to expire on 21 February 2012. If an investor fails to exercise its Rights prior to the end of the subscription period, then it may not receive the economic benefit of such Rights because there is no assurance that the procedure in respect of Rights not taken up, described in Part IV (*Terms and Conditions of the Rights Issue*) of this document will be successful in either selling the Nil Paid Rights, or in respect of the prices obtained.

3.9 The Group's ability to continue to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves

The Group's ability to pay dividends is limited under English company law, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Group's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Group by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Group's subsidiaries. The ability of these subsidiaries to pay dividends and the Group's ability to receive distributions from its investments in other entities is subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Group's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Group by its subsidiaries, which could restrict the Group's ability to fund other operations or to pay a dividend to holders of the Existing Ordinary Shares or the New Ordinary Shares.

3.10 Exchange rate fluctuations may impact the price of Ordinary Shares or the value of any dividends paid

The Ordinary Shares, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.

3.11 Holders of Ordinary Shares outside the United Kingdom may not be able to participate in future equity offerings

English law provides for pre-emptive rights generally to be granted to the Shareholders, unless such rights are disapplied by shareholder resolution. However, Shareholders outside the United Kingdom may not be entitled to exercise these rights. US holders of shares are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the Securities Act is effective with respect to those rights, or an exemption from the registration requirements or similar requirements in other jurisdictions thereunder is available. The Group has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from the registration requirements would be available to enable US or other overseas holders to exercise such pre-emption rights or, if available, that it will utilise any such exemption.

4. ADDITIONAL RISKS FOR INVESTORS IN THE UNITED STATES

4.1 The rights of holders of Ordinary Shares are governed by English law. Not all rights available to Shareholders under US law will be available to US investors

Rights afforded to holders of Ordinary Shares under English law differ in certain respects from the rights typically available to shareholders in US corporations. The rights of holders of Ordinary Shares are governed by English law as well as the Articles. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US corporation.

4.2 US investors may not be able to bring suits or enforce civil judgments of US courts against the Company or its Directors, controlling persons and officers

The Company is incorporated under the laws of England and Wales. The majority of the Directors and executive officers of the Group are and will continue to be citizens or residents of countries other than the United States. A substantial portion of the assets of such persons and a substantial portion of the assets of the Group are and will continue to be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the US federal securities laws or the securities laws of any state or territory within the United States.

IMPORTANT INFORMATION

1. FORWARD LOOKING STATEMENTS

Certain statements contained in this document that are not historical facts are "forward-looking" statements within the meaning of section 27A of the Securities Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Directors' current beliefs and expectations about future events. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company concerning, among other things:

(a) the Company's objectives, acquisition and financing strategies, target return, results of operations, financial condition, prospects, capital appreciation of the Ordinary Shares and dividends;

(b) trends in the sectors in which the Company intends to invest; and

(c) anticipated financial and other benefits resulting from the Acquisition, and the Company's plans and objectives following the Acquisition.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the Company's actual performance, results of operations, internal rate of return, financial condition, distributions to Shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors should carefully review the section entitled "*Risk Factors*" of this document for a discussion of factors that could cause the Company's actual results to differ materially from those expected before making an investment decision. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 11 of Part XVI (*Additional Information*) of this document.

Forward-looking statements contained in this document apply only as at the date of this document. To the extent required by the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules and other applicable regulations, the Company will update or revise the information in this document. Otherwise, the Company undertakes no obligation publicly to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Forward-looking statements contained in this document do not in any way seek to qualify the working capital statement contained in paragraph 11 of Part XVI *(Additional Information)* of this document.

2. INDUSTRY AND MARKET DATA

Where information contained in this document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

3. SYNERGIES

The Board believes the Enlarged Group will be, with a broader geographical presence, well positioned to benefit from enhanced growth prospects. In addition, the Board believes that the Enlarged Group will be able to deliver annualised pre-tax cost synergies from procurement and operational efficiencies at an annual run-rate of at least €75 million by the end of the third full financial year following Completion. In addition, cumulative capital expenditure and working capital benefits of at least €40 million are also anticipated by the end of the third full financial year following Completion.

The Board believes that synergy benefits will arise from the following areas:

- procurement: margin benefits are anticipated through sourcing opportunities in both direct and indirect spend categories and through product harmonisation;
- operational efficiencies: cost savings are anticipated from optimising paper usage by corrugated factories and other operational efficiencies; and
- capital expenditure and working capital: it is recognised that there are opportunities to optimise capital expenditure and working capital given the combined capabilities of the manufacturing and operational infrastructure of the Group.

The expected one-off cash costs to implement the integration and deliver the synergies are estimated at €80 million over the first three full financial years after Completion.

The Board believes that if the French Transaction does not proceed the impact on the synergy benefits otherwise expected to arise from the Enlarged Group will be to reduce the annualised pre-tax cost synergies from procurement efficiencies by approximately €7 million per annum by the end of the third full financial year following Completion and to reduce total capital expenditure and working capital benefits anticipated by the end of the third full financial year following Completion by approximately €14 million. For further information in relation to the French Transaction, see paragraph 7 of Part I (*Letter from the Chairman*) of this document.

The expected cost synergies have been calculated on the basis of the existing procurement and operational structures of DS Smith and SCA Packaging. In assessing the estimate of cost synergies, the Board and management have been aided by their integration experience, including the integration of Otor in 2010 and 2011. The figures as set out in this paragraph are unaudited numbers based on management estimates.

4. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated:

(a) financial information relating to the DS Smith Group has been extracted without material adjustment from:

(i) the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 April 2009 (the **2009 Financial Statements**);

(ii) the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 April 2010 (the **2010 Financial Statements**);

(iii) the audited consolidated financial statements for the Company prepared in accordance with IFRS for the year ended 30 April 2011 (the **2011 Financial Statements** and, together with the 2009 Financial Statements and the 2010 Financial Statements, the **Audited Financial Statements**); and

(iv) the unaudited condensed consolidated financial information for the Company prepared in accordance with IAS 34 as at and for the six months ended 31 October 2011 (the **2011 Interim Financial Statements**) including the restated consolidated financial information for the six months ended 31 October 2010; and

(b) financial information relating to SCA Packaging has been extracted without material adjustment from the combined financial information set out in Part XI *(Historical Financial Information Relating to the SCA Packaging Group)* of this document (the **SCA Packaging Group's Combined Financial Information**).

All prices quoted for Ordinary Shares are closing prices as provided by the London Stock Exchange. All London Stock Exchange quoted share prices are expressed in pounds sterling.

Unless otherwise indicated, financial information in this document relating to DS Smith and SCA Packaging has been prepared in accordance with IFRS.

Other sources are included in footnotes, where relevant.

Non-IFRS financial measures

In this document, certain financial measures of the DS Smith Group and the SCA Packaging Group and the Enlarged Group that are presented are not measures of financial performance defined under IFRS, or any

other internationally accepted accounting principles, including Adjusted Operating Profit, Exceptional Items, Net Debt, and Pro forma Net Debt (collectively, the **Non-IFRS Measures**).

Non-IFRS Earnings Measures and Earnings Adjustments

Each of the following Non-IFRS earnings measures and earnings adjustments are defined as:

- **Adjusted operating profit** is operating profit for the period excluding the impacts of amortisation and exceptional items.
- **Exceptional items** are earnings adjustments identified internally for management reporting purposes that (1) are not considered to be indicative of the ongoing operations, (2) may impact year on year comparability and/or (3) the Board believes do not impact the Company's ability to service its debt. These items are adjusted from certain earnings measures to assist management in understanding their impact on the historical financial results of DS Smith and expected future performance. For the years ended 30 April 2009, 2010 and 2011 and for the six months ended 31 October 2011, exceptional items of the DS Smith Group mainly include costs incurred in connection with restructuring, acquisition related costs, pension curtailment and impairment. For the years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2011, exceptional items of the SCA Packaging Group mainly include costs related to restructuring and impairment. The items included within exceptional items have occurred in prior periods, and may occur in the future.
- **Adjusted return on sales** is defined as the ratio of adjusted operating profit to revenue.
- **Adjusted return on average capital employed** is defined as adjusted operating profit as a percentage of the average monthly capital employed for the last twelve months. Capital employed comprises assets less liabilities after excluding cash and cash equivalents, derivative financial instruments, borrowings and accrued interest, tax balances, post-retirement benefit liabilities and investments, associates and other investments.

These Non-IFRS earnings measures are presented herein as (1) they are used by management to measure operating performance, in presentations to the Directors, and as a basis for strategic planning and forecasting, and (2) they represent similar measures that are widely used by certain investors, securities analysts and other parties as supplemental measures of performance. These measures enhance management's and investors' understanding of the financial performance of the DS Smith Group and the SCA Packaging Group, as applicable, by excluding items that are outside of ongoing operations such as income taxes, costs of capital, and non-cash expenses. However, these Non-IFRS earnings measures are not measures or adjustments defined under IFRS or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial results or other indicators of our performance defined under IFRS. The Non-IFRS earnings measures, as defined herein, may not be comparable to similarly titled measures as presented by other companies due to differences in the way Non-IFRS earnings measures are calculated for purposes of this document. Even though the Non-IFRS earnings measures are used by management to assess ongoing operating performance and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the results of the DS Smith Group and the SCA Packaging Group as reported under IFRS. For example, some of the limitations for the Non-IFRS earnings measures include the following:

- they exclude certain tax payments that may represent a reduction in available cash;
- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortised that may have to be replaced in the future;
- they do not reflect changes in, or cash requirements for, working capital needs; and
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on debts.

Non-IFRS Debt and Liquidity Measures

In addition to the Non-IFRS earnings measures:

- **Net debt** is defined as current and non-current interesting bearing loans net of cash and cash equivalents (including overdrafts), derivative financial assets/liabilities, non-current bank deposits and cash and cash equivalents classified within assets held for sale.

- **Pro Forma Net Debt,** is the net debt measure defined above, adjusted to reflect the impact of (i) the Acquisition, (ii) the financing of the Acquisition and (iii) the disposal of Spicers occurred, as if they occurred as at 31 October 2011.

Net debt is presented herein as (1) it is used to monitor matters pertaining to outstanding debt and available operating liquidity, and/or (2) represents similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position. It also considered to enhance an investors' understanding of the indebtedness and liquidity position of the DS Smith Group and the SCA Packaging Group, as applicable.

The Pro Forma Net Debt measure, as identified above, has not been prepared in accordance with the requirements of Regulation S-X of the requirements of the US Securities and Exchange Commission and IFRS. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma net debt measure has been audited or reviewed in accordance with any generally accepted auditing standards.

Net debt and the Pro Forma Net Debt measures are not measures determined based on IFRS, or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or results or other indicators of the financial position or performance of the DS Smith Group and the SCA Packaging Group based on IFRS measures. These measures, as defined herein, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the measures are calculated for purposes of this document. Even though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the financial position or results of the DS Smith Group and the SCA Packaging Group reported under IFRS.

5. ROUNDING

Some numbers in this document have been rounded and, as a result, the numbers shown as totals in this document may vary slightly from the exact arithmetic aggregation of the numbers that precede them.

6. CURRENCY PRESENTATION

The DS Smith Group operates in a number of countries and earns money and makes payments in different currencies. All references in this document to **£**, **pounds, pounds sterling, sterling, pence** or **p** are to the lawful currency of the United Kingdom. All references to **€** or **euro** are to the single currency of the member states of the European Communities that adopt or have adopted the euro as their lawful currency under the legislation of the EU or European Monetary Union.

7. HISTORICAL EXCHANGE RATE INFORMATION

The tables below show the high, low, average and period-end exchange rates of pounds sterling per euro for each annual period since 2006, and for each month since January 2011, expressed as the number of pounds sterling per €1.00 and as published by Bloomberg. These rates may differ from the actual rates used in the preparation of the Company's financial statements and other financial information appearing in this document. The average is computed using the exchange rates set on each business day during the period.

7.1 Pounds sterling per euro historical exchange rate for each year between 2006 and 2011

	pounds sterling/euro			
Year	**Period end**	**Average rate**[1]	**High**	**Low**
2006	0.6739	0.6818	0.7013	0.6685
2007	0.7355	0.6871	0.7383	0.6554
2008	0.9570	0.8018	0.9793	0.7348
2009	0.8876	0.8880	0.9583	0.8437
2010	0.8574	0.8564	0.9123	0.8092
2011	0.8334	0.8687	0.9039	0.8302

(1) The average rate is calculated based on the rate on each Business Day of the month for monthly averages, and on the last Business Day of each month for annual averages.

7.2 Pounds sterling per euro average monthly conversion rate between January 2011 and December 2011

Month	pounds sterling/euro			
	Period end	Average rate[1]	High	Low
January 2011	0.8543	0.8468	0.8630	0.8302
February 2011	0.8488	0.8467	0.8566	0.8375
March 2011	0.8834	0.8677	0.8834	0.8482
April 2011	0.8862	0.8830	0.8900	0.8736
May 2011	0.8744	0.8768	0.8990	0.8628
June 2011	0.9032	0.8882	0.9032	0.8772
July 2011	0.8764	0.8848	0.9039	0.8760
August 2011	0.8854	0.8765	0.8858	0.8689
September 2011	0.8590	0.8717	0.8831	0.8590
October 2011	0.8646	0.8706	0.8814	0.8574
November 2011	0.8559	0.8579	0.8638	0.8523
December 2011	0.8334	0.8437	0.8601	0.8328

(1) The average rate is calculated based on the rate on each Business Day of the month for monthly averages, and on the last Business Day of each month for annual averages.

8. REFERENCES TO TIME

Unless otherwise stated, all references to time in this document are to the time in London, United Kingdom.

9. DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined in Part XVIII (*Definitions and Glossary of Technical Terms*) of this document.

10. NO INCORPORATION BY REFERENCE OF WEBSITE INFORMATION

Neither the content of DS Smith's website nor SCA's website, nor the content of any website accessible from hyperlinks on DS Smith's website or SCA's website, is incorporated into, or forms part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document, which will be made available on DS Smith's website.

11. CREDIT RATING AGENCIES

This document refers to credit ratings from Moody's Investors Services, Inc. (**Moody's**) and Standard & Poor's Rating Service (**Standard & Poor's**). Both Moody's and Standard & Poor's have applied to be registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.[1]

Event	Time and date
Announcement of the Acquisition and Rights Issue	17 January 2012
Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	17 January 2012
Rights Issue Record Date	close of business on 1 February 2012
Latest time and date for receipt of Forms of Proxy	9.30 a.m. on 1 February 2012
General Meeting	**9.30 a.m. on 3 February 2012**
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only)[2]	3 February 2012
Publication of notice in the London Gazette	6 February 2012
Existing Ordinary Shares marked "ex" by the London Stock Exchange	8.00 a.m. on 6 February 2012
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 6 February 2012
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)[2]	as soon as practicable after 8.00 a.m. on 6 February 2012
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 6 February 2012
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e., if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 15 February 2012
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 16 February 2012
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 17 February 2012
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	**11.00 a.m. on 21 February 2012**
Results of Rights Issue to be announced through a Regulatory Information Service	by 8.00 a.m. on 22 February 2012
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**by 8.00 a.m. on 22 February 2012**
New Ordinary Shares credited to CREST accounts	as soon as practicable after 8.00 a.m. on 22 February 2012
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	by no later than 29 February 2012
Expected date of Completion and expected date of Re-admission	**by no later than 31 July 2012**

The Company expects to publish a supplementary prospectus prior to the General Meeting to reflect certain unaudited combined financial information for SCA Packaging for the financial year ended 31 December 2011.

Notes:

1. The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by DS Smith in consultation with J.P. Morgan in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
2. Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which are set out in paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

SHARE CAPITAL AND RIGHTS ISSUE STATISTICS

Rights Issue Price per New Ordinary Share	95 pence
Basis of Rights Issue	9 New Ordinary Shares for every 8 Existing Ordinary Shares
Number of Ordinary Shares in issue at the Latest Practicable Date	436,224,468
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue[1]	490,752,526
Number of Ordinary Shares in issue immediately following the completion of Rights Issue[1]	926,976,994
New Ordinary Shares as a percentage of the enlarged issued share capital of DS Smith immediately following completion of the Rights Issue	52.9 per cent.
Estimated gross proceeds of the Rights Issue	£466.2 million
Estimated expenses of the Rights Issue and the Acquisition[2]	£50.0 million
Estimated net proceeds of the Rights Issue receivable by DS Smith, after deduction of estimated expenses of the Rights Issue[3]	£454.4 million

Notes:

1. On the assumption that no further Ordinary Shares are issued from the date of this document until completion of the Rights Issue other than the New Ordinary Shares. The actual number of New Ordinary Shares to be issued under the Rights Issue will be subject to rounding to eliminate fractions.
2. Total estimated expenses split as follows: Rights Issue £11.8 million; Acquisition £38.2 million.
3. Based on the maximum number of New Ordinary Shares being issued under the Rights Issue.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Gareth Davis	(Chairman)
	Miles Roberts	(Group Chief Executive)
	Stephen Dryden	(Group Finance Director)
	Christopher Bunker	(Senior Independent Director)
	Philippe Mellier	(non-Executive Director)
	Jonathan Nicholls	(non-Executive Director)
Company Secretary	Matthew Jowett	
Registered Office	Beech House Whitebrook Park 68 Lower Cookham Road Maidenhead Berkshire SL6 8XY	
Sponsor and Financial Adviser	J.P. Morgan Limited 125 London Wall London EC2Y 5AJ	
Sole Bookrunner and Underwriter	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ	
Co-bookrunner and Underwriter	HSBC Bank plc 8 Canada Square London E14 5HQ	
Co-lead Manager and Underwriter	The Royal Bank of Scotland plc (trading as RBS Hoare Govett) 135 Bishopsgate London EC2M 3UR	
Legal Advisers to DS Smith	Allen & Overy LLP One Bishops Square London E1 6AD	
Legal Advisers to Sponsor, Financial Adviser and Underwriters	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS	
Auditors and Reporting Accountants to DS Smith	Deloitte LLP 2 New Street Square London EC4A 3BZ	
Reporting Accountants on SCA Packaging	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH	
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	

Part I

Letter from the Chairman

DS Smith Plc

(Incorporated and registered in England and Wales with registered number 1377658)

Directors:	***Registered Office:***
Gareth Davis *(Chairman)*	Beech House
Miles Roberts *(Group Chief Executive)*	Whitebrook Park
Steve Dryden *(Group Finance Director)*	68 Lower Cookham Road
Christopher Bunker *(Senior Independent Director)*	Maidenhead
Philippe Mellier *(non-Executive Director)*	Berkshire SL6 8XY
Jonathan Nicholls *(non-Executive Director)*	United Kingdom

17 January 2012

To the holders of Ordinary Shares

Dear Shareholder,

Proposed acquisition of SCA Packaging, 9 for 8 Rights Issue of up to 490,752,526 New Ordinary Shares at 95 pence per New Ordinary Share and Notice of General Meeting

1. INTRODUCTION

On 17 January 2012 the Directors announced arrangements regarding the proposed acquisition of the packaging division of SCA excluding the kraftliner assets (**SCA Packaging**) for a total of €1.7 billion (approximately £1.4 billion[1]) on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis (the **Acquisition**). Net consideration will be approximately €1.6 billion after taking into account a pension price adjustment. In addition, there will also be certain customary post-Completion adjustments.

SCA Packaging is the second largest packaging business in Europe and the Acquisition would represent a significant opportunity for DS Smith to achieve its stated strategic aim of becoming the leading supplier of recycled packaging for consumer goods in Europe.

As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures) owned facilities in 21 countries, which included 110 corrugated manufacturing locations (109 corrugated manufacturing locations in 20 countries after a subsequent disposal). In the year ended 31 December 2010, SCA Packaging (including the effect of certain joint ventures and discontinued operations) sold 3,621 kilotonnes of recycled fibre; sold 1,383 kilotonnes of CCM; and had corrugated sales volumes of 3,428 million square metres (approximately 1,783 kilotonnes). Like DS Smith, SCA Packaging manufactures less paper than it uses, resulting in a short position in paper, which is consistent with DS Smith's strategy to own paper manufacturing assets only where strategically necessary to support the packaging business. SCA Packaging had 12,598 employees as at 30 September 2011 (including discontinued operations now sold). For the 9 months ended 30 September 2011, SCA Packaging reported adjusted operating profit[2] of €118.7 million and net revenues of €2,065.5 million.

DS Smith proposes to finance the Acquisition with existing and additional debt, and a Rights Issue to raise a total of approximately £456.4 million, net of commissions.

Because of the size of SCA Packaging when compared to DS Smith, the Acquisition is classified under the Listing Rules as a reverse takeover and requires the approval of Shareholders.

The purpose of this document is to explain the background to, and reasons for, the Acquisition and the Rights Issue and provide you with a Notice of General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to enable and authorise DS Smith to carry out the Acquisition and the Rights Issue.

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[1] Based on an exchange rate of €1.00 to £0.8263 on 16 January 2012.

[2] Calculated as operating profit before exceptional items and amortisation.

This document also explains why the Board considers that the Resolutions to be proposed at the General Meeting are in the best interests of Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions.

The General Meeting will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 9.30 a.m. on 3 February 2012. The Notice of General Meeting is set out at the end of this document.

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, so as to arrive not later than 9.30 a.m. on 1 February 2012. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so. You may also submit your proxies electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, ID RA19, so that it is received no later than 9.30 a.m. on 1 February 2012.

2. STRATEGY

DS Smith's strategy was announced in December 2010 following the appointment of Miles Roberts as Group Chief Executive in May 2010. As set out in the "Review of Business Strategy" in the half year results in December 2010, DS Smith's stated strategic aim is to be the leading supplier of recycled packaging for consumer goods in Europe. In order to achieve this DS Smith intends to: focus on its packaging business, particularly building on its FMCG customer base; expand its recycling business that supports and is integral to its recycled packaging business; and reduce its exposure to paper manufacturing. DS Smith also intends to realise significant cost and capital efficiencies through changing its operational structure and processes. The Board aims to improve DS Smith's return on sales and consistently earn returns above the DS Smith Group's cost of capital with reduced cyclicality, which together will produce superior returns for Shareholders and drive DS Smith's progressive dividend policy.

The Directors believe the Acquisition should achieve DS Smith's stated medium-term financial return criteria, as set out in its 2010 strategy presentation and amended following the announcement in July 2011 of the proposed disposal of Spicers. These are:

- volume growth from packaging at GDP plus 1 per cent.;
- a return on sales target of between 7 and 9 per cent.;
- a return on average capital employed of between 12 and 15 per cent.;
- operating cash flow (before growth capital expenditure) of over 120 per cent. of operating profit; and
- a net debt/EBITDA ratio of less than 2.0 times.

The Directors do not plan to change these targets as a result of the Acquisition.

The acquisition of the Otor Group in 2010 allowed the DS Smith Group to consolidate its position in France, creating a leading recycled corrugated packaging company with a focus on the FMCG customer base in that market. The acquisition of the Otor Group has already produced excellent returns for Shareholders, with a return on investment in the 12 months to 31 October 2011 of 14.8 per cent. and annualised cost synergies equal to 4 per cent. of revenues in the same period. This has been possible as DS Smith has focused on delivering high standards of service, quality and innovation for its FMCG customer base across its corrugated packaging operations, which has enabled it to outperform overall growth in the relevant markets. At the same time, the DS Smith Group has also taken other significant strategic actions, including:

- streamlining the DS Smith Group through the disposal of Spicers, its Office Products Wholesaling business, for an enterprise value of £200 million, which is a multiple of 6.9 times EBITDA for the division in the financial year ended 30 April 2011;
- reducing exposure to more cyclical paper manufacturing operations through the disposal of Higher Kings Mill paper mill and the proposed closure in 2012 of Hollins paper mill thereby reducing the DS Smith Group's annual paper manufacturing capacity by approximately 129 kilotonnes;

- strengthening the DS Smith Group's operational structure, adding additional resources in key commercial and operational functions of the business, with the objective of improving key processes for managing a growing business with pan-European operations and customers;
- rebranding all parts of the business as DS Smith, reinforcing the breadth of its activities with its customers, suppliers and employees;
- commencing trading for DS Smith Recycling in Poland and working with its existing customer base in these new markets;
- focusing capital investment on areas and products that support recycled packaging for FMCG customers; and
- being on track to deliver a series of savings, including: £10 million run-rate in efficiency savings from the UK business by April 2014; €13 million run-rate in synergies from the integration of Otor by April 2013, and £10 million run-rate in procurement savings (split between operating and capital expenditure) by April 2012.

3. RATIONALE FOR THE ACQUISITION

The Board believes that the Acquisition would represent an exceptional opportunity to accelerate DS Smith's strategy to become the leading supplier of recycled packaging for consumer goods in Europe. SCA Packaging is the second largest packaging business in Europe with strong positions in recycled consumer packaging. The assets of SCA Packaging are situated in geographies highly complementary to those of DS Smith. In combination, the Enlarged Group will be in a leading position in main European markets.

The Board believes that the Acquisition will drive growth in the business and add value for Shareholders by:

- providing access to new geographical markets across continental Europe with a combined network of 223 manufacturing locations (including CCM mills and recycling facilities) that better matches the location and scale of key pan-European FMCG customers, allowing the Enlarged Group to meet these customers' increasing requirements to be supplied on a pan-European basis;
- developing broader relationships with the existing customer bases of both DS Smith and SCA Packaging, as well as the potential to win new customers;
- driving further benefits from the Enlarged Group's operational structure and utilising the strengthened structure across key commercial and operational functions of DS Smith's business;
- delivering estimated annualised pre-tax cost synergies from procurement and operational efficiencies at an annual run-rate of at least €75 million by the end of the third full financial year following Completion and cumulative capital expenditure and working capital benefits of at least €40 million by the end of the third full financial year following Completion, with the expected one-off cash costs to implement the integration and deliver the synergies estimated at €80 million over the first three full financial years after Completion;
- offering an expected return on capital above DS Smith's weighted average cost of capital for the first full financial year of ownership with further improvement in the second and third full financial years; and
- substantially enhancing DS Smith's EPS.[3]

Overall, SCA Packaging will strengthen DS Smith's existing business model and underpin its growth objectives. Whilst the Enlarged Group will remain subject to a certain degree of cyclicality and cyclical margin pressure, the Board believes that the Shareholders should see a substantial enhancement of financial returns over the medium-term.

3.1 Access to new geographical markets to supply existing key FMCG customers

As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures) owned facilities in 21 countries, which included 110 corrugated manufacturing locations (109 corrugated manufacturing locations in 20 countries after a subsequent disposal). With the Acquisition, the DS Smith Group will transform the scale and breadth of its operations, becoming the second largest packaging

[3] 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 historic published figures.

business in Europe, with 223 manufacturing locations (including CCM mills and recycling facilities) in 20 countries, giving it true pan-European coverage. DS Smith will be entering 15 countries, including Germany and the Netherlands, for the first time. Accordingly, the Enlarged Group will be able to supply existing FMCG customers from the Enlarged Group's local manufacturing facilities across Europe, while also meeting these pan-European customers' increasing requirements to be supplied on a pan-European basis. As a result, the Enlarged Group will substantially broaden its exposure to economies outside its current core UK and French markets.

3.2 Develop broader relationships and win new customers

The Board believes that there is considerable potential to drive revenue growth through the development of broader relationships with the existing customer bases of both DS Smith and SCA Packaging and also to win new customers. There will be an increased industrial component in the Enlarged Group's customer base given SCA Packaging's business. The Board believes that the Enlarged Group will benefit from the increased scope and scale of its customer base, while over time the focus on growing the core resilient FMCG customer base should reduce the proportional contribution from industrial customers. Furthermore, there is a clear opportunity to work more closely with a number of DS Smith's existing FMCG customers in countries where SCA Packaging has existing operations.

3.3 Enhanced customer offering through improved innovation and a wider range of products

SCA Packaging shares DS Smith's strong emphasis on design and innovation, with a dedicated innovation centre and 15 design centres across Europe. For the financial year ended 30 April 2011, DS Smith spent a total of £3.8 million on research and development. DS Smith's strategy to focus on value-added technology and new products has enabled DS Smith to reduce its customers' supply chain costs, increasing the value of DS Smith's products to customers, and therefore assisting the recovery of raw material inflation. On a combined basis, the Enlarged Group has the opportunity to lead innovation in corrugated packaging.

3.4 Drive benefits from DS Smith's proven operational structure

The Board believes that it can drive further benefits from the Enlarged Group's operational structure, utilising the strengthened resource in key commercial and operational functions of the DS Smith business. This will be further enhanced by the addition of key SCA Packaging personnel. The attractive returns already being delivered by Otor demonstrate the benefit accruing from functional disciplines (including commercial, procurement, human resources and finance) operating across a broader business, and this provides the framework to execute a successful combination of DS Smith and SCA Packaging. While SCA Packaging has significant integrated paper production capacity, DS Smith is not acquiring SCA's kraftliner assets and the Enlarged Group will, consistent with DS Smith's stated strategy to be short in paper, be a net purchaser of paper to supply its packaging operations. The Board remains committed to owning paper manufacturing assets only where strategically necessary to support the packaging business, in line with its stated strategy, and will continue to evaluate the Enlarged Group's paper requirements on a commercial basis.

3.5 Delivering significant synergies

The Board believes the Enlarged Group will be, with a broader geographical presence, well positioned to benefit from enhanced growth prospects. In addition, the Board believes that the Enlarged Group will be able to deliver annualised pre-tax cost synergies from procurement and operational efficiencies at an annual run-rate of at least €75 million by the end of the third full financial year following Completion. Total capital expenditure and working capital benefits of at least €40 million are also anticipated by the end of the third full financial year following Completion. In addition, DS Smith will be focused on improving the returns of SCA Packaging in some under-performing markets where the Board sees an opportunity to improve sales and marketing performance.

3.6 Returns above DS Smith's cost of capital and enhancement of DS Smith's EPS[4]

The Board believes that the Acquisition will be financially beneficial to Shareholders taking into account the terms of the Acquisition and the expected cost synergies before exceptional items. The Directors believe that the Acquisition will offer an expected return on capital by the end of the first full financial year following

[4] 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 historic published figures.

Completion greater than DS Smith's cost of capital and, taking into account the Acquisition, the Directors believe the Enlarged Group will also benefit in time from increased scale and diversity that will enable it to further reduce its weighted average cost of capital.

The Acquisition is expected to be substantially EPS enhancing in the first full financial year with further improvement expected in the second and third full financial years following Completion[5].

In light of the scale and size of the proposed Acquisition, the Board believes that it has taken a prudent approach to financing the Acquisition and associated expenses through a mixture of equity and debt, approximately: £466 million (€564 million[6]) from the Rights Issue; €700 million from the Acquisition Facilities Agreement; and €414 million from the Revolving Credit Facility, balancing a conservative financing structure and returns for Shareholders. Taking into account the cyclicality of the industry in which the Enlarged Group will operate, the Board believes it is prudent to create a diverse funding structure that combines existing debt, the Acquisition Facilities Agreement and the Rights Issue to provide the flexibility both to acquire SCA Packaging and to retain financial strength and flexibility given the current macroeconomic climate.

The Board expects leverage on completion of the Acquisition to be moderately above its stated target of 2.0 times net debt/EBITDA, but to reduce to the targeted level by the end of the first full financial year after Completion.[5]

The Board believes that synergy benefits will arise from the following areas:

- procurement efficiencies: margin benefits are anticipated through sourcing opportunities in both direct and indirect spend categories and through product harmonisation;
- operational efficiencies: cost savings are anticipated from optimising paper usage by corrugated factories and other operational efficiencies; and
- capital expenditure and working capital: it is recognised that there are opportunities to optimise capital expenditure and working capital given the combined capabilities of the manufacturing and operational infrastructure of the Enlarged Group.

The expected one-off cash costs to implement the integration and deliver the synergies are estimated at €80 million over the first three full financial years after Completion.

The Board believes that if the French Transaction does not proceed the impact on the synergy benefits otherwise expected to arise from the Enlarged Group will be to reduce the annualised pre-tax cost synergies from procurement efficiencies by €7 million per annum by the end of the third full financial year following Completion and to reduce total capital expenditure and working capital benefits anticipated by the end of the third full financial year following Completion by €14 million. For further information in relation to the French Transaction, see paragraph 7 of this Part I (*Letter from the Chairman*).

The expected cost synergies have been calculated on the basis of the existing procurement and operational structures of DS Smith and SCA Packaging. In assessing the estimate of cost synergies, the Board and management have been aided by their integration experience, including the integration of Otor in 2010 and 2011. The figures as set out in the preceding paragraphs are unaudited numbers based on management estimates.

4. SUMMARY INFORMATION ON DS SMITH

DS Smith is a leading international supplier of recycled packaging for consumer goods through its recycling, packaging, paper and plastics operations. As at 31 October 2011, DS Smith (excluding its Office Products Wholesaling business now sold) employed over 10,000 people at 94 manufacturing locations. DS Smith operates three core divisions: UK Packaging, Continental European Corrugated Packaging and Plastic Packaging. For the financial year ended 30 April 2011, UK Packaging's customer base for its corrugated box products was approximately 75 per cent. FMCG, with no UK Packaging customer accounting for more than 3 per cent. of the segment's total external revenues.

For the financial year ended 30 April 2011, DS Smith reported revenue of £2,474.5 million, adjusted operating profit of £136.1 million, operating profit of £129.4 million and profit before income tax of

[5] 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 historic published figures.

[6] Based on an exchange rate of €1.00 to £0.8263 on 16 January 2012.

£102.2 million. In July 2010, the DS Smith Group acquired the Otor Group, which has increased the focus on FMCG customers. In July 2011 the DS Smith Group announced the sale of Spicers, its Office Products Wholesaling business. The sale completed on 29 December 2011.

DS Smith is listed on the main market of the London Stock Exchange and is a member of the FTSE 250 index. As at the Latest Practicable Date, DS Smith had a market capitalisation of approximately £888 million. In the financial year ended 30 April 2011, DS Smith's production volumes included 890 kilotonnes of CCM; 1,310 kilotonnes of corrugated board on an annualised basis; and 1,800 kilotonnes of recycled fibre. Through its operations in the United Kingdom, DS Smith produced approximately 1.125 billion square metres of corrugated packaging and board for which approximately 50 per cent. of the paper required was supplied by DS Smith's own mills. Its operations in continental Europe produced approximately 120 kilotonnes of CCM and 1.3 billion square metres of corrugated board, on an annualised basis, during the same period.

Further information on DS Smith is set out in Part V (*Information on the DS Smith Group*) of this document.

5. SUMMARY INFORMATION ON SCA PACKAGING

SCA Packaging comprises all of the assets contained within SCA's packaging division, with the exception of two kraftliner mills in Sweden. SCA is incorporated in Sweden and is listed on the Stockholm Stock Exchange with a market capitalisation as at the Latest Practicable Date of approximately SEK 73.3 billion (approximately £6.9 billion[7]).

SCA Packaging is the second largest packaging business in Europe. As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures) owned facilities in 21 countries, which included 110 corrugated manufacturing locations. Currently, the SCA Packaging Group operates in 20 countries across Europe, with facilities including 109 corrugated manufacturing locations (following the disposal of operations in Russia). In the financial year ended 31 December 2010, SCA Packaging (including the effects of certain joint ventures and discontinued operations) sold 3,621 kilotonnes of recycled fibre; sold 1,383 kilotonnes of CCM; and had corrugated sales volumes of 3,428 million square metres (approximately 1,783 kilotonnes). SCA Packaging's level of integration of providing containerboard supply for corrugated production (including through swap activity) was approximately 70 per cent. for the same period. SCA Packaging had 12,598 employees as at 30 September 2011 (including discontinued operations now sold). SCA Packaging operates across the entire packaging chain including recycling, design, packaging manufacture and customer logistics.

In terms of external revenue, customers in Germany, Italy and France accounted for 19.7 per cent., 16.5 per cent. and 12.7 per cent. of external revenue in the nine months ended 30 September 2011 respectively, with no other country accounting for more than 8 per cent. of total external revenue. SCA Packaging's customer base for its corrugated box products is 49 per cent. FMCG customers and 51 per cent. industrial customers.

There is a strong emphasis on design and innovation, with a dedicated innovation centre in Brussels and 15 design centres across Europe. For the financial year ended 31 December 2010, SCA Packaging generated revenue of €2,542.3 million, adjusted operating profit of €112.4 million, operating profit of €82.0 million, profit before income tax of €98.4 million and profit from operations of €76.2 million. As of that date, SCA Packaging had total assets of €4,160.8 million.

Further information on SCA Packaging is set out in Part VI (*Information on the SCA Packaging Group*) and Part IX (*Operating and Financial Review of the SCA Packaging Group*) of this document.

6. THE ACQUISITION STRUCTURE

The Acquisition comprises the packaging division of SCA, excluding the kraftliner assets. This may include the French Companies, which account for a small proportion of the overall packaging assets (0.8 per cent. of SCA Packaging Group profit before tax for the financial year ended 31 December 2010, 5.8 per cent. of SCA Packaging Group gross assets as at 30 September 2011 and 5.9 per cent. of the overall Acquisition value).

Before SCA takes any definitive decision to proceed with the French Transaction, French law requires it to consult with the Works Councils with the view to obtaining their opinions on the French Transaction in such a way as to ensure the effectiveness of the consultations. Taking a prudent approach in this respect, the Acquisition has been structured as two separate transactions.

[7] Based on an exchange rate of SEK 1 to £0.0934 on 16 January 2012.

Accordingly:

- DS Smith and DS Smith Luxco have entered into an Acquisition Agreement to purchase the non-French Business; and
- DS Smith Dutchco has made a formal offer to acquire the French Business. Until such time as SCA and the French Group Parent accept DS Smith Dutchco's offer for the French Business, SCA and the French Group Parent are under no legal obligation to proceed with the French Transaction.

This structure enables SCA to comply with the legal requirements in France for mandatory works council consultations and give the Works Councils time to fully consider the French Transaction before any decision by SCA is taken.

The consultation procedure in France could last for several months, in particular if the Works Councils' members are not satisfied with the information provided, including any information relating to DS Smith's contemplated business plan after the French Transaction is completed.

The Offer Letter is conditional on the acquisition of the non-French Business completing. SCA is expected to accept the formal offer for the French Business and execute a binding sale and purchase agreement in relation to the French Business (the **French Acquisition Agreement**) once the consultation procedures with the Works Councils are completed. Although DS Smith does not believe it to be a likely scenario, it is possible that the French Transaction may be delayed or will not proceed. The acquisition of the non-French Business is not conditional on the French Transaction completing.

In any event, given the operational autonomy of each of the non-French Business and the French Business, including their own dedicated management teams, independent customer base, and ability to source paper from each other or from the open market on similar terms and conditions, there is expected to be little or no impact on the non-French Business, should the French Acquisition not proceed.

7. SUMMARY OF THE KEY TERMS OF THE ACQUISITION

In order to implement the Acquisition, members of the DS Smith Group have entered into the Principal Transaction Agreements detailed below with members of the SCA Group. A more detailed summary of the key terms of the Principal Transaction Agreements is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

The total price of the Acquisition is €1.7 billion of which €1.6 billion is payable for the non-French Business, and the remaining €100 million is payable for the French Business. Net consideration will be approximately €1.6 billion after taking into account a pension price adjustment. In addition, there will also be customary post-Completion adjustments.

7.1 Acquisition Agreement

Under the terms of the Acquisition Agreement, and subject to the relevant conditions being satisfied, DS Smith Luxco has conditionally agreed to acquire the non-French Business from SCA Dutchco for €1.6 billion on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis.

Completion of the acquisition of the non-French Business is conditional, amongst other things, on the following: (a) anti-trust clearance having been obtained from the European Commission; (b) the Shareholders approving the Resolutions; (c) completion of the Reorganisation; (d) the Underwriting Agreement not having been terminated before Admission and Admission occurring; and (e) SCA entering into a scheme apportionment arrangement with SCA Packaging and the trustees of the SCA UK pension plan.

7.2 Offer Letter and French Acquisition Agreement

Under the terms of the Offer Letter, and subject to the relevant conditions being satisfied, DS Smith Dutchco has offered to acquire the French Business from the French Group Parent for €100 million on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis.

Should the offer be accepted by the French Group Parent and SCA, and the French Acquisition Agreement be entered into, completion of the French Transaction is conditional on the acquisition of the non-French Business completing.

7.3 Transitional Services Agreement

DS Smith and SCA have entered into the Transitional Services Agreement on the date of the Acquisition Agreement. A detailed summary of the principal terms of the Transitional Services Agreement is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

7.4 Supply Agreements

SCA and DS Smith have agreed to enter into three long-term supply agreements as of Completion:

(a) the Kraftliner Supply Agreement, pursuant to which the SCA Group will supply certain grades of kraftliner to the DS Smith Group;

(b) the Recovered Paper Supply Agreement, pursuant to which the DS Smith Group will supply recovered paper to the SCA Group; and

(c) the Box Supply Agreement, pursuant to which the DS Smith Group will supply corrugated packaging material to the SCA Group.

Details of the terms of the Kraftliner Supply Agreement, the Recovered Paper Supply Agreement and the Box Supply Agreement are set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

7.5 Tax Deeds

A tax deed will be entered into between SCA Dutchco and DS Smith Luxco at Completion. A tax deed in similar terms in relation to the French Companies will be entered into between DS Smith Dutchco and the French Group Parent on completion of the French Acquisition Agreement. Details of the terms of the tax deeds are set out in Part II *(Details of the Acquisition and Rights Issue)* of this document.

7.6 Approvals

Owing to its size, the Acquisition constitutes a reverse takeover for the purposes of the Listing Rules. Upon Completion, the listing of the Ordinary Shares will be cancelled pursuant to the Listing Rules. Application will be made to the UKLA and the London Stock Exchange for the Ordinary Shares of the Enlarged Group to be re-admitted to listing on the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

The Acquisition requires approval from Shareholders, and accordingly a General Meeting has been convened for 3 February 2012 (see paragraph 15 of this Part I *(Letter from the Chairman)*). The Acquisition will also require regulatory clearances (see Part II (*Details of the Acquisition and Rights Issue*) of this document for details).

7.7 Break Fees

Under the Acquisition Agreement, a break fee of £8.8 million is payable by DS Smith Luxco to SCA Dutchco in certain circumstances, including if Shareholder approval or anti-trust clearance is not obtained. In respect of the French Offer, a break fee of €7 million is payable by SCA to DS Smith Dutchco on a breach of exclusivity under the Offer Letter. In addition, a break fee of €3 million is also payable by the French Group Parent to DS Smith Dutchco in certain circumstances. Further information on the break fees payable under the Acquisition Agreement and the Offer Letter is set out in paragraphs 3.8 and 4.6 respectively of Part II (*Details of the Acquisition and Rights Issue*) of this document.

8. FINANCING THE ACQUISITION

The Acquisition and associated expenses will be funded through a mixture of equity and debt, approximately: £466 million (€564 million[8]) from the Rights Issue; €700 million from the Acquisition Facilities Agreement; and €414 million from the Revolving Credit Facility. The earliest date for repayment of any principal under the Acquisition Facilities Agreement is three years from the date of signing of the Acquisition Facilities Agreement; however, DS Smith intends to refinance a portion of this debt at an earlier date subject to market conditions.

The Board expects leverage on completion of the Acquisition to be moderately above its stated target of 2.0 times net debt/EBITDA, but to reduce to the targeted level by the end of the first full financial year after Completion.[9]

[8] Based on an exchange rate of €1.00 to £0.8263 of 16 January 2012.

[9] 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 historic published figures.

Notwithstanding the scale and broader geographic coverage of the Enlarged Group, particularly with the increased exposure to the more robust economies of Northern Europe, the Board believes that it is prudent to fund the acquisition in part through the Rights Issue. As a result, the Board believes the Enlarged Group's level of indebtedness is appropriate taking into account both the current macroeconomic situation and market conditions, whilst offering the prospect of attractive returns for Shareholders.

Details of the terms of the Acquisition Facilities Agreement and the Revolving Credit Facility are set out in paragraphs 9.1(a)(vii) and 9.1(d) of Part XVI (*Additional Information*) of this document. Details of the terms of the Underwriting Agreement are set out in paragraph 9 of Part II *(Details of the Acquisition and Rights Issue)* of this document.

9. MANAGEMENT AND EMPLOYEES

The Board will be unchanged following the Acquisition, comprising the Chairman, two Executive Directors (the Group Chief Executive and the Group Finance Director) and three independent non-Executive Directors. Following the decision of Peter Johnson to step down from the Board on 4 January 2012, the Board intends to appoint a further non-Executive Director in due course. Following Completion, the Board will continue to adhere to the UK Corporate Governance Code.

In terms of the management team of the Enlarged Group, the combined business will be organised in such a way as to ensure that the significant synergies and benefits resulting from the Acquisition are captured for the benefit of Shareholders. An Integration Programme Office will be established to support the executive management team which will run the Enlarged Group.

SCA Packaging has high quality employees and an experienced management team which is expected to contribute further to the success of the Enlarged Group. Upon Completion, the Board intends to fully respect the existing rights of all SCA Packaging employees.

10. PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Company is proposing to raise approximately £456.4 million (net of commissions), by way of the Rights Issue of up to 490,752,526 New Ordinary Shares. The Rights Issue Price of 95 pence per New Ordinary Share, which is payable in full on acceptance by not later than 11.00 a.m. on 21 February 2012, represents a 53.3 per cent. discount to the Closing Price of 203.6 pence per Existing Ordinary Share on 16 January 2012 (being the last trading day prior to the announcement of the Rights Issue) and a 35.0 per cent. discount to the theoretical ex-rights price of 146.1 pence per New Ordinary Share calculated by reference to the Closing Price on the same day. If a Qualifying Shareholder does not take up any of his entitlement to New Ordinary Shares, his proportionate shareholding will be diluted by 52.9 per cent. However, if a Qualifying Shareholder takes up his Rights in full, he will, after the Rights Issue has been completed and ignoring any fraction of an Ordinary Share, as nearly as practicable have the same proportionate voting rights and entitlements to dividends as he had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Ordinary Shares to which he is entitled, such Shareholder can instead sell his rights to those New Ordinary Shares and receive the net proceeds in cash. This is referred to as dealing in the rights "nil paid" and subject to the fulfilment of certain conditions, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 6 February 2012.

Subject to the fulfilment of, amongst others, the conditions set out below, the Company proposes to offer New Ordinary Shares by way of the Rights Issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in Part IV (*Terms and Conditions of the Rights Issue*) of this document:

9 New Ordinary Shares at 95 pence each for every 8 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractional entitlements to New Ordinary Shares will not be allotted and, where necessary, entitlements will be rounded down to the nearest whole number of New Ordinary Shares.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue.

The Rights Issue is conditional upon, amongst other things:

(a) the Acquisition Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which gives any party to the Acquisition Agreement a right to terminate it which right has not been waived;

(b) the Acquisition Facilities Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which has not been waived or remedied which gives any party to the Acquisition Facilities Agreement a right to terminate it which right has not been waived;

(c) the Resolutions being passed at the General Meeting;

(d) the fulfilment by the Company of its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Underwriters, by the times and dates specified in the Underwriting Agreement;

(e) in the opinion of each of the Sponsor and JPMSL acting in good faith, there having been no material adverse effect relating to DS Smith or SCA Packaging at any time prior to Admission; and

(f) Admission having occurred by not later than 8.00 a.m. on 6 February 2012 (or such later time and/or date, being not later than 13 February 2012) as the parties to the Underwriting Agreement may agree.

The Rights Issue has been fully underwritten on the basis set out in the Underwriting Agreement.

The results of the Rights Issue, including the aggregate number of New Ordinary Shares issued and the aggregate amount raised, net of expenses, is expected to be announced by DS Smith to a Regulatory Information Service by 8.00 a.m. on 22 February 2012.

Assuming Completion takes place, the Rights Issue proceeds of approximately £456.4 million (net of commissions) will be applied to partially satisfy the consideration to be paid to SCA.

However, Shareholders should note that the Rights Issue is not conditional upon completion of the Acquisition and that, subsequent to the Rights Issue becoming wholly unconditional, the Acquisition could fail to complete. In the event that the Rights Issue settles but Completion does not take place, the Directors' current intention is that the proceeds of the Rights Issue will be invested on a short-term basis while the Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Directors will consider how best to return surplus capital to Shareholders. Such a return could carry fiscal costs for certain Shareholders and will have costs for the Company.

Applications will be made to the UKLA for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange. It is expected that Admission will become effective and dealings (for normal settlement) in the New Ordinary Shares will commence, nil paid, at 8.00 a.m on 6 February 2012.

JPMSL, as agent for the Company, has agreed under the terms of the Underwriting Agreement to procure subscribers or, failing which, the Underwriters shall subscribe for the New Ordinary Shares not taken up in the Rights Issue at a price of 95 pence per New Ordinary Share.

It is expected that the Provisional Allotment Letters will be despatched on 3 February 2012, after the General Meeting.

Some questions and answers, together with further terms and conditions of the Rights Issue, are set out in Part III (*Some Questions and Answers on the Rights Issue*) and Part IV (*Terms and Conditions of the Rights Issue*) of this document and, where relevant, in the Provisional Allotment Letter.

11. DIVIDEND POLICY OF THE ENLARGED GROUP

The Board considers dividends to be an important component of the Enlarged Group Shareholders' returns. It is the Board's intention to continue DS Smith's current dividend policy for the Enlarged Group, taking into account the Enlarged Group's leverage, earnings growth potential and future expansion plans. The amount of the dividend will be set so that dividends are progressive and the Board anticipates that dividend cover should be, on average, 2.0 to 2.5 times throughout the cycle.

12. CURRENT TRADING AND PROSPECTS

12.1 DS Smith

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 per cent." 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.

DS Smith remains confident in the trading outlook for the remainder of this financial year, due to its resilient, growing customer base and short paper position, despite the uncertain macroeconomic environment. The actions that DS Smith are taking to develop the packaging business and to drive efficiency improvements will position the DS Smith Group well in the more challenging trading environment. DS Smith's continuing investment in the packaging business underpins its confidence that the DS Smith Group will continue to develop positively in the medium term.

12.2 SCA Packaging

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.

13. OVERSEAS SHAREHOLDERS

Shareholders resident in any jurisdiction other than the United Kingdom should refer to question 4.8 of Part III (*Some Questions and Answers on the Rights Issue*) and paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will not be sent to Qualifying non-CREST Shareholders with registered addresses in the United States or the Excluded Territories, nor will the CREST stock account of Qualifying CREST Shareholders with registered addresses in the United States or the Excluded Territories be credited.

The Company has made arrangements under which JPMSL will try to find subscribers for the New Ordinary Shares provisionally allotted to such Shareholders by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If JPMSL finds subscribers and is able to achieve a premium over the Rights Issue Price and the related expenses of procuring those subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), such Shareholders will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. If any person in the United States or an Excluded Territory receives a Provisional Allotment Letter, that person should not seek to, and will not be able to, take up his rights thereunder, except as described in paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

14. SHARE SCHEMES

The options and awards granted under the Share Schemes may be adjusted in such a way as the Directors consider appropriate as a result of the Rights Issue. These adjustments, if any, will not be made until after the Rights Issue and will be subject to approval by DS Smith's remuneration advisers and HMRC, as appropriate. Participants in the Share Schemes will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

15. GENERAL MEETING

A notice convening a General Meeting to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 9.30 a.m. on 3 February 2012 at which the Resolutions will be proposed is set out at the end of this document. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions, in each case as set out in full in the Notice of General Meeting.

Your attention is again drawn to the fact that the Acquisition and Rights Issue are conditional and dependent upon the Resolutions being passed (there are also additional conditions which must be

satisfied before the Acquisition and Rights Issue can be completed). Because of the size of SCA Packaging when compared to DS Smith, the Acquisition is classified under the Listing Rules as a reverse takeover and its implementation requires the approval of Shareholders.

However, Shareholders should be aware that it is possible that, subsequent to the Rights Issue becoming wholly unconditional, the Acquisition could fail to complete. This possibility is discussed further in paragraph 3 of Part II (*Details of the Acquisition and Rights Issue*) of this document.

Resolution 1

Resolution 1 proposes that the Acquisition be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition.

Resolution 2

Resolution 2 proposes that the Directors be authorised to allot and issue up to 490,752,526 New Ordinary Shares in connection with the Rights Issue.

Resolution 3

Resolution 3 proposes to increase the limit of the Company's borrowing powers in light of the proposed funding of the Acquisition.

Resolutions 1, 2 and 3 will be proposed as ordinary resolutions and will be taken on a show of hands. These resolutions must be approved by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting. The Rights Issue and the Acquisition will not proceed unless each of Resolutions 1, 2 and 3 is passed.

For further information in relation to all of the Resolutions to be proposed at the General Meeting, see the Notice of General Meeting and paragraph 4 of Part XVI (*Additional Information*) of this document, which contains a summary of all of the Resolutions.

16. ACTION TO BE TAKEN

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, so as to arrive not later than 9.30 a.m. on 1 February 2012. The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so. You may also submit your proxies electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number on the Form of Proxy. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, ID RA 19, so that it is received no later than 9.30 a.m. on 1 February 2012.

17. FURTHER INFORMATION

Your attention is drawn to the section entitled "*Risk Factors*" of this document and to Part XVI (*Additional Information*) of this document. You should read all of the information contained in this document before deciding the action to take in respect of the General Meeting. If you are a Qualifying Shareholder, and, subject to certain exceptions, unless you have a registered address in, or are resident in, the United States or any of the Excluded Territories, your attention is drawn in connection with the Rights Issue to the further information contained in Part III (*Some Questions and Answers on the Rights Issue*) and Part IV (*Terms and Conditions of the Rights Issue*) of this document.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the DS Smith website (www.dssmith.uk.com). It is expected that this will be on 3 February 2012.

18. FINANCIAL ADVICE

The Board has received financial advice from J.P. Morgan Cazenove in relation to the Acquisition. In providing its financial advice to the Directors, J.P. Morgan Cazenove has relied on the Directors' commercial assessments of the Acquisition.

19. RECOMMENDATION

The Board considers the Acquisition, the Rights Issue and the Resolutions to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all of the Directors intend to do in respect of their own beneficial shareholdings held at the time of the General Meeting, amounting to 300,673 Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 0.07 per cent. of DS Smith's existing issued ordinary share capital).

The Directors are fully supportive of the Rights Issue. Each of the Directors who holds Ordinary Shares intends to take up in full the New Ordinary Shares to which he is entitled under the Rights Issue.

Yours sincerely,

Gareth Davis
Chairman

Part II

Details of the Acquisition and Rights Issue

1. ACQUISITION STRUCTURE

The Acquisition comprises the packaging division of SCA, excluding the kraftliner assets. Included in the packaging division are certain companies located in France. In accordance with French law, SCA cannot enter into a binding agreement to dispose of the French Business until a mandatory information/consultation procedure with the relevant French works councils has been completed.

As a result, the Acquisition has been structured as follows:

- DS Smith and DS Smith Luxco have entered into the Acquisition Agreement to purchase the non-French Business; and
- at the same time, DS Smith Dutchco has made a formal offer to acquire the French Business, capable of acceptance by the French Group Parent.

The total price for the Acquisition is €1.7 billion of which €1.6 billion is payable for SCA Packaging, other than the French Business, and the remaining €100 million is payable for the French Business. Net consideration will be approximately €1.6 billion after taking into account a pension price adjustment. In addition, there will also be customary post-Completion adjustments.

2. PRE-COMPLETION REORGANISATION OF SCA PACKAGING

SCA is carrying out a reorganisation of SCA's packaging business in order to: (a) remove certain SCA entities from the SCA Packaging Group that currently sit within it but are not part of the SCA Packaging business; and (b) transfer certain entities into the SCA Packaging Group that are currently outside the SCA Packaging Group but operating as part of the SCA Packaging business and are intended to be included as part of the Acquisition (the **Reorganisation**). The Reorganisation will be implemented prior to completion of the Acquisition and is a condition to Completion.

3. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

3.1 Introduction

DS Smith, DS Smith Luxco, SCA and SCA Dutchco have entered into an acquisition agreement (the **Acquisition Agreement**), pursuant to which SCA Dutchco has conditionally agreed to sell, and DS Smith Luxco has conditionally agreed to buy, the SCA Packaging Shares (the **non-French Business**). SCA has agreed to guarantee all payments due by SCA Dutchco under the Acquisition Agreement and the Tax Deed and the performance by SCA Dutchco of its obligations under the Acquisition Agreement and the Tax Deed. DS Smith has also agreed to guarantee all payments due by DS Smith Luxco under the Acquisition Agreement and the Tax Deed and the performance by DS Smith Luxco of its obligations under the Acquisition Agreement and the Tax Deed.

3.2 Consideration

DS Smith Luxco has agreed to pay €1.6 billion to SCA Dutchco for the SCA Packaging Shares on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis (see paragraph 3.4 of this Part II (*Details of the Acquisition and Rights Issue*) for further details on pensions arrangements).The consideration payable for the non-French Business will be subject to customary post-Completion adjustments, including cash, debt and normalised working capital adjustments.

3.3 Warranties and indemnities

DS Smith Luxco has given customary warranties regarding due capacity and authority to SCA Dutchco. SCA Dutchco has also given customary warranties to DS Smith Luxco regarding, amongst other things, ownership of the SCA Packaging Shares, the financial statements of SCA Packaging for the preceding three financial years and the nine months ended 30 September 2011, commercial matters, employees, pensions, property, environmental matters and litigation (the **SCA Packaging Warranties**). SCA's liability in respect of the SCA Packaging Warranties is subject to customary limitations.

SCA Dutchco has given DS Smith Luxco indemnities for, amongst other things:

- certain environmental losses and actions to the extent incurred or required after Completion;
- losses incurred as a result of the failure by SCA to validly implement the Reorganisation in the manner agreed between the parties (or which would not have arisen but for the implementation of the Restructuring Plan (as defined in the Acquisition Agreement)); and
- losses incurred as a result of certain claims being made by a third party against a SCA Packaging Group company in connection with certain prior disposals made by the SCA Packaging Group and in respect of certain companies formerly owned by the SCA Packaging Group.

3.4 Pensions

SCA will retain approximately 90 per cent. of SCA Packaging's historic defined benefit pension liabilities and SCA has given DS Smith an indemnity for losses which may be incurred as a result of failure to take the steps agreed to implement the separation. As mentioned in paragraph 3.6 of this Part II (*Details of the Acquisition and Rights Issue*), the Acquisition Agreement is conditional upon SCA apportioning SCA Packaging's defined benefit pension liabilities under the SCA UK pension plan to a retained SCA company.

Approximately 10 per cent. of SCA Packaging's historic defined benefit pension liabilities will remain with SCA Packaging. SCA Packaging therefore remains responsible for some or all of the historic defined benefit pension liabilities in some countries, notably Switzerland, Belgium, Sweden and Germany. There will be a reduction of €82.7 million to the consideration (of which €17.1 million relates to the French Group) in respect of any assumed defined benefit pension liabilities and SCA has also given indemnity protection in respect of undisclosed defined benefit pension liabilities. The price reduction is greater than it would be if it had been calculated on an IAS 19 basis (i.e., the basis on which DS Smith will be required to account for these liabilities), reflecting the agreed basis of the transaction. SCA Dutchco has given customary warranties relating to retirement benefits provided by SCA Packaging, including in respect of litigious matters involving retirement benefits and compliance with governing documentation and law.

3.5 Pre-Completion obligations

SCA has agreed to procure that each company comprising the non-French Business will operate its business in the usual way so as to maintain that business as a going concern and to ensure that no such company shall take certain actions without the prior written consent of DS Smith, including the declaration of payment of dividends and the acquisition or disposal of assets for a consideration exceeding €5 million.

3.6 Conditions precedent to Completion

The Acquisition Agreement is conditional, amongst other things, on the following: (a) anti-trust clearance having been obtained from the European Commission; (b) the Shareholders approving the Resolutions; (c) completion of the Reorganisation; (d) the Underwriting Agreement not having been terminated before Admission and Admission occurring; and (e) SCA entering into a scheme apportionment arrangement with SCA Packaging and the trustees of the SCA UK pension plan.

3.7 Termination of the Acquisition Agreement

In the event that the conditions precedent to Completion are not satisfied by the earlier of the date specified for their satisfaction and 31 July 2012 or any extension thereof, the Acquisition Agreement will terminate with immediate effect. In addition, if at any time before Completion, DS Smith becomes aware of any potential breach of warranty that could give rise to a Material Adverse Effect or if a Material Adverse Change (each as defined in the Acquisition Agreement) occurs or is reasonably likely to occur, DS Smith may terminate the Acquisition Agreement with immediate effect.

A Material Adverse Effect is defined as an effect where the actual or potential liability of SCA Dutchco to DS Smith Luxco when aggregated with any actual or potential liability of the French Group Parent to DS Smith Dutchco would exceed €140 million.

A Material Adverse Change is an event or any combination of events occurring prior to Completion which results in a material adverse change to the non-French Business and the French Business taken as a whole, other than certain customary exclusions and an event or combination of events the consequence of which is: (i) a short-term material adverse change to the non-French Business and/or the French Business; or

(ii) generally experienced by other companies that operate a business similar to the non-French Business and/or the French Business.

Completion of the acquisition of the non-French Business is currently expected to occur by the end of the second quarter of the 2012 calender year.

3.8 Break fee arrangements

DS Smith Luxco has agreed to pay a break fee of £8.8 million to SCA Dutchco if any of the following events occur:

- Shareholder approval is not obtained. However, the break fee would not be payable if Shareholder approval is not obtained due to a withdrawal by the Directors of their recommendation to the Shareholders to vote in favour of the Acquisition in circumstances where DS Smith Luxco exercises a Termination Right;
- the Underwriting Agreement terminates before Admission or Admission does not occur, except where DS Smith Luxco exercises a Termination Right; or
- anti-trust clearance is not obtained due to DS Smith or DS Smith Luxco failing to comply with certain of its obligations under the Acquisition Agreement.

SCA Dutchco has agreed to pay a break fee of £8.8 million to DS Smith Luxco if the Reorganisation is not implemented in accordance with the Restructuring Plan or a Termination Right is exercised.

4. PRINCIPAL TERMS OF THE OFFER LETTER AND THE FRENCH ACQUISITION AGREEMENT

4.1 Introduction

DS Smith Dutchco has irrevocably offered (the **French Offer**) to acquire the French Business pursuant to the terms of the offer letter (the **Offer Letter**). Pursuant to the Offer Letter, the French Group Parent may, at its option, elect to accept the French Offer on the terms set out in the Offer Letter and the sale and purchase agreement to be entered into between DS Smith Dutchco, DS Smith, the French Group Parent and SCA (the **French Acquisition Agreement**).

4.2 Consideration

DS Smith Dutchco has agreed to pay €100 million on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis to the French Group Parent for the French Business.

4.3 Warranties and indemnities

DS Smith Dutchco and DS Smith will give customary warranties to the French Group Parent and SCA regarding, amongst other things, their capacity and authority to enter into those documents required to give effect to the French Transaction.

The French Group Parent and SCA will give customary warranties to DS Smith Dutchco and DS Smith regarding, amongst other things, their capacity and authority to enter into those documents required to give effect to the French Transaction and ownership of the French Shares. The SCA Packaging Warranties that have been given by SCA Dutchco and SCA in the Acquisition Agreement shall, conditional upon the completion of the French Acquisition Agreement, apply in respect of the French Business with effect from the date of the Acquisition Agreement.

Pursuant to the Acquisition Agreement, SCA Dutchco and SCA have also given DS Smith Luxco certain indemnities, as further described in paragraph 3.3 of this Part II *(Details of the Acquisition and Rights Issue)*. These indemnities shall, to the extent applicable to the French Business and conditional upon the completion of the French Acquisition Agreement, apply in respect of the French Business.

4.4 Pre-completion obligations

The French Group Parent has agreed to procure that each French Company will operate its business in the usual way from the date of the Offer Letter so as to maintain that business as a going concern and to ensure that no French Company shall take certain significant actions without the prior written consent of DS Smith.

4.5 Acceptance of the French Offer

The French Group Parent may only accept the French Offer if either: (i) the French Group Parent has received the opinions of the relevant works councils for each of the French Group Companies (the **Works Councils**) in respect of the French Transaction and determined that the obligation to inform and consult with the Works Councils has been fulfilled; or (ii) to the extent that such opinions are not received in relation to any French Company, the French Group Parent determines that the obligation to inform and consult with the Works Councils has been fulfilled. If the French Offer has not been accepted by the date falling seven months from the date of the Offer Letter, the French Offer will terminate.

4.6 Termination

Pursuant to the Offer Letter, the French Group Parent and SCA have agreed for a period of seven months from the date of the Offer Letter not to make any approach or enter into discussions with a third party in respect of a sale of all or any part of the French Business. If the French Group Parent breaches this term of the Offer Letter, DS Smith Dutchco may elect to terminate the agreement and SCA shall pay a €7 million break fee to DS Smith Dutchco.

DS Smith Dutchco and/or DS Smith may terminate the Offer Letter at any time if the French Group Parent unreasonably delays sending out the notices to convene the meetings with the Works Councils, if the French Group Parent and/or SCA is in breach of the exclusivity provisions or the French Group Parent is in material breach of its obligations under the Offer Letter in relation to its consultation obligations with the Works Councils (except where such breach is due to actions of DS Smith Dutchco), and in such event, or if the French Group Parent has not accepted the offer by the date falling seven months from the date of the Offer Letter, the French Group Parent shall pay a €3 million break fee to DS Smith Dutchco.

4.7 Completion of the French Transaction

If the French Offer is accepted before Completion, completion of the French Transaction will occur simultaneously with Completion. If Completion occurs before the French Offer has been accepted, completion of the French Transaction will occur shortly after acceptance of the French Offer.

5. PRINCIPAL TERMS OF THE SUPPLY AGREEMENTS

5.1 Introduction

SCA and DS Smith have agreed to enter into three long-term supply agreements from Completion, the Kraftliner Supply Agreement, the Recovered Paper Supply Agreement and the Box Supply Agreement, for the supply of kraftliner, recovered paper and corrugated packaging material.

5.2 Kraftliner Supply Agreement

Pursuant to the Kraftliner Supply Agreement, the SCA Group will supply certain grades of kraftliner paper products to the DS Smith Group.

The term of the agreement is five years, followed by a three year run-off period during which the agreed product volumes are gradually reduced.

The parties have agreed to supply and purchase, as the case may be, an aggregate minimum volume over the term of the agreement. Subject to a certain allocation flexibility, the volumes are allocated between different product grades and territories.

The prices payable for the products are subject to a price review mechanism aimed to ensure that prices for the products are subject to the same level of change as market pricing.

5.3 Recovered Paper Supply Agreement

Pursuant to the Recovered Paper Supply Agreement, the DS Smith Group will supply recovered paper to the SCA Group. The supplies to the SCA Group's mills in the United Kingdom will be on an exclusive supply basis, whilst the supplies to the SCA Group's mills outside of the United Kingdom will be on a non-exclusive basis.

The term of the agreement is five years, followed by a three year run-off period during which the level of the DS Smith Group's supplies will be gradually reduced.

The prices payable for the products supplied will generally be based upon their cost of acquisition by the DS Smith Group plus an agreed margin.

5.4 Box Supply Agreement

Pursuant to the Box Supply Agreement, the DS Smith Group will supply corrugated packaging material to the SCA Group.

The term of the agreement is five years, followed by a three year run-off period during which the agreed product volumes are gradually reduced.

The parties have agreed to supply and purchase, as the case may be, a minimum volume of products each year over the term of the agreement.

The prices payable for the products are subject to a price review mechanism aimed to achieve market pricing.

6. PRINCIPAL TERMS OF THE TRANSITIONAL SERVICES AGREEMENT

DS Smith and SCA have entered into the Transitional Services Agreement on the date of the Acquisition Agreement. Under the terms of the Transitional Services Agreement, both DS Smith and SCA undertake to provide certain transitional services to each other during the term of the Transitional Services Agreement.

SCA will provide to the SCA Packaging Group those services (with some exceptions) which were provided by SCA to the SCA Packaging Group prior to the date of the Transitional Services Agreement. These services are predominantly information technology (**IT**) services (which together constitute approximately 20 per cent., of SCA Packaging's total current IT spend), but also include certain human resources (**HR**) services, certain administrative services and certain research and development support. The exceptions (i.e. services that will not be provided by SCA) are those services which DS Smith will be able to provide itself or procure from elsewhere, including legal services, group procurement services, tax and treasury management, assistance with regulatory and sustainability affairs audit services and, insurance. DS Smith will provide to the SCA Group those services which were provided by the SCA Packaging Group to the SCA Group prior to the date of the Transitional Services Agreement. These services (which are not as extensive as the services to be provided by SCA to the SCA Packaging Group) include certain IT services and some local HR services in Belgium. The transitional services provided by each party will be provided to at least the same standard, scope and quality as was previously provided in respect of the equivalent services in the 12 months prior to the date of the Transitional Services Agreement. The transitional services which consist of the provision of information technology, will be provided for a term of three years (all other services will be provided for twelve months) with all transitional services subject to earlier termination by the recipient of the services or upon migration. The service charges for the transitional services will be calculated in the same manner as such charges were calculated for the equivalent services prior to the date of the Transitional Services Agreement.

The Transitional Services Agreement also provides that the parties must agree: (i) a separation plan under which SCA Packaging's and SCA's IT systems will be separated from each other; and (ii) migration plans under which DS Smith and SCA will each migrate away from the other's systems and services, as soon as the party migrating away (acting reasonably) considers practicable, and once it considers it practicable to do so, without undue delay. Costs for such separation will be borne by SCA (save for certain additional, incremental and/or one-off third party costs incurred due to delays in separation caused by DS Smith or as a result of any request from DS Smith that services continue to be provided after IT separation has occurred) and costs for migration will be borne by the party migrating away from the relevant systems or services.

The Transitional Services Agreement contains broad intellectual property licences from each party which grant the other party and its affiliates the right to use intellectual property rights which are controlled by that party or its affiliates to exercise any rights under the Transitional Services Agreement or to make full use of the services.

In the event that, upon termination or expiry of any service, an employee of either party engaged in the provision of that service is found to have transferred to the employment of the other party, any of the other party's affiliates or a third party, the Transitional Services Agreement provides that the party whose employee has transferred shall indemnify the other party, the other party's affiliates and any third party for any termination costs, employment related losses or liabilities and any claims for unfair, wrongful or constructive dismissal by the employee.

7. PRINCIPAL TERMS OF THE TAX DEEDS

A tax deed will be entered into between SCA Dutchco and DS Smith Luxco at Completion (the **Tax Deed**). In broad terms, under the Tax Deed SCA Dutchco agrees to indemnify DS Smith Luxco against the risk of unexpected tax liabilities arising to the companies of the non-French Business in respect of events occurring, or profits earned, before Completion, subject to certain exclusions. The Tax Deed also provides for SCA to have conduct of tax matters that might give rise to a claim under the Tax Deed, and provides for SCA to prepare, submit and agree certain pre-Completion tax returns of the companies of the non-French Business. The liability of SCA under the Tax Deed is not subject to a financial cap. A tax deed in similar terms in relation to the French Companies will be entered into between DS Smith Dutchco and the French Group Parent on completion of the French Acquisition Agreement (the **French Tax Deed**).

8. PRINCIPAL TERMS OF THE ACQUISITION FACILITIES AGREEMENT

A description of the principal terms of the Acquisition Facilities Agreement is set out in paragraph 9.1(a)(vii) of Part XVI (*Additional Information*) of this document.

9. PRINCIPAL TERMS OF THE RIGHTS ISSUE AND UNDERWRITING AGREEMENT

DS Smith proposes to raise approximately £466.2 million (gross) by way of the Rights Issue. The New Ordinary Shares will be offered by way of the Rights Issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in Part IV (*Terms and Conditions of the Rights Issue*) of this document:

9 New Ordinary Shares at 95 pence per New Ordinary Share for every 8 Existing Ordinary Shares

held and registered in their name on the Record Date. The Rights Issue Price effectively represents a 53.3 per cent. discount to the Closing Price of an Existing Ordinary Share of 203.6 pence on 16 January 2012 (being the last trading day prior to the announcement of the Rights Issue), and a 35.0 per cent. discount to the theoretical ex-rights price of 146.1 pence per New Ordinary Share calculated by reference to the Closing Price on the same day. If a Qualifying Shareholder does not take up any of his entitlement to New Ordinary Shares, his proportionate shareholding will be diluted by 52.9 per cent. However, if a Qualifying Shareholder takes up his Rights in full, he will, after the Rights Issue has been completed and ignoring any fraction of an Ordinary Share, as nearly as practicable have the same proportionate voting rights and entitlements to dividends as he had on the Record Date.

The Company, the Sponsor and the Underwriters have entered into an underwriting agreement, pursuant to which JPMSL has undertaken, subject to certain conditions, to use reasonable endeavours to procure subscribers for any Remaining New Ordinary Shares at an amount which is not less than the total of the Rights Issue Price multiplied by the number of such Remaining New Ordinary Shares and the expenses of procurement (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable). Any acquirer so procured by JPMSL shall subscribe for the New Ordinary Shares at the Rights Issue Price and any amount in excess of the Rights Issue Price shall be paid by the acquirer and received by JPMSL on the basis that the same shall be applied in meeting JPMSL's expenses of procuring such acquisition (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) and that any balance remaining shall be received as agent, and on trust, for and payable to non-accepting Qualifying Shareholders. If and to the extent that JPMSL is unable to procure acquirers for the Remaining New Ordinary Shares, the Underwriters shall be required to subscribe, at the Rights Issue Price, all the Remaining New Ordinary Shares not otherwise taken up and for which acquirers are not procured.

In the event that all of the New Ordinary Shares are subscribed pursuant to the exercise of rights through the Rights Issue, the Underwriters will have no obligation to subscribe for, or (in the case of JPMSL) procure investors to subscribe for, any New Ordinary Shares under the Underwriting Agreement. In consideration of the Underwriters' services under the Underwriting Agreement, and subject to their underwriting obligations under the Underwriting Agreement having become unconditional and to such underwriting obligations not having been terminated, the Company will pay a commission equal to £9.8 million. JPMSL, on behalf of the Underwriters, may enter into arrangements to sub-underwrite all, or a portion of, their obligations as described above. Sub-underwriting commissions (to the extent that sub-underwriters are or have been procured) will be paid out of the commission received by the Underwriters.

The Company shall pay all costs and expenses of, or in connection with, the Rights Issue, the General Meeting, the allotment, issue and delivery of the New Ordinary Shares, the Underwriting Agreement and the Receiving Agent Agreement, including, but not limited to, the UKLA and the London Stock Exchange

listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, the Receiving Agent's charges, its own and the properly and reasonably incurred legal and other out of pocket expenses of the Sponsor and the Underwriters, all accountancy and other professional fees (provided that such legal costs are in accordance with estimates provided by the Sponsor and the Underwriters to the Company from time to time and which have been approved by the Company) and all stamp duty and stamp duty reserve tax (if any) and any other stamp, issuance, transfer, documentation, registration and capital duties or taxes and any interest, fines and penalties with respect thereto.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain conditions, including, among others:

(a) the Acquisition Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which gives any party to the Acquisition Agreement a right to terminate it which right has not been waived;

(b) the Acquisition Facilities Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which has not been waived or remedied which gives any party to the Acquisition Facilities Agreement a right to terminate it which right has not been waived;

(c) the Resolutions being passed at the General Meeting;

(d) the fulfilment by the Company of its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Underwriters, by the times and dates specified in the Underwriting Agreement;

(e) in the bona fide opinion of each of the Sponsor and JPMSL, there having been no material adverse effect relating to DS Smith or SCA Packaging at any time prior to Admission; and

(f) Admission having occurred by not later than 8.00 a.m. on 6 February 2012 (or such later time and/or date (being not later than 13 February 2012) as the parties to the Underwriting Agreement may agree.

The Underwriting Agreement provides that either the Sponsor or JPMSL may, prior to Admission, terminate the Underwriting Agreement in certain circumstances, including: (i) where there is a breach of warranties and undertakings by the Company; (ii) if it shall come to the notice of either the Sponsor or JPMSL that any statement in this document or in any relevant documents issued in connection with the Acquisition, the Rights Issue, the Admission or Re-admission is or has become untrue, inaccurate or misleading in any respect or any matter has arisen, which would, if such document had been issued at the time, constitute an omission from such documents and which either the Sponsor or JPMSL considers, in its sole judgement (acting in good faith) to be (singly or in the aggregate) (a) material in the context of the Company, the Rights Issue, the Acquisition, the underwriting of the New Ordinary Shares, the Admission, Re-admission or dealings in the Ordinary Shares until the date falling 30 days after Re-admission or (b) such as to make it impracticable, inappropriate or inadvisable to it or them to proceed with the Rights Issue, the underwriting of the New Ordinary Shares, the Admission or Re-admission; (iii) the occurrence of certain material changes in the condition (financial or otherwise) or prospects of the Company, the DS Smith Group, SCA Packaging or the SCA Packaging Group; and (iv) certain changes in financial, political or economic conditions or any outbreak of hostilities or similar crisis which either the Sponsor or JPMSL considers, in its sole judgement (acting in good faith) to be (singly or in the aggregate) (a) material in the context of the Company, the Rights Issue, the Acquisition, the underwriting of the New Ordinary Shares, the Admission or Re-admission or (b) such as to make it impracticable or inadvisable to it or them to proceed with the Rights Issue, the underwriting of the New Ordinary Shares, the Admission or Re-admission. After Admission, any obligation of the Underwriters to subscribe for, or (in the case of JPMSL) procure investors to subscribe for any New Ordinary Shares pursuant to the terms of the Underwriting Agreement shall be incapable of termination.

Subject to certain exceptions, the Company has agreed to indemnify each indemnified person, including the Sponsor and the Underwriters, from and against any and all losses or claims arising, directly or indirectly, out of, or that are attributable to, or connected with the Rights Issue, the Acquisition, the Admission, the Re-admission or the arrangements contemplated by this document and other relevant documents.

The Company has also agreed not to (and shall procure that no other member of the DS Smith Group shall), without the prior written consent of the Sponsor and JPMSL undertake certain corporate actions at any time prior to the earlier of the date which is 30 days after the Settlement Date or the date that the obligations of the Sponsor and the Underwriters cease in accordance with the Underwriting Agreement. In addition, the Company has also agreed not to (and shall procure that no member of the DS Smith Group shall) undertake

certain actions in relation to its share capital at any time prior to the earlier of the date which is 30 days after the date of Re-admission or the date that the obligations of the Sponsor and the Underwriters cease in accordance with the Underwriting Agreement. The Underwriting Agreement also provides for certain restrictions on announcements by the Company at any time prior to the earlier of Re-admission or the date that the obligations of the Sponsor and the Underwriters cease in accordance with the Underwriting Agreement. In addition, prior to the earlier of the Settlement Date or the date that the obligations of the Sponsor or the Underwriters cease in accordance with the Underwriting Agreement, any amendments or wavier of rights under the Acquisition Agreement and the Acquisition Facilities Agreement (among others) will require the prior written consent of the Sponsor and JPMSL. Following the Settlement Date until the date of Re-admission, the Company shall consult with the Sponsor prior to making any such amendment or waiver of rights.

The Underwriters and their affiliates have engaged, or may engage in the future, in investment banking and other commercial dealings in the ordinary course of business with the Company. They have received customary fees and commissions for these transactions and services.

Part III

Some Questions and Answers on the Rights Issue

The questions and answers set out in this Part III (*Some Questions and Answers on the Rights Issue*) are intended to be generic guidance only and, as such, you should also read Part IV (*Terms and Conditions of the Rights Issue*) of this document for full details of what action you should take. If you are in any doubt about the action to be taken, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under FSMA if you are in the United Kingdom, or if you are not, from another appropriately authorised financial adviser.

Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST). Accordingly, these questions and answers are split into four sections:

- Section 1 (*General*);
- Section 2 (*Ordinary Shares in certificated form*) answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Ordinary Shares in certificated form;
- Section 3 (*Ordinary Shares in CREST*) answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Ordinary Shares in CREST; and
- Section 4 (*Further procedures for Ordinary Shares whether in certificated form or in CREST*) answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

1. GENERAL

1.1 What is a rights issue?

A rights issue is one way for companies to raise money. Companies do this by issuing shares for cash and giving their existing shareholders a right of first refusal to buy these shares in proportion to their existing shareholdings. For example, a 1 for 4 rights issue generally means that a shareholder is entitled to buy one new ordinary share for every four currently held. This Rights Issue is 9 for 8; that is, an offer of 9 New Ordinary Shares for every 8 Existing Ordinary Shares held at the close of business on 1 February 2012 (the **Record Date**).

New ordinary shares are typically offered in a rights issue at a discount to the current share price. Because of this discount, the right to buy the new ordinary shares is potentially valuable. In this Rights Issue, the Rights Issue Price of 95 pence per New Ordinary Share represents a 53.3 per cent. discount to the Closing Price of 203.6 pence per Existing Ordinary Share on 16 January 2012 (being the last trading day prior to the announcement of the Rights Issue) and a 35.0 per cent. discount to the theoretical ex-rights price of 146.1 pence per New Ordinary Share calculated by reference to the Closing Price on the same day.

If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell your rights to those shares and receive the net proceeds in cash. This is referred to as dealing "nil paid".

1.2 What happens next?

The Company has called a General Meeting to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 9.30 a.m. on 3 February 2012. Please see the Notice of General Meeting at the end of this document. As you will see from the contents of the Notice of General Meeting, the Directors are seeking Shareholder approval for the Acquisition and the Rights Issue and the increase in borrowing limits to finance the Acquisition.

You will find enclosed with this document a Form of Proxy for use in relation to the General Meeting. Whether or not you intend to be present in person at the meeting, you are requested to complete, sign and

return the Form of Proxy to Equiniti so that it arrives no later than 9.30 a.m. on 1 February 2012. You may also deliver the Form of Proxy by hand to Equiniti during usual business hours.

2. ORDINARY SHARES IN CERTIFICATED FORM

2.1 How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Ordinary Shares before 8.00 a.m. on 6 February 2012 (the time when the Existing Ordinary Shares are expected to be marked "ex-rights" by the London Stock Exchange), in which case you will need to follow the instructions on the front page of this document).

However, if you receive a Provisional Allotment Letter and you have a registered address in, or are a resident, citizen or national of, a country other than the United Kingdom you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this document or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal to make an offer. Overseas Shareholders should refer to paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document for further details.

If you do not receive a Provisional Allotment Letter, and you do not hold your shares in CREST, this probably means you are not eligible to acquire any New Ordinary Shares. However, see question 2.4 below.

2.2 What are my options and what should I do with the Provisional Allotment Letter?

The Provisional Allotment Letter shows:

(a) In Box 1: how many Ordinary Shares you held at the close of business on the Record Date;

(b) In Box 2: how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and

(c) In Box 3: how much you need to pay if you want to take up your rights in full.

(i) If you want to take up your rights in full

If you want to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount shown in Box 3, payable to "Equiniti Limited re DS Smith Plc Rights Issue" and crossed "A/C payee only", by post or by hand (during normal business hours only) to the address shown on page 1 of the Provisional Allotment Letter so as to arrive before 11.00 a.m. on 21 February 2012. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. Paragraphs 4.2 and 4.4 of Part IV (*Terms and Conditions of the Rights Issue*) of this document set out has full instructions on how to accept and pay for your New Ordinary Shares. These instructions are also set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will be sent to you for the New Ordinary Shares you acquire and it is expected that such certificate(s) will be despatched to you by 29 February 2012.

You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights.

(ii) If you do not want to take up your rights at all

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 21 February 2012, the Company has made arrangements under which JPMSL will try to find investors to take up your rights by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If JPMSL finds investors and is able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), you will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. Cheques are expected to be despatched by 29 February 2012 and will be sent to your address as it appears

on the Company's register of members (or to the first named holder if you hold Existing Ordinary Shares jointly).

(iii) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter and then return it by post or by hand (during normal business hours only) to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by 3.00 p.m. on 17 February 2012, the last time and date for splitting Provisional Allotment Letters, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. You should then deliver the split Provisional Allotment Letter representing the right to New Ordinary Shares you wish to accept together with your cheque or banker's draft to Equiniti so as to be received by 11.00 a.m. on 21 February 2012, the last time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 4 of the Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA together with a covering letter confirming the number of New Ordinary Shares you wish to take up and a cheque or banker's draft for the appropriate amount. In this case the Provisional Allotment Letter and cheque must be received by Equiniti by 11.00 a.m. on 21 February 2012, the last time and date for payment. You can use the reply-paid envelope which will be provided with the Provisional Allotment Letter within the United Kingdom. Please allow sufficient time for delivery. Further details relating to payment and acceptance are set out in paragraphs 4.2 and 4.4 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

(iv) If you want to sell all of your rights

If you want to sell all of your rights you should complete and sign Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or any of the Excluded Territories).

Please note that your ability to sell your rights is dependent on the demand for such rights and that the price for the Nil Paid Rights will fluctuate.

The latest time and date for selling all of your rights is 11.00 a.m. on 21 February 2012. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 February 2012.

2.3 How do I transfer my rights into the CREST system?

If you are a Qualifying non-CREST Shareholder, but are also a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter), and ensure they are delivered to the CREST courier and sorting service to be received by 3.00 p.m. on 16 February 2012 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into CREST, you should refer to paragraph 5.2 of Part IV (*Terms and Conditions of the Rights Issue*) of this document for details on how to pay for the New Ordinary Shares.

2.4 What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying

Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

(a) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 1 February 2012 and who have converted them to certificated form;

(b) Qualifying non-CREST Shareholders who bought Ordinary Shares before 8.00 a.m. on 6 February 2012 but were not registered as the holders of those Ordinary Shares at the close of business on 1 February 2012 (please see question 2.5 below); and

(c) certain Overseas Shareholders (please see question 4.8 below).

If you are unsure as to whether you should receive a Provisional Allotment Letter please contact the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

2.5 If I buy Ordinary Shares before 8.00 a.m. on 6 February 2012 (the date the New Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Ordinary Shares before 8.00 a.m. on 6 February 2012 (the date the New Ordinary Shares start trading ex-rights (that is, without the right to participate in the Rights Issue, referred to as the ex-rights date)) but are not registered as the holder of those Ordinary Shares on the Record Date you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Ordinary Shares acquired on or after the ex-rights date.

2.6 What should I do if I sell or have sold or transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before the ex-rights date?

If you sell or have sold or transferred all of your Ordinary Shares before the ex-rights date, you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with this document to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer.

If you sell or have sold or transferred only some of your holding of Ordinary Shares before the ex-rights date, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer before taking any action with regard to the balance of rights due to you.

2.7 How many New Ordinary Shares will I be entitled to acquire?

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Ordinary Shares you will be entitled to buy if you are a Qualifying non-CREST Shareholder. You will be entitled to 9 New Ordinary Shares for every 8 Existing Ordinary Shares held on the Record Date. All Qualifying non-CREST Shareholders (other than, subject to certain exceptions, certain Overseas Shareholders) will be sent a Provisional Allotment Letter after the General Meeting has approved the Resolutions.

2.8 What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?

If you are concerned about the figure in Box 1, please call the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

2.9 If I take up my rights, when will I receive my New Ordinary Share certificate?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by 29 February 2012.

3. ORDINARY SHARES IN CREST

3.1 How do I know if I am eligible to participate in the Rights Issue?

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 6 February 2012. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled as soon as practicable after 8.00 a.m. on 6 February 2012. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with a registered address in the United States or any of the Excluded Territories will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

3.2 How do I take up my rights using CREST?

If you are a Qualifying CREST Shareholder, you should refer to paragraph 5 of Part IV (*Terms and Conditions of the Rights Issue*) of this document for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many (**MTM**) instruction has been inputted and has settled by 11.00 a.m. on 21 February 2012 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the agent who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 0845 964 5648 (+44 845 964 5648 if you are calling from outside the United Kingdom).

3.3 If I buy Ordinary Shares before 8.00 a.m. on 6 February 2012 (the date that the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Ordinary Shares before 8.00 a.m. on 6 February 2012, but are not registered as the holder of those Ordinary Shares on the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Ordinary Shares acquired on or after the ex-rights date.

3.4 What should I do if I sell or transfer all or some of my Ordinary Shares before 8.00 a.m. on 6 February 2012 (the ex-rights date)?

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before the ex-rights date, to send this document to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 How many New Ordinary Shares am I entitled to acquire?

Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire. You will be entitled to acquire 9 New Ordinary Shares for every 8 Existing Ordinary Shares you hold on 1 February 2012, the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the ex-rights date. If you are a CREST sponsored member, you should consult your CREST sponsor.

3.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you buy or sell Ordinary Shares between the date of this document and 1 February 2012, your transaction may not be entered on the register of members before the Record Date and you should consult the

stockbroker, bank or other appropriate financial adviser through whom you made the sale, purchase or transfer before taking any other action. If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

3.7 If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 22 February 2012.

4. FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER IN CERTIFICATED FORM OR IN CREST

4.1 What happens if the number of Ordinary Shares I hold is not exactly divisible? Am I entitled to fractions of New Ordinary Shares?

Your entitlement to New Ordinary Shares will be calculated on the Record Date (other than in the case of those who bought Ordinary Shares after the Record Date but before the ex-rights date who are eligible to participate in the Rights Issue). If the result is not a whole number, your entitlement will be rounded down to the nearest whole number of New Ordinary Shares, meaning that you will not receive a New Ordinary Share in respect of the fractional entitlement.

4.2 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your right to receive New Ordinary Shares, although the Rights Issue will affect the amount of UK tax you may pay when you sell your Ordinary Shares. However, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights.

Further information for certain Qualifying Shareholders is contained in Part XIV (*Taxation*) of this document. Qualifying Shareholders who are in any doubt as to their tax position should consult their professional advisers as soon as possible. Please note that the Shareholder Helpline is unable to advise on any taxation issues.

4.3 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue and you are a Shareholder, you can instead sell or transfer your Nil Paid Rights to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". During the nil paid trading period (between 8.00 a.m. on 6 February 2012 and 11.00 a.m. on 21 February 2012), subject to demand and market conditions, persons can buy and sell the Nil Paid Rights. Please note that your ability to sell your rights is dependent on demand for such rights and that the price of the Nil Paid Rights will fluctuate.

If you wish to sell or transfer all or some of your Nil Paid Rights and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 21 February 2012, in accordance with the instructions in the Provisional Allotment Letter.

If you are a CREST member or CREST sponsored member and have received a Provisional Allotment Letter and you wish to hold your Nil Paid Rights in uncertificated form in CREST, then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST courier and sorting service or

(in the case of a CREST sponsored member) to your CREST sponsor by 3.00 p.m. on 16 February 2012 at the latest.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying non-CREST Shareholders who are CREST members or CREST sponsored members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.4 What if I want to sell the New Ordinary Shares for which I have paid?

If you are a Qualifying non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 4 of the receipted Provisional Allotment Letter in accordance with the instructions set out on pages 2 and 3 of the Provisional Allotment Letter until 11.00 a.m. on 21 February 2012.

After that time, you will be able to sell your New Ordinary Shares in the normal way. However, the share certificate relating to your New Ordinary Shares is expected to be despatched to you only by 29 February 2012. Pending despatch of such share certificate, valid instruments of transfer will be certified by Equiniti against the register.

If you hold your New Ordinary Shares and/or rights in CREST, you may transfer them in the same manner as any other security that is admitted to CREST. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

4.5 What if I do nothing?

If you do not want to take up any of your rights, you do not need to do anything. If you do not take up your rights, the number of Ordinary Shares you hold in the Company will stay the same, but the proportion of the total number of Ordinary Shares that you will hold will be lower than that held currently. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 21 February 2012, the Company has made arrangements under which JPMSL will try to find investors to take up your rights by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If JPMSL finds investors and is able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), you will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. Cheques are expected to be despatched by 29 February 2012 and will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Existing Ordinary Shares jointly).

4.6 Do I need to comply with the Money Laundering Regulations (as set out in paragraph 5.3 of Part IV *(Terms and Conditions of the Rights Issue)* of this document)?

If you are a Qualifying non-CREST Shareholder, you do not need to follow these procedures if the value of the New Ordinary Shares you are subscribing for is less than €15,000 (approximately £12,500) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or UK regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or UK regulated financial institution.

Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraphs 4.5 and 5.3 respectively of Part IV (*Terms and Conditions of the Rights Issue*) of this document for a fuller description of the requirements of the Money Laundering Regulations.

4.7 What if I hold options and awards under the Share Schemes?

The options and awards granted under the Share Schemes may be adjusted in such way as the Directors consider appropriate as a result of the Rights Issue. Such adjustments, if any, will not be made until after the Rights Issue and will be subject to approval by the Company's Auditors and by HM Revenue & Customs,

where appropriate. Participants in the Share Schemes will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

4.8 What should I do if I live outside the United Kingdom?

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the United Kingdom should refer to paragraph 7 of Part IV (*Terms and Conditions of the Rights Issue*) of this document.

4.9 Will the Rights Issue affect the dividends DS Smith pays?

The dividend policy of the Company will be unchanged following completion of the Rights Issue, with the intention that, in the medium term, dividend cover should be, on average, 2.0 to 2.5 times throughout the cycle. All issued New Ordinary Shares will be eligible for the next dividend due, being the final dividend in respect of the full financial year ending 30 April 2012, which is expected to be announced in June 2012.

4.10 What do I do if I have any further queries about the Rights Issue or the action I should take?

If you have any other questions, please telephone the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice. However, the staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the terms and conditions of the Rights Issue in Part IV (*Terms and Conditions of the Rights Issue*) of this document and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter.

Part IV

Terms and Conditions of the Rights Issue

1. DETAILS OF THE RIGHTS ISSUE

The Company proposes to raise approximately £466.2 (gross) by way of the Rights Issue.

The Rights Issue Price effectively represents a 53.3 per cent. discount to the Closing Price of an Existing Ordinary Share of 203.6 pence on 16 February 2012 (being the last trading day prior to the announcement of the Rights Issue) and a 35.0 per cent. discount to the theoretical ex-rights price of 146.1 pence per New Ordinary Share calculated by reference to the Closing Price on the same day.

If Completion takes place, the Rights Issue proceeds will be applied (net of expenses) towards the financing of the Acquisition.

However, while the Rights Issue will not proceed if the Acquisition Agreement has been terminated before Admission, the Rights Issue is not itself conditional upon completion of the Acquisition. In the event that the Rights Issue settles but Completion does not take place, the Directors' current intention is that the proceeds of the Rights Issue will be invested on a short-term basis while the Directors evaluate other acquisition opportunities and, if no acquisitions can be found on acceptable terms, the Directors will consider how best to return surplus capital to Shareholders. Such a return could carry fiscal costs for certain Shareholders and will have costs for the Company.

The Underwriters' obligations under the Underwriting Agreement are conditional (although, with certain exceptions, these conditions can be waived) upon, amongst other things, the Acquisition Agreement and the Acquisition Facilities Agreement not having been terminated in accordance with their terms prior to Admission.

2. TERMS AND CONDITIONS

Subject to the fulfilment of the conditions set out below, the New Ordinary Shares are, pursuant to this document, offered for subscription by way of rights issue to Qualifying Shareholders on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter):

9 New Ordinary Shares at 95 pence per New Ordinary Share for every 8 Existing Ordinary Shares

held and registered in their name on the Record Date.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. New Ordinary Shares representing fractional entitlements will not be provisionally allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number.

Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares will have their proportionate shareholdings in the Company diluted by approximately 52.9 per cent. Qualifying Shareholders who take up their rights in full will, as nearly as practicable, have the same proportionate voting and distribution rights as held by them on the Record Date.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter, into a jurisdiction other than the United Kingdom is drawn to paragraphs 7 and 8 of this Part IV (*Terms and Conditions of the Rights Issue*). In particular, subject to the provisions of paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*), Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories will not be sent any Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

The New Ordinary Shares will be issued pursuant to the authority to be granted under the Rights Issue Resolution being proposed at the General Meeting. When issued and fully paid, the New Ordinary Shares will rank *pari p*assu in all respects with the Existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after the date of their issue.

Applications will be made to the UKLA for the New Ordinary Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading (nil paid and fully paid) on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 6 February 2012 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The Existing Ordinary Shares are already admitted to CREST. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated or uncertificated form via CREST.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement and is conditional upon (*inter alia*):

(a) the Acquisition Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which gives any party to the Acquisition Agreement a right to terminate it which right has not been waived;

(b) the Acquisition Facilities Agreement remaining in full force and effect, not having lapsed or been terminated prior to Admission, and no event having arisen at any time prior to Admission which has not been waived or remedied which gives any party to the Acquisition Facilities Agreement a right to terminate it which right has not been waived;

(c) the Resolutions being passed at the General Meeting;

(d) the fulfilment by the Company of its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Underwriters, by the times and dates specified in the Underwriting Agreement;

(e) in the bona fide opinion of each of the Sponsor and JPMSL, there having been no material adverse effect relating to DS Smith or SCA Packaging at any time prior to Admission; and

(f) Admission having occurred by not later than 8.00 a.m. on 6 February 2012 (or such later time and/or date, being not later than 13 February 2012) as the parties to the Underwriting Agreement may agree.

The Underwriting Agreement is subject to certain customary matters being satisfied prior to Admission and may also be terminated prior to Admission upon the occurrence of certain specified events, in which case neither the Rights Issue nor the Acquisition will proceed. After Admission, however, the underwriting arrangements will not be subject to any right of termination (including in respect of any statutory withdrawal rights). For further details on the underwriting arrangements relating to the Rights Issue, please refer to paragraph 9 of Part II (*Details of the Acquisition and Rights Issue*) of this document.

Subject, *inter alia,* to the passing of the Rights Issue Resolution, it is intended that Provisional Allotment Letters in respect of the New Ordinary Shares will be despatched on 3 February 2012 to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, as set out in paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*), such Qualifying non-CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) at their own risk. Provisional Allotment Letters constitute temporary documents of title.

Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit any security to CREST. As soon as practicable after Admission, the Company will confirm this to Euroclear. It is expected that these conditions will be satisfied on Admission.

Subject to the conditions above being satisfied and save as provided in this Part IV (*Terms and Conditions of the Rights Issue*), it is expected that:

(a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders who have a registered address in the United States or any of the Excluded Territories) on 3 February 2012;

(b) the Registrar will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with

registered addresses in the United States or any of the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, as soon as practicable after 8.00 a.m. on 6 February 2012;

(c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear on 6 February 2012, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;

(d) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their rights as soon as practicable after 8.00 a.m. on 22 February 2012; and

(e) share certificates for the New Ordinary Shares will be despatched by no later than 29 February 2012 to relevant Qualifying non-CREST Shareholders (or their renouncees) who validly take up their rights. Such certificates will be despatched at the risk of such Shareholders.

This document constitutes the offer of New Ordinary Shares to Qualifying Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or any of the Excluded Territories), such offer being on the terms and conditions set out in this document (and in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter) and being deemed to be made at the time the Nil Paid Rights are enabled for settlement as described above.

The offer of New Ordinary Shares and the Rights Issue are not being made by means of this document into the United States or any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be illegal to make an offer. Pursuant to the Act, the offer of New Ordinary Shares to Qualifying Shareholders who have no registered address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices will be made to such Shareholders through a notice in the London Gazette, details of which are provided in paragraph 7.4 of this Part IV (*Terms and Conditions of the Rights Issue*). Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 8 below of this Part IV (*Terms and Conditions of the Rights Issue*), unless such requirement is waived by the Company.

All documents and cheques posted to, by, from or on behalf of Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 3 February 2012, the section of this document entitled "Expected Timetable of Principal Events" will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part IV (*Terms and Conditions of the Rights Issue*) should be read as being subject to this adjustment.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*).

3. ACTION TO BE TAKEN

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder and (subject to certain limited exceptions, as set out in paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*)) do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 4, 6, 7.3 and 8 to 14 (inclusive) of this Part IV (*Terms and Conditions of the Rights Issue*).

If you hold your Existing Ordinary Shares in CREST and (subject to certain limited exceptions, as set out in paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*)) do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 5, 6, 7.3 and 8 to 14 (inclusive) of this Part IV (*Terms and Conditions of the Rights Issue*) and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline. Calls to the Shareholder Helpline cost 8 pence per minute from a BT landline, excluding VAT. Other network providers' costs may vary. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS

4.1 General

The Company intends that the Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders (other than, subject to certain limited exceptions, as set out in paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*), Qualifying non-CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) on 3 February 2012.

The Provisional Allotment Letter will set out:

(a) the holding of Existing Ordinary Shares on which a Qualifying non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

(b) the aggregate number (and cost) of New Ordinary Shares provisionally allotted to such Qualifying non-CREST Shareholder;

(c) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and

(d) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that Provisional Allotment Letters are posted on 3 February 2012 and that dealings commence at 8.00 a.m. on 6 February 2012, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 21 February 2012.

4.2 Procedure for acceptance and payment

(a) Qualifying non-CREST Shareholders who wish to accept in full

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must return the Provisional Allotment Letter in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to "Equiniti Limited re DS Smith Plc Rights Issue", and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours) to the Receiving Agent at Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 21 February 2012. A reply-paid envelope is enclosed for use within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery. Please note that payments via CHAPS, BACS or electronic transfer will not be accepted.

(b) Qualifying non-CREST Shareholders who do not wish to take up their rights at all

Holders of Provisional Allotment Letters who do not wish to take up their rights at all do not need to do anything. If Qualifying non-CREST Shareholders do not return the Provisional Allotment Letter by 11.00 a.m. on 21 February 2012, the Company has made arrangements under which JPMSL will try to find investors to take up such Shareholders' rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), Qualifying non-CREST Shareholders so entitled will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5.

(c) Qualifying non-CREST Shareholders who wish to accept in part

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to paragraph 4.8 of this Part IV (*Terms and Conditions of the Rights Issue*).

4.3 Discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 21 February 2012, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and JPMSL may, but shall not be obliged to, treat as valid: (a) Provisional Allotment Letters and accompanying remittances that are received through the post not later than 8.00 a.m. on 22 February 2012 (the cover bearing a legible postmark not later than 11.00 a.m. on 21 February 2012); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 21 February 2012 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company may also (in its absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

4.4 Payments

All payments must be made in pounds sterling by cheque or banker's draft made payable to "Equiniti Limited re DS Smith Plc Rights Issue", and crossed "A/C payee only". Third-party cheques will not be accepted. Such payments will be held by the Receiving Agent to the order of the Company. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Neither post-dated cheques nor payments via CHAPS, BACS or electronic transfer will be accepted.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. If New Ordinary Shares have already been issued to Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Shareholders' acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of those Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale, and of all amounts payable by such Qualifying Shareholders pursuant to the provisions of this Part IV (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such New Ordinary Shares) on behalf of such Qualifying Shareholders. None of the Company, the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Shareholders as a result.

4.5 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Provisional Allotment Letter is lodged with payment. If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the **applicant**), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not

be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Underwriters will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event, the application moneys will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply for UK purposes if:

(a) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or

(b) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directive 2001/97/EC and 2005/60/EC; or

(c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or

(d) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or

(e) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (approximately £12,500).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

(i) payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bear a UK bank sort code number in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re DS Smith Plc Rights Issue". Third-party cheques will not be accepted except for building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the Provisional Allotment Letter; or

(ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (i) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or

(iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact the Receiving Agent. The telephone number of the Receiving Agent is 0871 384 2165 (or +44 121 415 0094 from outside of the United Kingdom).

4.6 Dealings in Nil Paid Rights

Subject to the fulfilment of the conditions set out in paragraph 2 of this Part IV (*Terms and Conditions of the Rights Issue*), dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 6 February 2012. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11.00 a.m. on 21 February 2012.

4.7 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only) to the Receiving Agent at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received not later than 11.00 a.m. on 21 February 2012. Thereafter, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

4.8 Renunciation and splitting of Provisional Allotment Letters

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split up to 3.00 p.m. on 17 February 2012 nil paid and fully paid.

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 21 February 2012 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying non-CREST Shareholders unless their return is requested.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the appropriate address as set out in paragraph 4.7 of this Part IV (*Terms and Conditions of the Rights Issue*) by no later than 3.00 p.m. on 17 February 2012, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by each of the Provisional Allotment Letters. The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

4.9 Registration in the names of Qualifying Shareholders

A Qualifying non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such allotment prior to the latest time for

acceptance and payment in full, which is 11.00 a.m. on 21 February 2012, in accordance with the provisions set out in the Provisional Allotment Letter and this document, but need take no further action. A share certificate shall be sent to such Shareholder by post not later than 29 February 2012.

4.10 Registration in the names of persons other than Qualifying Shareholders originally entitled

A renouncee who wishes to have the New Ordinary Shares comprised in a Provisional Allotment Letter registered in his name, or his agent's name, must complete Form Y on page 4 (unless the renouncee is a CREST member who wishes to hold such shares in uncertificated form, in which case the CREST Deposit Form must be completed — as set out in paragraph 5.2 of this Part IV (*Terms and Conditions of the Rights Issue*)) of the Provisional Allotment Letter and lodge the entire letter when fully paid by post or by hand (during normal business hours only) with the Receiving Agent at the appropriate address as set out in paragraph 4.7 of this Part IV (*Terms and Conditions of the Rights Issue*) not later than the latest time for registration of renunciation which is 11.00 a.m. on 21 February 2012. Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

4.11 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST courier and sorting service (the **CCSS**); in addition, the normal CREST stock deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form must not be used.

A holder of the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 February 2012. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 February 2012) is 3.00 p.m. on 16 February 2012.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

4.12 Issue of New Ordinary Shares in definitive form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 29 February 2012 at the risk of the person(s) entitled to them, to accepting Qualifying non-CREST Shareholders and renouncees or their agents or, in the case of joint holdings, to the first-named Shareholder at their registered address (unless lodging agent details have

been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates and the inscription of the member in the Company's register of members, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, against the Provisional Allotment Letters held by the Registrar.

5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS IN CREST

5.1 General

Subject as provided in paragraph 7 of this Part IV (*Terms and Conditions of the Rights Issue*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 6 February 2012. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of, or otherwise to transfer all or part of, their Rights held by them in CREST, should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise deal with your Nil Paid Rights or Fully Paid Rights.

5.2 Procedure for acceptance and payment

(a) MTM instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and

(iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

(b) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Nil Paid Rights to which the acceptance relates;

(ii) the participant ID of the accepting CREST member;

(iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

(iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 6RA47;

(v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA085901;

(vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

(vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;

(viii) the intended settlement date (which must be on or before 11.00 a.m. on 21 February 2012);

(ix) the Nil Paid Rights ISIN. This is GB00B3X57R79;

(x) the Fully Paid Rights ISIN. This is GB00B6XCF437;

(xi) the Corporate Action Number (as this term is defined in the CREST Manual) to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;

(xii) contact name and telephone numbers in the shared notes field; and

(xiii) a priority of at least 80.

(c) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in sub-paragraph (b) of this paragraph 5.2 will constitute a valid acceptance where either:

(i) the MTM instruction settles by not later than 11.00 a.m. on 21 February 2012; or

(ii) at the discretion of the Company and JPMSL: (A) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 21 February 2012; and (B) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 21 February 2012; and (C) the relevant MTM instruction settles by 2.00 p.m. on 21 February 2012 (or such later date as the Company and JPMSL have determined).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

(d) Representations, warranties and undertakings of CREST members

A CREST member, or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 5.2, represents, warrants and undertakes to the Company and the Underwriters that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 21 February 2012 and remains capable of settlement at all times after that until 2.00 p.m. on 21 February 2012 (or until such later time and date as the Company and JPMSL may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 21 February 2012 and at all times thereafter until 2.00 p.m. on 21 February 2012 (or until such later time and date as the Company and JPMSL may determine) there will be

sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part IV (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company or the Underwriters or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(e) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 21 February 2012. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(f) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2: (a) undertakes to pay to the Company, or to procure the payment to the Company of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of a RTGS settlement bank (as this term is defined in the CREST Manual) payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank, in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the Company's Articles. If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of expenses, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part IV (*Terms and Conditions of the Rights Issue*) in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, none of the Underwriters or the Company shall be responsible for, or have any liability for, any losses, expenses or damages arising as a result.

(g) Discretion as to rejection and validity of acceptances

The Company may (having consulted with JPMSL and taken into account their reasonable comments):

(i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5.2. Where an acceptance is made as described in this paragraph 5.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 21 February 2012 (or by such later time and date as the Company and JPMSL may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in

this paragraph 5.2 unless the Company and JPMSL are aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the MTM instruction to settle;

(ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2;

(iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and JPMSL may determine;

(iv) treat a properly authenticated dematerialised instruction (the **first instruction**) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

5.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and JPMSL, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement; but without prejudice to the right of the Company and JPMSL to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

5.4 Dealings in Nil Paid Rights

Subject to the passing of the Resolutions at the General Meeting and the Rights Issue otherwise becoming unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 6 February 2012. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 21 February 2012.

5.5 Dealings in Fully Paid Rights

After acceptance and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for

settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 21 February 2012. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 21 February 2012.

After 21 February 2012, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way.

5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 p.m. on 15 February 2012, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 21 February 2012. You are recommended to refer to the CREST Manual for details of such procedures.

5.7 Issue of New Ordinary Shares in CREST

New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 22 February 2012).

5.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

6. PROCEDURE IN RESPECT OF RIGHTS NOT TAKEN UP

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. JPMSL will endeavour to procure, by not later than 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Rights Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) can be obtained.

Notwithstanding the above, JPMSL may cease to endeavour to procure any such subscribers if, in the opinion of JPMSL, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Underwriters as principal pursuant to the Underwriting Agreement or by the sub-underwriters (if any) procured by JPMSL, in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

Any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) shall be paid (subject as provided in this paragraph 6):

(a) where the provisional allotment was, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;

(b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(c) to the extent not provided above, where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the price at which the New Ordinary Shares are offered pursuant to the Rights Issue and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the entitlements not taken up, save that no payment will be made of amounts of less than £5, which amounts will be aggregated and ultimately paid to the Company. Cheques for the amounts due will be sent in pounds sterling, by first class post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons who did not take up their entitlements and none of the Company, the Underwriters nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

7. OVERSEAS SHAREHOLDERS AND SELLING AND TRANSFER RESTRICTIONS

7.1 General

Whilst Overseas Shareholders are entitled to participate in the Rights Issue, the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares pursuant to the Rights Issue and the distribution of this document or any other document relating to the Rights Issue (including the Provisional Allotment Letter) to persons resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights under the Rights Issue. It is the responsibility of all persons outside the United Kingdom receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

This paragraph 7 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the United Kingdom or who hold Existing Ordinary Shares for the account or benefit of any such person. The restrictions set out in this paragraph 7 will also apply to any investors who acquire New Ordinary Shares in connection with the placement of New Ordinary Shares not subscribed for in the Rights Issue.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including all Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, all Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories, or to their agents or intermediaries, except where the Company and JPMSL are satisfied that such action would not result in the contravention of any registration or other legal requirement in such jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in or into the United States or an Excluded Territory and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document

and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, the United States or an Excluded Territory. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in the United States or any Excluded Territory, or by their agent or nominee in any such territory, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Subject to this paragraph 7, any person (including, without limitation, nominees, agents and trustees) outside the United Kingdom wishing to take up his rights under the Rights Issue (or to do so on behalf of someone else) must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Qualifying Shareholder who is in doubt as to his position should consult his own independent professional adviser without delay.

The Company may treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares which appears to the Company, the Receiving Agent or JPMSL or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the Qualifying CREST Shareholder's registered address is in the United States or an Excluded Territory, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4.2 and 4.4 in relation to Qualifying non-CREST Shareholders and paragraph 5.2 in relation to Qualifying CREST Shareholders of this Part IV (*Terms and Conditions of the Rights Issue*).

The provisions of paragraph 6 of this Part IV (*Terms and Conditions of the Rights Issue*) will apply generally to Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

7.2 Offering and transfer restrictions relating to the United States

(a) General

As described more fully below, there are certain selling and transfer restrictions in the Rights Issue regarding the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares. These restrictions include, among others, restrictions on the ownership and transfer of New Ordinary Shares by persons in the United States following the Rights Issue.

None of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have been or will be registered under the Securities Act or under any other relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, in or into the United States at any time without registration or an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with state laws.

The offer by way of the Rights Issue will be made to all Qualifying Shareholders into the United States by means of notice in the London Gazette referred to in paragraph 7.4 of this Part IV (*Terms and Conditions of the Rights Issue*).

Neither this document nor a Provisional Allotment Letter will be sent to, and no Nil Paid Rights will be credited to a stock account in CREST with a bank or financial institution of, any Qualifying Shareholder with a registered address in the United States and must not be transferred to any such Shareholder unless such a person satisfies the Company that a relevant exemption from the Securities Act is available. Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid. Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

Accordingly, subject to the limited exceptions described in paragraph 7.2(c) of this Part IV (*Terms and Conditions of the Rights Issue*):

(i) the Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States, from the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment does not have a registered address and is not otherwise located in the United States, and is not acquiring the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements;

(ii) the Company will not be bound to allot (on a provisional or non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letter to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced; and

(iii) the Company and JPMSL reserve the right to reject any MTM instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer that is participating in the Rights Issue may violate the registration requirements of the Securities Act.

(b) Restrictions on offering in reliance on Regulation S

Each Qualifying Shareholder or purchaser to whom the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letter are distributed, offered or sold outside the United States will also be deemed by its subscription for, or purchase of, the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to represent, warrant and agree that:

(i) it is, and the person, if any, for whose account or benefit it is acting is, outside the United States (within the meaning of Regulation S) at the time the buy order for such securities is originated and will continue to be located outside the United States, and the person, if any, for whose account or benefit it is acting reasonably believes that the relevant person is outside the United States, and neither the subscriber nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(ii) it understands that the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares have not been and will not be registered under the Securities Act or with any

securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(iii) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act;

(iv) it has carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any persons within the United States, nor will it do any of the foregoing;

(v) the Company and the Underwriters and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and will not recognise any offer, sale, pledge or other transfer of the securities made other than in compliance with the above stated restrictions; and

(vi) if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and JPMSL, and, if it is acquiring any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

(c) Restrictions on US QIB private placement offering

None of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters offered or sold in the Rights Issue by the Company, for which subscribers may be procured by JPMSL and failing which subscribed by the Underwriters have not been nor will be registered under the Securities Act or under any other relevant securities laws of any state or other jurisdiction of the United States.

The Rights Issue is only being extended in the United States to QIBs in a manner not requiring registration under the Securities Act.

Each person in the United States who is: (1) a Qualifying Shareholder or purchaser to whom the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters are distributed, offered or sold: or (2) a purchaser who purchases New Ordinary Shares not taken up in the Rights Issue (whether pursuant to Rule 144A or otherwise) will be deemed by its subscription for, or purchase of, the Rights, Provisional Allotment Letters or New Ordinary Shares, as the case may be, to represent, and warrant and agree that:

(i) it is a QIB; is aware that the offer and sale of securities to it is being made in a transaction exempt from registration under the Securities Act; and is acquiring such securities for its own account or for the account of a QIB, as the case may be;

(ii) it understands that such securities have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except:

(A) to a QIB in a transaction exempt from registration under the Securities Act; or

(B) in an offshore transaction complying with Rule 903 or 904 of Regulation S; or

(C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), or any other exemption from the registration requirements of the Securities Act, subject to the delivery by such subscriber or purchaser to the Company of an opinion of counsel (and of such other evidence that the Company may reasonably require) that such transfer or sale is in compliance with the Securities Act and in accordance with all applicable securities laws of the states of the United States; and

(iii) it understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the securities.

Furthermore, each subscriber or purchaser in the United States in the Rights Issue will, prior to any such transaction, be required to execute and deliver to the Company and/or one or more of its designees, an investor letter in the form set forth in Annex 1 (*Form of QIB Representation Letter*) to this document or in such form as is satisfactory to the Company and the Underwriters, setting forth certain restrictions and

procedures regarding the securities and by accepting delivery of this document or subscribing for New Ordinary Shares will be deemed to have made each of the representations, agreements and acknowledgements above. The QIB Representation Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

QIBs that satisfy the Company as to their status may exercise the Nil Paid Rights and the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in paragraph 4 of this Part IV (*Terms and Conditions of the Rights Issue*). The Company and the Receiving Agent have the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed investor letter or any other required additional documentation.

QIBs who hold securities through a bank, a broker or other financial intermediary should procure that the relevant bank, broker or financial intermediary submits a US QIB Representation Letter on their behalf.

If any subscriber of New Ordinary Shares that was required to execute a US QIB Representation Letter in connection with the acquisition of such New Ordinary Shares receives them in certificated form, the certificate for the New Ordinary Shares will bear an appropriate legend reflecting the transfer restrictions described in the US QIB Representation Letter.

Any such transactions shall be at the sole discretion of the Company.

(d) New Ordinary Shares not taken up

The Underwriting Agreement provides that the Underwriters may, directly or through their US broker-dealer affiliates, arrange for the offer and resale of the New Ordinary Shares not taken up, within the United States, only to Qualified Institutional Buyers in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each subscriber or purchaser that purchases the Rights Issue Shares not taken up, within the United States and pursuant to Rule 144A, by accepting delivery of this document will be deemed to have represented, warranted and agreed as set forth above under paragraph 7.2(c) of this Part IV (*Terms and Conditions of the Rights Issue*) and will be required to execute a US QIB Representation Letter as set forth in Annex 1 (*Form of QIB Representation Letter*) prior to such purchase.

Prospective subscribers or purchasers are hereby notified that sellers of the New Ordinary Shares not taken up may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

Potential purchasers of the New Ordinary Shares in the US are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of such New Ordinary Shares.

7.3 Other overseas territories

Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders (other than, subject to certain limited exceptions, all Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses in any country other than the United States or an Excluded Territory. No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into any of the United States or Excluded Territories. Qualifying Shareholders in jurisdictions other than the United States or the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letters.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

(a) EEA States (other than the United Kingdom)

In relation to the EEA States (except for the United Kingdom) that have implemented the Prospectus Directive (each, a **relevant member state**), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the **relevant implementation date**), no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time under the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

(i) to any legal entity which is a qualified investor, as defined in the Prospectus Directive;

(ii) to fewer than 100, or if the relevant member state has implemented the relevant provisions of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member states; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company the Sponsor or the Underwriters of a prospectus pursuant to Article 3 of the Prospectus Directive.

For this purpose, the expression "an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public" in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

(b) Japan

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the **FIEL**). The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for offering or resale, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. As used in this paragraph, the term **resident of Japan** means any natural person having his place of domicile or residence in Japan, or any corporation or other entity organised under the laws of Japan or having its main office in Japan.

7.4 Gazette notice

In accordance with section 562(3) of the Companies Act 2006, the offer by way of Rights to Qualifying Shareholders who have no registered address in an EEA State and who have not given to the Company an address in an EEA State for the serving of notices, will (subject to the other conditions of the Rights Issue) be made by the Company causing a notice to be published in the London Gazette on 6 February 2012 stating where copies of this document and the Provisional Allotment Letters may be obtained or inspected on personal application by or on behalf of such Qualifying Shareholders.

However, in order to facilitate acceptance of the offer made to such Qualifying Shareholders by virtue of such publication, Provisional Allotment Letters will also be posted to Qualifying Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, to those with registered addresses in, or who are resident in, the United States or any of the Excluded Territories). Such Shareholders, if it is lawful to do so, may accept the offer by way of Rights either by returning the Provisional Allotment Letter posted to them in accordance with the instructions set out therein or, subject to surrendering the original Provisional Allotment Letter posted to them, by obtaining a copy thereof from the place stated in the notice and

returning it in accordance with the instructions set out therein. Similarly, Nil Paid Rights are expected to be credited to stock accounts in CREST of Qualifying CREST Shareholders who are Overseas Shareholders (other than, subject to certain exceptions, those with registered addresses, or who are resident in, the United States or any of the Excluded Territories).

8. ADDITIONAL REPRESENTATIONS AND WARRANTIES

8.1 Qualifying non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's and the JPMSL's satisfaction that such person's use of the Provisional Allotment Letter, will not result in the contravention of any applicable legal requirement in any jurisdiction:

(a) such person is not accepting and/or renouncing the Provisional Allotment Letter from within the United States or any other Excluded Territory;

(b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it;

(c) such person is not acting on a non discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and such person is not accepting for the account of any person who is located within the United States, unless (i) the instruction to accept was received from someone outside the United States and (ii) the person giving such instruction has confirmed that (A) it has the authority to give such instruction and (B) either (1) has investment discretion over such investment or (2) is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and

(d) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in (b) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter in the circumstances set out in paragraph 4.8 of this Part IV (*Terms and Conditions of the Rights Issue*), or if it purports to exclude the warranty required by this paragraph.

8.2 Qualifying CREST Shareholders

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in paragraph 5 of this Part IV (*Terms and Conditions of the Rights Issue*) represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's and JPMSL's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

(a) he is not within the United States or any of the Excluded Territories;

(b) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares;

(c) he is not acting on a non-discretionary basis for a person located within the United States or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given, and such person is not accepting for the account of any person who is located within the United States, unless (i) the instruction to accept was received from someone outside the United States and (ii) the person giving such instruction has confirmed that (A) it has the authority to give such instruction and (B) either (1) has investment discretion over such investment or (2) is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and

(d) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights,

Fully Paid Rights or New Ordinary Shares into the United States or any Excluded Territory or any territory referred to in (b) above.

The Company may treat as invalid any MTM instruction which: (a) appears to the Company to have been despatched from the United States or an Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the warranty required by this paragraph.

8.3 Waiver

The provisions of paragraphs 7 and 8 of this Part IV (*Terms and Conditions of the Rights Issue*), and of any other terms of the Rights Issue relating to all Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories may be waived, varied or modified as regards specific Qualifying Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 8.3 which refer to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 8.3 shall apply jointly to each of them.

8.4 Payment

All payments must be made in the manner set out in paragraphs 4.4 and 5.2 of this Part IV (*Terms and Conditions of the Rights Issue*) (as applicable).

9. TAXATION

Information on taxation in the United Kingdom and the United States with regard to the Rights Issue is set out in Part XIV (*Taxation*) of this document. The information contained in Part XIV (*Taxation*) is intended only as a general guide to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

10. WITHDRAWAL RIGHTS

Qualifying Shareholders wishing to exercise statutory withdrawal rights pursuant to section 87(Q)(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member with the Receiving Agent by post or by hand (during normal business hours only) at Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which a supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. The Company shall treat as valid any notice of withdrawal received through the post which bears a legible postmark on its envelope dated not later than the date falling two Business Days after the date on which such supplementary prospectus was published. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for New Ordinary Shares in full and the issue of such New Ordinary Shares to such person becoming unconditional, save as required by statute.

Following the valid exercise of statutory withdrawal rights, application moneys will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such moneys will be retained for the benefit of the Company. The provisions of this paragraph 10 are without prejudice to the statutory rights of Qualifying Shareholders. In such event Shareholders are advised to seek independent legal advice.

11. TIMES AND DATES

The Company shall, at its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence

and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall announce such amendment via a Regulatory Information Service and notify the UKLA and, if appropriate, Shareholders.

12. DILUTION

If a Qualifying Shareholder does not take up the offer of New Ordinary Shares in whole or in part, such Qualifying Shareholder's holding will be diluted by approximately 52.9 per cent.

13. GOVERNING LAW

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations relating thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The New Ordinary Shares will be created and issued pursuant to the Company's Articles and under the Act.

14. JURISDICTION

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document and the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part V

Information on the DS Smith Group

1. OVERVIEW

The DS Smith Group is a leading supplier of recycled packaging for consumer goods across Europe. As at 31 October 2011, the continuing operations of the DS Smith Group (excluding its Office Products Wholesaling business held for disposal at that date and which has now been sold) employed over 10,000 people at 94 manufacturing locations. It supplies value-added corrugated board and plastic packaging products from a strategically located network of 50 corrugated packaging facilities in Europe and 21 plastic packaging facilities in Europe, America and Australasia. The DS Smith Group's revenue, adjusted operating profit, operating profit and profit (loss) for the financial periods ended 30 April 2009, 2010 and 2011, and for the six months ended 31 October 2010 and 2011 are set forth below having been extracted without material adjustment from the Audited Financial Statements and the 2011 Interim Financial Statements, respectively:

	Year ended 30 April					Six months ended 31 October (unaudited)		
	2009[(1)]	2010[(1)]	% change	2011[(1)]	% change	2010[(2)]	2011	% change
	(amounts in £ millions, except %)							
Revenue	2,106.6	2,070.6	(1.7)	2,474.5	19.5	822.2	1,034.5	25.8
Adjusted operating profit[(3)]	97.5	98.1	0.6	136.1	38.7	55.5	78.3	41.1
Operating profit	43.4	80.7	85.9	129.4	60.3	47.6	55.8	17.2
(Loss)/profit for the period	(11.2)	38.1	n/a	70.7	85.6	27.8	34.8	25.2

(1) Figures have not been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation. For further information, see "*Disposal of Office Products Wholesaling Business*" at paragraph 2 of this Part V (*Information on the DS Smith Group*).
(2) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.
(3) Calculated as operating profit excluding exceptional items and amortisation.

The DS Smith Group's main focus is on the production of corrugated packaging, supported by the collection of used corrugated board and the manufacture of recycled paper, and extends throughout the United Kingdom and into continental Europe, principally in France, together with a growing presence in the Central and Eastern European countries of Poland and (via an associate) the Ukraine. The DS Smith Group focuses primarily on packaging for the FMCG market (which represents approximately 70 per cent. of its corrugated box sales) and industrial products. The Board believes that the DS Smith Group differentiates itself with its focus on service, quality, innovation and its environmental solutions.

In the financial year ended 30 April 2011, DS Smith's production volumes included: 890 kilotonnes of CCM; 1,310 kilotonnes of corrugated board (on an annualised basis); and 1,800 kilotonnes of recycled fibre.

The DS Smith Group's continuing operations are divided into three segments: UK Packaging, Continental European Corrugated Packaging, and Plastic Packaging.

UK Packaging. The DS Smith Group's United Kingdom packaging segment (**UK Packaging**) operates three businesses, being recycling, paper manufacturing and corrugated packaging and accounted for 49.7 per cent. of its external revenue in the six months ended 31 October 2011. As at 31 October 2011, the DS Smith Group's facilities consisted of 28 corrugated packaging factories, three paper mills and 15 recycling depots with its headquarters based in Maidenhead. During the financial year ended 30 April 2011, the UK segment manufactured approximately 1.125 billion square metres of corrugated packaging and board for which approximately 50 per cent. of the paper required was supplied by the DS Smith Group's own mills.

Continental European Corrugated Packaging. The DS Smith Group's continental European corrugated packaging segment (**Continental European Corrugated Packaging**) accounted for 37.3 per cent. of its external revenue in the six months ended 31 October 2011. The segment had 27 sites in France, Italy, Poland, Czech Republic and Slovakia as at 31 October 2011. The segment produced approximately 1.3 billion square metres of corrugated board and approximately 120 kilotonnes of CCM, on an annualised basis, in the financial year ended 30 April 2011.

Plastic Packaging. The DS Smith Group's plastic packaging segment (**Plastic Packaging**) accounted for 12.9 per cent. of the DS Smith Group's external revenue in the six months ended 31 October 2011. The segment operates facilities in the United Kingdom, the United States, Germany, France, Bulgaria, Belgium, Spain, Poland, Slovakia, Australia and New Zealand. The business is split into two subdivisions. The Liquid Packaging and Dispensing (**LP&D**) division makes bags and fitments for bag-in-box products, which are used within the

soft drinks, wine, food and other industry sectors such as oils and in-home and personal care products. The Returnable Transit Packaging (**RTP**) division makes products designed for re-use such as crates, mostly used within the retail, automotive, electronics and beverage sectors.

In July 2011 the DS Smith Group entered into a binding offer for its Office Products Wholesaling business and as such this operation became discontinued, with the DS Smith Group's continuing operations focused on the supply of packaging. The sale completed on 29 December 2011. For more information, see the section entitled "*Disposal of Office Products Wholesaling Business*" at paragraph 2 of this Part V (*Information on the DS Smith Group*).

2. RECENT DEVELOPMENTS

Disposal of Office Products Wholesaling Business

The DS Smith Group's Office Products Wholesaling business, Spicers, operated from a network of distribution centres based in the United Kingdom, Ireland, France, Benelux, Germany, Spain and Italy. Spicers provided a wholesaling service to its customer base of office products dealers and resellers by offering up to 20,000 product lines of office supplies and office equipment across its network of 15,000 active resellers.

In July 2011, the Group announced the receipt of a binding offer for this business and on 7 September 2011, DS Smith entered into a binding legal agreement with Unipapel S.A. (**Unipapel**) in respect of the sale by DS Smith of Spicers for a purchase price of £200 million, satisfied on completion in cash and by the assumption by Unipapel of existing debt. The purchase price is subject to post-completion price adjustments. DS Smith has given customary business warranties in favour of Unipapel in respect of the sale.

The sale of Spicers completed on 29 December 2011 and net proceeds, after tax, related costs and an accelerated payment into the DS Smith pension fund were approximately £160 million which have reduced DS Smith's net debt (£312.9 million as at 31 October 2011) by approximately £160 million.

Disposal and closure of paper mills

In June 2011, the DS Smith Group announced the start of a consultation exercise regarding the closure of Hollins paper mill (production approximately 95,000 tonnes in the financial year ended 30 April 2011). In September 2011, DS Smith Paper completed the sale of Higher Kings Mill paper mill (production approximately 34,000 tonnes in the financial year ended 30 April 2011) for £4.6 million. The rationale for exiting these paper manufacturing facilities was to reduce the Group's exposure to non-integrated paper production, in line with the published DS Smith Group strategy.

3. COMPETITIVE STRENGTHS

The Company aims to differentiate its corrugated packaging products through the service, quality and innovation that is offered to customers. The DS Smith Group seeks to deliver value to its customers by making packaging that is both functional and efficient. To this end, the DS Smith Group believes that its key competitive strengths are:

Focus on FMCG sector

The DS Smith Group believes its focus on the FMCG sector reduces cyclicality in its business due to the stable demand from this market. FMCG products, such as food and beverages, are largely necessities rather than luxuries, so the markets for these goods have traditionally been less affected by economic trends than other consumer and industrial products. Packaging companies who target FMCG manufacturers compete on lead times, as well as proximity to FMCG companies, design and print quality, and price. Accordingly, the DS Smith Group has invested in and focuses on delivering high standards of service, quality and innovation as well as cost-effectiveness, short lead times and innovative products.

In addition, the DS Smith Group believes that its corrugated packaging products appeal both to the marketing departments of these manufacturers themselves and to retailers who are manufacturers' customers. Further, by providing retail-ready packaging, the DS Smith Group helps its customers conform to the standards required by their own customers, the retailers. Its retail-ready boxes save retailers time and cost in shelf stacking as well as help manufacturers differentiate their product on retail shelves and lend themselves to high-quality levels of print and a variety of in-store displays.

Innovative design and manufacturing capabilities

The DS Smith Group seeks to compete with regard to the innovation and design expertise it can offer to shift focus to marketing aspects and decrease the commoditisation of its packaging products. The aim of any innovation or piece of sophisticated design is either to reduce costs for manufacturers and retailers as and when products are produced, shipped and stored, or to improve the appeal and functionality of the packaging as it appears to customers when displayed on a shelf at a retailer. Packaging can be designed to improve its impact when displaying products on-shelf through the use of print for marketing messages, and through designs that make the product easy for consumers to access. DS Smith operates two "Impact and Innovation Centres", in each of the UK and France, and with a third under development in Poland. These centres bring together DS Smith's designers with DS Smith's customers in order to optimise the solutions DS Smith offers. Product design is also an integral part of the sales offering, with design capability spread throughout DS Smith's packaging sites.

For example, costs may be removed from the supply chain by improved packing line speeds or by improving space optimisation of either the packaging or the packed product when in the warehouse or during transportation. Thinner board materials are important in this effort because they save in material cost and require less transportation space when transported than traditional corrugated board, resulting in savings in both cost and carbon emissions, although they must still be able to meet the strength characteristics required by manufacturers.

To help manufacturers meet these objectives, the DS Smith Group has developed packaging that is lighter weight and in a variety of shapes tailored to more efficient production, shipment and storage of goods. One such innovative product that has been developed in the Continental European Corrugated Packaging segment is the "Otor 8", a box with angled corners for greater strength, which has been successfully commercialised. This design innovation is important to the DS Smith Group's customers in this segment because the additional strength from the box design allows lighter-weight paper to be used. The DS Smith Group plans to roll out this design in the United Kingdom.

In addition to its role in the supply chain, the other important feature of packaging design is its appearance on store shelves. To this end, the DS Smith Group has developed its own grade of corrugated board called R-Flute®, which has received high levels of customer acceptance in the United Kingdom and is now being rolled out in the continental European business. R-Flute® is a type of corrugated board that is not only 20 per cent. thinner than traditional corrugated board, offering manufacturers the efficiency advantages of a thinner board, but also has better quality perforations than the traditional equivalent cardboard. This gives the finished product cleaner edges for an attractive retail display.

A 'cradle-to-cradle' service for customers' corrugated board packaging needs

The DS Smith Group differentiates itself from its competition through the recycling proposition and having no investment in landfill sites. The DS Smith Group is able to offer a 'cradle-to-cradle' service, recycling used packaging rather than sending it to landfill, and then converting it into the next cycle of packaging. DS Smith Recycling has a strong relationship with many of the largest retailers in the United Kingdom who are customers of that business, taking away their used cardboard. These strong relationships provide the DS Smith Group with the raw material for DS Smith Paper and have an ancillary benefit of providing a direct avenue to market the DS Smith Group's packaging products, including retail-ready packaging.

The recycling proposition is an important point of differentiation as consumer goods companies and retailers seek to fulfil their environmental commitments. Further, it addresses what the Directors perceive as a growing demand for recycled products driven by increasing environmental awareness amongst its customer base more broadly. It also offers the DS Smith Group the opportunity to engage directly with retailers about how the use of corrugated board can improve the efficiency of their operations, for example, by improving the management of used packaging at the back of the store, therefore allowing more space to be used for their retail operations.

International Service

Historically, the packaging sector has been largely fragmented and focused on manufacturing, rather than service quality and innovation. Accordingly, the ability to build scale and geographic footprint is critical to providing a sufficiently large platform to support investment in technology and provide consistent customer service in an increasingly integrated European market with more pan-European purchasing by FMCG customers. The DS Smith Group has a packaging capability in five countries in Europe and can offer

consistent levels of service, quality and innovation to pan-European customers who manufacture across the region.

Furthermore, pan-European customers demand consistency in the appearance of their products across the continent, as packaging is increasingly becoming a part of their marketing strategy. The DS Smith Group addresses this need through its pan-European online colour-matching capability. This service is based on electronic colour-reading technology and guarantees consistent colour on packaging products manufactured throughout the DS Smith Group's European network, assuring customers that their brand will be consistently displayed according to their own standards.

Finally, large customer accounts are managed on a pan-European basis to ensure consistency in the products and the standard of service that they receive.

4. BUSINESS STRATEGY

The DS Smith Group's stated strategic aim is to be the leading supplier of recycled packaging for consumer goods in Europe. By focusing on the packaging business, the DS Smith Group aims to create a growing business that is more focused, producing higher margins and less cyclicality. To do this, the DS Smith Group's stated strategies are to:

Build the packaging and recycling business in existing markets and new emerging markets

The DS Smith Group believes that there is considerable sustainable growth potential in its corrugated packaging businesses, both in Western Europe and in Central and Eastern Europe. The use of retail-ready packaging is being driven by major retailers and FMCG companies, for whom it helps to reduce costs and drive sales. Cost savings are achieved because retail-ready packaging reduces the time it takes to pack a shelf in the supermarket. Retail-ready packaging helps to drive sales because it effectively acts as a marketing tool, supporting high-quality print and design that can differentiate a product on the shelf and promote the brand even when empty. The DS Smith Group has identified opportunities within the United Kingdom and France to drive further adoption of higher quality retail-ready packaging and for greater use of corrugated packaging more generally in substitution for other materials that are relatively more expensive, bulky and/or less easily recycled.

Furthermore, the DS Smith Group has identified both Central and Eastern Europe as areas for expansion, as these countries are home to a growing middle class and are seeing growth of international retailers and a growth in consumption of FMCG products. In Central and Eastern Europe the market for corrugated packaging for FMCG is growing as a result of increased domestic consumption and growing export volumes.

The DS Smith Group believes that the model of owning a recycling business focused on the collection of used paper and cardboard has proved successful in the United Kingdom and the DS Smith Group's plan is to continue to expand recycling operations in continental Europe in conjunction with the Enlarged Group's customers, including by means of the Acquisition. The DS Smith Group has started to do this with a partnership in Poland between DS Smith Recycling and Tesco's Polish business.

Expansion in Central and Eastern Europe is expected to be driven by a combination of organic investment, small bolt-on acquisitions, and larger acquisitions. Capital investments are expected to be made on a strategic basis, with an emphasis on the packaging businesses and market sectors that have historically delivered higher and less cyclical operating margins.

Significantly reduce exposure to non-integrated paper manufacturing

As the DS Smith Group develops those areas of its business that support its recycled packaging activities, it is simultaneously reducing its exposure to paper manufacturing, which tends to be highly variable in demand and price and highly commoditised. The DS Smith Group has recently started to implement a plan to reduce its net capacity for non-integrated paper manufacturing.

The DS Smith Group's facilities for production of paper used for corrugated packaging will be maintained where an integrated supply is viewed as strategically beneficial, such as in the United Kingdom. It is the Company's intention that paper production for external sale will be reduced. For example, in September 2011, DS Smith Paper completed the sale of Higher Kings Mill paper mill (production approximately 34,000 tonnes in the financial year ended 30 April 2011) for £4.6 million. In June 2011, the Company announced the start of a consultation exercise regarding the closure of Hollins paper mill (production

approximately 95,000 tonnes in the financial year ended 30 April 2011). At the same time, DS Smith Paper is making an investment in its Kemsley Mill to make high performance paper to support the DS Smith Group's growing recycled retail-ready packaging offered across Europe.

Develop a streamlined group

The disposal of the Office Products Wholesaling business was a significant step in streamlining the DS Smith Group. For more information on this disposal, see the section entitled "*Disposal of Office Products Wholesaling Business*" at paragraph 2 of this Part V (*Information on the DS Smith Group*).

In the last 12 months, DS Smith Group has changed its management structure, within which each of its business operations in the United Kingdom, France and the rest of Europe reported to the Group Chief Executive separately, and introduced a new structure that consolidated responsibilities within the United Kingdom businesses, previously run as four separate entities. At the same time, cross-divisional functions, in particular procurement and commercial, have been added to support and unify the business in its approach. For example, major procurement decisions are now made on a co-ordinated and strategic basis, with the DS Smith Group leveraging its size and creditworthiness with suppliers. In addition, large customer accounts are managed on a co-ordinated and strategic basis rather than at site levels.

The DS Smith Group has also rebranded those parts of the business that have not previously used the DS Smith name. Severnside Recycling has become DS Smith Recycling whilst St Regis has become DS Smith Paper. Meanwhile in France, the Otor business and existing French corrugated packaging operations are now trading as DS Smith Packaging France. These changes are allowing the DS Smith Group to build stronger brand identity with its employees as well as increase brand awareness with customers, suppliers and the communities within which it operates.

Realise significant efficiency; fully realise benefits of scale and working capital savings

In December 2010 and further in March 2011, the DS Smith Group announced a series of operational and capital efficiency targets and has put detailed plans in place to realise them. The DS Smith Group's target is to realise annual cost savings of £10 million by April 2014 from the changes to the structure of the UK businesses, which are expected to cost £10 million over the three years to April 2013 to achieve in cash terms. On 10 March 2011, the DS Smith Group announced its targets to improve efficiencies and realise a reduction in working capital as a percentage of external revenue from 8 per cent. to 5 per cent. over the three years to April 2014, equivalent to approximately £75 million. £40 million had been achieved by 31 October 2011. These efficiencies are expected to come about as a result of the businesses being more closely integrated to eliminate duplicate overheads and to drive revenue growth through co-ordinated customer management and shared best practice in innovation.

Further, the DS Smith Group is targeting annual cost savings from procurement of a run-rate of £10 million by April 2012, delivered by a newly implemented central purchasing team, including the appointment of a chief procurement officer for the first time in July 2011. Work has been underway to achieve these savings since January 2011 and progress is being made.

Engage its people

In order to implement the DS Smith Group strategy effectively, the business needs its employees to understand the aims of the DS Smith Group and to be motivated to contribute towards the achievement of these. The DS Smith Group is undertaking a series of steps to improve engagement among employees with the corporate goals and to align their employees with the aims of the DS Smith Group. A new group-wide development appraisal programme is being rolled out so that everyone understands the part they play in the organisation.

During the financial year ended 30 April 2011, management completed its first group-wide engagement survey, with 79 per cent. of employees taking the time to participate. This is a very high level of participation for a first survey, which reflects the dedication and commitment of the DS Smith Group's employees. The engagement survey is an opportunity to listen to the structured feedback and views of the DS Smith Group's employees. The results have been analysed and communicated, and priorities for improvement have been identified by management teams with action plans developed for the coming year. Management has also embarked on a programme to communicate and engage all its employees with the new corporate strategy. This programme will ensure that all employees know the DS Smith Group's vision and values, its strategic goals and the role they can play.

5. HISTORY AND DEVELOPMENT OF THE DS SMITH GROUP

The Company began in 1940, as David S. Smith, manufacturing cartons and the business was later incorporated in 1960. Since then, the DS Smith Group has grown both organically as well as through the completion of a number of successful acquisitions.

The DS Smith Group grew rapidly during the 1980s, with the acquisitions of St Regis Paper Company in 1986 and Kemsley Paper Mill in 1988, plus a number of corrugated plants at around the same time.

Growth continued during the 1990s through a combination of organic development and acquisitions. The DS Smith Group's largest paper mill, Kemsley, was upgraded between 1993 and 1996 at a cost of £110 million. The £123 million acquisition of Kaysersberg Packaging in 1991 added a continental European presence particularly in heavy duty corrugated packaging. In addition, the Kaysersberg purchase provided a continental position in the plastic packaging market. The DS Smith Group acquired Spicers in 1993 for £93 million. In 1998, a new conventional corrugated plant was opened at Fordham in England.

In 2001 the Company changed its name from David S. Smith (Holdings) Plc to DS Smith Plc. In the same year, a number of UK corrugated packaging operations, previously owned by Danisco, were acquired for £21 million. The acquisition of Linpac Containers in March 2004 for £176 million made the DS Smith Group the United Kingdom's largest producer of corrugated packaging. At around the same time, the DS Smith Group expanded in Italy and Poland. Severnside Recycling was enlarged in 2004 through the acquisition of BPB Recycling. In February 2008, the DS Smith Group acquired New Thames Paper Mill, which is adjacent to St Regis' paper mill at Kemsley in Kent, in order to modify it to produce high-quality lightweight CCM.

The DS Smith's Group position in liquid packaging and dispensing was built through the acquisitions of Packaging Systems LLC (trading under the name Rapak) in 2000 and Zewathener GmbH in 2002.

In September 2010 the Company acquired Otor, a French corrugated packaging business, positioning DS Smith Packaging France with a leading position in corrugated packaging for consumer goods. In July 2011, the DS Smith Group announced the receipt of a binding offer for Spicers and on 7 September 2011, DS Smith entered into a binding legal agreement with Unipapel in respect of the sale by DS Smith of Spicers for a purchase price of £200 million. The sale of Spicers completed on 29 December 2011.

6. OPERATIONS

The DS Smith Group's main focus is on the production of corrugated packaging, supported by the production of recycled paper. The DS Smith Group also produces plastics packaging. For a more detailed description of these products and the processes by which they are manufactured, see Part VII (*Information on the Packaging Industry*) of this document.

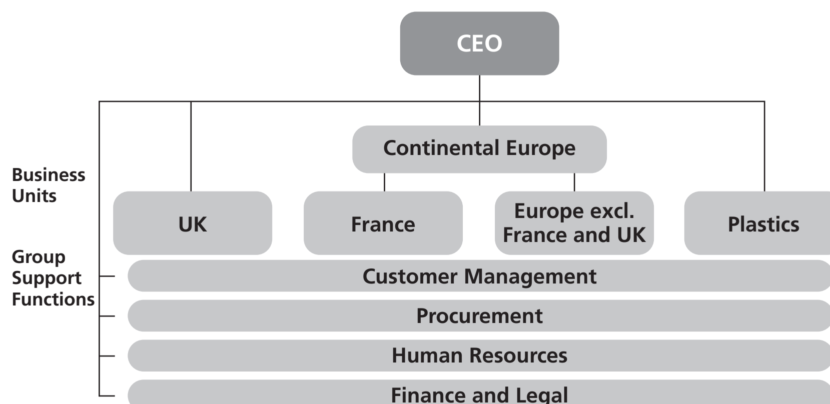
The DS Smith Group's continuing operations are divided into three segments: UK Packaging, Continental European Corrugated Packaging, and Plastic Packaging. The Office Products Wholesale segment was sold as described in paragraph 2 of this Part V (*Information on the DS Smith Group*).

UK Packaging further breaks down into a partially vertically integrated chain of recycling, paper manufacturing, and corrugated packaging, all of which work together to collect, process, and reuse paper waste material.

Continental European Corrugated Packaging offers a range of recycled corrugated board packaging products, as well as solidboard, with a special focus on corrugated packaging for consumer products as well as corrugated packaging for industrial applications.

Plastic Packaging is formed of two divisions, LP&D and RTP.

The diagram below sets forth the organisational structure of the DS Smith Group as at the date of this document.



UK Packaging

This segment is comprised of three businesses: recycling, which collects used paper and other materials for recycling; paper manufacturing, which processes the used paper to produce recycled paper, the majority of which is CCM used in the manufacture of corrugated packaging; and corrugated packaging, which converts CCM into corrugated board and boxes. UK Packaging is partially vertically integrated. These three businesses are heavily interdependent, although all three maintain open-market positions to ensure competitiveness. As at 31 October 2011, UK Packaging operated 28 corrugated packaging factories, three paper mills and 15 recycling depots.

In total, UK Packaging manufactured approximately 1.125 billion square metres of corrugated packaging and board in the financial year ended 30 April 2011. During the same period, the corrugated packaging business also manufactured approximately 770,000 tonnes of CCM as well as approximately 260,000 tonnes of other paper grades, principally plasterboard liner. Of the CCM that the paper manufacturing business manufactured in the financial year ended 30 April 2011, approximately 300,000 tonnes was used within the DS Smith Group's packaging business.

The recycling business collected approximately 1.8 million tonnes of used corrugated packaging and other used paper in the financial year ended 30 April 2011, the majority of which was used by UK Packaging's recycled paper manufacturing operations.

For the financial year ended 30 April 2011, UK Packaging's customer base for its corrugated box products was approximately 75 per cent. FMCG, with no UK Packaging customer accounting for more than 3 per cent. of the segment's total external revenues.

UK Packaging's operations include:

Recycling

DS Smith Recycling (formerly Severnside Recycling) operates UK Packaging's recycling business. It is a leading integrated recycling and waste management company and a leading UK collector and merchant of used paper and cardboard, the principal raw material for producing recycled paper. For the financial year ended 30 April 2011, it sourced 1.8 million tonnes of used paper and cardboard, principally by means of collections from large supermarket chains, other retail and industrial customers, and merchants. As at 31 October 2011, DS Smith Recycling had 15 recycling depots in the United Kingdom employing approximately 500 people.

DS Smith Recycling focuses on customers who have a substantial amount of used cardboard for disposal. To complement its cardboard collection and maintain its customer base, DS Smith Recycling also offers a number of ancillary services. For example, it also collects other waste materials, typically partnering with other waste disposal companies for the management of these other materials. In addition, it helps customers to become familiar with their own environmental footprint through a series of audit and tracking programmes. This aids DS Smith Recycling's clients in monitoring both the cost savings and environmental performance improvements that are supported by DS Smith Recycling's collection and disposal services.

The DS Smith Recycling customer base includes a number of prominent UK retailers such as Tesco, Sainsbury, Marks & Spencer and The Co-operative Group. It also serves thousands of small enterprise and a variety of public sector bodies throughout the United Kingdom.

The majority of the used paper and cardboard collected by DS Smith Recycling is used by DS Smith Paper in the manufacture of recycled paper. The remainder is sold externally.

Paper manufacturing

DS Smith Paper operates UK Packaging's paper manufacturing business. It is the UK's largest manufacturer and recycler of paper (Source: DS Smith analysis, CEPI), operating three paper mills with an annual combined production capacity of around 1 million tonnes for the financial year ended 30 April 2011 and employing approximately 1,100 people as at 31 October 2011. The DS Smith Paper receives the entirety of its recovered paper requirement from DS Smith Recycling.

DS Smith Paper manufactures a range of high-quality recycled papers, supplying CCM grades to DS Smith Packaging as well as to third-party packaging businesses and specialist papers to a variety of industries, including construction. The majority of its sales are in the United Kingdom.

DS Smith Paper owns and controls its distribution operation, DS Smith Logistics Limited operating, as at 31 October 2011, 100 vehicles and 450 trailers throughout a network of nine logistics depots across the United Kingdom.

In June 2011, the DS Smith Group announced the start of a consultation exercise regarding the closure of Hollins paper mill (production approximately 95,000 tonnes in the financial year ended 30 April 2011). In September 2011, DS Smith Paper completed the sale of Higher Kings Mill paper mill (production approximately 34,000 tonnes in the financial year ended 30 April 2011) for £4.6 million.

Corrugated packaging

DS Smith Packaging operates UK Packaging's corrugated manufacturing business. DS Smith Packaging is a leading manufacturer of corrugated packing in the United Kingdom. It offers a range of corrugated packaging products focused on the FMCG sector, with 75 per cent. of corrugated box sales going to the FMCG sector for the financial year ended 30 April 2011. As at 31 October 2011, it operated in 28 sites throughout the United Kingdom and employed approximately 3,300 people. It serves clients such as Procter & Gamble, Unilever and Cadbury.

DS Smith Packaging's product range includes retail-ready packaging for grocery goods, transit packaging and display materials, and serves clients within the fresh food, packaged foods, beverages, non-food FMCG, consumer durables and general industrial industries.

In 2009, DS Smith Packaging introduced its R-Flute® design, which it has marketed to its customers with considerable success. R-Flute® is a type of corrugated board that is 20 per cent. thinner than comparable board with similar strength, and has better quality perforations than traditional corrugated board, giving the finished product cleaner edges for an attractive retail display. This is an important innovation because on-shelf displays are becoming more sophisticated and are now part of the presentation of the product itself.

DS Smith Packaging has continued to make key investments to increase its capability to support the growth in demand for retail-ready packaging, improve print quality innovation and continue the roll out of high-performance, lighter-weight boxes. For example, in some of its facilities it employs a pre-printing technique, which requires that graphics (such as brands or other labels) be printed directly onto testliner before it is put together with the CCM to form corrugated board. This process results in printed board that is stronger than comparable boxes produced through traditional techniques.

Continental European Corrugated Packaging

In the calendar year 2010, the market for corrugated board across continental Europe was estimated at approximately 38 billion square metres, of which France and Poland accounted for approximately 14 per cent. and approximately 7.4 per cent. respectively (Source: FEFCO, year to 31 December 2010).

As at 31 October 2011, Continental European Corrugated Packaging had 27 sites throughout Europe, in France, Italy, Poland, Czech Republic and Slovakia and employed approximately 3,800 people. On an annualised basis, DS Smith produces approximately 1.3 billion square metres of corrugated board in continental Europe. DS Smith also manufactures recycled paper, with annualised output of approximately

300 kilotonnes, approximately 120 kilotonnes of which is CCM used by Continental European Corrugated Packaging operations, and the remainder is solidboard, sold externally. Continental European Corrugated Packaging now includes the operations purchased as part of the acquisition of the French company Otor, as described in the section entitled "*France*" at paragraph 6 of this Part V (*Information on the DS Smith Group*). Innovation is important to the way DS Smith differentiates itself, with the business in continental Europe holding many patents, including 59 patents relating to Otor products alone.

In this segment, DS Smith's customer base for its corrugated packaging was 65 per cent. FMCG for the financial year ended 30 April 2011.

France

On 1 September 2010, the DS Smith Group acquired ownership and control of 95 per cent. of Otor and increased its interest to 100 per cent. in October 2010. The former Otor facilities operated across six principal factories and two mills in France as at 31 October 2011, and at the time it was acquired, was estimated to generate approximately 80 per cent. of its sales to the FMCG sector. Otor has historically delivered high returns without significant cyclical variations. The acquisition of the Otor Group has already produced excellent returns for Shareholders, with a return on investment in the 12 months to 31 October 2011 of 14.8 per cent. and cost synergies of 4 per cent. of Otor's revenues. The two principal DS Smith corrugated packaging sites previously owned in France are now combined with the six principal sites from Otor and run as one business under the name DS Smith Packaging France. DS Smith Packaging France produced an annualised run-rate of approximately 900 million square metres of corrugated in the year to 30 April 2011.

The acquisition of Otor has transformed the DS Smith Group's focus on FMCG customers in continental Europe and raised the proportion of external revenue from FMCG across the packaging business. The integration of Otor has allowed DS Smith to market its packaging across a broader geographic base and volumes in the combined business to customers such as Danone and Kraft Foods.

Two of DS Smith's French facilities are now equipped to manufacture R-Flute®. For more information on R-Flute®, see the section entitled "*Corrugated Packaging*" at paragraph 6 of this Part V (*Information on the DS Smith Group*). Further, the acquisition of Otor has resulted in the addition of Otor's design innovations to the DS Smith Group's portfolio, such as "Otor 8". This design innovation is important to DS Smith's customers because it allows lighter weight paper to be used for the same strength, which reduces the cost of materials.

Other European locations

As of 31 October 2011, the DS Smith Group also operated six factories in Italy, Poland, the Czech Republic and Slovakia, with annual production levels of 380 million square metres in the financial year ended 30 April 2011.

In Italy, DS Smith's operations are focused in the north of the country. The plants are high quality, characterised by high productivity and low-cost operations. These plants are focused on serving FMCG companies. Customers include Barilla and Reckitt Benkiser.

DS Smith's Polish operation serves customers such as Unilever and Danone in a country that has seen industrial production growth rates above the EU average for the past 10 years (Source: Eurostat). It continues to focus on higher added-value products such as retail-ready packaging, offset printing and displays, and heavy-duty packaging to customers. R-Flute® is installed in two sites.

The DS Smith Group is actively undertaking preparatory work to expand its recycling business into Central and Eastern Europe, with the Tesco contract in Poland, while representing only a modest volume compared to its UK operations, a significant first step.

Rubezhansk is the DS Smith Group's Ukrainian associate business, which has performed well. Rubezhansk operates a vertically-integrated packaging business with a strong market position, supplying the FMCG customers principally in Ukraine and Russia.

Plastic Packaging

Plastic Packaging operates worldwide, with representation in Europe, the United States, Israel, and Australasia and employed approximately 1,500 people as at 30 April 2011, approximately 500 of whom work in the RTP business and approximately 1,000 of whom work in the LP&D business. The largest

customer of DS Smith Plastics comprised approximately 3 per cent. of the division's external revenue as at the financial year ended 30 April 2011. Plastic Packaging focuses in two main areas:

Liquid packaging and dispensing (LP&D)

The LP&D business designs and manufactures plastic bags and taps for bag-in-box technology. Bag-in-box packaging is used in the beverage sector for alcoholic, dairy and fruit based soft drinks, as well as in industrial solutions such as oils, and for in-home and personal care products. The LP&D business is expected to continue to grow as bag-in-box is used in increasing applications as a more environmentally friendly and more easily transportable solution than other forms of plastic packaging for liquids. As such, the DS Smith Group views this sector as a natural complement to its corrugated business. As at 31 October 2011 it operated from 11 manufacturing locations in the United Kingdom, the United States, Germany, France, Bulgaria, Slovakia, Russia, Australia and New Zealand. The LP&D business produces a number of products, such as bag-in-box liquid packaging and filling systems and injection moulded taps and dispensers, which have driven sales to customers such as McDonald's, Starbucks and Procter & Gamble. This business also includes modified atmosphere packaging, which is conducted by StePac, a part of DS Smith Plastics headquartered in northern Israel. StePac makes specialised modified atmosphere packaging for the transportation of fruit and vegetables.

Returnable transit packaging (RTP)

The RTP business makes heavy-duty plastic packaging for repeat use, across the retail, automotive, electronics and beverage sectors. As at 31 October 2011 it operated from ten locations in the United Kingdom, France, Belgium, Spain, Poland and Slovakia, including four extrusion plants (DS Smith Correx in the United Kingdom, DS Smith Carton Plastico SA in Spain, DS Smith Slovakia SRO, and DS Smith Kaysersberg, which is the DS Smith Group's main extrusion plant, located in France) and three plants specialising in bespoke products (DS Smith Ducaplast SAS in France, DS Smith Rivatex SAS in France, and DS Smith Replen in the United Kingdom). The RTP business designs and manufacturers returnable transit packaging, extruded polypropylene sheets, and polycarbonate roofing sheets. It serves clients including Tesco and Becton Dickinson.

7. SALES AND MARKETING

The end markets served by the DS Smith Group are primarily producers of a range of consumer staples and beverages, as well as industrial manufacturers. Approximately 15 per cent. of the DS Smith Group's packaging sales are to its top 15 pan-European customers, with the remainder being smaller or regional customers.

Corrugated container plants typically need to be close to their customers, the product manufacturers, due to the short delivery times required by the customers and the relatively high cost of transporting this product due to its bulkiness.

The DS Smith Group seeks to maintain a broad customer base. Given that corrugated packaging tends to be sold within a relatively local area, each manufacturing facility has primary responsibility for its own sales. On top of that, there is a DS Smith group-wide structure for key account management to manage the requirements of its larger national and international customers, aiming to ensure that they receive an integrated and consistent approach. Sales and marketing to large accounts is managed through the key account managers. Marketing is co-ordinated on a national basis, with strong links between national teams to propagate best-practice.

The DS Smith Group's marketing strategy is to focus on the quality of its products and the value it can bring to customers in terms of reduced costs, reduced carbon footprint, and increased sales. This strategy is geared towards supporting pricing that recognises the value that DS Smith's products deliver in the supply chain in which they form a part. Through continuous communication with customers, the DS Smith Group's goal is to improve the quality of service it provides and proactively anticipate or respond to customers' needs.

Within the FMCG sector in particular, the DS Smith Group maintains these lines of communication in two main ways. First, it aims to serve its direct customer, the manufacturer, by appealing both to the manufacturer's supply line needs (for example, by designing boxes to be lighter and less bulky in order to reduce overall shipments costs) and to their marketing agenda (by supplying retail-ready products with high-quality prints that may be used to promote the manufacturer's brand). Second, it designs its products with an eye to the manufacturer's customer, the retailer, in an effort to better support its customers' business.

For details of key steps taken in this marketing approach, see the section entitled "*Innovative design and manufacturing capabilities*" at paragraph 3 of this Part V (*Information on the DS Smith Group*).

8. SUPPLY AND DISTRIBUTION

The principal inputs of the DS Smith Group (other than personnel costs) are raw materials, energy and logistics/transportation costs. In general, the purchasing process is balanced between the operating division, where expertise in the particular product sits, and the central procurement team, who ensures that the DS Smith Group leverages its size and scale in its negotiations.

In the past, the DS Smith Group sourced its raw materials individually through each of its various subsidiaries. The centralisation of procurement commenced in mid-2011 and has involved the appointment of a chief procurement officer. Where possible, this new system enables it to procure materials such as paper, equipment and raw materials on a co-ordinated and strategic basis, with the DS Smith Group leveraging its size and credit-worthiness with suppliers. As a new function, there are a number of new initiatives across various inputs that are ongoing and the DS Smith Group expects to realise benefits over the next year and beyond.

Raw materials

Recycled materials. The principal raw materials for recycled paper are old corrugated case (**OCC**) (recovered paper) and used paper; starch and virgin pulp are also required. In the United Kingdom, all of DS Smith Paper's requirements for OCC and used paper are supplied by DS Smith Recycling. DS Smith Recycling sources these materials from customers such as Tesco and by purchasing from smaller merchants.

Paper. The principal raw material for corrugated packaging is CCM, with other materials such as inks and chemicals also required. Paper is bought by dedicated specialist paper buyers in each division who are principally responsible for sourcing for their division, but will also co-ordinate their approach, in conjunction with the DS Smith Group's procurement function, to maximise the buying power of the DS Smith Group as a whole. In the United Kingdom, about half of the CCM required is sourced from DS Smith Paper and the remainder is bought externally. In Continental European Corrugated Packaging, about 30 per cent. of the CCM required is sourced from within the business and the remainder is bought externally. The DS Smith Group's CCM mills and corrugated converting operations are partially integrated in the United Kingdom, with approximately 40 per cent. of the CCM produced being used by the DS Smith Group's converting operations. In the continental Europe business, all of the CCM produced is used internally. Paper is generally purchased without any formal long-term arrangements, although the DS Smith Group negotiates with its suppliers to set non-binding commercial agreements, which provide guidelines for rebates, volumes and prices of purchase over the course of a year. In the past three years and for the future, the DS Smith Group has been, and expects to continue to be, a net purchaser of paper on a group-wide basis.

Plastics materials. Several of the DS Smith Group's products (for example, various plastic products) also contain inorganic material, such as lime or oil-based material, as well as polymers. The DS Smith Group sources its Plastic Packaging raw material requirements from external suppliers. The purchasing process is balanced between the operating division, where expertise in the particular product sits, and the central procurement team who ensure that the DS Smith Group leverages its size and scale in its negotiations.

Other. The procurement of other raw materials such as starch and inks are managed, where possible, on a group-wide basis by the central procurement team.

Energy

The DS Smith Group is exposed to changes in gas and electricity prices. Part of this commodity price risk is managed by a combination of physical supply agreements and derivative instruments. The DS Smith Group's total electricity consumption amounted to approximately 931 Giga Watt hours of electricity (**GWhe**) in the financial year ended 30 April 2011.

Energy is also procured on a group-wide basis through long-term contracts and with a proportion of energy costs hedged through financial instruments. The DS Smith Group purchases fuels including gas, coal, fuel oil and diesel in the market. The DS Smith Group consumed a total of more than 1,262 Giga Watt hours of energy from fuel in the financial year ended 30 April 2011. Natural gas is the fuel most heavily used within the DS Smith Group and comprised approximately 83 per cent. of the total amount of fuel consumed in the financial year ended 30 April 2011.

Transportation and logistics

Currently, transportation and logistics are generally managed on a regional basis. Finished packaging products are delivered to customers either directly through DS Smith Logistics Limited, or through contract carriers. In both cases, customers take ownership of the products upon receipt. In the UK, where the business owns some logistics operations, a mixture of owned and third-party carriers are used. In Europe and the United States, the services of third party carriers are generally used to deliver packaging products to customers.

9. INDUSTRY

For details of the corrugated board and plastic products industries, see Part VII (*Information on the Packaging Industry*) of this document.

10. CONSOLIDATED SUBSIDIARIES

For information on the DS Smith Group's consolidated subsidiaries, see paragraph 8.1 of Part XVI (*Additional Information*) of this document.

11. RESEARCH AND DEVELOPMENT

Proprietary products are not generally a feature of the paper and packaging industry. Since DS Smith has chosen a strategy of product differentiation, it does hold a number of patents and licences with respect to certain of the products that it sells. Recent licences include those for the R-Flute®trade name. For more information on R Flute®, see the section entitled "*Corrugated Packaging*" at paragraph 6 of this Part V (*Information on the DS Smith Group*). However, the successful continuation of any important part of the Group's business is not dependent upon such patents or licences.

Accordingly, the focus of research in the corrugated packaging industry has, for example, been on more efficiently meeting the performance characteristics required of the corrugated packaging as a transport, storage, retail-ready and point of display medium. Furthermore, the need to meet the changing demands of customers' automated packaging lines requires the DS Smith Group to stay abreast of innovations in industrial processes. The estimated amounts spent on research and development during the 2011, 2010 and 2009 financial years were £3.8 million, £1.8 million, and £1.2 million respectively.

12. REGULATORY AND ENVIRONMENT

The DS Smith Group devotes substantial resources to ensure and monitor compliance with environmental requirements and is required to have certain licences, consents and permits in place to run its business (in particular, environmental permits for air and noise pollution), although given the substantial number of such licences, no individual licence, consent or permit is material to the continuity of the DS Smith Group's operations as a whole. For details of the various regulations to which the DS Smith Group is and the Enlarged Group will be subject, see paragraph 3 of Part VII (*Information on the Packaging Industry*) of this document. As at the Latest Practicable Date, the DS Smith Group had all requisite material licences, consents and permits.

13. INSURANCE

The DS Smith Group maintains the types and amounts of insurance customary in the industries and countries in which it operates, including coverage for employee-related accidents and injuries and property damage. Property, liability, directors and officers liability and crime insurance are all global policies and are placed centrally in the UK. Non-UK policies are placed in territory by a centrally appointed insurance broker. There are a limited number of exceptions to this, where either a local broker is appointed or property and/or liability cover is placed on a standalone basis. It considers its insurance coverage to be adequate both as to risks and amounts for the business it conducts.

14. LEGAL PROCEEDINGS

For information about legal proceedings, see paragraph 12.1 of Part XVI (*Additional Information*) of this document.

15. EMPLOYEES

As of 31 October 2011 the DS Smith Group (excluding its Office Products Wholesaling business, held for disposal at that date and which has now been sold) had over 10,000 employees. The table below sets forth the average number of employees employed for the years indicated, analysed by geographical region (including the Office Products Wholesaling business).

	2011	2010	2009
United Kingdom	6,231	6,273	6,913
France	3,159	1,638	1,724
Rest of Western Continental Europe	1,272	1,337	1,449
Eastern Continental Europe	1,120	1,054	1,120
Rest of the world	519	474	504
Average number of employees	**12,301**	**10,776**	**11,710**

Note: Extracted from DS Smith's Audited Financial Statements and 2011 Interim Financial Statements.

Approximately one half of the DS Smith Group's employees in the United Kingdom and about three quarters of the DS Smith Group's employees in continental Europe are represented by various trade unions or workers' councils in each of the countries in which it operates. The DS Smith Group maintains a continuous and active dialogue with its employees and representatives and believes that its relations with its employees are good. There have been no significant strikes or mutual work stoppages in the business for numerous years (with the last significant work stoppage in the United Kingdom about 20 years ago).

Pension scheme

The DS Smith Group operates a defined benefit pension scheme in the United Kingdom (the **Group scheme**), which had a deficit of £147.5 million following the triennial valuation as at 30 April 2010. The Group scheme was closed to future accrual with effect from 30 April 2011. The DS Smith Group made a contribution of £30.1 million to the Group scheme in the financial year ended 30 April 2011, comprising £15.6 million in respect of the historical agreed annual contributions and an additional one-off payment of £14.5 million in respect of the newly agreed pension deficit (as opposed to £15.6 million in the financial year ended 30 April 2010). The decision to close the Group scheme to future accrual was taken by the trustees in light of the growing deficit of the Group scheme and the trustees' responsibility to safeguard the accrued benefits to existing members. As part of the agreement to close the Group scheme, the trustees and the principal employer agreed a long-term funding plan, with the aim of achieving additional security for the scheme members and for the Group scheme to be self sufficient by 30 April 2035.

To comply with the Pensions Act 2004, the trustee prepared a recovery plan, which has been agreed by the principal employer to correct the deficit, being annual payments of £14.8 million starting in the financial year ended 30 April 2012, increasing by 2 per cent. per annum, for ten years. The Company also made an additional one-off payment of £14.8 million to the Group scheme in December 2011 in connection with the disposal of Spicers.

Since May 2005, all new employees in the United Kingdom joining the DS Smith Group have been invited to join the DS Smith Group's defined contribution scheme. All contributing members of the Group scheme were invited to join the defined contribution scheme from May 2011, when the Group scheme was closed to future accrual. Ex-members of the Group scheme were granted special terms in the defined contribution scheme.

Members of the standard scale of the defined contribution scheme are also provided with death in service cover of four times basic annual salary and income protection benefit of 50 per cent. of pre-disability salary. Ex-Group scheme members have a lump sum death benefit of six times basic annual salary.

For information about risks relating to this Group scheme, see paragraph 1.9 of the section entitled "*Risk Factors*" of this document.

Health and safety

Health and safety is an integral part of the DS Smith Group's business activities and the DS Smith Group considers the safety of staff and those affected by the DS Smith Group's operations to be its highest priority. Information on safety performance, including statistics related to key performance indicators, are reported to the Board quarterly. The DS Smith Group has established a health and safety policy which aims to

promote the highest standards for the safe operation of its facilities and the health of its employees and third parties. In order to ensure and monitor compliance with its health and safety policy the DS Smith Group:

- measures its health and safety performance on a quarterly basis;
- continuously assesses its processes in order to reduce risks and to seek continual improvement in health and safety practice and performance;
- maintains management systems that help to protect employees, visitors, contractors and the public from injury and/or ill-health; and
- takes all reasonably practicable steps to develop a positive safety culture throughout the DS Smith Group.

The DS Smith Group has a well established safety audit programme conducted by internal specialists and external consultants and has reduced its accident levels. The DS Smith Group's audit programmes are used to ensure sites' consistent adherence to safety standards and to investigate possible areas of concern. The resulting action plans set a clear pathway for improvement. Further progress in spreading best practice across the DS Smith Group has been made by integrating safety into the new operation improvement forum. Through this forum, the DS Smith Group is raising awareness around issues such as re-engineering processes to improve safety, and the safety aspects of procurement decisions.

The DS Smith Group experienced one fatality in the last three years, in September 2011 at the Higher Kings Mill paper mill in the United Kingdom. No prosecution has been commenced to date in regard to this accident.

Compliance

The DS Smith Group operates a very strict policy to seek to ensure that none of its executives or employees engage in actions in violation of the applicable regulations concerning corruption or anti-competitive behaviour. Compliance with the policy is rigorously and constantly pursued.

16. PROPERTIES

The DS Smith Group believes that its production facilities are well maintained and in good operating condition, and are utilised at practical capacities that vary in accordance with product mixes, market conditions and machine configurations. From time to time, it also leases additional warehouse space and sales offices on an as-needed basis. As at 31 October 2011, the net book value of the DS Smith Group's tangible fixed assets amounted to £612.3 million, of which £5.2 million related to capitalised lease assets. All of the DS Smith Group's major sites are owned freehold, and minor sites not owned freehold generally have a statutory right to renew. As at 31 October 2011, the DS Smith Group's leased properties were leased through arm's length arrangements at rates management believes to be standard for similar types of properties in the jurisdictions in which they are leased.

	As at 31 October 2011 (number of facilities)		
	Total	**Owned**	**Leased**
UK Packaging			
Mills	3	3	—
Recycling	15	13	2
Packaging	28	19	9
Continental European Corrugated Packaging			
Mills[(1)]	4	4	—
Packaging	27	22	5
Plastic Packaging			
RTP Manufacturing	10	6	4
LP&D Manufacturing	11	1	10

(1) Includes two mills integrated with two of the packaging facilities

Part VI

Information on the SCA Packaging Group

1. OVERVIEW

The SCA Packaging Group is one of Europe's largest paper and packaging companies, with an approximately 8.1 per cent. market share across Europe in corrugated board production in 2010, as measured in millions of square metres (Source: FEFCO; excludes Turkey), and an approximately 6.3 per cent. share in recycled CCM production in 2010 as measured in kilotonnes (Source: Poyry). The SCA Packaging Group's revenue, adjusted operating profit (loss), operating profit (loss) and profit (loss) for the financial years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2010 and 2011 are set forth below having been extracted without material adjustment from SCA Packaging's Combined Financial Information prepared in accordance with IFRS set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document:

	Year ended 31 December					Nine months ended 30 September		
	2008	2009	% change	2010	% change	2010	2011	% change
						(unaudited)		
	(€ millions, except %)							
Revenue	2,733.0	2,232.9	(18.3)	2,542.3	13.9	1,872.3	2,065.5	10.3
Adjusted operating profit/(loss)[1]	129.3	42.3	(67.3)	112.4	165.7	75.1	118.7	58.1
Operating profit/(loss)	121.9	(86.5)	n/a	82.0	n/a	46.4	92.4	99.1
Profit/(loss) for the financial period	57.4	(88.7)	n/a	76.2	n/a	47.3	71.8	51.8

(1) Calculated as operating profit before exceptional items and amortisation.

The SCA Packaging Group is a full service supplier of paper packaging solutions, including consumer and display packaging, shelf-ready packaging solutions, customised protective packaging and transport packaging made primarily from corrugated board and offers bespoke design services to manufacturers, distributors and retailers.

The majority of the SCA Packaging Group's packaging is used for food, industrial products and consumer durables and its products are sold in approximately three-quarters of the countries in Europe. The three largest markets for the SCA Packaging Group (by revenue) are Germany, Italy and France, which accounted for 19.7 per cent., 16.5 per cent. and 12.7 per cent. of the SCA Packaging Group's revenue, respectively, for the nine months ended 30 September 2011.

As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures) owned facilities in 21 countries, which included 110 corrugated manufacturing locations. Currently, the SCA Packaging Group operates in 20 countries across Europe, with facilities including 109 corrugated manufacturing locations (following the disposal of operations in Russia). For more information on this disposal, see paragraph 2 of this Part VI (*Information on the SCA Packaging Group*). In the year ended 31 December 2010, SCA Packaging (including the effect of certain joint ventures and discontinued operations) sold 3,621 kilotonnes of recycled fibre; sold 1,383 kilotonnes of CCM; and had corrugated sales volumes of 3,428 million square metres (approximately 1,783 kilotonnes). Like DS Smith, SCA Packaging manufactures less paper than it uses, resulting in a short position in paper, which is consistent with DS Smith's strategy to own paper manufacturing assets only where strategically necessary to support the packaging business. SCA Packaging had 12,598 employees as at 30 September 2011 (including discontinued operations now sold). For the 9 months ended 30 September 2011, SCA Packaging reported adjusted operating profit of €118.7 million and net revenues of €2,065.5 million.

The SCA Packaging Group's continuing operations consist of three divisions: Corrugated & Packaging, Recycling and Containerboard.

- ***Corrugated & Packaging.*** Corrugated & Packaging accounted for more than 80 per cent. of the SCA Packaging Group's external revenue in the financial year ended 31 December 2010. Corrugated & Packaging's production facilities principally consisted of 110 locations for manufacturing corrugated board, sheets and boxes (including 49 box plants with a corrugating machine) located across Europe as at 30 September 2011. The SCA Packaging corrugated board division can be divided into three main product lines: conventional corrugated board, heavy duty corrugated board, and consumer packaging.

During the financial year ended 31 December 2010, the SCA Packaging Group's corrugated sales volumes totalled 3,428 million square metres.

- ***Containerboard.*** Containerboard accounted for the balance of the SCA Packaging Group's external revenue in the financial year ended 31 December 2010. Containerboard's production facilities principally consisted of four CCM mills located in Italy, the Netherlands and Germany (two mills) as at 30 September 2011. During the financial year ended 31 December 2010, Containerboard's sales volumes totalled 1,383 kilotonnes of CCM.

- ***Recycling.*** Recycling's operating facilities principally consisted of 16 recycling branches located in the United Kingdom, the Netherlands and Italy, as well as a large trading office in Germany as at 30 September 2011. In 2010, Recycling's sales volumes were approximately 3,621 kilotonnes of recycled fibre (including the sales volumes of Italmaceri, S.r.l. **(Italmaceri)**, the joint venture in which SCA Packaging holds a 50 per cent. stake). Income from the SCA Packaging Group's recycling operations is included within other income in cost of sales as the SCA Packaging Group's recycling business has historically primarily been a support function to the SCA Group's businesses and recovered paper has not been a core product for the SCA Packaging Group.

The SCA Packaging Group has a number of key strengths, including the following:

- ***Well-positioned to service pan-European customers.*** Within the corrugated industry, proximity to the customer plays a key role, particularly given the commoditised nature of CCM and high transportation costs. With production facilities in 21 countries across Europe as at 30 September 2011, the SCA Packaging Group is able to be geographically close to customers that operate across continental Europe. Further, the SCA Packaging Group has withdrawn from select adjacent product streams and markets with limited potential value, such as its 2011 divestment of a plant in Gasny, France, an unprofitable and ageing property requiring additional investments, as well as divestments in Greece in 2009 and Russia in 2011.

- ***Focus on corrugated board innovation and design.*** The SCA Packaging Group is also able to draw on its network of European designers in order to meet the needs of its pan-European clients. The SCA Packaging Group has 15 design centres across Europe (**Design Centres**) that employ over 250 designers to conduct strategic research and development as well as an Innovation Centre in Brussels, Belgium (**Innovation Centre**), which links together all of the Design Centres. The Design Centres' multiple locations allow the SCA Packaging Group to operate close to various local markets, allowing designers to take into account local customer needs. In addition, the SCA Packaging Group has invested in a print management system which enables it to create a higher grade of packaging.

- ***Specialised CCM products.*** CCM products are generally treated as commodities, and the market for CCM behaves as such. However, specialised grades generally accounted for an average growth rate higher than that of commodity grades during the past five years (Source: Poyry). As a result, the SCA Packaging Group has diversified its product mix to include more specialized grades of CCM such as presentation liner and lighter weight paper.

- ***Focus on cost-efficiency.*** The SCA Packaging Group engaged in a restructuring initiative in 2009-2010 that saw the closure of 16 corrugated board plants throughout Europe, the New Hythe mill for CCM in the UK and a personnel reduction of approximately 2,100 positions in order to tailor the SCA Packaging Group's operations to required capacity levels. The SCA Packaging Group's annual savings from this restructuring programme amounted to approximately €97 million in 2010.

- ***Streamlined organisation.*** Since the time of the restructuring discussed above, the SCA Packaging Group's management has continued to seek to develop a more streamlined and focused organisation by centralising functions such as sales and marketing, manufacturing and sourcing, including the centralised Innovation Centre to co-ordinate design and customer relationships within its corrugated business.

The SCA Packaging Group is also continuing to build on its strengths and has identified a number of strategies to pursue:

- ***Build a competitive advantage in core corrugated business by increasing responsiveness to market conditions.*** The SCA Packaging Group intends to establish market leadership in part by more carefully aligning its contract terms to reflect the value the SCA Packaging Group adds in its design and production process. Further, it is currently engaged in a long-standing initiative aimed at optimising Corrugated & Packaging sales contracts so that pricing reflects current market conditions, and in recent years has introduced a focused sales training initiative to this effect. Increasing the frequency of such renegotiations would allow the SCA Packaging Group more flexibility in passing the rising costs of raw

materials onto its consumers. In order to develop the market appeal necessary to support these ideal pricing terms, the SCA Packaging Group intends to accelerate profitable growth in FMCG sales by strengthening its pan-European sales force, implementing low-cost production, improving manufacturing efficiency and introducing a more direct innovation model. This strategy is underpinned by an established network of operations directors.

- ***Build on established knowledge practices.*** A programme introducing skill transfer initiatives, or 'LEAN' principles, across the organisation commenced in 2008. Currently, each of the SCA Packaging Group's manufacturing sites employ trained operatives who are focused on driving continuous process improvement and a transfer of 'LEAN' knowledge and best practices.

- ***Maximise value from integration.*** The SCA Packaging Group intends to implement this strategy in two areas. The first is its paper purchasing platform. This platform is designed to co-ordinate and lead all CCM procurement through one established European team. The effort is supported by a paper council, intended to optimise integration by analysing the CCM market and set up pricing and sourcing strategies for the SCA Packaging Group. The second is in the SCA Packaging Group's recycling business.

2. RECENT DEVELOPMENTS

In November 2011, the SCA Packaging Group sold its production facility in St. Petersburg, Russia, which was its last remaining production facility in Russia. The net proceeds from this sale amounted to €8.1 million, resulting in a loss on disposal of €1.8 million.

During the second quarter of 2011, a Turkish packaging company, in which the SCA Packaging Group has a 49 per cent. interest, bought the Greek packaging business of the SCA Group. Annual sales of the Greek packaging business were €58.9 million for the year ended 31 December 2010. Completion of this sale was conditional on the satisfaction of the Turkish anti-trust condition and approval from the Greek Ministry of Defence, and both conditions were satisfied. The packaging plant in Kuban, Russia with annual sales of €21.3 million for the year ended 31 December 2010 was sold to DS Smith pursuant to a binding agreement entered into on 14 June 2011.

3. HISTORY AND DEVELOPMENT OF THE SCA PACKAGING GROUP

SCA started its packaging business in 1960 in Sweden. The acquisition of the Italian-based packaging company Italcarta in 1988 and the UK based packaging company Reedpack in 1990 gave SCA a basis from which to expand its European corrugated packaging operations. In 1997 the Italian packaging group Cochis was acquired. A series of acquisitions took place over the next few years, including the acquisition of the corrugated packaging division of Rexam Plc in 1998; of the French family-owned Nicollet Packaging Company and of the Danish corrugated board company Danapak Papemballage and Danish package company Danisco Pack all in 1999; and, in 2000, of Metsä Corrugated, the corrugated case division of Metsä Serla Corp. of Finland.

In 2002, the packaging business group expanded, with the acquisition of the French packaging company AR Fegersheim, the German family-owned packaging company V+D Stabernack and the Spanish packaging company Bertako. In December 2003, SCA acquired the Dutch packaging company Vincor Group and in May 2004 the Italian packaging company Busto & Tema. In 2006, SCA acquired the United Kingdom temperature controlled packaging specialist Cool Logistics Ltd.

In September 2008, in a transaction with SAICA Packaging UK Limited and SAICA Packaging Ireland, the conventional corrugated plants in the UK and Ireland were disposed of and proceeds totalled €119.5 million.

SCA Packaging is now focused on the markets in Northern and Central Europe, as well as on the emerging markets in Eastern Europe.

4. OPERATIONS

The SCA Packaging Group is a full service supplier of paper packaging solutions, including consumer and display packaging, shelf-ready packaging, customised protective packaging and transport packaging made primarily from corrugated board, and offers bespoke design services to manufacturers, distributors and retailers. The majority of the SCA Packaging Group's packaging is used for food, industrial products and consumer durables. As at 30 September 2011, the SCA Packaging Group's facilities (excluding locations of certain joint ventures) included 110 corrugated manufacturing locations located across Europe in 21

countries (109 corrugated manufacturing facilities in 20 countries after a subsequent disposal), and its products are sold in approximately three-quarters of the countries in Europe.

The SCA Packaging Group's operations are characterised by a large number of external customers, none of whom accounted for more than two per cent. of the SCA Packaging Group's revenue in the year ended 31 December 2010. During that period, the top 30 customers of the Corrugated & Packaging product line accounted for €488.8 million of revenue.

Corrugated plants typically need to be close to customers, due to the short delivery times required by the customers and the relatively high cost of transporting this product. The SCA Packaging Group maintains a pan-European presence, with its three largest markets by revenue of Germany, Italy and France accounting for 19.7 per cent., 16.5 per cent. and 12.7 per cent., respectively, of SCA Packaging Group revenue for the nine months ended 30 September 2011.

As the market for corrugated board and packaging products is localised, it is also heavily influenced by general economic conditions in the markets in which it is sold. Hence, when demand dropped during the 2008 and 2009 global financial downturn, the SCA Packaging Group implemented a restructuring programme beginning in 2009 and concluding in 2010. During this time, a total of 16 corrugated board plants throughout Europe and the New Hythe mill for CCM in the UK were closed. In total, a personnel reduction of approximately 2,100 positions was carried out. The SCA Packaging Group's annual savings from this restructuring programme amounted to approximately €97 million in 2010. The restructuring was implemented efficiently without causing disruption to production.

Since this time, the SCA Packaging Group has continued to review and restructure its operations in order to avoid the need for similarly large overhauls in the future. For more information, see paragraph 1.4 of Part IX (*Operating and Financial Review of the SCA Packaging Group*) of this document.

Some of the CCM produced and sold to third parties is also undertaken on a swap basis, whereby the SCA Packaging Group has an agreement with another CCM supplier that it will sell them some tonnage in one location and buy from them in another. Such a swap system is undertaken in order to minimise overall transport costs and maximise mill efficiency by better matching the grades to swap partners' systems, which benefits both of the swap partners. This results in more efficient production and distribution costs and market competitiveness which also benefits the end market. The level of swap activity within recycled CCM in 2010 was approximately 15 per cent. of the total CCM produced. For the financial year ended 31 December 2010, the SCA Packaging Group's level of integration of providing CCM supply for corrugated production (including through swap activity) was approximately 70 per cent. The SCA Packaging Group is not reliant on any one supplier or swap partner for a substantial portion of its supply needs in any location.

The SCA Packaging Group's continuing operations consist of three divisions: Corrugated & Packaging, Recycling and Containerboard, as described below. The SCA Packaging Group is integrated on recycled fibre, meaning that its production levels of recycled fibre have the potential to fulfil substantially all of its recycled fibre needs. However, rather than use all of the recycled fibre that it produces, some deliveries are sold to external customers and some are purchased from external suppliers for logistical reasons.

Corrugated & Packaging

The SCA Packaging Group is the second largest producer of corrugated board in Europe with a market share of approximately 8.1 per cent, as measured by volume in 2010 (Source: FEFCO; excludes Turkey). SCA Packaging produced corrugated board and boxes at 110 locations employed for manufacturing corrugated board, sheets and boxes (including 49 box plants with a corrugating machine) located across Europe in 21 countries as at 30 September 2011. For more information on the corrugated packaging market in Europe, see paragraph 1 of Part VII (*Information on the Packaging Industry*) of this document.

The DS Smith Group believes the market for corrugated and packaging products requires service capability that is local and flexible, with a high level of importance placed on customer demand. The SCA Packaging Group makes packaging designed to contain a range of products, including hygiene products, food, pharmaceuticals, consumer durables, industrial and automotive products, electronics and specialist temperature-controlled packaging for tailored pharmaceuticals and blood products.

Within conventional corrugated board, the SCA Packaging Group products include a range of packaging for protective and transport purposes used by the SCA Packaging Group's customers in the industrial and

consumer sectors. The SCA Packaging Group also manufactures products for direct in-store consumer displays from conventional corrugated board.

Within heavy duty corrugated board, the SCA Packaging Group produces industrial packaging. This product provides protection during each phase of manufacture such as storage and transport of spare parts, semi-finished and finished products. Industrial packaging is especially suited for heavy, bulky or large goods and chemicals. The SCA Packaging Group manufactures industrial packaging for numerous industries, among them the chemical, automotive and food industries.

Within consumer packaging, the SCA Packaging Group offers a range of products that are designed with the needs of the end-user in mind. SCA Packaging Group's efforts in this product line are aimed at translating consumer insights into in-store packaging concepts, with the ultimate goal of making the product stand out on the shelves. To that end, the SCA Packaging Group's promotional packaging products are designed to support the needs of companies which are developing an in-store marketing medium. Products include life-size displays, floor and counter displays, and corrugated billboard systems. These displays feature the SCA Packaging Group's specialised print technique.

Design Centres

The SCA Packaging Group's Design Centres employ over 250 designers to interpret customer need for shape, strength and appearance of corrugated and packaging products. The Design Centres' multiple locations allow designers to take into account the local needs of consumers and retailers.

When a customer approaches any one of these Design Centres with a packaging need, the response of the Design Centre is mapped out using a standardised, four-fold approach. Firstly, Design Centre designers research the customers' market and supply chain processes. This research aims to map out customer needs and generate a detailed project brief that is used as a guideline through the completion of the project, and is a recognised process on a SCA Packaging Group-wide basis.

Secondly, the designers engage in a variety of collaborative efforts to create and combine packaging solutions, creating and evaluating virtual and physical prototypes. Thirdly, the designers evaluate the performance of physical prototypes along the supply chain, working with the customer to list the options most suited to the customer's needs. Finally, the designers execute a final validation in which the selected concepts get tested further in depth, using test runs where necessary. The process ends successfully once the new designs are brought to production.

The Design Centres are evidence of the SCA Packaging Group's efforts to provide service that is both local and flexible. This Design Centre network allows the SCA Packaging Group to work closely with customers in order to understand their requirements and also to generate product innovations. By creating bespoke products for individual customers, the SCA Packaging Group maintains direct contact with designers and marketing professionals, facilitating its strategy of diversifying away from commodity corrugated products and towards more specialised products. Each year, about 60,000 small and large design projects are conducted.

Innovation Centre

In 2006, SCA Packaging opened the Innovation Centre in Brussels, Belgium, which links together all of the Design Centres. The Innovation Centre also explores, together with the SCA Packaging Group's customers' product development and marketing specialists, new possibilities to improve the current packaging portfolio to higher levels of effectiveness. It works to generate new packaging ideas, according to their end use, hoping to deliver improved packaging performance in categories such as sustainability, consumer convenience, and supply chain efficiency.

Containerboard

The SCA Packaging Group is Europe's fourth largest producer of recycled CCM with a market share of approximately 6.3 per cent. in 2010, as measured by volume (Source: Poyry), with four CCM mills producing paper made from 100 per cent. recycled material. A major part of the recycled fibre used by the SCA Packaging Group mills is sourced through the SCA Packaging Group recycling division, through swap, collection and open market purchases as outlined in "*Recycling*" in this Part VI *(Information on the SCA Packaging Group)*. These mills are situated in Italy, the Netherlands and Germany (two mills), with 1,383 kilotonnes of sales volumes in 2010.

The SCA Packaging Group will sometimes trade its CCM on the open market, rather than incur the shipping costs of using its own CCM in its corrugated facilities. For the financial year ended 31 December 2010, the SCA Packaging Group's level of integration of providing CCM supply for corrugated production (including through swap activity) was approximately 70 per cent.

The SCA Packaging Group's Containerboard division produces presentation liner (a form of testliner characterised by its whiteness, brightness, and control for spots), brown liner and fluting (also known as medium). All three product groups are measured by a number of parameters (strength and protection, printing quality and possibilities, and design flexibility), which enable the SCA Packaging Group's CCM customers to make informed decisions in terms of product selection. To ensure compliance with such requests, all of the SCA Packaging Group's CCM mills conduct online infrared scanning, and automated corrective actions prevent parameters from exceeding defined limits.

Recycling

The SCA Packaging Group's recycling business operations consist of its recovered paper logistics network. It partners both with local authorities and with commercial or industrial clients. The main task of the recycling unit is to provide the raw material for SCA Packaging's paper mills. As at 30 September 2011, the SCA Packaging Group's recycling business unit had 16 recycling branches (including seven recycling branches owned by Italmaceri, the Italian joint venture with Cartiere Burgo SpA), as well as a trading office in France and seven storage facilities and a trading office in Germany.

The SCA Packaging Group works with local authorities in the collection, processing and sale of household dry mixed recyclable (**DMR**) material from both co-mingled and source segregated collection systems. In addition, materials from household waste recycling centres and bring systems can be transferred to the SCA Packaging Group's networks throughout the United Kingdom, France, Italy, Germany and the Netherlands.

In addition, the SCA Packaging Group offers services directly to various retail, office, leisure, educational and industrial organisations. The SCA Packaging Group collects, processes and markets the full range of DMRs provided by these clients, and offers data on recycling to support both local authority and commercial sustainability strategies.

The SCA Packaging Group's recycling services include collection processing (which entails the sorting, baling and bulking of source segregated and co-mingled materials) and sales and marketing services for all types of recyclate.

Collection

The SCA Packaging Group collects approximately 800 kilotonnes of material per annum of both loose and baled recyclable materials (including the collection volumes of Italmaceri, the joint venture in which SCA Packaging holds a 50 per cent. stake). Paper collection services are sourced locally, and based out of the customer's local branch of the SCA Packaging Group's recycling network. In the UK, the SCA Packaging Group collects a variety of recyclables from its customers in accordance with UK law, recycling the products relevant to the SCA Packaging Group's production and selling the rest, through the operations outlined below.

Processing

The SCA Packaging Group operates a network of processing sites. At these sites a combination of dry mixed recyclables and paper are processed. The network comprises two materials recovery facilities (**MRF**) and 16 recycling branches (including seven recycling branches owned by Italmaceri, the Italian joint venture with Cartiere Burgo SpA).

As a highly automated system, 17 tonnes of dry mixed recyclable materials can be processed per hour through a SCA Packaging Group MRF. The system incorporates a combination of manual and the latest optical sorting technology. This ensures high recovery and purity levels that produce minimal unrecyclable material.

Meanwhile, the SCA Packaging Group's network of paper recovery facilities bales and bulks the full range and grades of recovered paper. Paper is inspected and graded, sorted where necessary, and baled or bulked depending on the customer's requirements. This established network receives other materials for immediate transfer into the MRF network.

5. SALES AND MARKETING

As at 30 September 2011, the SCA Packaging Group employed 585 employees/full-time equivalents in its sales force.

The end markets served by the SCA Packaging Group are primarily producers of a range of consumer goods and beverages, as well as industrial manufacturers.

Approximately 85 per cent. of the SCA Packaging Group's Corrugated & Packaging sales are generated by its local sales forces. Most of the SCA Packaging Group's sales force is organised locally within its business areas, and includes personnel at individual plants and mills. The SCA Packaging Group also has small dedicated sales forces, centralised at the business area level, that handle pan-European accounts. To boost the effectiveness of the entire sales force, the SCA Packaging Group operates a sales academy, which teaches participants both coaching and negotiation skills and identifies the strengths and weaknesses of each member of the sales team. Credit control is a local responsibility.

Contracts for the sale of the SCA Packaging Group's corrugated products are generally for periods of less than a year, except for arrangements with certain pan-European customers. These longer-term contracts may last up to a period of three years. The SCA Packaging Group's pan-European accounts are important to its business, and in particular, the two key features of these contracts are the length of the contract period and the factors embedded in the contract which would trigger a price renewal in the context of these long-term arrangements. The SCA Packaging Group aims to negotiate longer-term contracts with frequent renewal periods and reasonable trigger provisions, in order for it to be able to maintain stability of corrugated sales while more accurately pricing its corrugated products in line with the price of CCM, a market which is subject to volatility. Approximately 30 per cent. of the SCA Packaging Group's corrugated sales are handled through these longer-term arrangements.

Individual plants and mills only maintain minor warehousing facilities. Products shipped by SCA Packaging's plants and mills are generally sent by truck and train, either directly to customers or through contract carriers. In both cases customers take ownership of the products upon receipt. The services of third party carriers are generally used to deliver packaging products to customers. No long-term delivery contracts have been entered into with any of the SCA Packaging Group's carriers.

Containerboard division sales are co-ordinated from three offices: Lucca (Italy), Brussels (Belgium) and Aschaffenburg (Germany). The Aschaffenburg sales office co-ordinates sales in certain Central and Eastern European markets, the Brussels sales office in certain Western European markets and the Lucca sales office in certain Southern European markets, where SCA Packaging conducts sales activity.

6. RAW MATERIALS

The SCA Packaging Group uses recycled fibre mainly sourced through its recycling division, starch and other chemicals as its main raw materials. Several of the SCA Packaging Group's corrugated products also contain inorganic material, such as ink, glue and dyes. The SCA Packaging Group endeavours to pass on the costs of these raw materials to its Corrugated & Packaging customers by entering into sales contracts with its customers that include pricing arrangements linked to relevant commodity indices or spot prices for recycled fibre.

7. INDUSTRY

For details of the CCM and corrugated board industries, see Part VII (*Information on the Packaging Industry*) of this document.

8. COMPETITION

For details of the competitive atmosphere in the CCM and corrugated board industries, see Part VII (*Information on the Packaging Industry*) of this document.

9. SUBSIDIARIES

For information on the SCA Packaging Group's subsidiaries, see paragraph 8.2 of Part XVI (*Additional Information*) of this document.

10. RESEARCH AND DEVELOPMENT

Proprietary products are not generally a feature of the paper and packaging industry and, although the Group holds, or is licensed to use certain patents, the successful continuation of any important part of its business is not dependent upon such patents. The SCA Packaging Group's product development is carried out locally and within its business areas. Central co-ordination allows developments to be communicated among plants and across business areas. The SCA Packaging Group focuses its efforts on anticipating customer needs and developing new and innovative products designed to improve the performance characteristics of its existing products.

11. REGULATORY

For details of the various regulations to which the Enlarged Group will be subjected, see paragraph 3 of Part VII (*Information on the Packaging Industry*) of this document. For regulations and policies specific to the SCA Packaging Group, see the information below.

Licences, consents and permits

The SCA Packaging Group is required to have certain licences, consents and permits in place to run its business (in particular, environmental permits for air and noise pollution). As at the date of this document, the SCA Packaging Group had, or was in the process of renewing, all licences, consents and permits requisite to the operation of the business, although given the substantial number of such licences, no individual license, consent or permit (including those that are being renewed) is material to the continuity of the SCA Packaging Group's operations as a whole.

Environmental

The SCA Packaging Group's operations are subject to a wide range of environmental laws and regulations. These requirements are complex, frequently changing and tend to become more stringent over time. The SCA Packaging Group devotes substantial resources ensuring and monitoring compliance with environmental requirements. The SCA Packaging Group has formed an environmental committee which meets regularly to discuss compliance issues.

The disposal of waste is increasingly subject to controls and, in line with this, the SCA Packaging Group has developed a waste management policy. An alternative to landfill recovery is the recovery of material as energy. By-products of production based on wood fibre are increasingly used by the SCA Packaging Group as biofuel instead of being deposited in landfills as waste.

There are no significant asbestos issues associated with the sites. However, given the age of some of the facilities, asbestos is present in some of the SCA Packaging Group's buildings. Monitoring and possible removal of asbestos may be required but will form part of the ordinary operational costs of the business. The SCA Packaging Group follows all applicable regulations regarding the protection of asbestos material in the buildings and routines for dismantling old equipment containing asbestos.

Genetic modification can be applied to major natural materials used by the SCA Packaging Group, such as timber and starch. The SCA Packaging Group does not use any genetically modified timber but cannot guarantee that at all times the starch it uses is free from genetic modification.

Health and safety

Monitoring employee mindset and behaviour is the clear focus of the SCA Packaging Group's health and safety policy. In order to ensure and monitor compliance with its health and safety policy the SCA Packaging Group:

- continuously monitors its health and safety performance;
- continuously assesses its processes in order to reduce risks and to seek continual improvement in health and safety practice and performance;
- maintains management systems that help to protect employees, visitors, contractors and the public from injury and/or ill-health; and
- takes all reasonably practicable steps to develop a positive safety culture throughout the SCA Packaging Group.

The SCA Packaging Group has experienced two fatalities in the last three years. In May 2010, an accident occurred in the Buggenhout site in Belgium, and in 2011 an accident occurred in the Boletice mill in the Czech Republic. In response to these fatalities, the SCA Packaging Group has implemented an intranet-based information sharing system on critical accidents that includes an incident description, preventive actions taken, recommendations to other SCA Packaging Group sites to help avoid similar accidents in the future and contact details for further information.

12. INSURANCE

The SCA Packaging Group maintains the types and amounts of insurance customary in the industries and countries in which it operates, including property damage and business interruption insurance. The SCA Packaging Group has general and product liability insurance to the value of SEK 1,000 million provided by If, Chubb and Ace. SCA Packaging has cargo insurance to the value of SEK 60 million provided by If. It considers its insurance coverage to be adequate both as to risks and amounts for the business it conducts.

13. LEGAL PROCEEDINGS

For information on legal proceedings affecting the SCA Packaging Group, see paragraph 12.2 of Part XVI (*Additional Information*) of this document.

14. EMPLOYEES

As at 30 September 2011, the SCA Packaging Group employed 12,598 people (including discontinued operations now sold). The following table sets forth the average number of employees (full-time equivalents) analysed by geographical regions during the periods listed. The average number of full-time equivalents for all listed periods includes employees from discontinued operations now sold, and the average number of full-time equivalents in 2008 includes 1,253 employees that were employed within operations in the United Kingdom that were discontinued during 2008.

	9 months ended 30 September 2011 Number	9 months ended 30 September 2010 Number	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
		(Unaudited)			
Germany	2,634	2,661	2,653	2,777	2,881
Italy	1,331	1,345	1,338	1,395	1,403
Sweden	794	784	779	771	822
UK	1,093	1,082	1,083	1,237	2,759
France	1,413	1,621	1,612	1,672	1,722
Rest of Western Europe	2,704	2,905	2,869	3,262	3,649
Eastern Europe	2,116	2,632	2,562	2,781	3,008
Average number of employees	**12,085**	**13,030**	**12,896**	**13,895**	**16,244**

Note: Extracted from SCA Packaging's Combined Financial Information.

Approximately three–quarters of the SCA Packaging Group's employees across Europe are covered by collective labour agreements as at 30 September 2011. These agreements include nationwide agreements with trade federations as well as agreements with local unions, with terms varying from one to five years. The SCA Packaging Group's collective labour agreements are negotiated by local or regional management. The SCA Packaging Group has historically had positive labour relations in each of its business areas, in all of the countries in which it operates. Since 2008, the SCA Packaging Group has not experienced any material industrial action or work stoppages due to labour action which would have a significant impact on the SCA Packaging Group as a whole.

15. PENSIONS

The SCA Packaging Group participates in arrangements providing retirement benefits in a number of countries. In some countries, notably in Switzerland, Belgium, Sweden, Germany and the Netherlands, the SCA Packaging Group participates in pension schemes providing defined benefits. In other jurisdictions, such as Italy and France, entitlements to payments accrue by reference to service. Defined contribution arrangements are also offered in most countries.

Liabilities in relation to defined benefit arrangements are subject to frequent changes as a result of changing actuarial assumptions; market conditions (including any actuarially assessed increase in life expectancy); movements in the market values of assets; interest rates; and the requirements of local regulation from time to time. In addition the accounting position of the SCA Packaging Group, in relation to these defined benefit liabilities, may change according to the changing requirements of accounting standards from time to time. Accordingly, the level of payments required from the Group from time to time in relation to each arrangement can increase or fall sharply. Where those payments increase, the amount of cash which the SCA Packaging Group has available for its other obligations or business needs will be reduced.

16. PROPERTIES

The SCA Packaging Group's manufacturing facilities were spread throughout 21 countries across Europe as at 30 September 2011, excluding locations of certain joint ventures (20 countries after a subsequent disposal). The SCA Packaging Group's production facilities are kept in good operating condition and are utilised at practical capacities that vary in accordance with product mixes, market conditions and machine configurations. As at 30 September 2011, the net book value of the SCA Packaging Group's tangible fixed assets amounted to €1,214.1 million, of which €4.9 million related to assets held under finance leases. As at 30 September 2011, the SCA Packaging Group's leased properties were leased through arm's length arrangements at standard rates for similar types of properties in the jurisdictions in which they are leased.

The table below provides a summary of all of the SCA Packaging Group's facilities (including non-production facilities) at 30 September 2011:

	As at 30 September 2011			
	Total	**Owned**	**Leased**	**Mix of leased and owned**
	(number of facilities)			
Corrugated & Packaging[(1)]	155	76	64	15
Containerboard[(2)]	5	5	0	0
Recycling[(3)]	27	4	23	0

(1) Category includes non-production facilities such as standalone warehouse and sales offices.

(2) Category includes the land and building of a closed paper mill in Castelfranco Emila

(3) Category includes recycling headquarters

Part VII

Information on the Packaging Industry

This Part VII (*Information on the Packaging Industry*) includes information on the packaging industry and certain regulatory provisions that are relevant to the business of both DS Smith and SCA Packaging.

1. CORRUGATED PACKAGING INDUSTRY

Corrugated case materials (**CCM**) is a generic term used to describe certain grades of paper that are used primarily in the manufacture of corrugated packaging. The corrugated packaging industry is typically viewed as comprising two main production activities: first, the production of CCM from either virgin fibre or recovered paper and second, the conversion into corrugated packaging, other paper-based packaging and certain non-packaging products. Companies may purchase CCM on the open market and may also manufacture CCM for their own conversion and for external sale.

Principal products

Corrugated packaging is used for transporting and displaying a diverse range of consumer and industrial products. Corrugated packaging is formed using corrugated sheet. Corrugated sheets are light and rigid with an excellent weight-to-performance ratio. They can insulate against shocks and temperature and be printed on using a variety of processes. A variety of corrugated sheet, with different performance and cost characteristics, can be produced based on variations in the grades of CCM used and in the overall design and structure. Important characteristics of corrugated sheets include:

- crush resistance and compression strength;
- shock, thermal and puncture resistance;
- moisture resistance and porosity;
- suitability for printing; and
- ease of handling.

Production and manufacturing

Materials

The principal raw material for the paper mills producing recycled paper and CCM is OCC, and the principal raw material for virgin fibre is wood pulp. CCM is the general term that describes the intermediate materials used to manufacture corrugated sheet, namely liner and fluting. Liner is used to form the inner and outer layers of the corrugated sheet. Liner can be manufactured from virgin fibre (known as kraftliner) or recovered paper (known as testliner). The recycling of OCC provides the primary source of recovered paper. In general, kraftliner is of higher quality and more versatile than testliner. Liner can also be produced with a white fibre layer in order to improve printing characteristics (often referred to as presentation liners). This can be achieved through the use of bleached virgin pulp or white recycled fibres. Fluting is the grade of paper from which the fluted (or corrugated) middle layer of corrugated sheet is formed. Fluting can be manufactured from either virgin fibre or recovered paper.

CCM is the principal input into the production of corrugated packaging and its production is the most capital intensive stage in their overall manufacture, typically representing 40 per cent. to 50 per cent. of the manufactured cost of the fully converted packaging product, depending on the weight, type and price of the CCM used.

CCM is manufactured either by the use of virgin fibres or recycled fibres which have been extensively screened and cleaned, and then processed through paper machines. The CCM is then rolled and shipped to sheet feeder or integrated corrugated and converting plants. CCM is manufactured in a variety of different weights and grades depending on the packaging solution required by the customer and the configuration of the paper machine.

Corrugated manufacturing

Corrugated sheets are manufactured from CCM at a sheet feeder plant or an integrated corrugated and converting plant. The CCM for fluting is treated with heat and steam to produce the rippled corrugated form, called fluting. The inner and outer liner surfaces are then glued to each side of the fluting. The main types of

corrugated sheet are browns (used for ‘standard’ corrugated production), whites and mottled (which are white and near-white respectively), clay coat (which is intended for decorative printing) and single face (which is a single liner with fluting to which a high-quality pre-printed sheet is laminated). Although different types of corrugated sheets are used for different purposes, most suppliers are able to switch production between the different corrugated sheet types.

Corrugated sheets are then converted into corrugated packaging at sheet plants or at integrated converting plants. The corrugated sheet is first printed, if required, and then formed into the final container (or box) shape usually by slotting, folding, gluing, stapling or stitching the sheet. Corrugated packaging is designed specifically to meet individual customer requirements and there is a wide variety of designs available.

Sheet feeder plants, which produce corrugated sheets from CCM and sheet plants, which only convert corrugated sheets into corrugated packaging, can be stand-alone operations or single-site integrated operations.

Key demand drivers and current market trends

Key demand drivers

Current demand for corrugated packaging is primarily driven by:

(a) the need for packaging products for the transportation and display of a diverse range of consumer and industrial goods, such as fresh and processed food, home and personal care products, beverages, industrial and consumer electronics, chemicals and pharmaceuticals, and a range of other products;

(b) the need for higher value-added corrugated products such as those featuring enhanced graphics used for point-of-sale displays and consumer and shelf-ready packaging;

(c) a substitution effect into corrugated packaging from other packaging materials that are harder to handle in the supply chain, and/or harder to recycle, such as plastics; and

(d) growth in GDP of the markets in which the products are sold.

For further information, see paragraph 1.5 of Part VIII (*Operating and Financial Review of the DS Smith Group*) and paragraph 1.4 of Part IX (*Operating and Financial Review of the SCA Packaging Group*) of this document.

Current market trends

European shipments of corrugated packaging totalled 42.1 billion square metres in 2010, an increase of 7.3 per cent. from 2009. The market for corrugated packaging in Europe grew 3 per cent. year-on-year in the year to 31 March 2011 with growth in the United Kingdom at 1 per cent. for the same period (Source: FEFCO). Corrugated packaging products tend to be produced and supplied locally due to high transportation costs, requirements of customers for supply chain integration and the service response needs in a just in time environment. Corrugated container plants typically need to be close to their customers. Consequently, there are many converting plants and the market is more fragmented than the CCM market.

The major trends within the CCM and packaging industry are towards the two extremes of higher product quality and lower cost. As long as products continue to be manufactured they require protection in transport. Corrugated packaging continues to be the predominant form of packaging for protection. There has been a trend towards using boxes for display purposes by putting them directly on supermarket shelves rather than emptying their contents onto the shelves. This has resulted in a demand, in certain instances, for higher quality graphics and better quality designs on boxes. In 2010, demand for retail-ready packaging consumed nearly 19 million tonnes of material. Corrugated packaging has proven to be the most popular medium for retail-ready packaging, due to improved technology which allows for better graphics on the packaging exterior and lighter weights (Source: Printing Industry Research Association (**PIRA**) Report, “The Future of Retail-ready Packaging to 2016”, hereinafter referred to as “PIRA Report”). Die-cut display containers for FMCG constituted 52 per cent. of retail-ready packaging consumption in 2010, while modified cases, i.e., standard corrugated cases which allow for removal of panels providing on-shelf access to contents, constituted 4 per cent. (Source: PIRA Report).

There has also been a growing demand for lighter packaging through the use of microfluting. In CCM terms, this has increased the demand for white top CCM which gives a better printing surface. Progress in the technology of paper making has also resulted in the ability to efficiently make lighter weight paper with the necessary strength characteristics to be used to make corrugated packaging. Trends in paper making have therefore been towards lighter weights and white top production, while trends in corrugated packaging have

been towards higher quality products. Corrugated secondary packaging consumption, that is, packaging that protects products during transit, has experienced a CAGR of 3.3 per cent. between 2006 and is forecasted to reach 167.9 billion units in 2016 (Source: PIRA Report).

Production of corrugated packaging in the United Kingdom and France, measured in square metres, has decreased slightly at an average annual rate of 1.8 per cent. and 0.8 per cent. respectively over the period of 2005 to 2010 (Source: International Corrugated Case Association (**ICCA**) report 2011).

In the period between 2011 and 2015, corrugated production (measured in square metres) in Europe as a whole is expected to grow at an average rate of 2.4 per cent. per annum, with processed food growing at 2.9 per cent., and other consumables at 3.5 per cent. Making up the 2.4 per cent. growth in the region, corrugated production in Western Europe is expected to grow at an average rate of 1.8 per cent. per annum while corrugated production in Central and Eastern Europe is expected to grow at 4.6 per cent. per annum. Corrugated production in the United Kingdom and France is expected to grow at 0.4 per cent. and 1.9 per cent. per annum respectively (Source: ICCA report 2011).

The CCM manufacturing market in Europe is relatively mature, with additional capacity built periodically. The market is cost-sensitive and lighter weight paper grades are typically favoured during periods of rising costs of pulp and OCC. Virtually all CCM produced is used for the production of corrugated sheet. Accordingly, CCM consumption closely tracks the development of the corrugated packaging market. In 2010, CCM consumption was estimated to be 2.1 million tonnes in the United Kingdom and 18.2 million tonnes in continental Europe, according to FEFCO. Of total CCM consumption, recycled fluting comprised 34.1 per cent. while testliner comprised 32.1 per cent.

Pricing dynamics

Corrugated packaging prices are highly variable and depend upon such factors as:

- the prevailing prices of raw materials, principally recovered paper, which has been subject to fluctuations in demand and seasonal patterns of collection and/or demand in recent years;
- the cost of conversion of raw materials into intermediate and finished goods, principally energy costs that are linked to the prevailing prices for oil and natural gas, which have experienced significant volatility in recent years, with a corresponding effect on production costs;
- the costs of operating the facilities and maintaining the staff required for production;
- other costs of production, including the costs of chemicals and transportation;
- overall market demand;
- the required format of the finished product, including the quality of its design and printing; and
- the terms of contracts with customers.

Competition

Corrugated packaging products are largely standardised products and, therefore, subject to substantial price competition. Competition in the corrugated market for high specification packaging for the FMCG market, while containing a strong price element, is also based on delivery times, quality of service, quality of product, consistency, quality of design and innovation in the packaging itself. The ability to offer consistent products across multiple countries can also offer significant advantages such as being able to serve customers who are seeking one provider of packaging for international brands.

As corrugated container plants typically need to be close to their customers, competitive advantages can accrue to suppliers with multi-site operations in different countries, with high levels of design capability and the ability to produce consistent products across all facilities. Such suppliers can provide a more comprehensive and sophisticated product offering together with a higher overall level of service.

The European market

Proximity to customers and adaptability to their needs are key factors on which companies compete in this market. SCA Packaging has a wide geographic network and has sought to align its operations to maximise adaptability to customer needs.

The corrugated board market in Europe is fragmented, and the DS Smith Group believes that the five largest participants (Smurfit-Kappa, SCA Packaging, DS Smith, SAICA and International Paper) hold approximately 39 per cent. of the European market. Beyond the five largest participants, the market is

characterised by a wide variety of small and mid-sized suppliers as corrugated board is relatively bulky and expensive to transport in relation to its value so production is carried out in close proximity to the customer's production facilities. The level of consolidation varies significantly between grades.

The DS Smith Group's key competitors for corrugated packaging in the United Kingdom and continental Europe are the other leading pan-European producers such as Smurfit-Kappa and Mondi.

2. PLASTICS PACKAGING INDUSTRY

The plastic packaging industry covers a wide range of products, and manufactures and sells plastic bottles, preforms, containers, closures, films and sheets. DS Smith competes in two areas of the industry: Returnable transit packaging **(RTP)** and Liquid packaging and dispensing products **(LP&D)**.

Principal products

Returnable transit packaging products

RTP products are plastic packaging units that are designed to be used more than once, during the transit of goods, typically from manufacturer to retailer. Examples are large plastic crates for beverages, and plastic pallets for heavy goods (typically liquids) that are incorporated into retail displays.

Liquid packaging and dispensing products

LP&D products are used to contain liquids and to include a fitment for liquid dispensing, such as a tap. These products include bag-in-box plastic solutions, which can be used to store, transport, preserve and dispense a wide variety of beverages, household consumer goods and other industrial products. Manufacturers consider a number of variables in evaluating whether bag-in-box is suitable for a particular packaging application. Including cost, compatibility with the intended contents, shelf life, flexibility of size, handling characteristics, filling and closing speeds, processing reactions, impermeability, dent and tamper resistance and consumer preferences. Bag-in-box is gaining share from traditional moulded plastic formats given it offers improved stacking, space utilisation, opportunity for attractive printing and ease of recycling.

Production and manufacturing

The manufacturing process of the DS Smith Group's plastics products vary greatly depending on the specific product demanded, as the DS Smith Group offers a range of packaging targeted to the needs of its customers. Polymers are the raw material for plastic packaging production. In respect of RTP, the appropriate polymer (polycarbonate or polypropylene) is extruded into sheets using an extrusion machine, which is then printed and formed into crates using a plastic injection machine.

End markets and key demand drivers

Key demand drivers

Demand for RTP is primarily driven by industrial and economic growth, as it is used in the transport of a wide range of goods. Demand for LP&D products is driven by economic growth and consumer demand, as the majority of applications, such as beverage containers and household products containers, are used by consumers.

Current market trends

The RTP industry is broadly driven by industrial growth in the economy. Returnable plastic pallet solutions compete with pallets of other materials such as wood. The RTP market is relatively mature in Europe.

Due to their light weight and small size, plastic bags and fitments for bag-in-box solutions are generally manufactured in bulk and shipped internationally. LP&D products compete with traditional liquid packaging materials, such as glass or moulded plastic. The LP&D market is expected to still grow significantly due to the advantages it offers in terms of efficient logistics when transporting liquids in bulk. As fuel costs rise, this makes bag-in-box an attractive alternative to glass and moulded plastic.

Pricing dynamics

Plastic packaging prices are primarily a function of the quality and reliability of the product, raw material prices and other operating costs, such as energy, chemicals and transportation. Innovative products can

command a price premium due to the technical specifications required. Demand for plastic packaging has tended to develop in line with industrial growth rates due to the characteristics of the main end-user markets for consumer goods. Pricing is also related to innovation, with new, innovative products priced at a premium.

Competition

RTP products are largely standardised and therefore competition is based on pricing. LP&D products are largely bespoke products and, therefore, competition in this segment of the plastic packaging market is largely based on design, innovation and the quality and reliability of supply.

The competitive markets covered by the products of the plastic packaging vary with the product and the individual competitive landscapes.

3. REGULATORY AND ENVIRONMENT

Like other industries involved in the manufacturing of goods for industrial and consumer purposes, the packaging industry is subject to a wide range of environmental laws and regulations. These requirements are complex, frequently changing and tend to become more stringent over time.

The operations of paper and packaging companies are subject to the terms of their respective national schemes for implementing the EU Emissions Trading Directive. The European Union Emission Trading Scheme (**EU ETS**) is a 'cap and trade' program, which limits the total amount of certain greenhouse gases that can be emitted by factories, power plants, and other installations governed under the system. Within the cap, companies receive emission allowance which they can sell or trade with each other. At the end of the year, companies must surrender enough allowances to cover all of its emissions, or be subject to heavy fines. Currently, the bulk of these allowances are distributed by national governments, free of charge.

The DS Smith Group expects their and the SCA Packaging Group's respective emissions to be within allocated levels at least until 2013, as the first and second set of caps have been allocated for the years 2005-2007 and 2008-2012, respectively. The effects of phases from 2013 onwards are likely to be more onerous and are impossible to estimate at present, being dependent upon the details of the emissions allocations and the market price of carbon under future phases of the EU ETS. However, starting in 2013 there will no longer be any national allocation plans as the initiative will be managed at the EU level. With this, the scope of regulated emissions will be extended to include greenhouse gases other than carbon dioxide, such as nitrous oxide emissions. Furthermore, approximately half of the allowances are expected to be sold at auction, rather than distributed for free. Currently, the cap for 2013 has been set at just under 2.04 billion allowances, and is set to decrease each year by over 37 million allowances. For a description of the risks involved, refer to paragraph 1.16 of the section entitled "*Risk Factors*" of this document.

The packaging industry is subject to the European Union's Integrated Pollution Prevention and Control Directive (**IPPC**), which in the United Kingdom has been enacted as the Environmental Permitting Regulations. As part of the IPPC programme, companies subject to the IPPC are required to conduct baseline environmental investigations or otherwise provide information regarding the condition of the underlying soil and groundwater at mill sites as well as to set up appropriate provisions in case of leaks, malfunctions, momentary stoppages and definitive cessation of operations. The DS Smith Group has obtained the necessary permits for the DS Smith Group's mills. The SCA Packaging Group's papermaking operations adhere to IPPC recommendations where required by applicable national legislation of the countries in which they sit.

In the United Kingdom, paper mills and manufacturing operations are also regulated under the Environmental Permitting Regulations and are required to have a permit in order to operate, issued by the Environment Agency. The permit sets out the emission limits and defines the operating procedures that need to be in place to ensure the environment is protected. The permits may also have improvement conditions in order to raise the future environmental performance through pollution prevention and control permits under which they each have specific improvement programmes and targets. The UK paper sector has agreed the Climate Change Levy Agreement with the Department of Environment, Road and Rural Affairs under which the industry has undertaken to achieve energy consumption reduction targets in exchange for a reduction in the Climate Change Levy. DS Smith Paper is a key participant in the scheme and met the final target of the existing scheme, with future targets yet to be identified awaiting Government revision of the scheme.

Part VIII

Operating and Financial Review of the DS Smith Group

The following is a discussion of the DS Smith Group's results of operations and financial condition as of 31 October 2011 and for the six months ended 31 October 2011 and 2010 and as of and for the years ended 30 April 2011, 2010 and 2009. Unless otherwise specified or the context otherwise requires, the financial information set forth and discussed herein is based on the Audited Financial Statements and the 2011 Interim Financial Statements. Prospective investors should read this discussion in conjunction with the section entitled "Important Information" of this document, Part X (Historical Financial Information Relating to DS Smith) of this document, Section A of Part XIII (Capitalisation and Indebtedness Statement) of this document and the Audited Financial Statements and the 2011 Interim Financial Statements and the related notes thereto, which are incorporated by reference into this document.

1. GENERAL

1.1 Overview

The DS Smith Group is a leading international supplier of recycled packaging for consumer and industrial goods across Europe. As at 31 October 2011, the continuing operations of the DS Smith Group (excluding its Office Products Wholesaling business which was held for disposal at that date) employed over 10,000 people at 94 manufacturing locations. It supplies value-added corrugated board and plastic packaging products from a strategically located network of 50 corrugated packaging facilities in Europe and 21 plastic packaging facilities in Europe, the United States and Australasia. The DS Smith Group's revenue, adjusted operating profit, operating profit and profit (loss) for the financial years ended 30 April 2009, 2010 and 2011, and for the six months ended 31 October 2010 and 2011, are set forth below having been extracted without material adjustment from the Audited Financial Statements and the 2011 Interim Financial Statements, respectively:

	Year ended 30 April					Six months ended 31 October (unaudited)		
	2009[1]	2010[1]	% change	2011[1]	% change	2010[2]	2011	% change
	(amounts in £ millions, except %)							
Revenue	2,106.6	2,070.6	(1.7)	2,474.5	19.5	822.2	1,034.5	25.8
Adjusted operating profit[3]	97.5	98.1	0.6	136.1	38.7	55.5	78.3	41.1
Operating profit	43.4	80.7	85.9	129.4	60.3	47.6	55.8	17.2
(Loss)/profit for the period	(11.2)	38.1	n/a	70.7	85.6	27.8	34.8	25.2

(1) Figures have not been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation. For further information, see *"Disposal of Office Products Wholesaling Business"* at paragraph 2 of Part V (*Information on the DS Smith Group*) of this document.

(2) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

(3) Calculated as operating profit before exceptional items and amortisation.

The DS Smith Group's main focus is on the production of corrugated packaging, supported by the collection of used cardboard and the manufacture of recycled paper, and extends throughout the United Kingdom and into continental Europe, principally France, together with a growing presence in the Central and Eastern European countries of Poland and (via an associate) the Ukraine. The DS Smith Group focuses primarily on packaging for the FMCG market (which represents approximately 70 per cent. of its corrugated box sales) and industrial products. The DS Smith Group differentiates itself with its focus on service, quality, innovation and its environmental solutions.

1.2 Segments

Operating segments

The DS Smith Group's operations for the periods under review are divided into two primary operating segments: Packaging and Office Products Wholesaling. The DS Smith Group's Packaging segment is further subdivided into UK Packaging, Continental European Corrugated Packaging and Plastic Packaging.

UK Packaging. UK Packaging operates three businesses, being recycling, paper manufacturing and corrugated packaging and accounted for 49.7 per cent. of its revenue in the six months ended 31 October 2011. As at 31 October 2011, the DS Smith Group's UK Packaging facilities consisted of 28 corrugated

packaging factories, three paper mills and 15 recycling depots with its headquarters based in Maidenhead. During the financial year ended 30 April 2011, the UK segment manufactured approximately 1.125 billion square metres of corrugated packaging and board, for which approximately 50 per cent. of the paper required was supplied by DS Smith Paper.

Continental European Corrugated Packaging. Continental European Corrugated Packaging accounted for 37.3 per cent. of the DS Smith Group's revenue in the six months ended 31 October 2011. The segment had 27 sites in France, Italy, Poland, Czech Republic and Slovakia as at 31 October 2011. The segment produced approximately 1.3 billion square metres of corrugated board and approximately 120 kilotonnes of CCM, on an annualised basis, in the financial year ended 30 April 2011.

Plastic Packaging. Plastic Packaging accounted for 12.9 per cent. of the DS Smith Group's revenue in the six months ended 31 October 2011. The segment operates facilities in the United Kingdom, the United States, Germany, France, Bulgaria, Belgium, Spain, Poland, Slovakia, Australia and New Zealand. The business is split into two subdivisions. The LP&D division makes the bags and fitments for bag-in-box products, which are used within the soft drinks, wine, food and other industry sectors such as oils and in-home and personal care products. The RTP division makes products designed for re-use such as crates, mostly used within the retail, automotive, electronics and beverage sectors.

In July 2011, the DS Smith Group entered into a binding offer for its Office Products Wholesaling business, and, as such, this operation became discontinued, with the DS Smith Group's continuing operations focused on the supply of packaging. The sale of the Office Products Wholesaling business completed on 29 December 2011. For more information, see the section entitled "*Disposal of Office Products Wholesaling Business*" at paragraph 1.3 of this Part VIII (*Operating and Financial Review of the DS Smith Group*).

The following table sets forth revenue, costs and expenses, adjusted operating profits and operating profits of each of the DS Smith Group's operating segments for the periods indicated below:

		Revenue			**Adjusted Operating Profit[1]**			**Operating Profit**		
		Year ended 30 April								
Segment	**Location**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
		£ millions								
UK Packaging	United Kingdom	785.8	750.2	917.7	37.6	37.0	54.2	18.3	30.9	61.1
Continental European Corrugated Packaging	France, Italy, Poland, Slovakia	363.4	355.4	599.4	30.6	23.1	39.8	5.7	15.8	28.3
Plastic Packaging	Europe, North America, Australasia	236.9	231.3	242.2	7.9	16.6	16.9	3.0	15.6	15.6
Packaging Sub-Total		**1,386.1**	**1,336.9**	**1,759.3**	**76.1**	**76.7**	**110.9**	**27.0**	**62.3**	**105.0**
Office Products Wholesaling	Europe	720.5	733.7	715.2	21.4	21.4	25.2	16.4	18.4	24.4
DS Smith Group		**2,106.6**	**2,070.6**	**2,474.5**	**97.5**	**98.1**	**136.1**	**43.4**	**80.7**	**129.4**

(1) Calculated as operating profit before exceptional items and amortisation.

The following table sets forth assets, liabilities and net assets of each of the DS Smith Group's operating segments as at the dates indicated below:

		Assets			**Liabilities**			**Net Assets**		
		As at 30 April								
Segment	**Location**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
		£ millions								
UK Packaging	United Kingdom	687.7	703.1	703.4	(183.5)	(199.1)	(211.0)	504.2	504.0	492.4
Continental European Corrugated Packaging	France, Italy, Poland, Slovakia	265.4	268.9	566.8	(71.7)	(81.2)	(168.9)	193.7	187.7	397.9
Plastic Packaging	Europe, North America, Australasia	172.4	158.8	161.1	(49.4)	(43.4)	(46.9)	123.0	115.4	114.2
Packaging Sub-Total		**1,125.5**	**1,130.8**	**1,431.3**	**(304.6)**	**(323.7)**	**(426.8)**	**820.9**	**807.1**	**1004.5**
Office Products Wholesaling	Europe	259.8	244.4	234.6	(138.2)	(129.7)	(126.1)	121.6	114.7	108.5
Segment assets/liabilities		**1,385.3**	**1,375.2**	**1,665.9**	**(442.8)**	**(453.4)**	**(552.9)**	**942.5**	**921.8**	**1113.0**
Unallocated Items		165.4	159.0	197.7	(651.5)	(607.6)	(726.5)	(486.1)	(448.6)	(528.8)
DS Smith Group		**1,550.7**	**1,534.2**	**1,863.6**	**(1,094.3)**	**(1,061.0)**	**(1,279.4)**	**456.4**	**473.2**	**584.2**

Geographical areas

The DS Smith Group conducts its packaging business in the United Kingdom and France, with a growing geographic footprint in Central and Eastern Europe. Its plastic packaging business also operates in the United States and Australasia, and its Office Products Wholesaling business operates throughout Western Europe.

The following table sets forth external revenue, non-current assets and capital expenditure of the DS Smith Group broken down by geographical area (based on geographical location of customers) as at the dates and for the periods indicated below:

	Revenue			Non-Current Assets			Capital Expenditure		
	As at/Year ended 30 April								
Location	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
	£ millions								
United Kingdom	1,147.6	1,106.3	1,268.0	639.4	614.3	566.3	57.2	23.5	34.8
France	447.3	449.3	689.6	119.2	111.8	314.7	12.2	5.0	23.3
Rest of Western Europe	331.9	335.8	328.2	91.9	83.1	83.3	5.6	4.1	5.5
Eastern Europe	113.0	108.6	110.7	44.7	46.1	48.6	5.5	6.7	5.4
Rest of the world	66.8	70.6	78.0	38.0	38.9	35.8	2.7	1.9	3.6
Total	**2,106.6**	**2,070.6**	**2,474.5**	**933.2**	**894.2**	**1,048.7**	**83.2**	**41.2**	**72.6**

1.3 Recent Developments

Disposal of Office Products Wholesaling Business

The DS Smith Group's former Office Products Wholesaling business, Spicers, operates from a network of distribution centres based in the United Kingdom, Ireland, France, Benelux, Germany, Spain and Italy. Spicers provides a wholesaling service to its customer base of office products dealers and resellers by offering up to 20,000 product lines of office supplies and office equipment across its network of 15,000 active resellers.

In July 2011, the Group received a binding offer for this business, and on 7 September 2011 DS Smith entered into a binding legal agreement with Unipapel in respect of the sale by DS Smith of Spicers for a purchase price of £200 million, to be satisfied on completion in cash and by the assumption by Unipapel of existing debt. DS Smith gave customary business warranties in favour of Unipapel in respect of the sale.

The sale of Spicers completed on 29 December 2011 and net proceeds, after tax, related costs and an accelerated payment into the DS Smith pension fund, were approximately £160 million, which reduced DS Smith's net debt (£312.9 million as at 31 October 2011) by approximately £160 million.

Disposal and closure of paper mills

In June 2011, the DS Smith Group announced the start of a consultation exercise regarding the closure of its Hollins paper mill (production approximately 95,000 tonnes in the financial year ended 30 April 2011). Furthermore, in September 2011, DS Smith Paper completed the sale of its Higher Kings Mill paper mill (production approximately 34,000 tonnes in the financial year ended 30 April 2011) for £4.6 million. The rationale for exiting these paper manufacturing facilities was to reduce the DS Smith Group's exposure to non-integrated paper production, in line with the published DS Smith Group strategy.

1.4 Discontinued Operations

In July 2011, DS Smith entered into a binding offer with Unipapel in respect of the sale by DS Smith of Spicers at a purchase price of £200 million. Accordingly, the Office Products Wholesaling business, Spicers, is treated as discontinued in the 2011 Interim Financial Statements. For further information, refer to the section entitled *"Disposal of Office Products Wholesaling Business"* at paragraph 1.3 of this Part VIII (*Operating and Financial Review of the DS Smith Group*).

1.5 Key Factors Affecting Results of Operations and Financial Condition

Key factors that have affected the DS Smith Group's historical operating results and are expected to affect the future operating results of the DS Smith Group and the Enlarged Group are:

Changes in demand for the products of the DS Smith Group and those of the DS Smith Group's customers

Demand for the DS Smith Group's products is generally driven by the level of economic growth and activity in the markets in which the DS Smith Group and its customers operate. Increased levels of economic growth and activity typically result in higher per-capita use of packaging materials, both with respect to transportation of goods and consumer presentation. In the event of an economic downturn, the DS Smith Group's customers are likely to experience decreases in demand for their products, which will result in lower levels of demand for the DS Smith Group's packaging.

With the acquisition of Otor, the proportion of the DS Smith Group's customers who are FMCG customers for corrugated box sales has improved, from approximately 65 per cent. pre-acquisition to approximately 70 per cent. of the DS Smith Group's corrugated box customer base as at 30 April 2011. While the FMCG market, in which the DS Smith Group maintains its strategic focus and largest proportion of customers, has historically proved more resilient than other markets such as industrials and discretionary goods, in the event of an economic downturn, growth is likely to be slower.

In the financial year ended 30 April 2009, during the economic downturn at the time, the DS Smith Group's operating profits fell to £43.4 million, a 63.1 per cent. decrease compared to £117.7 million for the financial year ended 30 April 2008. Excluding the effect of restructuring costs and other exceptional items, this decrease was due in part to a substantial fall in operating profits from the UK business, mitigated slightly by an increase in profits in the Continental European Corrugated Packaging business. The fall in the UK profits was attributable to lower profits from the paper manufacturing part of the UK business where market prices fell significantly. Subsequently, in the financial year to 30 April 2010, operating profit for the DS Smith Group improved on the prior year to £80.7 million, but remained below the peak for the financial year ended 30 April 2008, reflecting a continuation of this reduced market price for paper, reflected in the UK divisional operating profit of £18.3 million. In the financial year ended 30 April 2011, operating profit improved to £129.4 million due to increased demand for the DS Smith Group's products, the recovery of input price increases, as well as the inclusion of Otor, acquired on 1 September 2010.

Recovery of paper price increases from the DS Smith Group's packaging customers

For the DS Smith Group, a significant determinant of profitability are the margins achieved on corrugated packaging. The DS Smith Group's margins are affected by the length of time it takes the Group to translate price fluctuations in the raw materials it purchases into the prices the DS Smith Group charges for its packaging products. Raw materials represent the most significant portion of the DS Smith Group's cost of sales, accounting for approximately 64 per cent. and 68 per cent. of the DS Smith Group's cost of sales in the six months ended 31 October 2011 and 2010, respectively.

The principal determinant of the cost of the DS Smith Group's recycled corrugated packaging products is the price of CCM, which in turn is driven by the cost of recovered paper, which is extensively used in the manufacture of these products. An important driver of recovered paper prices is the balance of supply and demand for paper products in general. The price of recycled fibre is also influenced by overseas demand, principally from China, which is driven by economic growth in China as well as the relative strength of the euro versus the US dollar (which impacts demand from continental Europe and the United States, respectively). When the price of recovered paper begins to rise, paper and CCM manufacturers attempt to raise their prices to preserve profit margins, which generally narrow as a result of increased raw material costs. In a down cycle, as recovered paper prices fall, there is a similar lag in the corrugated pricing falling as there is in an up-cycle, and there is therefore a limited period of positive profit impact.

It generally takes approximately two months for the mills to pass on their raw material price increases to the paper-based packaging manufacturers. In turn, the manufacturers of paper-based packaging products generally attempt to raise prices to recover CCM cost increases. It has historically taken DS Smith up to six months to recover paper price rises. In 2011, customer contracts were typically amended as they came up for renewal, with the aim of reducing the price recovery period to three months. As at 30 April 2011, the average price review period is approximately four months.

The production of corrugated packaging materials in the UK Packaging segment is partially integrated, with approximately 38 per cent. of the CCM produced in the United Kingdom used by the DS Smith Group's

packaging operations. In the Continental European Corrugated Packaging segment, the majority of the CCM produced is used by the DS Smith packaging operations. In both the United Kingdom and continental Europe, the packaging business also purchases CCM from external providers. The DS Smith Group has adopted a strategy of decreasing its non-integrated paper manufacturing capability, including through the disposal of the Higher Kings Mill paper mill and the proposed closure in 2012 of the Hollins paper mill. As a result, the DS Smith Group expects that it will increasingly purchase paper from third-party suppliers for use in manufacturing packaging.

Changes in energy prices

The DS Smith Group's paper manufacturing processes are energy-intensive, accounting for approximately 75 per cent. of the DS Smith Group's energy consumption. The DS Smith Group's total energy costs were approximately £126 million in the financial year ended 30 April 2011, or 6.7 per cent. of the Group's total cost of sales. While the mills at Kemsley and Kaysersberg have some on-site energy generation, the DS Smith Group's other activities are reliant upon third parties for the supply of their energy. Energy prices, in particular those of oil and natural gas, have significantly increased in recent years, with a corresponding effect on the DS Smith Group's production costs. Although the DS Smith Group makes limited use of financial instruments and term length fixed price contracts with its suppliers of up to 12 months in order to decrease the volatility of its energy costs in the short term, the DS Smith Group remains subject to price fluctuations for its energy needs in the medium and long term.

The following table sets forth the average (for the prior 12 months) and spot prices in the UK gas market as at the dates indicated:

	30 Apr 2009	30 Apr 2010	30 Apr 2011	31 Oct 2011
		(p / therm)		
Average	60.1	29.0	46.9	57.6
Spot	28.9	33.6	56.0	59.6

Source: IPE M-1

For further information on the DS Smith Group's management of energy costs, refer to the section entitled "*Energy*" at paragraph 8 of Part V (*Information on the DS Smith Group*) of this document.

Certain currency exchange rate movements

In the financial year ended 30 April 2011, approximately 50 per cent. of the DS Smith Group's revenues and approximately 70 per cent. of the DS Smith Group's profits were derived from non-sterling currencies, the most significant being the euro. The acquisition of Otor increased the DS Smith Group's presence in the Eurozone, primarily in France. The DS Smith Group does not hedge for currency translation effects on revenue or profits. A decrease of the value of the euro versus sterling by 10 cents would reduce operating profit by £3.8 million and, after a benefit to interest costs, reduce pre-tax profit by £2.6 million.

The following table sets forth the average spot prices (for the prior 12 months) and spot prices of euro in pounds sterling as at the dates indicated:

	30 Apr 2009	30 Apr 2010	30 Apr 2011	31 Oct 2011
		(euro/pounds sterling)		
Average	1.193	1.132	1.177	1.153
Spot	1.118	1.152	1.123	1.157

Source: Bank of England Statistics

Acquisitions and Divestitures

During the period under review the DS Smith Group's acquisitions and disposals have affected, and from time to time will continue to affect, its results of operations and financial condition. In addition to the proposed acquisition of SCA Packaging, the following transactions have had a material effect on the DS Smith Group.

Acquisition of Otor

On 1 September 2010, the DS Smith Group completed the acquisition of Otor. The acquisition was accounted for under the acquisition method of accounting as prescribed by IFRS. Total cash consideration of €165.1 million was paid for the net assets acquired, which included net debt of €35.8 million. This was

funded by a placing of 9.99 per cent. of DS Smith's equity share capital to new and existing shareholders of DS Smith, which raised £46 million net of expenses, and debt financing.

Disposal of Spicers

In July 2011, DS Smith received a binding offer from Unipapel in respect of the sale by DS Smith of Spicers for a purchase price of £200 million and the sale completed on 29 December 2011. Accordingly, Spicers is treated as a discontinued item as at and for the six months ended 31 October 2011. For further information, refer to the section entitled *"Disposal of Office Products Wholesaling Business"* at paragraph 1.3 of this Part VIII (*Operating and Financial Review of the DS Smith Group*).

Capital Expenditure

The DS Smith Group's results of operations and cash flows are significantly impacted by its capital expenditure program. See the section entitled "*Capital Resources and Working Capital*" at paragraph 3.3 of this Part VIII (*Operating and Financial Review of the DS Smith Group*).

1.6 Comparability of Periods

The acquisition of Otor was accounted for under the acquisition method of accounting as prescribed by IFRS. Accordingly, as reported for the financial year ended 30 April 2011, the consolidated results of the DS Smith Group are made up of eight months of results of the DS Smith Group after the acquisition of Otor was completed on 1 September 2010.

The acquisition of Otor had a material impact on the reported consolidated results of the DS Smith Group for the financial year ended 30 April 2011. As a result, the 2011 Financial Statements differed significantly from the 2010 Financial Statements, resulting in a significant impact on the period-to-period comparisons.

As set out above, Spicers is treated as a discontinued operation in the half-year results to 31 October 2011. Accordingly, except as otherwise indicated, the description below for that period as compared the six months to 31 October 2010 is on the results for continuing operations only, whilst descriptions for the financial years ended 30 April 2009, 2010 and 2011 include Spicers.

2. RESULTS OF OPERATIONS

2.1 Description of Principal Income Statement Line Items

The DS Smith Group's principal income statement items are:

Revenue

The DS Smith Group principally generates revenue through the sale of corrugated packaging products to third-party customers, principally FMCG manufacturers. Additionally, the UK Packaging business of the DS Smith Group derives external sales from trading in OCC, through DS Smith Recycling, and from external sales of CCM and other specialty grades of paper manufactured by DS Smith Paper. The Continental European Corrugated Packaging business also has a small proportion of its revenue derived from external sales of paper manufactured by DS Smith. The Plastic Packaging division derives external revenue from sales of plastic packaging products. Sales of OCC between DS Smith Recycling and DS Smith Paper and of CCM between the DS Smith Group's paper mills and its corrugated packaging operations, are not reflected in the DS Smith Group's revenue.

Cost of sales

Cost of sales primarily consists of raw materials (principally OCC, CCM and polymers), energy costs, depreciation and personnel. Cost of sales in the UK Packaging business is driven by the costs of OCC, CCM, energy, depreciation and staff costs, reflecting the partially vertically integrated nature of the UK business, with a substantial proportion of the DS Smith Group's energy costs attributable to the paper manufacturing business. Depreciation is also weighted towards the most capital intensive parts of the business, being paper manufacturing. In the Continental European Corrugated Packaging division, the principal raw material is CCM, as a higher proportion of the CCM needs of that business is sourced externally. The Plastic Packaging segment uses relatively less energy and capital in comparison to the other divisions, with polymers the most significant single raw material cost.

Operating expenses

The primary components of operating expenses are distribution and administrative expenses.

Distribution expenses include the cost of delivering manufactured products from the factory gate to the end customer.

Administrative expenses include all other costs that are not directly related to the manufacture or distribution of products. This includes all management and back office expenses such as finance and human resources.

Amortisation of intangible assets

Amortisation of intangible assets (excluding goodwill) is charged on a straight line basis, as set out in the notes to the accounts. Goodwill is systematically tested for impairment at the date of each statement of financial position.

At the time of the 2011 Interim Financial Statements, the Board determined that adjusted operating profit would be disclosed before amortisation, to aid comparability with other quoted peers.

Net financing costs

Net financing costs include interest expense on the DS Smith Group's borrowing as well as finance elements of post-retirement benefits and other finance income and finance costs related to long-term leases and hedge ineffectiveness on derivatives.

As the DS Smith Group operates a centralised treasury function, DS Smith Group funding is raised and managed at DS Smith's head office and not re-attributed to divisions.

Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any unpaid tax in respect of previous years.

Deferred tax is provided for using the statement of financial position method as set forth in notes 1(t) and 22 to the 2011 Financial Statements.

2.2 Consolidated results of operations of the DS Smith Group for the six months ended 31 October 2011, compared to the six months ended 31 October 2010

The financial data in the following table is derived from the 2010 and 2011 Interim Financial Statements and sets forth certain profit and loss account items for the periods indicated.

	Six Months ended 31 October (unaudited)	
	2010[(1)]	**2011**
	£ millions	
Continuing operations		
Revenue	822.2	1,034.5
Cost of sales	(627.3)	(794.5)
Gross profit	194.9	240.0
Operating expenses[(2)]	(139.4)	(161.7)
Adjusted operating profit[(3)]	55.5	78.3
Amortisation of intangible assets	(1.9)	(4.5)
Exceptional items	(6.0)	(18.0)
Operating profit	47.6	55.8
Net financing costs	(12.0)	(13.0)
Profit before tax	35.6	42.8
Income tax expense	(11.2)	(13.9)
Profit for the period from continuing operations	24.4	28.9
Discontinued operations		
Profit for the period from discontinued operations	3.4	5.9
Profit for the period	27.8	34.8

(1) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation. For further information, see "Disposal of Office Products Wholesaling Business" at paragraph 2 of Part V (*Information on the DS Smith Group*) of this document.

(2) Calculated as operating expenses before exceptional items.

(3) Calculated as operating profit before exceptional items and amortisation.

Revenue

The DS Smith Group's revenue from continuing operations increased by 25.8 per cent. from £822.2 million in the six months ended 31 October 2010 to £1,034.5 million for the six months ended 31 October 2011. Excluding both the effects of the acquisition of Otor and currency translation effects, revenue from continuing operations grew 11 per cent. This reflects both growing volumes in corrugated packaging (which were stronger in continental Europe than in the United Kingdom) due in part to the DS Smith Group's focus on service improvement and product innovation and the DS Smith Group's focus on maintaining external paper sales price levels, partially offset by lower volumes of external paper sales, driven by increased usage of paper internally for packaging production, and the period-on-period impact of input cost recovery.

Revenue — UK Packaging

Revenue from continuing operations from UK Packaging increased by 14.2 per cent. to £514.4 million in the six months ended 31 October 2011 from £450.3 million in the six months ended 31 October 2010. The primary cause of this increase was disciplined pricing action which was undertaken to offset period-on-period increases in raw material costs, especially increased fibre costs of approximately 20 per cent. to 25 per cent. as well as energy costs. Volumes also grew slightly due in part to resilient demand from the DS Smith Group's FMCG customers.

Revenue — Continental European Corrugated Packaging

Revenue from continuing operations from Continental European Corrugated Packaging increased by 56.0 per cent. to £386.2 million in the six months ended 31 October 2011 from £247.5 million in the six months ended 31 October 2010. This reflects the inclusion of the Otor business for the full six months of the financial period, compared to two months in the prior period. Excluding the impact of the acquisition and currency translation effects, revenue was up 8 per cent. due to increased demand for the DS Smith Group's products, especially in France and Poland, and disciplined pricing action to recover cost input rises.

Revenue — Plastic Packaging

Revenue from continuing operations from Plastic Packaging operations increased by 7.6 per cent. to £133.9 million in the six months ended 31 October 2011 from £124.4 million in the six months ended 31 October 2010. The primary cause of this increase was strong growth in volumes in the LP&D business in the US due to the increased sales of products for beverages. The RTP business performed well overall in difficult markets.

Cost of sales

The DS Smith Group's cost of sales was £794.5 million in the six months ended 31 October 2011, a 26.7 per cent. year-on-year increase compared to £627.3 million in the six months ended 31 October 2010. The primary cause of this increase was the effect of rising energy and raw materials costs in tandem with revenue and volume growth.

Operating expenses

The DS Smith Group's operating expenses before amortisation and exceptional items were £161.7 million in the six months ended 31 October 2011, a 16.0 per cent. year-on-year increase compared to £139.4 million in the six months ended 31 October 2010. The primary cause of this increase was an increase in distribution expenses related to higher activity levels, mitigated to some extent by savings from efficiency actions that the DS Smith Group is taking across the business, including a UK efficiency programme to integrate and streamline UK recycling, paper and packaging operations and cost savings delivered by a group-wide procurement programme.

Adjusted operating Profit

Adjusted operating profit — UK Packaging

Adjusted operating profit from UK Packaging increased by 24.7 per cent. to £39.9 million in the six months ended 31 October 2011 from £32.0 million in the six months ended 31 October 2010, principally due to improved efficiencies in the UK operations and from procurement-led savings.

Adjusted operating profit — Continental European Corrugated Packaging

Adjusted operating profit from Continental European Corrugated Packaging operations increased by 98.6 per cent. to £28.0 million in the six months ended 31 October 2011 from £14.1 million in the six months ended 31 October 2010 principally due to the inclusion of Otor for the full six months of the period. Excluding the impact of the Otor acquisition and currency translation effects, operating profits increased 23 per cent. as the underlying business performed well, driven by resilient demand from the FMCG customer base and the underlying benefit of cost synergies, procurement led savings and operational gearing.

Adjusted operating profit — Plastic Packaging

Adjusted operating profit from Plastic Packaging increased by 10.6 per cent. to £10.4 million in the six months ended 31 October 2011 from £9.4 million in the six months ended 31 October 2010. The primary cause of this increase reflected cost and pricing discipline.

Exceptional Items

Pre-tax exceptional items of £18.0 million were recorded for the six months ended 31 October 2011, a 200.0 per cent increase from £6.0 million recorded in the six months ended 31 October 2010. This was principally related to exit costs at two UK Packaging mills, Higher Kings Mill (sold 30 September 2011) and Hollins Mill (consultation on closure commenced in June 2011). There is an associated tax credit of £3.3 million and the cash cost of the exceptional items is £4.2 million. This is offset by cash proceeds on the disposal of Higher Kings Mill of £4.5 million.

Net financing costs

The DS Smith Group's net finance costs were £13.0 million in the six months ended 31 October 2011, compared to £12.0 million in the six months ended 31 October 2010, an increase of 8.3 per cent. The primary cause of this increase was an increase in finance costs, driven by the cost of additional debt to fund the Otor acquisition reflected for the full six month period for the first time. These costs were partially offset by the funding benefit of lower working capital and a lower (non-cash) employment benefit charge of £2.5 million, representing a 28.6 per cent. decrease from the charge of £3.5 million in the year ended 31 October 2010.

Income tax expense

The DS Smith Group's income tax expense was £13.9 million in the six months ended 31 October 2011, compared to £11.2 million in the six months ended 31 October 2010. The DS Smith Group's effective tax rate, excluding exceptional items, was 28.3 per cent. for the six months ended 31 October 2011, up from 27.1 per cent. in the six months ended 31 October 2010.

Discontinued Operations

Adjusted profit from discontinued operations (Spicers) was £9.0 million during the six months ended 31 October 2011, an increase of 80.0 per cent over £5.0 million realised in the six months ended 31 October 2010. Profit after tax from discontinued operations was £5.9 million for the six months ended 31 October 2011, a period-on-period increase of 73.5 per cent. from £3.4 million.

Profit for the financial period

Profit for the financial period increased by 25.2 per cent. to £34.8 million in the six months ended 31 October 2011 from £27.8 million for the six months ended 31 October 2010. Profit for the financial period attributable to the owners of the parent increased by 25.8 per cent. to £34.6 million for the six months ended 31 October 2011 from £27.5 million for the six months ended 31 October 2010.

2.3 Consolidated results of operations of the DS Smith Group for the financial year ended 30 April 2011, compared to the financial year ended 30 April 2010

The financial data in the following table is derived from the Audited Financial Statements and sets forth certain profit and loss account items for the periods indicated. Such financial data has not been restated following the sale of the Office Products Wholesaling business.

	Year Ended 30 April	
	2010	2011
	£ millions	
Revenue	2,070.6	2,474.5
Cost of sales	(1,558.4)	(1,884.9)
Gross profit	512.2	589.6
Operating expenses[1]	(414.1)	(453.5)
Adjusted operating profit[2]	98.1	136.1
Amortisation of intangible assets	(4.1)	(7.9)
Exceptional items	(13.3)	1.2
Operating profit	80.7	129.4
Net financing costs	(25.9)	(27.2)
Share of profit of associates	0.2	—
Profit before tax	55.0	102.2
Income tax expense	(16.9)	(31.5)
Profit for the financial year	38.1	70.7

(1) Calculated as operating expenses before exceptional items

(2) Calculated as operating profit before exceptional items and amortisation.

Revenue

The DS Smith Group generated revenue of £2,474.5 million in the financial year ended 30 April 2011, a 19.5 per cent. year-on-year increase compared to revenue of £2,070.6 million in the financial year ended 30 April 2010, reflecting eight months of results from the acquisition of Otor, as well as improved performance in the UK Packaging business and Office Products Wholesaling segment. Excluding the effects of the acquisition of Otor, revenue rose 10.0 per cent. in the financial year ended 30 April 2011 as compared to the financial year ended 30 April 2010, while volumes across the packaging business grew by approximately 8.0 per cent. and by approximately 3.0 per cent. across the DS Smith Group as a whole, including Plastic Packaging, DS Smith Paper, and DS Smith Recycling. The non-volume element of revenue increase was largely attributable to the price increases implemented to recover the rising cost of paper and other input costs.

The DS Smith Group's total revenue is comprised of its revenues from its businesses in UK Packaging, which was £917.7 million, or 37.1 per cent., of the DS Smith Group's consolidated revenues for the year; Continental European Corrugated Packaging, which was £599.4 million, or 24.2 per cent., of the DS Smith Group's consolidated revenues for the financial year ended 30 April 2011; Plastic Packaging, which was £242.2 million, or 9.8 per cent., of the DS Smith Group's consolidated revenues for the financial year ended 30 April 2011; and Office Products Wholesaling, which was £715.2 million, or 28.9 per cent., of the DS Smith Group's consolidated revenues for the financial year ended 30 April 2011.

Revenue — UK Packaging

Revenue from UK Packaging increased by 22.3 per cent. to £917.7 million in the financial year ended 30 April 2011 from £750.2 million in the financial year ended 30 April 2010. This performance was driven by volume growth and pricing to recover rising costs. The increase in volumes was due to the resilience and growth demonstrated by the DS Smith Group's FMCG customer base. In the recycling business, annual sales volumes grew 5.5 per cent. on the previous year.

Revenue — Continental European Corrugated Packaging

Revenue from Continental European Corrugated Packaging increased by 68.7 per cent. to £599.4 million in the financial year ended 30 April 2011 from £355.4 million in the financial year ended 30 April 2010. The primary cause of this increase was the inclusion, for eight months in 2011, of Otor's packaging operations,

which generated revenue of £197.1 million in the eight months from 1 September 2010, partly offset by the loss of revenue from the disposal of the DS Smith Group's business in Turkey.

Excluding the effects of the Otor acquisition, revenue for the financial year ended 30 April 2011 increased by 13.2 per cent. driven by an 8.7 per cent. increase in volumes year-on-year and pricing increases to recover rising input costs.

Revenue — Plastic Packaging

Revenue from Plastic Packaging increased by 4.7 per cent. to £242.2 million in the financial year ended 30 April 2011 from £231.3 million in the financial year ended 30 April 2010. Excluding the disposal of the Demes business in January 2010, revenue grew 11.0 per cent., driven by volume growth of 9.4 per cent. and price increases to cover rising input costs.

Revenue — Office Products Wholesaling

Revenue from Office Products Wholesaling decreased by 2.5 per cent. to £715.2 million from £733.7 million in the financial year ended 30 April 2010, due to the relatively strong performance in continental Europe being offset by more challenging trading conditions in the United Kingdom. Revenue in constant currency was broadly flat.

Cost of sales

The DS Smith Group's cost of sales was £1,884.9 million in the financial year ended 30 April 2011, a 21.0 per cent. year-on-year increase compared to £1,558.4 million in the financial year ended 30 April 2010. The primary cause of this increase was the inclusion of Otor's cost of sales for eight months in 2011. Otor's cost of sales in the eight months from 1 September 2010 amounted to £144.8 million. Raw material and energy costs increased substantially in the period, also driving up the cost of sales.

Excluding the effects of the Otor acquisition, input costs increased by approximately £166.0 million, reflecting the substantial increases in the cost of paper and of OCC. Energy costs increased by approximately £17.0 million year-on-year, reflecting the substantial increases in energy costs over the year due to higher volumes consumed by the DS Smith Group's mills and higher prices charged by suppliers.

Personnel expenses

Personnel expenses are allocated to cost of sales or to operating expenses as appropriate to the activity undertaken by the relevant employees.

Personnel expenses increased by 5.0 per cent. to £400.7 million in the financial year ended 30 April 2011 from £381.8 million in the financial year ended 30 April 2010. The year-on-year increase reflected wages and salaries of £349.0 million in 2011, as compared to £316.6 million in the financial year ended 30 April 2010. This was due to an overall increase in the DS Smith Group's employees to 12,301 as at 30 April 2011 from 10,776 as at 30 April 2010, principally relating to Otor personnel, which nearly doubled the DS Smith Group's overall employees in France to 3,159 employees. The rise in wages was slightly offset by a reduction to £37.4 million in social security costs in the financial year ended 30 April 2011, from £52.7 million in the financial year ended 30 April 2010.

Operating expenses

The DS Smith Group's operating expenses before amortisation and exceptional items were £453.5 million in the financial year ended 30 April 2011, a 9.5 per cent. year-on-year increase compared to £414.1 million in the financial year ended 30 April 2010. The primary cause of this increase was the inclusion of Otor's operating expenses for eight months in 2011. Otor's operating expenses in the eight months from 1 September 2010 amounted to £33.9 million. Excluding the effects of the Otor acquisition, operating costs increased by £5.5 million due to an underlying increase in distribution and other expenses related to increased activity in the business, commensurate with overall volume increases of 3 per cent., and the increased cost of fuel.

Adjusted operating profit

Adjusted operating profit — UK Packaging

Adjusted operating profit from UK Packaging increased by 46.5 per cent. to £54.2 million in the financial year ended 30 April 2011 from £37.0 million in the financial year ended 30 April 2010. The primary cause of this increase was the underlying external revenue growth in the division, plus an increase in margin of 100 basis points, achieved due to the DS Smith Group's focus on maximising efficiency and service standards and its focus on full input cost recovery.

Adjusted operating profit — Continental European Corrugated Packaging

Adjusted operating profit from Continental European Corrugated Packaging increased by 72.3 per cent. to £39.8 million in the financial year ended 30 April 2011 from £23.1 million in the financial year ended 30 April 2010. The primary cause of this increase was the inclusion, for eight months in 2011, of Otor's packaging operations, which generated operating profits of £18.5 million in the eight months from 1 September 2010.

Excluding the effects of the Otor acquisition, profit for the division was modestly down on the prior year at £21.3 million, reflecting a lag in paper price recovery in the packaging products.

Adjusted operating profit — Plastic Packaging

Adjusted operating profit from Plastic Packaging increased by 1.8 per cent. to £16.9 million in the financial year ended 30 April 2011 from £16.6 million in the financial year ended 30 April 2010. Excluding the effect of the disposal of the Demes business, adjusted operating profit increased 8.6 per cent. The year-on-year increase reflected the DS Smith Group's ability to capture the benefit of rising volume sold.

Adjusted operating profit — Office Products Wholesaling

Adjusted operating profit from the Office Products Wholesaling segment was £25.2 million in the financial year ended 30 April 2011, a 17.8 per cent. year-on-year increase compared to £21.4 million in the financial year ended 30 April 2010. The primary causes of this increase were increasingly effective cost controls in the UK business and improved margins due to improved product mix and pricing strategies.

Exceptional items

The DS Smith Group had costs relating to exceptional items in the amount of £1.8 million in the financial year ended 30 April 2011, an 85.5 per cent. decrease compared to £12.4 million in the financial year ended 30 April 2010. This decrease was primarily due to an increase of £35.3 million in pension curtailment, a non-cash gain arising on the closure of the defined benefit pension scheme, partly offset by £8.4 million in restructuring costs relating to restructuring costs (£4.7 million of which relates to Spicers France) and £15.9 million of impairments relating to UK Packaging and Plastic Packaging.

Amortisation of intangible assets

The DS Smith Group amortised intangible assets in the amount of £7.9 million in the financial year ended 30 April 2011 and £4.1 million in the financial year ended 30 April 2010. The year-on-year increase reflected the amortisation of intangible assets on the acquisition of Otor, allocated to the Continental European Corrugated Packaging business.

Net financing costs

The DS Smith Group's net finance costs were £27.2 million in the financial year ended 30 April 2011, compared to £25.9 million in the financial year ended 30 April 2010, an increase of 5.0 per cent. The year-on-year increase primarily reflected finance costs of £21.0 million in the financial year ended 30 April 2011, an increase of £5.1 million as compared to finance costs of £15.9 million in the financial year ended 30 April 2010. This was principally due to increased net debt following the Otor acquisition. The increase was partly offset by a £4.1 million decrease in employment benefit net finance expense to £7.4 million in the financial year ended 30 April 2011, as compared to £11.5 million in the financial year ended 30 April 2010, reflecting a lower opening deficit on the Group scheme.

Income tax expense

The DS Smith Group's income tax expense was £31.5 million in the financial year ended 30 April 2011, compared to £16.9 million in the financial year ended 30 April 2010. The charge in the financial year ended 30 April 2011 comprised current year tax expense of £25.5 million and deferred tax expense of £6.0 million, with other adjustments and exceptional items, while the charge in the financial year ended 30 April 2010 comprised current year tax expense of £27.4 million, less a deferred tax credit of £10.5 million, with other adjustments and exceptional items. £9.8 million in increased tax expense in the financial year ended 30 April 2011 related to an exceptional tax charge on the curtailment gain on the closure of the Group scheme.

In the financial year ended 30 April 2011, the DS Smith Group's effective tax rate was 28.2 per cent., up from 26.1 per cent. in the previous year, mainly as a result of higher profits arising in France.

Profit for the financial year

Profit for the financial year ended 30 April 2011 increased by 85.6 per cent. to £70.7 million in the financial year ended 30 April 2011 from £38.1 million for the financial year ended 30 April 2010. Profit attributable to the owners of the parent increased by 85.0 per cent. to £70.1 million for the financial year ended 30 April 2011 from £37.9 million for the financial year ended 30 April 2010.

2.4 Consolidated results of operations of the DS Smith Group for the financial year ended 30 April 2010, compared to the financial year ended 30 April 2009

The financial data in the following table is derived from the Audited Financial Statements and sets forth certain profit and loss account items for the periods indicated. Such financial data has not been restated following the sale of the Office Products Wholesaling business.

	Year Ended 30 April	
	2009	2010
	£ millions	
Revenue	2,106.6	2,070.6
Cost of sales	(1,604.4)	(1,558.4)
Gross profit	502.2	512.2
Operating expenses[(1)]	(404.7)	(414.1)
Adjusted operating profit[(2)]	97.5	98.1
Amortisation of intangible assets	(3.5)	(4.1)
Exceptional items	(50.6)	(13.3)
Operating profit	43.4	80.7
Net financing costs	(22.1)	(25.9)
Share of (loss)/profit of associates	(4.5)	0.2
Profit before taxes	16.8	55.0
Income tax expense	(28.0)	(16.9)
(Loss)/profit for the financial year	(11.2)	38.1

(1) Calculated as operating expenses before exceptional items.

(2) Calculated as operating profit before exceptional items and amortisation.

Revenue

The DS Smith Group generated revenue of £2,070.6 million in the financial year ended 30 April 2010, a 1.7 per cent. year-on-year decrease compared to revenue of £2,106.6 million in the financial year ended 30 April 2009, reflecting low prices across the DS Smith Group's packaging products due to the weak economic environment, especially during the first half of the financial year. The DS Smith Group's total revenue is comprised of its revenues from its businesses in UK Packaging, which was £750.2 million, or 36.2 per cent., of the DS Smith Group's consolidated revenues for the year; Continental European Corrugated Packaging, which was £355.4 million, or 17.2 per cent., of the DS Smith Group's consolidated revenues for the year; Plastic Packaging, which was £231.3 million, or 11.2 per cent., of the DS Smith Group's consolidated revenues for the year; and Office Products Wholesaling, which was £733.7 million, or 35.4 per cent., of the DS Smith Group's consolidated revenues for the year.

Revenue — UK Packaging

Revenue from UK Packaging decreased by 4.5 per cent. to £750.2 million in the financial year ended 30 April 2010 from £785.8 million in the financial year ended 30 April 2009. The primary cause of this decrease was lower CCM selling prices, especially during the first half of the year.

Revenue — Continental European Corrugated Packaging

Revenue from Continental European Corrugated Packaging decreased by 2.2 per cent. to £355.4 million in the financial year ended 30 April 2010 from £363.4 million in the financial year ended 30 April 2009. The primary cause of this decrease was lower selling prices of the business's products at the beginning of the fiscal year leading to lower average prices for the year. This resulted in a slight decrease in revenues for the year despite growth in volume of 2 per cent. for the year (4 per cent. in the fourth quarter), driven by improved sales to the FMCG market.

Revenue — Plastic Packaging

Revenue from Plastic Packaging operations decreased by 2.4 per cent. to £231.3 million in the financial year ended 30 April 2010 from £236.9 million in the financial year ended 30 April 2009. The year-on-year decrease reflected lower selling prices following a reduction in polymer costs and the DS Smith Group's exit from a lower margin packaging management contract in Europe.

Revenue — Office Products Wholesaling

Revenue from the Office Products Wholesaling business increased by 1.8 per cent. to £733.7 million in the financial year ended 30 April 2010 from £720.5 million in the financial year ended 30 April 2009. Revenues increased despite generally adverse conditions in the markets in the United Kingdom, France and Germany in which Spicers operates, such as the traditional stationery sector, which declined significantly, and the electronic office supplies sector, which showed only modest growth. Spicers' overall sales growth was aided by the translation benefits of the stronger euro in 2010, as the effects of foreign exchange translation improved revenue (and operating profit) by £20.1 million (and £1.1 million) compared with the financial year ended 30 April 2009.

Cost of sales

The DS Smith Group's cost of sales were £1,558.4 million in the financial year ended 30 April 2010, a 2.9 per cent. year-on-year decrease compared to £1,604.4 million in the financial year ended 30 April 2009. The primary cause of this decrease was the decline in the cost of raw materials, in particular, CCM.

Personnel expenses

Personnel expenses were broadly flat at £381.8 million in the financial year ended 30 April 2010 from £383.4 million in the financial year ended 30 April 2009. Wages and salaries were broadly level at £316.6 million in the financial year ended 30 April 2010, as compared to £318.6 million in the financial year ended 30 April 2009. A £2.8 million increase in social security costs in the financial year ended 30 April 2010, was offset by a reduction in service cost for the defined benefit scheme by £3.2 million.

Operating expenses

The DS Smith Group's operating expenses before amortisation and exceptional items were £414.1 million in the financial year ended 30 April 2010, a 2.3 per cent. year-on-year increase compared to £404.7 million in the financial year ended 30 April 2009, driven by modest cost inflation.

Adjusted operating profit

Adjusted operating profit — UK Packaging

Adjusted operating profit from UK Packaging decreased by 1.6 per cent. to £37.0 million in the financial year ended 30 April 2010 from £37.6 million in the financial year ended 30 April 2009 reflecting lower revenues partly offset by lower costs.

Adjusted operating profit — Continental European Corrugated Packaging

Adjusted operating profit from Continental European Corrugated Packaging decreased by 24.5 per cent. to £23.1 million in the financial year ended 30 April 2010 from £30.6 million in the financial year ended 30 April 2009. The primary cause of this decrease was increasing CCM prices, partially offset by a significant reduction in conversion costs.

Adjusted operating profit — Plastic Packaging

Adjusted operating profit from Plastic Packaging increased by 110.1 per cent. to £16.6 million in the financial year ended 30 April 2010 from £7.9 million in the financial year ended 30 April 2009. The year-on-year increase reflected the results of the restructuring undertaken in the prior years, both to cut costs and focus on higher margin products.

Adjusted operating profit — Office Products Wholesaling

Adjusted operating profit from the Office Products Wholesaling segment was flat year-on-year at £21.4 million in the financial year ended 30 April 2010, reflecting relatively flat external revenues.

Amortisation of intangible assets

The DS Smith Group amortised intangible assets in the amount of £4.1 million in the financial year ended 30 April 2010 and £3.5 million in the financial year ended 30 April 2009. The increase in 2010 reflects an increase of amortisation of customer relationships on acquisition and an increase in amortisation of intellectual property.

Exceptional items

The DS Smith Group had costs relating to exceptional items before tax in the amount of £13.3 million in the financial year ended 30 April 2010, a 76.1 per cent. decrease compared to £55.7 million in the financial year ended 30 April 2009. This decrease was primarily due to significantly lower restructuring costs, which were £2.7 million in the financial year ended 30 April 2010 compared to £27.0 million in the year ended 30 April 2009. In 2009, the DS Smith Group's restructuring costs of £27.0 million included £18.2 million in relation to the costs of restructuring paper-making and corrugated packaging facilities across the United Kingdom, including the cost of restructuring following the conversion of the New Thames Mill.

Impairments were £10.2 million in the financial year ended 30 April 2010, as compared to total impairment charges of £23.6 million in the financial year ended 30 April 2009. In 2009, impairment charges included £18.1 million in respect of the impairment of the DS Smith Group's Ukrainian associate, Rubezhansk, following the devaluation of the Ukrainian Hryvnia against the US dollar.

Net financing costs

The DS Smith Group's net finance costs were £25.9 million in the financial year ended 30 April 2010, compared to £22.1 million in the financial year ended 30 April 2009, an increase of 17.2 per cent. The year-on-year increase related to a £13.0 million decrease in employment benefit net finance expense to £11.5 million in the financial year ended 30 April 2010, as compared to a net credit of £1.5 million in the financial year ended 30 April 2009, reflecting a higher opening deficit on defined benefit schemes. This increase was largely offset by a £10.2 million decrease in finance costs to £15.9 million in the financial year ended 30 April 2010, as compared to finance costs of £26.1 million in the financial year ended 30 April 2009, mainly reflecting lower interest rates and lower average net debt.

Income tax expense

The DS Smith Group's income tax expense was £16.9 million in the financial year ended 30 April 2010, compared to £28.0 million in the financial year ended 30 April 2009. The charge in 2010 comprised current year tax expense of £27.4 million, less a deferred tax credit of £10.5 million, with other adjustments and exceptional items, while the charge in 2009 comprised current year tax expense of £21.0 million and deferred tax expense of £7.0 million, with other adjustments and exceptional items. In 2008/09, the effective tax rate was 31.4 per cent. The fall from 2008/09 to 2009/10 was principally due to the recognition of prior year foreign exchange losses which only become recognisable under IFRS once the tax return is submitted.

Profit for the financial year

Profit for the financial year increased to £38.1 million in the financial year ended 30 April 2010 from a loss of £11.2 million for the financial year ended 30 April 2009. Profit for the financial year attributable to the owners of the parent increased to £37.9 million for the financial year ended 30 April 2010 from a loss of £11.8 million for the financial year ended 30 April 2009.

3. LIQUIDITY AND CAPITAL RESOURCES

3.1 Overview

The DS Smith Group's principal sources of liquidity used to finance its capital requirements have been, and are expected to continue to be, a combination of cash flows from operations and borrowings under the Revolving Credit Facility. Borrowings under the Revolving Credit Facility are available to fund the DS Smith Group's working capital requirements, capital expenditures and other general corporate purposes.

3.2 Cash flows for the DS Smith Group

The financial data in the following table is derived from the Audited Financial Statements and the 2011 Interim Financial Statements and sets forth cash flow statement items for the periods indicated.

	Year Ended 30 April			Six Months Ended 31 October (unaudited)	
	2009[(1)]	**2010[(1)]**	**2011[(1)]**	**2010[(2)]**	**2011**
	£ millions				
Cash flows from operating activities	122.4	98.0	140.2	60.3	88.2
Cash flows used in investing activities	(81.0)	(40.6)	(215.4)	(169.7)	(41.7)
Cash flows (used in)/from financing activities	(50.3)	(79.2)	130.2	157.1	(69.9)
(Decrease)/increase in cash and cash equivalents	(8.9)	(21.8)	55.0	47.7	(23.4)
Cash and cash equivalents as at end of period	**54.1**	**32.8**	**88.2**	**98.7**	**47.7**

(1) Figures have not been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

(2) Figures have been restated following the announcement of the sale of the Office Products Wholesaling business and its subsequent classification as a discontinued operation.

Net cash and cash equivalents amounted to £47.7 million at 31 October 2011, £88.2 million at 30 April 2011, £32.8 million at 30 April 2010 and £54.1 million at 30 April 2009. The most significant event that affected cash flows in the financial year ended 30 April 2011 was the acquisition of Otor and the associated equity and debt financing.

Cash flows from operating activities

Cash flows from operating activities consisted of net inflows of £88.2 million for the six months ended 31 October 2011, net inflows of £140.2 million for the financial year ended 30 April 2011, net inflows of £98.0 million for the financial year ended 30 April 2010 and net inflows of £122.4 million for the financial year ended 30 April 2009. The increased level of inflows in the financial year ended 30 April 2011 reflected the contribution of the Otor business, combined with a particular focus on reducing working capital.

Cash flows used in investing activities

Cash flows used in investing activities consisted of net outflows of £41.7 million for the six months ended 31 October 2011, net outflows of £215.4 million for the financial year ended 30 April 2011, net outflows of £40.6 million for the financial year ended 30 April 2010 and net outflows of £81.0 million for the financial year ended 30 April 2009. In the financial years ended 30 April 2009 and 2010, the outflow amount was largely attributable to capital expenditure, which was reduced substantially in the financial year ended 30 April 2010 in line with the reduced profitability of the DS Smith Group at the time. In the financial year ended 30 April 2011, the outflow comprised capital expenditure plus the acquisition of Otor.

Cash flows from/(used in) financing activities

Cash flows from/(used in) financing activities consisted of net outflows of £69.9 million for the six months ended 31 October 2011, net inflows of £130.2 million for the financial year ended 30 April 2011, net outflows of £79.2 million for the financial year ended 30 April 2010 and net outflows of £50.3 million for the financial year ended 30 April 2009. In the financial years ended 30 April 2009 and 2010, the outflows in both years largely comprised repayment of borrowings combined with dividend payments. The inflow from financing activities in the financial year ended 30 April 2011 reflected the proceeds of equity issue and the increased borrowings, both in relation to the acquisition of Otor.

3.3 Capital Resources and Working Capital

The DS Smith Group's primary sources of liquidity are cash flows from operations and borrowings under the Revolving Credit Facility. The DS Smith Group's primary uses of cash are for debt service and capital expenditures.

Debt

Summary of financial commitments

The following table summarises the DS Smith Group's indebtedness as at 31 October 2011.

	Group Payments Due by Period			
	Total	**Less than 1 year**	**1-5 years**	**After 5 years**
		£ millions (unaudited)		
Bank Overdrafts	13.9	13.9	—	—
Bank Loans	32.2	3.7	28.5	—
Private Placement Notes	348.4	—	246.4	102.0
Total commitments	**394.5**	**17.6**	**274.9**	**102.0**

Gross debt, net debt and borrowed funds

Gross debt, defined as total borrowings (after taking account of the fair value of derivative financial instruments hedging borrowings) included in non-current liabilities and current liabilities amounted to £394.5 million as of 31 October 2011, compared to £465.3 million as at 30 April 2011. Cash and cash equivalents inclusive of the cash and cash equivalents included within asset held for sale balances amounted to £81.6 million as at 31 October 2011, compared to £114.3 million as of 30 April 2011. Total net debt amounted to £312.9 million at 31 October 2011, compared to £351.0 million at 30 April 2011. The DS Smith Group's main borrowing facilities as of 31 October 2011 were:

- Syndicated multi-currency revolving credit facility of £610 million maturing in September 2016.
- US$105 million of 6.24 per cent. private placement notes maturing in November 2012. The DS Smith Group entered into a cross currency swap whereby it paid US$80 million in return for €81.6 million and receives fixed interest of 6.24 per cent. on US$80 million and pays euro interest linked to EURIBOR on €81.6 million. The cross currency swap matures in November 2012. The DS Smith Group also entered into an interest rate swap, maturing in November 2012, whereby it receives fixed interest of 6.24 per cent. on US$25 million and pays US dollar interest linked to LIBOR on US$25 million.
- £25 million of 6.85 per cent. private placement notes maturing in November 2012. The DS Smith Group entered into an interest rate swap, maturing in November 2012, whereby it receives fixed interest of 6.85 per cent. on £25 million and pays floating interest linked to LIBOR on £25 million.
- US$105 million of 5.66 per cent. private placement notes maturing in August 2014. The DS Smith Group entered into a cross currency swap, maturing in August 2014, whereby it paid US$105 million in return for €86.5 million and receives fixed interest of 5.66 per cent. on US$105 million and pays euro interest linked to EURIBOR on €86.5 million. The cross currency swap matures in August 2014.
- US$95 million of 5.8 per cent. private placement notes maturing in August 2016. The DS Smith Group entered into a cross currency swap whereby it paid US$75 million in return for £40.8 million and receives fixed interest of 5.8 per cent. on US$75 million and pays fixed interest of 6.21 per cent. on

£40.8 million. It entered into a further cross currency swap whereby it paid US$20 million in return for €16.5 million and receives fixed interest of 5.8 per cent. on US$20 million and pays euro interest linked to EURIBOR on €16.5 million. Both cross currency swaps mature in August 2016.

- €59 million of 4.395 per cent. private shelf notes maturing in August 2018.
- €59 million of 4.825 per cent. private shelf notes maturing in August 2020.

Financial and other covenants governing DS Smith Group debt

The main borrowing facilities contain financial covenants relating to the financial condition of the DS Smith Group. In particular the adjusted net worth, net debt/EBITDA and interest cover must be within certain limits. The main borrowing facilities are all unsecured although the loan documentation contains restrictions on the amount of security the DS Smith Group is able to grant over its assets without approval from the lenders.

Acquisitions and disposals

Although the DS Smith Group does not currently have in place any agreements (other than the Acquisition) to acquire significant additional businesses, it assesses potential acquisitions in line with its strategy. The DS Smith Group is in contact from time to time with potential sellers and their advisers. If the DS Smith Group were to undertake any acquisition in the future, the DS Smith Group could elect to fund it through additional borrowings or cash from operations.

Capital expenditure

The DS Smith Group's consolidated capital expenditure for its principal segments during the periods indicated has been as follows:

	For the year ended 30 April		
	2009	**2010**	**2011**
		£ millions	
UK Packaging	55.2	20.0	30.8
Continental European Corrugated Packaging	18.9	12.7	28.6
Plastic Packaging	7.1	5.4	8.4
Office Products Wholesaling	2.0	3.1	4.8

The DS Smith Group made cash payments in respect of capital expenditure of £42.4 million in the six months ended 31 October 2011 and £66.6 million, £52.6 million and £87.4 million in capital expenditures in the financial years ended 30 April 2011, 2010 and 2009, respectively. Capital expenditure by the DS Smith Group was used primarily for business growth, maintenance and environmental and other regulatory compliance. In the financial year ended 30 April 2009 the most significant capital expenditure item was the investment in Kemsley Mill to produce light grades of paper, which is part of UK Packaging. This coincided with the tough economic situation in 2008/2009.

In the following financial year ended 30 April 2010, capital expenditure was at a lower level, considerably beneath the depreciation charge in the same year, as the Group decided to focus largely on essential maintenance capital expenditure. In the financial year ended 30 April 2011 capital expenditure increased across the business, covering a number of projects focused on the packaging and recycling businesses. Going forward, the DS Smith Group's capital expenditure programme contemplates expenditures of approximately £90 million over the next two years for both maintenance as well as specific packaging and recycling projects.

During the periods under review, the levels of DS Smith Group capital expenditure in the aggregate were at or below annual depreciation expenses.

4. OFF-BALANCE SHEET ARRANGEMENTS

The DS Smith Group has not used special purpose vehicles or similar financing arrangements on an historical basis. In addition, the DS Smith Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

5. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

5.1 Interest Rate Market Risk

The DS Smith Group is exposed to interest rate risk as the DS Smith Group borrows funds at both fixed and floating interest rates. The risk is managed by the DS Smith Group maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. As at 31 October 2011, 64 per cent. of the DS Smith Group's interest bearing loans and borrowings were fixed for a period of at least one year. Holding other variables constant including levels of indebtedness, a one percentage point increase in interest rates would have had an estimated impact on pre-tax earnings of £1.1 million.

5.2 Currency Sensitivity

Outside the United Kingdom, the principal conversion rate which affects the DS Smith Group's reported financial performance is pound sterling to euro. An increase in sterling's value against the euro by 10 cents would approximately decrease operating profit by around £5.1 million. This impact would be partially offset at a profit before tax level by a reduction in interest costs of approximately £1.3 million due to translation of interest costs on the DS Smith Group's euro debt.

5.3 Commodity Pricing Risks

The DS Smith Group is exposed to commodity price risks through its dependence on recovered paper, the principal raw material used in the manufacture of CCM. The price of recovered paper is dependent on both demand and supply conditions. Demand conditions include the production of recycled CCM in Europe and the demand for recovered paper for the production of recycled CCM outside of Europe, principally in Asia. Supply conditions include the rate of recovery of recovered paper, itself dependent on historic pricing related to the cost of recovery, and have some slight seasonal variations.

Just over 1.05 metric tonnes of recovered paper is required to manufacture 1 tonne of recycled CCM. Consequently, an increase in the price of recovered paper of, for example, £20 per tonne would increase the cost of production of recycled CCM by approximately £21 per tonne. Historically, increases in the cost of recovered paper, if sustained, have led to a rise in the price of recycled CCM, with a lag of one to two months.

The table below provides information about the average UK OCC price per tonne at and for the financial years ended 30 April 2009, 2010 and 2011.

	2009	**2010**	**2011**
		£ per tonne	
Average	61.25	64.16	105.41

Energy costs are a significant cost to the DS Smith Group, and the DS Smith Group's total energy costs in the financial year ended 30 April 2011 were £126 million compared to £109 million in the prior financial year. The most significant energy risk relates to the purchase of gas in the United Kingdom, where a 10 pence per therm increase represents an increase in operating costs of £10 million.

The DS Smith Group aims to mitigate its exposure to energy costs by a combination of diversifying away from fossil fuels and, where this is not possible, through long-term purchasing strategies. For further information on the DS Smith Group's management of energy costs, refer to the section entitled "*Energy*" at paragraph 8 of Part V (*Information on the DS Smith Group*) of this document.

5.4 Qualitative Information about Market Risk

The operating parameters and policies of treasury management are established under formal board authority. The formal treasury policy covers the areas of funding, counterparty risk, foreign exchange, controls and derivatives. Risk arising on counterparty default is controlled within a framework of dealing with high quality institutions and, by policy, limits the amount of credit exposure to any one bank or institution. The DS Smith Group uses financial instruments, including fixed and variable rate debt, to finance operations, for capital spending programme and for general corporate purposes. Additionally, financial instruments, including derivative instruments, are used to hedge exposure to interest rate and foreign currency risks. The DS Smith Group does not use financial instruments for trading purposes. The DS Smith Group mitigates the risk that counterparties to derivatives will fail to perform by contracting with major financial institutions having high credit ratings and considers the likelihood of counterparty failure to be remote.

The successful management of currency and interest rate exposure depends on a variety of factors, some of which are outside of the DS Smith Group's control. The DS Smith Group is exposed to the impact of interest

rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in foreign currencies. The DS Smith Group manages interest rate exposure to achieve an appropriate balance of fixed and variable rate funding. To achieve this objective, the DS Smith Group enters into interest rate swaps, options and forward rate agreements. Interest rate swap agreements are used to change the interest payable or receivable on the DS Smith Group's underlying borrowing and cash from variable to fixed rate or from fixed to variable rate. At 30 April 2011, the proportion of the DS Smith Group's interest bearing loans and borrowings that was at fixed interest rates was 58 per cent. (compared to 44 per cent. at 30 April 2010 and 35 per cent. at 30 April 2009).

The fair value of the DS Smith Group's interest rate and cross-currency swap agreements, at 30 April 2011, 2010 and 2009 was £26.9 million, £10.2 million and £8.3 million, respectively. The weighted average interest rate on total borrowing before debt issuance costs as of 30 April 2011 was 5.5 per cent. (compared to 4.9 per cent. at 30 April 2010 and 7.2 per cent. at 30 April 2009).

6. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Audited Financial Statements and 2011 Interim Financial Statements have each been prepared in accordance with IFRS, its interpretations as adopted by the International Accounting Standards Board (**IASB**), all interpretations of the International Financial Reporting Interpretations Committee (**IFRIC**) and all interpretations of the Standing Interpretations Committee.

Certain accounting issues require management estimates and judgements for the preparation of financial statements. The accounting policies highlighted below are summaries of what the DS Smith Group believes to be its key accounting policies. The full list of accounting policies can be found at Note 1 of the 2011 Financial Statements.

The DS Smith Group's most significant policies requiring the use of estimates and judgements are listed below.

6.1 Impairments

When applying IAS 36 "*Impairment of Assets*", the DS Smith Group compares the carrying value of goodwill and intangible assets with the higher of their net realisable value and value in use to determine whether an impairment exists.

Value in use is calculated by discounting the cash flows expected to be generated by the asset/group of assets being tested for evidence of impairment. The use of different estimates, assumptions and judgements, in particular those involved in (a) determining a value based on the DS Smith Group's current expectations of future conditions and the associated cash flows from the DS Smith Group's operations, (b) the DS Smith Group's determination of the level at which groups of assets can be reasonably tested for impairment separately from other parts of the business, and (c) the DS Smith Group's treatment of centrally held assets, could each result in materially different carrying values of assets and assessments of impairment.

6.2 Pensions and other post-retirement benefits

IAS 19 "*Employee Benefits*" requires the DS Smith Group to make assumptions including, but not limited to, future asset returns, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in the income statement over time. These assumptions are subject to periodic review.

6.3 Accounting for carbon dioxide emissions

There are currently no accounting standards that specifically address accounting for emission allowances. The DS Smith Group has applied a 'net liability' approach. Under a 'net liability' approach, no assets or government grants are recognised when allowances are initially received. This is because they are ascribed a nominal value of nil. As allowances granted to the DS Smith Group are used to offset the liability from CO_2 emissions, no accounting entries are required so long as the related emissions generated are within the allowance received from the government. If such emissions are in excess of the allowance received (known as a shortfall position) a provision is made at the current market price for carbon credits. In the case where emission quotas are acquired through an acquisition, any surplus emission quotas are fair valued in accordance with IFRS 3 "*Business Combinations*".

Part IX

Operating and Financial Review of the SCA Packaging Group

The following is a discussion of the SCA Packaging Group's results of operations and financial condition as of 30 September 2011 and for the nine months ended 30 September 2011 and 2010 and as of and for the years ended 31 December 2010, 2009 and 2008. Unless otherwise specified or the context otherwise requires, the financial information set forth and discussed herein is based on the SCA Packaging Group's Combined Financial Information. Prospective investors should read this discussion in conjunction with the section entitled "Important Information" of this document, Part XI (Historical Financial Information Relating to the SCA Packaging Group) and Section B of Part XIII (Capitalisation and Indebtedness Statement) of this document.

1. GENERAL

1.1 Overview

The SCA Packaging Group is the second largest packaging company in Europe with an approximately 8.1 per cent. market share across Europe in corrugated board production in 2010, as measured in millions of square metres (Source: FEFCO; excludes Turkey), and an approximately 6.3 per cent. share in recycled CCM production in 2010, as measured in kilotonnes (Source: Poyry). The SCA Packaging Group's revenue, adjusted operating profit, operating profit and profit for the financial years ended 31 December 2008, 2009 and 2010 and for the nine months ended 30 September 2010 and 2011 are set forth below:

	Year ended 31 December					Nine months ended 30 September		
	2008	2009	% change	2010	% change	2010	2011	% change
						(unaudited)		
	€ millions, except %							
Revenue	2,733.0	2,232.9	(18.3)	2,542.3	13.9	1,872.3	2,065.5	10.3
Adjusted operating profit[(1)]	129.3	42.3	(67.3)	112.4	165.7	75.1	118.7	58.1
Operating profit/(loss)	121.9	(86.5)	n/a	82.0	n/a	46.4	92.4	99.1
Profit/(loss) for the financial period	57.4	(88.7)	n/a	76.2	n/a	47.3	71.8	51.8

(1) Calculated as operating profit before exceptional items or amortisation.

The SCA Packaging Group is a full service supplier of paper packaging solutions, including consumer and display packaging, shelf-ready packaging solutions, customised protective packaging and transport packaging made primarily from corrugated board and offers bespoke design services to manufacturers, distributors and retailers.

The majority of the SCA Packaging Group's packaging is used for food, industrial products and consumer durables and its products are sold in approximately three-quarters of the countries in Europe. The three largest markets for the SCA Packaging Group (by revenue) are Germany, Italy, and France, which accounted for 19.7 per cent., 16.5 per cent. and 12.7 per cent. of the SCA Packaging Group's revenue, respectively, for the nine months ended 30 September 2011.

As at 30 September 2011, the SCA Packaging Group (excluding locations of certain joint ventures) owned facilities in 21 countries, which included 110 corrugated manufacturing locations. Currently, the SCA Packaging Group operates in 20 countries across Europe, with facilities including 109 corrugated manufacturing locations (following the disposal of operations in Russia). For more information on this disposal, see paragraph 2 of Part VI (*Information on the SCA Packaging Group*) of this document. In the year ended 31 December 2010, SCA Packaging (including the effect of certain joint ventures and discontinued operations) sold 3,621 kilotonnes of recycled fibre; sold 1,383 kilotonnes of CCM; and had corrugated sales volumes of 3,428 million square metres (approximately 1,783 kilotonnes). Like DS Smith, SCA Packaging manufactures less paper than it uses, resulting in a short position in paper, which is consistent with DS Smith's strategy to own paper manufacturing assets only where strategically necessary to support the packaging business. SCA Packaging had 12,598 employees as at 30 September 2011 (including discontinued operations now sold). For the nine months ended 30 September 2011, SCA Packaging reported adjusted operating profit of €118.7 million and net revenue of €2,065.5 million.

1.2 SCA Packaging Group Operations

The SCA Packaging Group's continuing operations consist of three divisions: Corrugated & Packaging, Containerboard and Recycling.

Corrugated & Packaging. Corrugated & Packaging accounted for more than 80 per cent. of the SCA Packaging Group's external revenue in the financial year ended 31 December 2010. Corrugated & Packaging's production facilities principally consisted of 110 locations for manufacturing corrugated board, sheets and boxes (including 49 box plants with a corrugating machine) located across Europe as at 30 September 2011. The SCA Packaging corrugated board division can be divided into three main product lines: conventional corrugated board, heavy duty corrugated board and consumer packaging. During the financial year ended 31 December 2010, the SCA Packaging Group's corrugated sales volumes totalled 3,428 million square metres.

Containerboard. Containerboard accounted for the balance of the SCA Packaging Group's external revenue in the financial year ended 31 December 2010. Containerboard's production facilities principally consisted of four CCM mills located in Italy, the Netherlands and Germany (two mills) as at 30 September 2011. During the financial year ended 31 December 2010, Containerboard's sales volumes totalled 1,383 kilotonnes of CCM.

Recycling. Recycling's production facilities principally consisted of 16 recycling branches located in the United Kingdom, the Netherlands and Italy and a large trading office in Germany as at 30 September 2011. In 2010, Recycling's sales volumes were approximately 3,621 kilotonnes of recycled fibre (including the sales volumes of Italmaceri, the joint venture in which SCA Packaging holds a 50 per cent. stake). Income from the SCA Packaging Group's recycling operations is included within other income in cost of sales as the SCA Packaging Group's recycling business has historically primarily been a support function to the SCA Group's businesses and recovered paper has not been a core product for the SCA Packaging Group.

The following table sets out the external revenue of the SCA Packaging Group for the financial years ended 31 December 2008, 2009 and 2010 and the nine-month periods ended 30 September 2010 and 2011 by division.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
			€ millions		
Corrugated & Packaging	2,567.9	2,113.6	2,335.2	1,723.3	1,866.0
Containerboard	538.6	324.9	514.9	372.6	514.6
Eliminations[(1)]	(373.5)	(205.6)	(307.8)	(223.6)	(315.1)
Total external revenue	**2,733.0**	**2,232.9**	**2,542.3**	**1,872.3**	**2,065.5**

(1) Eliminations relate to intercompany sales between the Containerboard and Corrugated & Packaging divisions.

The following table sets out the external revenue of the SCA Packaging Group for the financial years ended 31 December 2008, 2009 and 2010 and the nine-month periods ended 30 September 2010 and 2011 by geographic area.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
			€ millions		
Germany	519.4	441.3	496.9	365.8	407.4
Italy	408.6	323.1	397.2	292.3	341.0
France	365.2	291.7	324.2	238.9	261.6
Rest of Europe	1,422.4	1,145.0	1,272.2	937.1	1,042.9
Rest of World	17.4	31.8	51.8	38.2	12.6
Total external revenue	**2,733.0**	**2,232.9**	**2,542.3**	**1,872.3**	**2,065.5**

For further analysis of revenue of the SCA Packaging Group by division, see paragraph 2 of this Part IX (*Operating and Financial Review of the SCA Packaging Group*).

1.3 Recent Developments

Since 30 September 2011, the SCA Packaging Group has had the following recent developments:

In November 2011, the SCA Packaging Group sold its production facility in St. Petersburg, Russia, which was its last remaining production facility in Russia. The net proceeds from this sale amounted to €8.1 million, resulting in a loss on disposal of €1.8 million.

1.4 Key Factors Affecting Results of Operations and Financial Condition

General economic conditions, including the global financial and economic crisis and subsequent economic recovery

Demand for the SCA Packaging Group's Corrugated & Packaging products is generally driven by the state of the economy and, in particular, the levels of gross domestic product (**GDP**) and industrial production in the principal geographic markets of the SCA Packaging Group.

The following table sets forth information on annual changes in real GDP and industry production index in the SCA Packaging Group's three largest markets (Germany, Italy and France) and in all 27 EU member states combined in 2008, 2009 and 2010:

	2008	2009	2010
		%	
Germany			
Percentage change in real GDP	1.1	(5.1)	3.7
Percentage change in industry production index[1]	(0.0)	(16.3)	10.9
Italy			
Percentage change in real GDP	(1.2)	(5.1)	1.5
Percentage change in industry production index[1]	(3.5)	(18.8)	6.4
France			
Percentage change in real GDP	(0.1)	(2.7)	1.5
Percentage change in industry production index[1]	(2.9)	(12.8)	4.8
All 27 EU member states			
Percentage change in real GDP	0.5	(4.3)	1.9
Percentage change in industry production index[1]	(1.7)	(13.6)	6.8

Source: *Eurostat* website.

(1) Industry production index measures the amount of output from manufacturing, mining and quarrying, electricity, gas, steam and air conditioning supply.

The onset of the global financial and economic crisis in the autumn of 2008 adversely affected the economies of the three principal geographic markets for the SCA Packaging Group's products and of all 27 EU member states combined in 2009 which, in turn, resulted in lower demand for the SCA Packaging Group's products, lower volume of its sales and lower prices of its products in that year (see paragraph 2.4 of this Part IX (*Operating and Financial Review of the SCA Packaging Group*)). In 2010, all of these economies recovered from the crisis to some extent, although there were significant regional variations, with Germany experiencing particularly strong growth in that year.

In 2010, both the volume of the SCA Packaging Group's sales and the prices of its products experienced increases that were correlated, in large part, with higher demand for such products as a result of economic recovery. Economic growth continued in most European countries in 2011. The combined GDP of all 27 EU member states grew by 0.7 per cent. in the first quarter of 2011, 0.2 per cent. in the second quarter of 2011 and by 0.3 per cent. in the third quarter of 2011 (in each case as compared to the previous quarter) (Source: Eurostat). All three of the SCA Packaging Group's principal geographic markets experienced positive GDP growth in the first quarter of 2011 (1.3 per cent. in Germany, 0.1 per cent. in Italy and 0.9 per cent. in France). GDP growth remained positive in Germany (0.3 per cent.) and Italy (0.3 per cent.) in the second quarter of 2011, but turned negative in France (negative 0.1 per cent.) in that quarter. In the third quarter of 2011, both Germany and France experienced positive economic growth (0.5 per cent. and 0.3 per cent., respectively), while Italy had a negative GDP growth rate in that quarter (negative 0.2 per cent.)

Industrial production in the 27 EU member states increased by 2.2 per cent. in September 2011 as compared to September 2010 (Source: Eurostat). This economic growth helped the SCA Packaging Group to both increase the volume of its sales in the nine months ended 30 September 2011, as compared to the nine months ended 30 September 2010, and to achieve higher prices for its products in the latter period. However,

the outlook for the balance of 2011 and beyond remains uncertain as a result of volatility in EU and global economic conditions — see the section entitled "*Risk Factors*" of this document.

Input costs

As many of the SCA Packaging Group's products are commodities with significant price pressure and a limited ability to differentiate products, the ability to generate commercially acceptable margins depends in significant part on managing costs and the ability to recover any increases in input costs. The largest components of the SCA Packaging Group's cost of sales and operating expenses are raw materials and consumables and personnel expenses. Distribution expenses and expenditures on energy also constitute significant components of the SCA Packaging Group's cost of sales and operating expenses.

Variability in raw materials prices and the SCA Packaging Group's ability to pass these through to its customers

The SCA Packaging Group's overall profitability is significantly affected by the length of time it takes to translate price increases in raw materials into the prices the SCA Packaging Group charges for its products as well as the level of raw material prices.

Raw materials and consumables represent the most significant portion of the SCA Packaging Group's cost of sales, accounting for 65.9 per cent. and 63.2 per cent. of the SCA Packaging Group's cost of sales in the nine months ended 30 September 2011 and the financial year ended 31 December 2010, respectively. One of the principal determinants of the cost of the SCA Packaging Group's Corrugated & Packaging products is the price of CCM, which is extensively used in the manufacture of such products. The price of CCM is, in turn, dependent on the price of recovered fibre. An important driver of CCM prices is the balance of supply and demand for paper products in general. When the prices of recovered fibre and CCM begin to rise, corrugated board manufacturers attempt to raise their prices to preserve profit margins, which generally decrease as a result of increased raw materials costs. In a down cycle, as recovered fibre and CCM prices fall, there is a similar lag in the corrugated board pricing falling as there is in an up-cycle, and there is therefore a limited period of positive profit impact.

As a result of this variability in raw materials prices, contracts between the SCA Packaging Group and its customers are priced by a variety of methods, including indices of raw materials prices, spot prices or fixed price arrangements. The contracting approach depends on a variety of factors, including the prevailing level and the parties expectations of raw materials prices, competition and the overall level of market activity. As a result of the mix of contract types and terms, there is typically a delay between a change in raw material prices and adjustment of pricing levels in new and existing contracts. In recent years, as customer contracts have come up for renewal, the SCA Packaging Group's sales force has endeavoured to negotiate index-linked contracts with the aim of reducing the price recovery period from an average of approximately six months to shorter periods. The SCA Packaging Group has generally been able to pass on at least a portion of increases in raw materials prices to customers, subject to this delayed recovery period. However, the SCA Packaging Group's results of operations have been, in the periods under review, and will continue to be, affected by the success with which management has been and will continue to be able to pass on these costs over time.

The cost of labour, including the impact of the restructuring programme implemented in 2009 and 2010

Personnel expenses have represented between one-quarter to one-fifth of total revenue over the past several years, and there has been an ongoing focus at the SCA Packaging Group to reduce personnel expenses. In response to the impact of the global financial and economic crisis on its operations, the SCA Packaging Group initiated a restructuring programme in 2009 (the **2009/2010 Restructuring Programme**). A total of 16 corrugated board plants and the CCM plant in the United Kingdom were closed in 2009 and 2010, and personnel reductions corresponding to approximately 2,100 positions were carried out during this period. The 2009/2010 Restructuring Programme helped to reduce the SCA Packaging Group's costs and increase its profitability. The SCA Packaging Group's annual savings from the 2009/2010 Restructuring Programme amounted to €97 million in 2010. During this time, personnel expenses decreased from €665.5 million in the financial year ended 31 December 2008 (24.4 per cent. of total revenue in that year), to €568.6 million in the financial year ended 31 December 2009 (25.5 per cent. of total revenue in that year) and then remained at approximately the same level of €568.7 million in the financial year ended 31 December 2010 (22.4 per cent. of total revenue in that year). The average number of employees of the SCA Packaging Group decreased from 16,244 in 2008 to 13,895 in 2009 and then further decreased to 12,896 in 2010.

On an ongoing basis, management seeks to manage the size of its labour force as a means of offsetting for labour cost inflation. Throughout 2011, in furtherance of this objective, the SCA Packaging Group has undertaken a series of territory-specific personnel restructuring affecting its facilities in the United Kingdom, Italy, the Netherlands, the Czech Republic, Denmark and Germany. This programme is expected to result in a reduction of more than 200 positions in 2011. The restructuring costs related to the implementation of this programme in 2011 are currently estimated to be approximately €18.2 million, including working capital write-offs and fixed asset impairment. Principally as a result of implementation of this programme, personnel expenses further decreased from €421.6 million in the nine months ended 30 September 2010 (22.5 per cent. of total revenue) to €406.4 million in the nine months ended 30 September 2011 (19.7 per cent. of total revenue). The average number of employees also decreased from 13,030 to 12,085 in the same time period.

Energy prices

The SCA Packaging Group is exposed to changes in gas and electricity prices, with energy costs typically representing between 5 per cent. and 6 per cent. of the SCA Packaging Group's total revenue. Part of this commodity price risk is managed by a combination of physical supply agreements and hedging arrangements at the SCA Group level. The SCA Packaging Group also supplies a portion of its own electricity from its owned co-generation production facilities. The SCA Packaging Group's total electricity consumption amounted (excluding recycling operations in Continental Europe) to approximately 839 GWhe in 2010. The SCA Packaging Group's co-generation production totalled 414 GWhe in 2010, while the SCA Packaging Group purchased 425 GWhe from the grid in that year.

The SCA Packaging Group is also exposed to changes in fuel prices through its purchases of fossil fuels in the market. The SCA Packaging Group (excluding recycling operations in Continental Europe) consumed a total of more than 12,000 Terajoules (Tj) of energy from fuel in the financial year ended 31 December 2010, of which approximately 74 per cent. came from fossil products. Natural gas is the fossil fuel most commonly used by the SCA Packaging Group (excluding recycling operations in Continental Europe) and it comprised approximately 52 per cent. of the total amount used by the SCA Packaging Group in the financial year ended 31 December 2010. The remainder of the SCA Packaging Group's fuel generated energy is generated from biofuel obtained from timber residue produced as a by product of pulp production at the SCA Packaging Group's plants.

Capacity levels at CCM production facilities and prices of CCM and conventional corrugated board

A mismatch between the existing capacity of CCM production facilities and demand for CCM and conventional corrugated board can lead to a significant downward pressure on the prices of these products as excess capacity increases. This was clearly demonstrated by price decreases in 2009 as a result of the impact of the global financial and economic crisis on demand for CCM and conventional corrugated board, which led to a period of excess capacity in the market. Due principally to the impact of excess capacity, the average price of CCM produced at the SCA Packaging Group's mills started to decrease in the third quarter of 2011 as compared to the second quarter of 2011. Prices of conventional corrugated board tend to follow the prices of CCM generally with a lag of approximately six months.

Capital expenditure

The SCA Packaging Group's results of operations and cash flows are significantly impacted by its capital expenditure programme. See paragraph 3.3 of this Part IX (*Operating and Financial Review of the SCA Packaging Group*).

1.5 Basis of Preparation of the Combined Financial Information

The SCA Packaging Group has not in the past constituted a separate legal group. The Combined Financial Information, which has been prepared specifically for the purpose of this document and has been prepared on a basis that combines the results and assets and liabilities of each of the companies constituting the SCA Packaging Group by applying the principles underlying the consolidation procedures of IAS 27.

Under the terms of the Acquisition, the SCA Packaging Group will be acquired on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. For the purposes of the preparation of the SCA Packaging's Combined Financial Information, no adjustment has been made to remove cash, debt or pension liabilities. The cash, debt and pension liabilities are therefore not representative of the cash, debt and pension liabilities of SCA Packaging or the Enlarged Group following the Acquisition.

In addition, as part of the SCA Group, the SCA Packaging Group has relied on other SCA Group companies to provide certain central services including, but not limited to, management information systems, accounting and financial reporting, treasury and taxation services, but has not been charged for those services. Accordingly, the Combined Financial Information will not necessarily be representative of these costs following the Acquisition. Similarly, certain tax charges and interest income and expenses have been affected by historical arrangements within the SCA Group and will not necessarily be representative of such charges, income and expenses following the Acquisition. For more information, see note 1 "*Basis of preparation and significant accounting policies*" of the Combined Financial Information in Section B of Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document.

2. RESULTS OF OPERATIONS

The following table sets out selected income statement data for the years ended 31 December 2008, 2009 and 2010 and the nine-month periods ended 30 September 2010 and 2011.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
			€ millions		
Revenue	2,733.0	2,232.9	2,542.3	1,872.3	2,065.5
Cost of sales	(2,047.4)	(1,673.1)	(1,882.4)	(1,386.1)	(1,545.7)
Gross profit	685.6	559.8	659.9	486.2	519.8
Operating expenses[(1)]	(556.3)	(517.5)	(547.5)	(411.1)	(401.1)
Adjusted operating profit[(2)]	129.3	42.3	112.4	75.1	118.7
Exceptional items	—	(122.3)	(24.1)	(24.0)	(22.0)
Amortisation of intangible assets	(7.4)	(6.5)	(6.3)	(4.7)	(4.3)
Operating profit/(loss)	121.9	(86.5)	82.0	46.4	92.4
Net finance income/(costs)	(52.8)	(25.6)	14.8	11.3	10.4
Share of profit of associates	0.1	—	1.6	1.1	1.4
Profit/(loss) before income tax	69.2	(112.1)	98.4	58.8	104.2
Income tax (expense)/credit	(12.4)	23.4	(22.2)	(11.5)	(32.4)
Profit/(loss) for the financial period from continuing operations	56.8	(88.7)	76.2	47.3	71.8

(1) Calculated as operating expenses before exceptional items.
(2) Calculated as operating profit before exceptional items and amortisation.

2.1 Description of Principal Income Statement Items

Revenue

The SCA Packaging Group principally generates revenue through the sale of its packaging products to third-party customers, principally FMCG manufacturers, as described under Part VI (*Information on the SCA Packaging Group*) of this document.

Cost of sales

The principal components of the SCA Packaging Group's cost of sales are: (i) expenditures on raw materials (paper and recycled fibre) and consumables (chemicals, starch, ink and other consumables); (ii) expenditures on energy; (iii) other production costs, which include wages and salaries and other personnel expenses of the SCA Packaging Group's employees (other than employees involved in administration or product development); and (iv) charges in respect of depreciation of property, plant and equipment used in the manufacturing process.

Operating expenses

The SCA Packaging Group's operating expenses principally consist of: (i) wages and salaries and other personnel expenses of the SCA Packaging Group's employees involved in administration and product development; (ii) charges in respect of depreciation of property, plant and equipment that is not used in the manufacturing processes; (iii) other expenses and purchased services, which include, among other things, expenditures on repair and maintenance, rents, IT and communications expenses, insurance premiums and

consultancy fees; (iv) certain exceptional items related to the SCA Packaging Group's restructuring programmes; and (v) distribution expenses.

Personnel expenses

Personnel expenses are allocated between cost of sales and operating expenses, depending on the nature of the expenses incurred. The SCA Packaging Group's personnel expenses consist of: (i) wages and salaries; (ii) social security costs; (iii) contributions to defined contribution pension plans; and (iv) service costs for defined benefit schemes.

Net finance income or expense

Net finance income or expense is the difference between the SCA Packaging Group's finance income and its finance costs. Finance income is principally comprised of interest income from the SCA Group. Finance costs principally consist of interest expenses to the SCA Group. Interest expenses to the SCA Group relate to intra-group debt incurred to purchase assets or interests in other companies or to fund the working capital requirements of the SCA Packaging Group. Generally, intra-group interest income arises when proceeds from sales of assets or interests in other companies or general working capital surpluses are deposited with the SCA Group treasury.

Income tax expense

Income tax on the profit or loss for the period comprises current and deferred tax.

The current taxes (assets and liabilities) are measured at the amount expected to be paid/recovered (to/from the taxation authorities) using the tax rate that has been enacted or substantively enacted for the fiscal period.

The deferred taxes (assets and liabilities) are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the tax rate that has been enacted or substantively enacted by the end of the reporting period.

2.2 Nine Months Ended 30 September 2011 Compared to Nine Months Ended 30 September 2010 (unaudited)

Revenue

The SCA Packaging Group's revenue increased by €193.2 million, or 10.3 per cent., from €1,872.3 million for the nine months ended 30 September 2010 to €2,065.5 million in the nine months ended 30 September 2011. The principal reasons for this increase were higher prices of the SCA Packaging Group's products in the nine months ended 30 September 2011 as compared to the nine months ended 30 September 2010 and the increase in the volume of its sales of CCM between the two periods.

The following table sets out the external revenue and proportional contribution to the SCA Packaging Group's total external revenue by division for the nine month periods ended 30 September 2010 and 2011.

	Nine months ended 30 September 2010	Nine months ended 30 September 2011	Percentage change
	€ millions (unaudited)	€ millions	%
Corrugated & Packaging	1,723.3	1,866.0	8.3
Containerboard	372.6	514.6	38.1
Eliminations[(1)]	(223.6)	(315.1)	40.9
Total external revenue	1,872.3	2,065.5	10.3

(1) Eliminations relate to inter-company sales between the Containerboard and Corrugated & Packaging divisions.

Revenue — Corrugated & Packaging

Revenue of the SCA Packaging Group's Corrugated & Packaging division increased by €142.7 million, or 8.3 per cent., from €1,723.3 million for the nine months ended 30 September 2010 to €1,866.0 million for the nine months ended 30 September 2011, principally due to increases in prices of conventional corrugated board.

Prices of conventional corrugated board increased in each of the three quarters of 2011 as compared to the previous quarter, driven by generally improving economic conditions in the nine months ended 30 September 2011 versus the nine months ended 30 September 2010. Volume of sales of corrugated board increased, but at a much smaller rate than the increase in the volume of CCM sales, as the growth in the volume of sales of corrugated board was negatively affected by the disposal of the Greek packaging business in the second quarter of 2011.

Revenue — Containerboard

Revenue of the SCA Packaging Group's Containerboard division increased by €142.0 million, or 38.1 per cent., from €372.6 million for the nine months ended 30 September 2010 to €514.6 million for the nine months ended 30 September 2011. Prices of CCM produced at the SCA Packaging Group's CCM mills increased in the nine months ended 30 September 2011 as compared to the nine months ended 30 September 2010, in line with increases in prices in the global market for CCM between these two periods. The increase in the volume of sales of CCM was principally due to the impact of the continuing recovery of the economy and rising industrial production in Europe on demand for CCM and the Lucca mill returning to its normal level of production following an accident at the site in May 2009. The combined GDP of all 27 EU member states grew by 0.7 per cent. in the first quarter of 2011, 0.2 per cent. in the second and third quarters of 2011 and by 0.3 per cent. in the third quarter of 2011 (in each case as compared to the previous quarter), while industrial production in the 27 EU member states increased by 2.2 per cent. in September 2011 as compared to September 2010 (Source: Eurostat).

Cost of sales, gross profit and gross margin

Cost of sales increased by €159.6 million, or 11.5 per cent., from €1,386.1 million for the nine months ended 30 September 2010 to €1,545.7 million for the nine months ended 30 September 2011. This increase was principally due to higher expenditures on raw materials, such as recycled fibre, and consumables between the two periods. The SCA Packaging Group's gross profit increased by €33.6 million, or 6.9 per cent., from €486.2 million in the nine months ended 30 September 2010 to €519.8 million in the nine months ended 30 September 2011, while gross margin decreased from 26.0 per cent. in the nine months ended 30 September 2010 to 25.2 per cent. in the nine months ended 30 September 2011.

Operating expenses

Operating expenses before exceptional items decreased by €10.0 million, or 2.4 per cent., from €411.1 million for the nine months ended 30 September 2010 to €401.1 million for the nine months ended 30 September 2011, principally due to a decrease in personnel expenses.

Personnel expenses

Personnel expenses decreased by €15.2 million, or 3.6 per cent., from €421.6 million for the nine months ended 30 September 2010 to €406.4 million for the nine months ended 30 September 2011, principally due to lower wages and salaries resulting from the reduction in the average number of employees from 13,030 in the nine months ended 30 September 2010 to 12,085 in the nine months ended 30 September 2011.

Operating profit and operating margin

As a result of the foregoing, operating profit increased by €46.0 million, or 99.1 per cent., from €46.4 million for the nine months ended 30 September 2010 to €92.4 million for the nine months ended 30 September 2011, while operating margin increased from 2.5 per cent. for the nine months ended 30 September 2010 to 4.5 per cent. for the nine months ended 30 September 2011.

Net finance income

Net finance income decreased by €0.9 million, or 8.0 per cent., from €11.3 million for the nine months ended 30 September 2010 to €10.4 million for the nine months ended 30 September 2011. The €31.8 million in interest income from SCA Group companies in the nine months ended 30 September 2011 principally related to tax-driven arrangements in respect of: (i) two Belgian companies, SCA Packaging Coordination Centre NV and SCA Packaging Marketing NV, and (ii) SCA Packaging Holding BV.

Profit before income tax

Profit before income tax increased by €45.4 million, or 77.2 per cent., from €58.8 million for the nine months ended 30 September 2010 to €104.2 million for the nine months ended 30 September 2011.

Income tax expense

Income tax expense increased by €20.9 million, or 181.7 per cent., from €11.5 million for the nine months ended 30 September 2010 to €32.4 million for the nine months ended 30 September 2011. The effective tax rate[1] increased from 19.9 per cent. in the nine months ended 30 September 2010 to 31.5 per cent. in the nine months ended 30 September 2011. This increase was principally due to: (i) €7.7 million in non-deductible expenses for the nine months ended 30 September 2011 as compared to a credit of €0.6 million in non-deductible expenses for the nine months ended 30 September 2010; and (ii) a larger adjustment in respect of previous years for the nine months ended 30 September 2010 (€4.6 million) as compared to the nine months ended 30 September 2011 (€2.3 million).

2.3 Financial Year Ended 31 December 2010 Compared to Financial Year Ended 31 December 2009

Revenue

The SCA Packaging Group's revenue increased by €309.4 million, or 13.9 per cent., from €2,232.9 million for the financial year ended 31 December 2009 to €2,542.3 million for the financial year ended 31 December 2010. The principal reasons for this increase were higher prices of the SCA Packaging Group's products in 2010 as compared to 2009 and the increase in the volume of its sales of conventional corrugated board and CCM between the two years.

The following table sets out the external revenue and proportional contribution to the SCA Packaging Group's total external revenue, by division, for the financial years ended 31 December 2009 and 2010.

	Year ended 31 December 2009	Year ended 31 December 2010	Percentage change
	€ millions	€ millions	%
Corrugated & Packaging	2,113.6	2,335.2	10.5
Containerboard	324.9	514.9	58.5
Eliminations (1)	(205.6)	(307.8)	49.7
Total external revenue	2,232.9	2,542.3	13.9

(1) Eliminations relate to intercompany sales between the Containerboard and Corrugated & Packaging divisions.

Revenue — Corrugated & Packaging

Revenue of the SCA Packaging Group's Corrugated & Packaging division increased by €221.6 million, or 10.5 per cent., from €2,113.6 million for the financial year ended 31 December 2009 to €2,335.2 million for the financial year ended 31 December 2010, due to increases in both prices and volumes of sales. The increase in both prices and the volume of sales was driven, in large part, by the improved demand for corrugated board in Western Europe, which, in turn, reflected the continuing recovery of the economy and rising industrial production. Real GDP of the 27 EU member states grew by 1.9 per cent. in 2010, while the industry production index increased by 6.8 per cent. in that year (Source: Eurostat). In Germany, which was the largest market for the SCA Packaging Group's products in 2010, the pace of economic recovery was even faster with real GDP growth of 3.7 per cent. and industry production index growth of 10.9 per cent. (Source: Eurostat).

Revenue — Containerboard

Revenue of the SCA Packaging Group's Containerboard division increased by €190.0 million, or 58.5 per cent., from €324.9 million for the financial year ended 31 December 2009 to €514.9 million for the financial year ended 31 December 2010, due to rising prices and volumes of sales driven by the continuing recovery of the economy and rising industrial production. Volumes were also positively affected by an increase in CCM production at the Lucca mill following the completion of repairs needed after an accident at the site in May 2009. The impact of improved economic conditions in Europe in 2010 and the completion of repairs at

[1] Calculated as income tax expense/credit as a percentage of profit/loss before tax and share of profit of associates

the Lucca mill on volume of the SCA Packaging Group's sales of CCM was partially offset by the full year effect of the closure of the New Hythe mill in the United Kingdom in 2009.

Cost of sales, gross profit and gross margin

Cost of sales increased by €209.3 million, or 12.5 per cent., from €1,673.1 million for the financial year ended 31 December 2009 to €1,882.4 million in the financial year ended 31 December 2010. This increase principally resulted from the increases in expenditures on raw materials and consumables and in other production costs. The SCA Packaging Group's gross profit increased by €100.1 million, or 17.9 per cent., from €559.8 million in the financial year ended 31 December 2009 to €659.9 million in the financial year ended 31 December 2010, while gross margin increased from 25.1 per cent. in the financial year ended 31 December 2009 to 26.0 per cent. in the financial year ended 31 December 2010.

Operating expenses

Operating expenses before exceptional items increased by €30.0 million, or 5.8 per cent., from €517.5 million for the financial year ended 31 December 2009 to €547.5 million for the financial year ended 31 December 2010. The increase is principally due to an increase in distribution expenses in the financial year ended 31 December 2010 as compared to the financial year ended 31 December 2009.

Personnel expenses

Personnel expenses remained stable between the two years, slightly increasing from €568.6 million for the financial year ended 31 December 2009 to €568.7 million for the financial year ended 31 December 2010. An increase in the average salary in 2010 as compared to 2009 was offset by the reduction in the average number of employees from 13,895 for the financial year ended 31 December 2009 to 12,896 for the financial year ended 31 December 2010.

Exceptional items

The SCA Packaging Group had costs relating to exceptional items in the amount of €24.1 million in the financial year ended 31 December 2010, an 80.3 per cent. decrease compared to €122.3 million in the financial year ended 31 December 2009. This large decrease in exceptional items was principally related to the winding down of the 2009/2010 Restructuring Programme in 2010. Out of the total personnel reductions corresponding to approximately 2,100 positions carried out in 2009 and 2010, personnel reductions corresponding to approximately 1,500 positions were completed in 2009.

Operating profit and operating margin

As a result of the foregoing, the SCA Packaging Group's operating loss was €86.5 million in the financial year ended 31 December 2009, while in the financial year ended 31 December 2010, its operating profit amounted to €82.0 million. The SCA Packaging Group's operating margin was negative 3.9 per cent. in 2009 and 3.2 per cent. in 2010.

Net finance income or costs

Net finance costs amounted to €25.6 million in the financial year ended 31 December 2009. Net finance income was €14.8 million in the financial year ended 31 December 2010. This change was principally due to the decrease in interest expenses to the SCA Group from €47.5 million in 2009 to €31.0 million in 2010. Interest expenses to the SCA Group relate to intra-group debt incurred to purchase assets or interests in other companies or to fund the working capital requirements of the SCA Packaging Group.

Profit or loss before income tax

Loss before income tax was €112.1 million in the financial year ended 31 December 2009. Profit before income tax was €98.4 million in the financial year ended 31 December 2010.

Income tax expense

Income tax credit was €23.4 million in the financial year ended 31 December 2009. Income tax expense was €22.2 million in the financial year ended 31 December 2010. The effective tax rate remained stable between the two years, slightly increasing from 20.9 per cent. in 2009 to 22.9 per cent. in 2010. The effective tax rate

was lower than the domestic corporation tax rate (26.3 per cent. in both 2009 and 2010) in both years due in part to the effect of tax rates in overseas jurisdictions.

2.4 Financial Year Ended 31 December 2009 Compared to Financial Year Ended 31 December 2008

Revenue

The SCA Packaging Group's revenue decreased by €500.1 million, or 18.3 per cent., from €2,733.0 million for the financial year ended 31 December 2008 to €2,232.9 million for the financial year ended 31 December 2009. The principal reasons for this decrease were the decrease in the volume of the SCA Packaging Group's sales of corrugated board and CCM between the two years and lower prices of its products in 2009 as compared to 2008. The decrease in the volume of sales was driven principally by the impact of the onset of the global financial and economic crisis in the autumn of 2008, which adversely affected the economic performance of most European countries in 2009 and reduced the demand for the SCA Packaging Group's products. The real GDP of the 27 EU member states decreased by 4.3 per cent. in 2009, while real GDP of Germany, Italy, and France, which were the three largest markets for the SCA Packaging Group's products in 2009, decreased by 5.1 per cent., 5.1 per cent. and 2.7 per cent., respectively (Source: Eurostat). Industry production index in the 27 EU member states, Germany, Italy, and France decreased by 13.6 per cent., 16.3 per cent., 18.8 per cent. and 12.8 per cent., respectively (Source: Eurostat).

Additionally, the SCA Packaging Group initiated the 2009/2010 Restructuring Programme in April 2009. Measures implemented in 2009 included the closure of 11 corrugated board plants in Europe and the earlier-than-scheduled closure of the CCM plant in the United Kingdom, with an annual capacity of 260,000 tonnes. In 2009, the workforce was reduced by 1,500 positions.

The following table sets out the external revenue and proportional contribution to the SCA Packaging Group's total external revenue, by division, for the financial years ended 31 December 2008 and 2009.

	Year ended 31 December 2008	Year ended 31 December 2009	Percentage change
	€ millions	€ millions	%
Corrugated & Packaging	2,567.9	2,113.6	(17.7)
Containerboard	538.6	324.9	(39.7)
Eliminations[1]	(373.5)	(205.5)	(45.0)
Total external revenue	2,733.0	2,232.9	(18.3)

(1) Eliminations relate to inter-company sales between the Containerboard and Corrugated & Packaging divisions.

Revenue — Corrugated & Packaging

Revenue of the SCA Packaging Group's Corrugated & Packaging division decreased by €454.3 million, or 17.7 per cent., from €2,567.9 million for the financial year ended 31 December 2008 to €2,113.6 million for the financial year ended 31 December 2009, due to decreases in both prices and volumes of sales as a result of the downturn, which weakened demand for corrugated board in 2009 as compared to 2008. To improve the balance in the market, extensive production downtime was used by many SCA Packaging Group companies.

Revenue — Containerboard

Revenue of the SCA Packaging Group's Containerboard division decreased by €213.7 million, or 39.7 per cent., from €538.6 million for the financial year ended 31 December 2008 to €324.9 million for the financial year ended 31 December 2009, principally due to the economic factors, the closure of the CCM plant in the United Kingdom described above, and the impact of an accident at the Lucca mill in May 2009. With respect to price decreases, price pressure also intensified as a result of the strain created by large stocks of CCM in the market.

Cost of sales, gross profit and gross margin

Cost of sales decreased by €374.3 million, or 18.3 per cent., from €2,047.4 million for the financial year ended 31 December 2008 to €1,673.1 million in the financial year ended 31 December 2009. This decrease principally resulted from lower expenditures on raw materials and consumables in 2009 as compared to 2008 and, to a lesser extent, from the decrease in other production costs and expenditures on energy between the two years. The SCA Packaging Group's gross profit decreased by €125.8 million, or 18.4 per cent., from

€685.6 million in the financial year ended 31 December 2008 to €559.8 million in the financial year ended 31 December 2009, while gross margin remained stable at 25.1 per cent. in both 2008 and 2009.

Operating expenses

Operating expenses before exceptional items decreased by €38.8 million, or 7.0 per cent., from €556.3 million for the financial year ended 31 December 2008 to €517.5 million for the financial year ended 31 December 2009. This decrease in operating expenses in 2009 as compared to 2008 was, in large part, due to the decrease in distribution expenses in the financial year ended 31 December 2009 as compared to the financial year ended 31 December 2008.

Personnel expenses

Personnel expenses decreased by €96.9 million, or 14.6 per cent., from €665.5 million for the financial year ended 31 December 2008 to €568.6 million for the financial year ended 31 December 2009, principally due to lower wages and salaries resulting from a 14.5 per cent. reduction in the average number of employees between the two years, as a result of the restructuring of the SCA Packaging Group's personnel begun in April 2009.

Exceptional items

The SCA Packaging Group had costs relating to exceptional items in the amount of €122.3 million in the financial year ended 31 December 2009, which was the result of the 2009/2010 Restructuring Programme commenced in April 2009. No exceptional items were recorded in operating expenses in 2008.

Operating profit and operating margin

In the financial year ended 31 December 2008, the SCA Packaging Group's operating profit was €121.9 million. The SCA Packaging Group incurred an operating loss of €86.5 million in the financial year ended 31 December 2009. The SCA Packaging Group's operating margin was 4.5 per cent. in the financial year ended 31 December 2008 and negative 3.9 per cent. in 2009.

Net finance costs

Net finance costs decreased by €27.2 million, or 51.5 per cent., from €52.8 million for the financial year ended 31 December 2008 to €25.6 million for the financial year ended 31 December 2009. This change was principally due to the decrease in interest expenses to the SCA Group from €89.1 million in 2008 to €47.5 million in 2009. Interest expenses to the SCA Group relate to intra-group debt incurred to purchase assets or interests in other companies or to fund the working capital requirements of the SCA Packaging Group.

Profit or loss before income tax

Profit before income tax was €69.2 million in the financial year ended 31 December 2008. Loss before income tax was €112.1 million in the financial year ended 31 December 2009.

Income tax expense

Income tax expense was €12.4 million in the financial year ended 31 December 2008. Income tax credit was €23.4 million in the financial year ended 31 December 2009. The effective tax rate was 17.9 per cent. in 2008 and 20.9 per cent. in 2009. In 2008, the effective tax rate was significantly lower than the domestic corporation tax rate (28.0 per cent.) principally due to €9.8 million adjustment in respect of prior years.

3. LIQUIDITY AND CAPITAL RESOURCES

During the period under review, the SCA Packaging Group met a part of its liquidity needs with net cash generated from operations and the balance through short and long-term borrowings, principally from the SCA Group. The DS Smith Group's management expects that net cash generated from operations will continue to be an important source of cash in the future. The SCA Packaging Group's liquidity needs arise principally from the need to finance its working capital and the need to finance its capital expenditures programme. In 2012, the SCA Packaging Group's management currently plans to make capital expenditures in the amount of approximately €79 million. See paragraph 3.3 of this Part IX (*Operating and Financial*

Review of the SCA Packaging Group) for more details on the SCA Packaging Group's planned capital expenditures in 2012.

3.1 Cash Flows

The following table sets out the SCA Packaging Group's summary cash flow information for the financial years ended 31 December 2008, 2009 and 2010 and for the nine-month periods ended 30 September 2010 and 2011.

	Year ended 31 December			Nine months ended 30 September	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
			€ millions		
Net cash generated from operating activities	197.8	90.0	120.6	54.0	50.7
Net cash used in investing activities	(63.9)	(70.3)	(82.3)	(36.0)	(49.0)
Net cash used in financing activities	(141.4)	(21.7)	(43.9)	(20.2)	(0.7)
Net increase/(decrease) in cash and cash equivalents	**(7.5)**	**(2.0)**	**(5.6)**	**(2.2)**	**1.0**
Net cash and cash equivalents at the beginning of the period	25.5	16.2	14.1	14.1	9.2
Exchange (losses)/gains on cash and cash equivalents	(1.8)	(0.1)	0.7	0.7	(0.3)
Net cash and cash equivalents at period-end	**16.2**	**14.1**	**9.2**	**12.6**	**9.9**

Under the terms of the proposed Acquisition, the SCA Packaging Group will be acquired on a cash free basis. For the purposes of the preparation of the SCA Packaging Group's Combined Financial Information, no adjustment has been made to remove cash. The cash is, therefore, not representative of the cash of the SCA Packaging Group following the proposed acquisition.

Cash flows from operating activities

Nine months ended 30 September 2011 compared to nine months ended 30 September 2010 (unaudited). Net cash generated from operating activities decreased by €3.3 million, or 6.1 per cent., from €54.0 million in the nine months ended 30 September 2010 to €50.7 million in the nine months ended 30 September 2011.

Two factors had a positive effect on cash generated from operating activities. First, the SCA Packaging Group's profit increased from €47.3 million in the nine months ended 30 September 2010 to €71.8 million in the nine months ended 30 September 2011. Second, there was a €36.0 million increase in adjustments to profit between the two periods (from €73.7 million in the nine months ended 30 September 2010 to €109.7 million in the nine months ended 30 September 2011) driven principally by an €20.9 million increase in income tax expense and a €17.9 million reduction of cash outflow for exceptional items between the two periods. The impact of these two factors was, however, offset by: (i) a larger increase in working capital in the nine months ended 30 September 2011 as compared to the nine months ended 30 September 2010 (working capital increased by €45.8 million in the nine months ended 30 September 2010 as compared to a €89.3 million increase in working capital in the nine months ended 30 September 2011); and (ii) a €5.3 million increase in income tax paid (from €5.8 million in the nine months ended 30 September 2010 to €11.1 million in the nine months ended 30 September 2011).

Changes in working capital consist of changes in inventories, trade and other receivables and trade and other payables. The most significant differences between the nine months ended 30 September 2011 and the nine months ended 30 September 2010 in respect of the changes in working capital were the following:

- a smaller increase in trade and other payables, which increased by €3.8 million in the nine months ended 30 September 2011 as compared to a €58.2 million increase in trade and other payables in the nine months ended 30 September 2010; and
- a smaller increase in inventories, which increased by €16.4 million in the nine months ended 30 September 2011 as compared to a €34.0 million increase in inventories in the nine months ended 30 September 2010.

The change described in the first bullet point above contributed to a larger increase in working capital between the two periods, while a smaller increase in inventories had an opposite effect. The larger increase in trade and other payables for the nine months ended 30 September 2010 as compared to the nine months ended 30 September 2011 was driven by a faster growth in production in the nine months ended 30 September 2010, which was in turn driven by a strong increase in demand for corrugated board related to the economic recovery in Europe during that period.

Financial year ended 31 December 2010 compared to financial year ended 31 December 2009. Net cash generated from operating activities increased by €30.6 million, or 34.0 per cent., from €90.0 million in the financial year ended 31 December 2009 to €120.6 million in the financial year ended 31 December 2010.

Two factors had a positive effect on cash generated from operating activities. First, the SCA Packaging Group's profitability increased significantly between the two years (the SCA Packaging Group incurred a loss of €88.7 million in 2009 as compared to a profit of €76.2 million in 2010). Second, interest received by the SCA Packaging Group in 2010 exceeded interest paid by it in the same year by €6.3 million. In contrast, in 2009, interest paid by the SCA Packaging Group in that year exceeded interest received by it by €19.6 million. The impact of these two factors was, however, offset by: (i) a €98.9 million decrease in adjustments to profit between the two periods (from €201.6 million in the financial year ended 31 December 2009 to €102.7 million in the financial year ended 31 December 2010) driven principally by a much larger amount for exceptional items charged to the income statement in 2009 (€122.3 million) as compared to 2010 (€24.1 million); and (ii) a €28.0 million increase in working capital in 2010 as compared to a €29.2 million decrease in working capital in 2009.

The most significant differences between the two years in respect of the changes in working capital were the following:

- a €35.8 million increase in inventories in 2010 as compared to a €30.6 million decrease in inventories in 2009;
- a €60.3 million increase in trade and other receivables in 2010 as compared to a €23.5 million decrease in trade and other receivables in 2009; and
- a €68.1 million increase in trade and other payables in 2010 as compared to a €24.9 million decrease in trade and other payables in 2009.

The changes described in the first two bullet points above contributed to a change from a decrease in working capital in 2009 to a significant increase in working capital in 2010, while the change described in the third bullet point partially offset the impact of the changes described in the first two bullet points.

The changes in inventories, trade and other receivables and trade and other payables were all related to the impact of the global financial and economic crisis on the SCA Packaging Group's operations in 2009 and the impact of the economic recovery in Europe on its operations in 2010. In 2009, as both volume of sales and prices of its products decreased, the SCA Packaging Group's inventories, trade and other receivables and trade and other payables decreased as well. In 2010, the increase in volume of sales and in prices of the SCA Packaging Group's products had the opposite effect on its inventories, trade and other receivables and trade and other payables.

Financial year ended 31 December 2009 compared to financial year ended 31 December 2008. Net cash generated from operating activities decreased by €107.8 million, or 54.5 per cent., from €197.8 million in the financial year ended 31 December 2008 to €90.0 million in the financial year ended 31 December 2009.

This decrease was principally due to: (i) a significant decrease in the SCA Packaging Group's profitability between the two years (the SCA Packaging Group had a profit of €57.4 million in 2008 as compared to a loss of €88.7 million in 2009); and (ii) a smaller decrease in working capital in 2009 as compared to 2008 (working capital decreased by €29.2 million in 2009 as compared to a €71.0 million decrease in working capital in 2008). The impact of these two factors was offset, in part, by: (i) a smaller difference between interest paid and interest received in 2009 as compared to 2008 (such difference decreased from €68.5 million in 2008 to €19.6 million in 2009); and (ii) lower tax paid in 2009 (€5.9 million) as compared to 2008 (€30.8 million).

The most significant differences between the two years in respect of the changes in working capital were the following:

- a smaller decrease in trade and other receivables, which decreased by €23.5 million in 2009 as compared to a €121.7 million decrease in trade and other receivables in 2008; and

- a smaller decrease in trade and other payables, which decreased by €24.9 million in 2009 as compared to a €72.7 million decrease in trade and other payables in 2008.

The change described in the first bullet point was principally responsible for a smaller decrease in working capital between the two years, while the changes described in the second bullet point partially offset the impact of the change described in the first bullet point.

The decrease in the SCA Packaging Group's inventories, trade and other receivables and trade and other payables in 2008 was, in large part, due to the decrease in its sales in that year.

Cash flows used in or generated from investing activities

Cash used in investing activities was principally used for capital expenditure payments. Cash generated from investing activities was principally: (i) from disposals of subsidiary businesses; and (ii) proceeds from the sale of property, plant and equipment and intangible assets.

Nine months ended 30 September 2011 compared to nine months ended 30 September 2010 (unaudited). Net cash used in investing activities increased by €13.0 million, or 36.1 per cent, from €36.0 million in the nine months ended 30 September 2010 to €49.0 million in the nine months ended 30 September 2011. Capital expenditure payments increased from €44.5 million in the nine months ended 30 September 2010 to €66.3 million in the nine months ended 30 September 2011. The impact on cash flows of this increase in capital expenditure payments was partially offset by €5.2 million in proceeds from disposal of the Greek packaging business in the second quarter of 2011 and the packaging plants in Kuban, Russia and by higher proceeds from the sale of property, plant, equipment and intangible assets in the nine months ended 30 September 2011 as compared to nine months ended 30 September 2010.

Financial year ended 31 December 2010 compared to financial year ended 31 December 2009. Net cash used in investing activities increased by €12.0 million, or 17.1 per cent., from €70.3 million in the financial year ended 31 December 2009 to €82.3 million in the financial year ended 31 December 2010. The principal reason for the increase in net cash used in investing activities between the two years was the decrease in proceeds from the sale of property, plant and equipment and intangible assets from €18.7 million for the financial year ended 31 December 2009 to €10.8 million in the financial year ended 31 December 2010.

Financial year ended 31 December 2009 compared to financial year ended 31 December 2008. Net cash used in investing activities increased by €6.4 million, or 10.0 per cent., from €63.9 million in the financial year ended 31 December 2008 to €70.3 million in the financial year ended 31 December 2009. This increase in net cash used in investing activities between the two financial years was principally due to the receipt of €119.5 million in 2008 as proceeds from the sale of certain conventional corrugated plants in the United Kingdom and Ireland to SAICA Packaging UK Limited and SAICA Packaging Ireland. The year on year movement was also impacted by a large decrease in capital expenditures between the two years (from €189.9 million in the financial year ended 31 December 2008 to €89.0 million in the financial year ended 31 December 2009 as the pace of capital expenditures considerably slowed due to the impact of the global financial and economic crisis) and higher proceeds from the sale of property, plant and equipment and intangible assets in the financial year ended 31 December 2009 (€18.7 million) as compared to the financial year ended 31 December 2008 (€5.7 million).

Cash flows used in financing activities

Nine months ended 30 September 2011. Net cash used in financing activities in the nine months ended 30 September 2011 was equal to €0.7 million. This largely reflected the repayment of borrowings from related parties in the amount of €38.2 million and the net receipt of €37.6 million in transactions with owners of the SCA Group in that period.

Financial year ended 31 December 2010. Net cash used in financing activities in the financial year ended 31 December 2010 was equal to €43.9 million, which was principally due to the repayment of borrowings from related parties in the amount of €24.1 million and the net cash outflow of €17.4 million in transactions with the SCA Group in that year.

Financial year ended 31 December 2009. Net cash used in financing activities in the financial year ended 31 December 2009 was equal to €21.7 million. This largely reflected the excess of the repayment of borrowings from related parties in that year (€306.7 million) over the net receipt of funds in transactions with the SCA Group (€285.5 million).

Financial year ended 31 December 2008. Net cash used in financing activities in the financial year ended 31 December 2008 was equal to €141.4 million. This largely reflected the excess of the net cash outflow of €200.4 million in transactions with the SCA Group in that year over the €64.9 million cash inflow due to the increase in borrowings from related parties in the same year.

3.2 Indebtedness

The following table sets out the SCA Packaging Group's: (i) current bank and other loans and current portion of non-current bank and other loans, (ii) current finance lease liabilities; (iii) its non-current bank and other loans, non-current finance lease liabilities and its total borrowings measured at amortised cost as at 31 December 2008, 2009 and 2010 and 30 September 2011.

	As at 31 December			As at 30 September
	2008	2009	2010	2011
			€ millions	
Current bank and other loans[1]	14.7	16.4	17.7	—
Current loans from SCA Group[1]	1,694.4	1,471.5	1,491.8	1,416.1
Current finance lease liabilities[1]	0.5	0.2	0.2	0.2
Non-current bank and other loans	14.5	10.8	7.9	7.5
Non-current loans from SCA Group	127.3	825.9	837.0	828.8
Non-current finance lease liabilities	5.0	5.5	5.0	4.4
Total borrowings	**1,856.4**	**2,330.3**	**2,359.6**	**2,257.0**

(1) Current loans and finance lease liabilities include current portion of non-current loans and finance lease liabilities, respectively.

As at 31 December 2008, 2009 and 2010 and as at 30 September 2011, 61.0 per cent., 75.8 per cent., 74.9 per cent. and 75.7 per cent., respectively, of the SCA Packaging Group's total loans and borrowings were denominated in euro.

Under the terms of the Acquisition, the SCA Packaging Group will be acquired on a debt free basis. For the purposes of the preparation of the SCA Packaging Group's Combined Financial Information, no adjustment has been made to remove debt. The debt is, therefore, not representative of the debt of the SCA Packaging Group following the proposed Acquisition.

3.3 Capital Expenditures

The SCA Packaging Group made capital expenditures of €189.9 million, €89.0 million, €92.7 million and €66.3 million in the financial years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, respectively. The SCA Packaging Group funded its capital expenditures in the financial years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 principally through net cash generated from operating activities and, to a lesser extent, from intra-group loans.

The following table summarises the SCA Packaging Group's gross capital expenditures in the financial years ended 31 December 2008, 2009 and 2010 and in the nine-month periods ended 30 September 2010 and 2011 by division.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
				(unaudited)	
			€ millions		
Corrugated & Packaging	127.6	58.6	55.6	20.8	33.1
Containerboard	60.3	23.4	36.3	23.1	32.9
Recycling/other	2.0	7.0	0.8	0.6	0.3
Total capital expenditures	**189.9**	**89.0**	**92.7**	**44.5**	**66.3**

The SCA Packaging Group actively monitors and manages its capital expenditures in line with prevailing market conditions, allocating a proportion to strategic investments and a proportion to maintenance expenditures as business needs require. Principal strategic investments during the periods under review included the replacement of an existing power plant in Aschaffenburg, Germany with a new highly efficient power plant, gas turbine, recovery boiler and steam turbine; investment in a new slitter winder in Aschaffenburg; the installation of new machines for the production and printing of corrugated packaging

products tailored to the SCA Packaging Group's customers; and the rebuilding of a paper machine in the Lucca, Italy CCM facility. Current (or maintenance) capital expenditures included a range of investments in machinery and production equipment at the SCA Packaging Group's Corrugated & Packaging and Containerboard facilities and the building of a new factory, corrugator and automated handling system in Nantes, France to replace older assets.

In 2012, the SCA Packaging Group's management currently plans to make capital expenditures in the net amount of approximately €79 million. However, the amount ultimately spent on capital expenditures in 2012 will be highly dependent on market conditions, the SCA Packaging Group's cash flow from operations and available financing at the time of the proposed expenditures.

Contractual repayment obligations of financial liabilities

The following table sets forth the SCA Packaging Group's aggregate contractual repayment obligations of financial liabilities as at 30 September 2011 and the payments due by period under such obligations and commitments, in each case presented on the basis of the contractual maturities of such liabilities.

	As at 30 September 2011		More than one and less than five	
	Total	One year or less	years	More than five years
			€ millions	
Bank and other loans[1]	7.5	—	4.6	2.9
Other loans from SCA Group[2]	2,244.9	1,416.1	—	828.8
Finance lease liabilities	4.6	0.2	3.4	1.0
Bank overdrafts	1.9	1.9	—	—
Trade payables	288.4	288.4	—	—
Trade payables to SCA Group	52.1	52.1	—	—
Total[3]	2,599.4	1,758.7	8.0	832.7

(1) The loans and borrowings are subject to specific repayment terms and any default on the repayments could result in the acceleration of these payments.

(2) This amount includes accrued interest. Under the terms of the Acquisition, the SCA Packaging Group will be acquired on a debt-free basis. For the purposes of the preparation of the SCA Packaging Group's Combined Financial Information, no adjustment has been made to remove debt. The debt is, therefore, not representative of the debt of the SCA Packaging Group following the proposed Acquisition.

(3) Excluding committed capital expenditures and ordinary course purchase obligations.

4. DISCLOSURES ABOUT MARKET RISK

For a discussion of market risk relevant to an investment in the DS Smith Group and the Enlarged Group, please refer to paragraph 5 of Part VIII (*Operating and Financial Review of the DS Smith Group*) of this document.

5. CRITICAL ACCOUNTING POLICIES

The SCA Packaging Group's accounting policies that are most critical to an understanding of its results and position, and the judgements involved in their application, are as follows:

5.1 Impairments

When applying IAS 36 "*Impairment of Assets*", the SCA Packaging Group compares the carrying value of goodwill and intangible assets with the higher of their net realisable value and value in use to determine whether an impairment exists.

Value in use is calculated by discounting the cash flows expected to be generated by the asset/group of assets being tested for evidence of impairment. The use of different estimates, assumptions and judgements, in particular those involved in: (a) determining a value based on the SCA Packaging Group's management's current expectations of future conditions and the associated cash flows from the SCA Packaging Group's operations; (b) the SCA Packaging Group's determination of the level at which groups of assets can be reasonably tested for impairment separately from other parts of the business; and (c) the SCA Packaging Group's treatment of centrally held assets, could each result in materially different carrying values of assets and assessments of impairment.

5.2 Pensions and Other Post-Retirement Benefits

IAS 19 "*Employee Benefits*" requires the SCA Packaging Group to make assumptions including, but not limited to, in relation to future asset returns, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting

values of the relevant statement of financial position assets and liabilities, which could also result in a change to the cost of such liabilities as recognised in the income statement over time. These assumptions are subject to periodic review. See note 22 of the Combined Financial Information for additional information.

5.3 Accounting for Carbon Dioxide (CO_2) Emissions

There are currently no accounting standards that specifically address accounting for emission allowances. The SCA Packaging Group has applied a "net liability" approach. Under a "net liability" approach, no assets or government grants are recognised when allowances are initially received. This is because they are ascribed a nominal value of nil. As allowances granted to the SCA Packaging Group are used to offset the liability from CO_2 emissions, no accounting entries are required so long as the related emissions generated are within the allowance received from the government. If such emissions are in excess of the allowance received (known as a shortfall position) a provision is made at the current market price for carbon credits. In the case where emission quotas are acquired through an acquisition, any surplus emission quotas are fair valued in accordance with IFRS 3 "*Business Combinations*".

Part X

Historical Financial Information Relating to DS Smith

1. INCORPORATION BY REFERENCE

The Audited Financial Statements, as set out in the Company's Annual Reports for 2011, 2010 and 2009, which are available on the Company's website at www.dssmith.uk.com., together with the unqualified independent audit reports in respect of those financial statements and the 2011 Interim Financial Statements are hereby incorporated by reference into this document.

2. CROSS REFERENCE LIST

The following list is intended to enable Shareholders to identify easily specific items of financial information which have been incorporated by reference into this document.

2.1 Condensed consolidated financial information for the Company for the six months ended 31 October 2011 and 2010 and the unqualified review report thereon

The page numbers below refer to the relevant pages of the 2011 Interim Financial Statements:

Item	Page
Independent review report to DS Smith	page 12
Consolidated income statement	page 13
Consolidated statement of comprehensive income	page 14
Consolidated statement of financial position	page 15
Consolidated statement of changes in equity	page 16
Consolidated statement of cash flows	page 17
Notes to the interim financial statements	page 18 to 25

2.2 Consolidated financial statements for the Company for the financial year ended 30 April 2011 and the unqualified audit report thereon

The page numbers below refer to the relevant pages of the Company's Annual Report for the financial year ended 30 April 2011:

Item	Page
Directors' Renumeration Report, Sections M, O, P, R, S	pages 49, 50 and 52
Independent auditor's report to the members of DS Smith	page 59
Consolidated income statement	page 60
Consolidated statement of comprehensive income	page 61
Consolidated statement of financial position	page 62
Consolidated statement of changes in equity	page 63
Consolidated statement of cash flows	page 64
Notes to the consolidated financial statements	page 65 to 110

2.3 Consolidated financial statements for the Company for the financial year ended 30 April 2010 and the unqualified audit report thereon

The page numbers below refer to the relevant pages of the Company's Annual Report for the financial year ended 30 April 2010:

Item	Page
Directors' Renumeration Report, Sections N, O, P, Q, R, S	pages 51, 52 and 53
Independent auditor's report to the members of DS Smith	page 59
Consolidated income statement	page 60
Consolidated statement of comprehensive income	page 61
Consolidated statement of financial position	page 62
Consolidated statement of changes in equity	page 63
Consolidated statement of cash flows	page 64
Notes to the consolidated financial statements	page 65 to 105

2.4 Consolidated financial statements for the Company for the financial year ended 30 April 2009 and the unqualified audit report thereon

The page numbers below refer to the relevant pages of the Company's Annual Report for the financial year ended 30 April 2009:

Directors' Renumeration Report, Sections M, N, O, P, Q, R, T . . . . pages 44 to 48
Independent auditor's report to the members of DS Smith . . . . page 53
Consolidated income statement . . . . page 54
Consolidated statement of recognised income and expense . . . . page 55
Consolidated balance sheet . . . . page 56
Consolidated statement of cash flows . . . . page 57
Notes to the consolidated financial statements . . . . page 58 to 102

Part XI

Historical Financial Information Relating to the SCA Packaging Group

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO SCA PACKAGING

The Directors
DS Smith Plc
Beech House, Whitebrook Park
68 Lower Cookham Road
Maidenhead SL6 8XY

J.P. Morgan Limited (the "**Sponsor**")
125 London Wall
London
EC29 5AJ

17 January 2012

Dear Sirs

SCA Packaging Group Historical Financial Information

We report on the financial information of the SCA Packaging Group set out in Section B of Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) (the "**Historical Financial Information**") as at and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the nine month period ended 30 September 2011. The Historical Financial Information has been prepared for inclusion in the combined prospectus and circular (the "**Document**") of DS Smith Plc (the "**Company**") on the basis of the accounting policies set out in note 1 of the Historical Financial Information. This report is required by item 20.1 of Annex I to the PD Regulation and 13.5.21R of the Listing Rules and is given for the purpose of complying with those items and for no other purpose.

We have not audited the financial information for the nine months ended 30 September 2010 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

It is our responsibility to form an opinion as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Document, and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation and item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Document.

PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH www.pwc.co.uk
PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the SCA Packaging Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Document, a true and fair view of the state of affairs of the SCA Packaging Group as at 31 December 2008, 31 December 2009, 31 December 2010 and 30 September 2011 and of its profits and losses and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 and has been prepared in a form that is consistent with the accounting policies adopted in the latest annual accounts of DS Smith Plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO SCA PACKAGING

Combined Income Statements

	Note	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
		€m	€m (unaudited)	€m	€m	€m
Revenue		**2,065.5**	**1,872.3**	**2,542.3**	**2,232.9**	**2,733.0**
Cost of sales		(1,545.7)	(1,386.1)	(1,882.4)	(1,673.1)	(2,047.4)
Gross profit		**519.8**	**486.2**	**659.9**	**559.8**	**685.6**
Operating expenses	3	(423.1)	(435.1)	(571.6)	(639.8)	(556.3)
Operating profit/(loss) before amortisation		**96.7**	**51.1**	**88.3**	**(80.0)**	**129.3**
Analysed as:						
Operating profit/(loss) before amortisation and exceptional items		118.7	75.1	112.4	42.3	129.3
Exceptional items	4	(22.0)	(24.0)	(24.1)	(122.3)	—
Amortisation of intangible assets	3,8	(4.3)	(4.7)	(6.3)	(6.5)	(7.4)
Operating profit/(loss)		**92.4**	**46.4**	**82.0**	**(86.5)**	**121.9**
Finance income	5	32.2	31.0	40.9	31.5	26.1
Finance costs	5	(26.5)	(25.9)	(34.3)	(50.7)	(94.0)
Employment benefit net finance income/(expense)	22	4.7	6.2	8.2	(6.4)	15.1
Net financing income/(costs)		**10.4**	**11.3**	**14.8**	**(25.6)**	**(52.8)**
Profit/(loss) after financing income/(costs)		**102.8**	**57.7**	**96.8**	**(112.1)**	**69.1**
Share of profit of associates	10	1.4	1.1	1.6	—	0.1
Profit/(loss) before income tax and amortisation		**108.5**	**63.5**	**104.7**	**(105.6)**	**76.6**
Amortisation of intangible assets	3,8	(4.3)	(4.7)	(6.3)	(6.5)	(7.4)
Profit/(loss) before income tax		**104.2**	**58.8**	**98.4**	**(112.1)**	**69.2**
Income tax (expense)/credit	7	(32.4)	(11.5)	(22.2)	23.4	(12.4)
Profit/(loss) for the financial period from continuing operations		**71.8**	**47.3**	**76.2**	**(88.7)**	**56.8**
Discontinued operations						
Profit for the period from discontinued operations	27	—	—	—	—	0.6
Profit/(loss) for the financial period		**71.8**	**47.3**	**76.2**	**(88.7)**	**57.4**
Profit/(loss) for the financial period attributable to:						
Owners of the SCA Packaging Group		71.6	47.2	76.2	(88.7)	57.2
Non-controlling interests		0.2	0.1	—	—	0.2

The combined financial information may not be representative of future results, for example, as described in note (1), the historical capital structure does not reflect the future capital structure and future interest income and expense, pension costs and certain other operating costs and tax charges may be significantly different from those that resulted from being wholly owned by the SCA Group.

Combined Statements of Comprehensive Income

	Note	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
		€m	€m (Unaudited)	€m	€m	€m
Actuarial (losses) on defined benefit pension schemes	22	(114.8)	(69.0)	(30.3)	(54.6)	(122.0)
Currency translation (losses)/gains		(9.9)	30.6	12.7	(1.8)	(36.9)
Movements in cash flow hedges		0.8	(0.7)	2.5	—	—
Income tax on other comprehensive income	7	22.7	14.6	7.6	14.8	33.5
Other comprehensive (expense)/income for the period, net of tax		**(101.2)**	**(24.5)**	**(7.5)**	**(41.6)**	**(125.4)**
Profit/(loss) for the period		**71.8**	**47.3**	**76.2**	**(88.7)**	**57.4**
Total comprehensive (expense)/income for the period		**(29.4)**	**22.8**	**68.7**	**(130.3)**	**(68.0)**
Total comprehensive (expense)/income attributable to:						
Owners of SCA Packaging Group		(29.5)	22.8	68.8	(130.3)	(68.1)
Non-controlling interests		0.1	—	(0.1)	—	0.1
Total comprehensive (expense)/income attributable to:						
Continuing operations		(29.4)	22.8	68.7	(130.3)	(68.6)
Discontinued operations		—	—	—	—	0.6

Combined Statements of Financial Position

	Note	30 September 2011	31 December 2010	31 December 2009	31 December 2008
		€m	€m	€m	€m
Assets					
Non-current assets					
Intangible assets	8	509.8	519.8	511.0	504.5
Property, plant and equipment	9	1,214.1	1,281.3	1,288.1	1,378.8
Investments in associates	10	68.2	41.1	38.1	37.5
Other investments	11	0.5	1.3	1.2	1.2
Deferred tax assets	20	33.3	26.8	28.6	18.7
Other receivables	13	13.9	0.7	1.5	1.7
Surplus in funded pensions plan	22	17.2	23.2	18.8	46.6
Financial assets	19	806.5	818.3	817.5	4.3
Derivative financial instruments	19	1.3	1.4	—	—
Total non-current assets		**2,664.8**	**2,713.9**	**2,704.8**	**1,993.3**
Current assets					
Inventories	12	213.4	212.7	176.3	208.8
Income tax receivable		26.7	16.9	17.0	7.9
Trade and other receivables	13	587.3	556.7	473.5	499.8
Financial assets	19	613.7	640.9	605.6	649.5
Cash and cash equivalents	17	11.8	12.6	20.1	27.5
Derivative financial instruments	19	2.6	1.7	—	—
Assets classified as held for sale	15	5.4	5.4	5.4	5.4
Total current assets		**1,460.9**	**1,446.9**	**1,297.9**	**1,398.9**
Total assets		**4,125.7**	**4,160.8**	**4,002.7**	**3,392.2**
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	18	840.7	849.9	842.2	146.8
Post-retirement benefits	22	151.8	85.1	84.2	62.7
Trade and other payables	14	0.6	4.1	4.1	3.9
Provisions	21	3.0	—	0.5	6.1
Deferred tax liabilities	20	121.4	124.6	128.4	146.9
Derivative financial instruments	19	0.2	0.1	—	—
Total non-current liabilities		**1,117.7**	**1,063.8**	**1,059.4**	**366.4**
Current liabilities					
Bank overdrafts	17	1.9	3.4	6.0	11.3
Interest-bearing loans and borrowings	18	1,416.3	1,509.7	1,488.1	1,709.6
Trade and other payables	14	516.9	535.1	445.2	489.4
Income tax liabilities		44.9	18.7	8.8	15.0
Provisions	21	37.8	43.7	66.5	30.5
Derivative financial instruments	19	1.2	0.6	—	0.2
Total current liabilities		**2,019.0**	**2,111.2**	**2,014.6**	**2,256.0**
Total liabilities		**3,136.7**	**3,175.0**	**3,074.0**	**2,622.4**
Net assets		**989.0**	**985.8**	**928.7**	**769.8**
Total Invested Capital attributable to owners of the SCA Packaging Group		988.4	985.3	928.1	769.2
Non-controlling interests		0.6	0.5	0.6	0.6
Total Invested Capital		**989.0**	**985.8**	**928.7**	**769.8**

Combined Statements of Changes in Invested Capital

	Note	30 September 2011 Invested capital attributable to owners of the SCA Packaging Group	30 September 2011 Non-controlling interests	30 September 2011 Total Invested Capital	31 December 2010 Invested capital attributable to owners of the SCA Packaging Group	31 December 2010 Non-controlling interests	31 December 2010 Total Invested Capital
		€m	€m	€m	€m	€m	€m
Balance at 1 January		**985.3**	**0.5**	**985.8**	**928.1**	**0.6**	**928.7**
Profit for the period		71.6	0.2	71.8	76.2	—	76.2
Actuarial losses on defined benefit pension schemes	22	(114.8)	—	(114.8)	(30.3)	—	(30.3)
Foreign currency translation differences		(9.8)	(0.1)	(9.9)	12.8	(0.1)	12.7
Changes in the fair value of cash flow hedges		1.4	—	1.4	(0.7)	—	(0.7)
Movement from cash flow hedge reserve to income statement		(0.6)	—	(0.6)	3.2	—	3.2
Income tax on other comprehensive income	7	22.7	—	22.7	7.6	—	7.6
Total comprehensive income		**(29.5)**	**0.1**	**(29.4)**	**68.8**	**(0.1)**	**68.7**
Transactions with owners of the SCA Packaging Group		32.6	—	32.6	(11.6)	—	(11.6)
Balance at 30 September/31 December		**988.4**	**0.6**	**989.0**	**985.3**	**0.5**	**985.8**

	Note	31 December 2009 Invested Capital attributable to owners of the SCA Packaging Group	31 December 2009 Non-controlling interests	31 December 2009 Total Invested Capital	31 December 2008 Invested Capital attributable to owners of the SCA Packaging Group	31 December 2008 Non-controlling interests	31 December 2008 Total Invested Capital
		€m	€m	€m	€m	€m	€m
Balance at 1 January		**769.2**	**0.6**	**769.8**	**1,039.8**	**0.5**	**1,040.3**
Profit for the period		(88.7)	—	(88.7)	57.2	0.2	57.4
Actuarial losses on defined benefit pension schemes	22	(54.6)	—	(54.6)	(122.0)	—	(122.0)
Foreign currency translation differences		(1.8)	—	(1.8)	(36.8)	(0.1)	(36.9)
Changes in the fair value of cash flow hedges		—	—	—	—	—	—
Movement from cash flow hedge reserve to income statement		—	—	—	—	—	—
Income tax on other comprehensive income	7	14.8	—	14.8	33.5	—	33.5
Total comprehensive income		**(130.3)**	**—**	**(130.3)**	**(68.1)**	**0.1**	**(68.0)**
Transactions with owners of the SCA Packaging Group		289.2	—	289.2	(202.5)	—	(202.5)
Balance at 31 December		**928.1**	**0.6**	**928.7**	**769.2**	**0.6**	**769.8**

Combined Statements of Cash Flows

	Note	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
		€m	€m (Unaudited)	€m	€m	€m
Operating activities						
Cash generated from operations	23	56.7	55.0	121.4	115.5	297.1
Interest received		32.2	30.9	40.9	31.6	26.2
Interest paid		(27.1)	(26.1)	(34.6)	(51.2)	(94.7)
Tax paid		(11.1)	(5.8)	(7.1)	(5.9)	(30.8)
Cash flows from operating activities		**50.7**	**54.0**	**120.6**	**90.0**	**197.8**
Investing activities						
Acquisition of associates	10	—	(0.9)	(0.9)	—	—
Reclassification of joint venture	30	(1.2)	—	—	—	—
Disposal of subsidiary businesses, net of cash and cash equivalents	27	5.2	—	—	—	119.5
Capital expenditure payments		(66.3)	(44.5)	(92.7)	(89.0)	(189.9)
Proceeds from the sale of property, plant and equipment and intangible assets		12.9	9.4	10.8	18.7	5.7
Dividend from associated companies		—	—	—	—	0.8
Proceeds from other investments		0.4	—	0.5	—	—
Cash flows used in investing activities		**(49.0)**	**(36.0)**	**(82.3)**	**(70.3)**	**(63.9)**
Financing activities						
Increase in/(repayment of) borrowings		0.3	(4.5)	(1.9)	(0.3)	(5.7)
Increase in/(repayment of) borrowings, related parties		(38.2)	(12.4)	(24.1)	(306.7)	64.9
Repayment of finance lease obligations		(0.4)	(0.3)	(0.5)	(0.2)	(0.2)
Transactions with owners of the SCA Packaging Group		37.6	(3.0)	(17.4)	285.5	(200.4)
Cash flows used in financing activities		**(0.7)**	**(20.2)**	**(43.9)**	**(21.7)**	**(141.4)**
Increase/(decrease) in cash and cash equivalents		**1.0**	**(2.2)**	**(5.6)**	**(2.0)**	**(7.5)**
Net cash and cash equivalents at beginning of the period		9.2	14.1	14.1	16.2	25.5
Exchange (losses)/gains on cash and cash equivalents		(0.3)	0.7	0.7	(0.1)	(1.8)
Net cash and cash equivalents at period-end	**17**	**9.9**	**12.6**	**9.2**	**14.1**	**16.2**

Notes to the Combined Financial Information

1. Basis of preparation and significant accounting policies

(a) Basis of preparation

The SCA Packaging Group has not in the past constituted a separate legal group. All of the companies which comprise the SCA Packaging Group are currently owned, directly or indirectly, by SCA and form part of the Packaging Europe business unit of SCA. The combined historical financial information, which has been prepared specifically for the purpose of this Document, has been prepared on a basis that combines the results and assets and liabilities of each of the companies constituting the SCA Packaging Group by applying the principles underlying the consolidation procedures of IAS 27 (revised) 'Consolidated and Separate Financial Statements' ("IAS 27R"). The combined financial information has been prepared from applicable individual financial returns of the companies forming the SCA Packaging Group. The individual financial returns were prepared for the SCA Group consolidation purposes and where relevant have been adjusted for items previously recorded only at a SCA Group level. The SCA Group prepares its financial statements in accordance with IFRS. The SCA Packaging Group has not previously prepared or reported any combined financial information. Consequently no IFRS 1 reconciliations are included within this combined financial information.

The combined historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules, and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (and IFRSs as issued by the International Accounting Standards Board (IASB)), except as described below. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU. IFRS does not provide for the preparation of combined historical financial information, and accordingly in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In all other respects IFRS has been applied.

- As explained above, the combined historical financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27R. The financial information has therefore been prepared on a combined basis applying the principles underlying the consolidation procedures of IAS 27R.
- As the financial information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 'Earnings per Share' ("IAS33") to disclose earnings per share has not been complied with.

The combined financial information for the SCA Packaging Group has been prepared in Swedish kronor (SEK), which is the functional currency of the current ultimate parent company of the SCA Packaging Group, SCA. The presentational currency for the SCA Packaging Group financial information is Euros and the combined financial information has been rounded to one decimal place, unless otherwise indicated. The following summarises the accounting and other principles applied in preparing the combined historical financial information:

- As a member of the SCA Group, the SCA Packaging Group has relied on other SCA Group companies to provide certain central services including, but not limited to, management information systems, accounting and financial reporting, treasury and taxation services. The SCA Packaging Group has not historically been charged costs by other SCA companies for these services and therefore the costs of the SCA Packaging Group are not necessarily representative of the position that would have been reported had the SCA Packaging Group been an independent group or that may prevail in the future.
- The tax charges in this financial information have been determined based on the tax charges recorded by the SCA Packaging Group companies in their local statutory accounts as well as certain adjustments made for SCA Group consolidation purposes. Deferred tax assets and liabilities reflect the full historical deferred tax assets and liabilities recorded by the legal entities included in the SCA Packaging Group. The tax charges recorded in the profit and loss account may have been affected by the taxation

arrangements within the SCA Group, and are not necessarily representative of the tax charges that could apply in the future.

- Transactions and balances between entities included within the SCA Packaging Group have been eliminated. All trading balances between entities within the SCA Packaging Group and other SCA companies have been presented in the SCA Packaging Group financial information in either trade receivables or trade payables. Balances between entities within the SCA Packaging Group and other SCA companies that are unconnected with a trading relationship have been classified within financial receivables or financial liabilities, except of those that are non-interest bearing and have the characteristics of equity. Such balances have been presented in Invested Capital.
- Interest income and expenses recorded in the combined income statement has been affected by the historical financing arrangements within the SCA group nor are they necessarily representative of the interest income and expenses that would have been reported had the SCA Packaging Group been an independent group. They are not necessarily representative of the interest income and expenses that may arise in the future.
- The SCA Packaging Group in the past has not formed a separate legal group, and therefore it is not possible to show share capital or an analysis of reserves for the SCA Packaging Group. The net assets of the SCA Packaging Group are represented by the cumulative investment of the SCA group in the SCA Packaging Group (shown as "Invested Capital").

In addition to the above, under the terms of the proposed acquisition, the SCA Packaging Group will be acquired on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. For the purposes of the preparation of the SCA Packaging Group financial information no adjustment has been made to remove cash, debt or pension liabilities. The cash, debt and pension liabilities are therefore not representative of the cash, debt and pension liabilities of SCA Packaging following the proposed acquisition.

The combined financial information is prepared on the historical cost basis except that assets and liabilities of certain financial instruments, and defined benefit pension plans are stated at their fair value.

The combined financial information has been prepared on a going concern basis.

The preparation of combined financial information requires management to make judgements, estimates and assumptions that affect whether and how policies are applied and affect the reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of adopted IFRSs that have a significant effect on the combined financial information and estimates with a significant risk of material adjustment in the next year are discussed in accounting policy (v).

The accounting policies set out below have been applied consistently to all periods presented in this combined financial information. The accounting policies have been applied consistently by all SCA Packaging Group entities.

(b) Basis of combination

(i) Subsidiaries

The financial statements of subsidiaries are included in the combined financial information from the date on which control is transferred to the SCA Group until the date that control ceases. Control is achieved where owners of the SCA Packaging Group have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the combined financial information.

(ii) Associates

An associate is an entity over which there is significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. Associates are initially recognised at cost. The combined financial information include the SCA Packaging Group's share of the total recognised gains and losses of associates on an equity

accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(iii) Joint ventures

The combined financial information include the SCA Packaging Group's proportionate share of its joint ventures' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases. On disposal or reclassification of a joint venture such that the SCA Packaging Group no longer has joint control, any difference between the fair value of any retained investment (and any proceeds from disposing of the part interest in the jointly controlled entity) and the carrying amount of the investment at the date when joint control is lost is recognised in the income statement.

(iv) Non-controlling interests

The share of profit attributable to non-controlling interests is shown as a component of profit for the period in the income statement. Non-controlling interests are shown as a component of Invested Capital in the statement of financial position.

(c) Revenue

Revenue comprises the fair value of the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the SCA Packaging Group. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Income from the SCA Packaging Group's recycling operations is included within other income in cost of sales as management consider that the SCA Packaging Group's recycling business has historically primarily been a support function to the SCA Group's businesses and recovered paper has not been a core product for the SCA Packaging Group.

(d) Government grants

(i) Emission quotas

The SCA Packaging Group participates in Phase II of the EU Emissions Trading Scheme. Emission quotas received in a period are initially recognised at a nominal value of nil. As a result, no asset or liability is recognised on the statement of financial position at initial recognition. A provision is recognised if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in any given period, measured at the market price of such quotas at the statement of financial position date.

(ii) Other

Other government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the SCA Packaging Group will comply with the conditions attaching to them. Grants that compensate the SCA Packaging Group for expenses incurred are offset against the expenses in the same periods in which the expenses are incurred.

(e) Dividends

Dividends attributable to the owners of the SCA Packaging Group that are declared during the year are recognised directly in Invested Capital.

(f) Foreign currency translation

Items included in the financial statements of each of the SCA Packaging Group's entities are measured using the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated into the relevant functional currency at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into the relevant functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

The assets and liabilities of all the SCA Packaging Group entities that have a functional currency other than Swedish Kronor are translated at the closing exchange rate at the date of the statement of financial position. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). On combination, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are recognised in the translation reserve. On the disposal of foreign currency entities, the cumulative exchange difference recorded in the translation reserve is taken to the income statement as part of the gain or loss on disposal.

The results and financial position of the SCA Packaging Group are translated from Swedish Kroner into the presentational currency of Euros as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component within equity.

The following exchange rates against Swedish Kroner were applied in the year.

	9 Months ended 30 September 2011		Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
	Average	Closing	Average	Closing	Average	Closing	Average	Closing
EURO	9.0045	9.2639	9.5322	8.9962	10.5922	10.3244	9.5779	10.9360

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill (positive and negative) arising on the acquisition of subsidiaries, associates and joint ventures, represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses (refer to accounting policy (i)). The useful life of goodwill is considered to be indefinite. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised immediately in the income statement.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the SCA Packaging Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(iii) Computer software

Computer software that is integral to a related item of hardware is included within tangible fixed assets. All other computer software is treated as an intangible asset.

(iv) Intellectual property

Intellectual property is stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(v) Other intangible assets

Other intangible assets that are acquired by the SCA Packaging Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(vi) Amortisation

Amortisation of intangible assets (excluding goodwill) is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets (other than goodwill) are amortised from the date they are available for use. The estimated useful lives are as follows:

Research and development	5 — 10 years
Licences, patents and similar rights	3 — 20 years

Goodwill is systematically tested for impairment at each statement of financial position date, and when there is an indication of impairment.

(h) Property, plant and equipment and other investments

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (i)). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The SCA Packaging Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the SCA Packaging Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, and major components that are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land is not depreciated. The estimated useful lives are as follows:

Freehold and long leasehold properties	15 — 50 years
Plant and equipment, fixtures and fittings (including IT hardware)	3 — 25 years
Motor vehicles	4 — 5 years

Other investments consist of available for sale investments in unquoted equity and debt securities and are carried at cost, less any impairment.

(i) Impairment

The carrying amounts of the SCA Packaging Group's assets, including tangible and intangible non-current assets, other than inventories (refer to accounting policy (l)) and deferred tax assets (refer to accounting policy (t)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the SCA Packaging Group's assets is calculated as the value in use, being the present value of expected future cash flows, using a discount rate that reflects the current assessment of the time value of money, or the net selling price, if greater. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed

the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Derivative financial instruments

The SCA Packaging Group uses derivative financial instruments, primarily commodity swaps, to manage commodity risks associated with the SCA Packaging Group's underlying business activities. The SCA Group has a policy not to, and does not undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting in the SCA Packaging Group, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with either a statement of financial position item or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of all other derivatives are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are not effective as hedging instruments.

The treatment of gains and losses arising from revaluing derivatives designated as cash flow hedging instruments is that the effective portion of the gain or loss on the hedging instrument is recognised directly in Invested Capital, while the ineffective portion is recognised in the income statement. Amounts taken to Invested Capital are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to Invested Capital are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, the hedged transaction ceases to be highly probable, or if its designation as a hedge is revoked, amounts previously recognised in Invested Capital remain in Invested Capital until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in Invested Capital are transferred to the income statement.

(k) Trade and other receivables

Trade and other receivables are stated at their cost less impairment provisions (refer to accounting policy (i)).

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the SCA Packaging Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(n) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

(o) Employee benefits

(i) Defined contribution schemes

Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

(ii) Defined benefit schemes

The SCA Packaging Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement as personnel expense; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any schemes' assets is deducted. Funded plans with net assets, that is, plans with assets exceeding obligations, are recognised as a financial asset.

The discount rate is the yield at the reporting date on first-class corporate bonds (equivalent to AA credit rated) that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

For defined benefit schemes, the operating and financing costs are recognised separately in the income statement. The amounts charged to operating profit in respect of defined benefit arrangements are the current and past service costs and gains and losses on settlements and curtailments. They are included as part of personnel expenses. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The amount charged to financing costs includes a credit equivalent to the SCA Packaging Group's expected return on the pension plans' assets over the year, offset by a charge equal to the expected increase in the plans' liabilities over the year.

(iii) Long-term service benefits

The SCA Packaging Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

(p) Provisions

A provision is recognised in the statement of financial position when the SCA Packaging Group has a present legal or constructive obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation and are discounted to present value where the effect is material.

(q) Exceptional items

Exceptional items are events or transactions that fall within the activities of the SCA Packaging Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial information of the SCA Packaging Group.

(r) Trade and other payables

Trade and other payables are stated at their cost.

(s) Leases

Property, plant and equipment acquired under a lease that transfers substantially all of the risks and rewards of ownership to the SCA Packaging Group are capitalised as tangible fixed assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(t) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided for using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the SCA Packaging Group is able to control the reversal of such temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the SCA Packaging Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the SCA Packaging Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(v) Critical accounting policies

The application of the SCA Packaging Group's accounting policies requires management to make estimates and assumptions; these estimates and assumptions affect the reported assets and liabilities and financial results of the SCA Packaging Group. Actual outcomes could differ from the estimates and assumptions used.

The SCA Packaging Group's accounting policies that are most critical to an understanding of the results and position of the SCA Packaging Group, and the judgements involved in their application, are as follows:

(i) *Impairments*

When applying IAS 36, 'Impairment of Assets', the SCA Packaging Group compares the carrying value of goodwill and intangible assets with the higher of their net realisable value and value in use to determine whether an impairment exists.

Value in use is calculated by discounting the cash flows expected to be generated by the asset/group of assets being tested for evidence of impairment. The use of different estimates, assumptions and judgements, in particular those involved in (a) determining a value based on management's current

expectations of future conditions and the associated cash flows from the SCA Packaging Group's operations, (b) management's determination of the level at which groups of assets can be reasonably tested for impairment separately from other parts of the business and (c) management's treatment of centrally held assets, could each result in materially different carrying values of assets and assessments of impairment. See note 8 for additional information.

(ii) *Pensions and other post-retirement benefits*

IAS 19, 'Employee Benefits', requires the SCA Packaging Group to make assumptions including, but not limited to, future asset returns, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in the income statement over time. These assumptions are subject to periodic review. See note 22 for additional information.

(iii) *Accounting for carbon dioxide (CO_2) emissions*

There are currently no accounting standards that specifically address accounting for emission allowances. The Group has applied a 'net liability' approach. Under a 'net liability' approach, no assets or government grants are recognised when allowances are initially received. This is because they are ascribed a nominal value of nil. As allowances granted to the Group are used to offset the liability from CO_2 emissions, no accounting entries are required so long as the related emissions generated are within the allowance received from the government. If such emissions are in excess of the allowance received (known as a shortfall position) a provision is made at the current market price for carbon credits. In the case where emission quotas are acquired through an acquisition, any surplus emission quotas are fair valued in accordance with IFRS 3 *"Business Combinations."*

(w) IFRS standards and interpretations in issue but not yet effective

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations with an effective date after the date of this financial information. Unless where stated, the SCA Packaging Group does not anticipate that the adoption of those standards and interpretations that are effective for the financial year ending 31 December 2012 will have a material effect on its financial statements on initial adoption. The standards and interpretation to be adopted by the SCA Packaging Group include:

International Financial Reporting Standards (IFRS/IAS)		Effective date — financial years ending
Revised IAS 24	Related Party Disclosures changed to the definition of a related party	31 December 2012
IFRIC 14	Amendments to treatment of prepayments of a Minimum Funding Requirement	31 December 2012
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	31 December 2012
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures (not yet endorsed by the EU)	31 December 2013
IAS 12	Amendments to IAS 12 Income Taxes, Deferred tax: Recovery of Underlying Assets (not yet endorsed by the EU)	31 December 2013
IAS 19	Amendments to IAS 19 Employee Benefits (not yet endorsed by the EU)	31 December 2014
IFRS 9	Financial Instruments (not yet endorsed by the EU)	31 December 2014
IFRS 10	Consolidated financial statements	31 December 2014
IFRS 11	Joint arrangements	31 December 2014
IFRS 12	Disclosure of interests in other entities	31 December 2014
IFRS 13	Fair Value Measurements and Disclosures (not yet endorsed by the EU)	31 December 2014
IAS 27 Revised May 2010	Separate financial statements	31 December 2014
IAS 28	Investments in associates and joint ventures	31 December 2014

2. Segment reporting

The SCA Packaging Group operates in one area: Packaging which represents the SCA Packaging Group's reportable segment. The SCA Packaging Group's CEO (the chief operating decision maker) reviews internal management reports for packaging on a regular basis. The SCA Packaging Group operates on a worldwide basis.

The SCA Packaging Group has two product lines, Corrugated and Packaging and Containerboard.

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Corrugated & Packaging	1,866.0	1,723.3	2,335.2	2,113.6	2,567.9
Containerboard	514.6	372.6	514.9	324.9	538.6
Eliminations[1]	(315.1)	(223.6)	(307.8)	(205.6)	(373.5)
Total external revenue	**2,065.5**	**1,872.3**	**2,542.3**	**2,232.9**	**2,733.0**

(1) Eliminations relate to intercompany sales between the containerboard and corrugated businesses.

In presenting information by geographical area, external revenue is based on geographical location of customers. Non-current assets are based on the geographical location of the assets.

Geographical areas

9 months ended 30 September	External revenue 2011	External revenue 2010	Capital expenditure 2011	Capital expenditure 2010
	€m	€m (Unaudited)	€m	€m (Unaudited)
Germany	407.4	365.8	(36.9)	(24.2)
Italy	341.0	292.3	(12.0)	(7.7)
Sweden	145.7	126.8	(1.8)	(1.0)
UK	109.5	99.3	(0.7)	(1.8)
France	261.6	238.9	(9.4)	(1.9)
Western Europe	594.2	538.9	(3.9)	(6.7)
Eastern Europe	193.5	172.1	(1.6)	(1.2)
Rest of the World	12.6	38.2	—	—
	2,065.5	**1,872.3**	**(66.3)**	**(44.5)**

As at 30 September 2011	Non-current assets 2011
	€m
Germany	432.0
Italy	365.4
Sweden	79.0
UK	257.3
France	169.7
Western Europe	1,252.2
Eastern Europe	109.2
Rest of the World	—
	2,664.8

Year ended 31 December	External revenue			Non-current assets			Capital expenditure		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Germany	496.9	441.3	519.4	429.8	414.8	444.2	(40.5)	(11.2)	(25.8)
Italy	397.2	323.1	408.6	380.0	381.6	286.8	(16.3)	(18.1)	(40.4)
Sweden	172.2	140.0	177.0	89.5	70.1	81.0	(3.6)	(2.4)	(3.9)
UK	134.8	137.7	134.2	284.8	247.4	238.5	(3.8)	(8.9)	(6.7)
France	324.2	291.7	365.2	175.4	190.0	172.4	(12.6)	(5.4)	(49.0)
Western Europe	731.8	678.1	831.8	1,178.0	1,223.2	590.3	(11.9)	(14.1)	(33.4)
Eastern Europe	233.4	189.2	279.4	176.4	177.7	180.1	(4.0)	(28.9)	(30.7)
Rest of the World	51.8	31.8	17.4	—	—	—	—	—	—
	2,542.3	**2,232.9**	**2,733.0**	**2,713.9**	**2,704.8**	**1,993.3**	**(92.7)**	**(89.0)**	**(189.9)**

3. Operating profit/(loss)

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Operating expenses					
Distribution expenses	(189.1)	(197.5)	(262.0)	(239.9)	(283.2)
Administrative expenses (includes amortisation of intangible assets)	(238.3)	(242.3)	(315.9)	(406.4)	(280.5)
	(427.4)	**(439.8)**	**(577.9)**	**(646.3)**	**(563.7)**

Details of exceptional items recorded within operating profit are set out in note 4.

Operating profit is stated after (charging)/crediting the following:

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Recycling income	165.9	152.5	208.4	127.4	170.3
Depreciation — owned assets	(79.3)	(81.4)	(109.0)	(117.0)	(121.3)
— leased assets	(0.2)	(0.6)	(0.3)	(0.9)	(0.9)
Amortisation of intangible assets	(4.3)	(4.7)	(6.3)	(6.5)	(7.4)
Hire of plant and machinery	(11.6)	(10.4)	(14.1)	(14.2)	(12.3)
Other operating lease rentals	(18.3)	(16.2)	(22.0)	(14.4)	(15.8)
Exchange gains and losses	(0.1)	(0.2)	0.3	(0.2)	—
Research and development	(9.5)	(8.4)	(11.2)	(9.9)	(11.1)
Gains/(losses) on the sale of land and buildings	0.3	1.2	2.2	3.0	2.0

4. Exceptional items

Items are presented as 'exceptional' in the combined financial information where they relate to events or transactions that fall within the activities of the SCA Packaging Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial information of the SCA Packaging Group. All exceptional costs have been included in operating expenses.

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Restructuring costs — Personnel costs	(8.4)	(12.8)	(13.4)	(44.0)	—
Restructuring costs — Other operating expenses	(2.9)	(7.4)	(5.6)	(21.5)	—
Impairment of working capital items	(0.7)	(3.3)	(2.7)	(3.4)	—
Restructuring costs	**(12.0)**	**(23.5)**	**(21.7)**	**(68.9)**	**—**
Impairment of intangibles and property, plant and equipment	(6.1)	(0.5)	(2.4)	(53.4)	—
Loss on disposal of subsidiary undertakings (note 27)	(3.9)	—	—	—	—
Total exceptional items recognised in operating profit/(loss)	**(22.0)**	**(24.0)**	**(24.1)**	**(122.3)**	**—**
Total pre-tax exceptional items	(22.0)	(24.0)	(24.1)	(122.3)	—
Income tax credit on exceptional items	4.7	6.3	6.3	31.8	—
Total post-tax exceptional items	**(17.3)**	**(17.7)**	**(17.8)**	**(90.5)**	**—**

2009: During 2009 SCA launched a restructuring programme, Plan D, in the European packaging operations in order to adjust the operations' capacity and costs. In total, in connection with this programme, 17 plants with the SCA Packaging Group have been closed and personnel reductions corresponding to approximately 2,100 positions have been carried out.

The restructuring costs in 2009 relate to plants in Germany €17.0m, Netherlands €7.6m, Denmark €6.6m, Sweden €3.7m, the UK €18.5m and to other countries €12.1m. Impairments of property, plant and equipment relates to France €10.4m, Russia €9.2m, UK €6.9m, Greece €6.5m, Denmark €6.2m, Poland €2.4m and other countries €11.8m.

2010: The restructuring costs in 2010 relate to plants in France €10.4m, Germany €6.5m and other countries €2.1m. Impairments of property, plant and equipment amounted to €2.4m.

2011: During the third quarter of 2011 an efficiency enhancement programme was launched to reduce costs and increase profitability of the Packaging division, Plan E. The programme involves staff reductions of 211 positions. The estimated annual cost savings total €7.5m and are expected to accrue over 2012 and 2013.

Restructuring costs in the third quarter of 2011 relate to plants in UK €4.3m, Germany €3.8m, Russia €2.2m and other countries €1.0m. Impairments of property, plant and equipment in Czech Republic €2.8m, Denmark €1.3m, the UK €1.2m and other countries €0.8m. The loss on disposal of subsidiary undertakings relates to disposal of the SCA Packaging Group's operations in Greece (see note 27).

5. Finance income and costs

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Interest on loans and overdrafts	0.8	2.5	3.0	3.0	4.1
Interest expenses to SCA Group companies	25.4	23.3	31.0	47.5	89.1
Finance lease interest	0.1	0.1	0.2	—	—
Other	0.2	—	0.1	0.2	0.8
Finance costs	**26.5**	**25.9**	**34.3**	**50.7**	**94.0**
Interest income from financial assets	(0.4)	(0.2)	(0.2)	(0.4)	(1.3)
Interest income from SCA Group companies	(31.8)	(30.8)	(40.7)	(31.1)	(24.8)
Finance income	**(32.2)**	**(31.0)**	**(40.9)**	**(31.5)**	**(26.1)**

6. Personnel expenses

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Wages and salaries	(311.6)	(323.8)	(440.3)	(439.9)	(513.0)
Social security costs	(74.1)	(77.8)	(101.7)	(102.0)	(106.6)
Contributions to defined contribution pension plans	(10.3)	(11.4)	(15.4)	(15.6)	(16.6)
Service costs for defined benefit schemes (see note 22)	(10.4)	(8.6)	(11.3)	(11.1)	(19.3)
Personnel expenses	(406.4)	(421.6)	(568.7)	(568.6)	(665.5)

The amounts above include the following expenses in 2008 in connection with discontinued operations: wages and salaries of €43.5m, social security costs of €11.6m and service costs for defined benefit schemes of €4.5m.

The average number of employees (full-time equivalents) during the financial period/year, analysed by geographical region was:

	9 months ended 30 September 2011 Number	9 months ended 30 September 2010 Number	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
		(Unaudited)			
Germany	2,634	2,661	2,653	2,777	2,881
Italy	1,331	1,345	1,338	1,395	1,403
Sweden	794	784	779	771	822
UK	1,093	1,082	1,083	1,237	2,759
France	1,413	1,621	1,612	1,672	1,722
Rest of Western Europe	2,704	2,905	2,869	3,262	3,649
Eastern Europe	2,116	2,632	2,562	2,781	3,008
Average number of employees	**12,085**	**13,030**	**12,896**	**13,895**	**16,244**

The average number of full time equivalents in 2008 includes 1,253 employees that were employed within operations in the UK that were discontinued during 2008.

7. Income tax expense/credit

Income tax (expense)/credit recognised in the income statements

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Current tax (expense)/credit					
Current year	(29.6)	(22.5)	(23.0)	6.6	(23.4)
Adjustment in respect of prior years/periods	1.8	5.3	5.5	3.2	0.7
	(27.8)	**(17.2)**	**(17.5)**	**9.8**	**(22.7)**
Deferred tax (expense)/credit					
Origination and reversal of temporary differences	(5.1)	6.4	(1.6)	10.4	0.6
Changes in tax rates	—	—	—	—	0.6
Adjustment in respect of prior periods/years	0.5	(0.7)	(3.1)	3.2	9.1
	(4.6)	**5.7**	**(4.7)**	**13.6**	**10.3**
Total income tax (expense)/credit in the income statement	**(32.4)**	**(11.5)**	**(22.2)**	**23.4**	**(12.4)**

The reconciliation of the actual tax charge to the domestic corporation tax rate is as follows:

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (Unaudited)	€m	€m	€m
Profit/(loss) before income tax	104.2	58.8	98.4	(112.1)	69.2
Less: share of profit of associates	(1.4)	(1.1)	(1.6)	—	(0.1)
Profit/(loss) before tax and share of profit of associates	**102.8**	**57.7**	**96.8**	**(112.1)**	**69.1**
Income tax calculated using the domestic corporation tax rate of Sweden of 26.3% (2010: 26.3%, 2009: 26.3%; 2008: 28%)	(27.0)	(15.2)	(25.5)	29.5	(19.3)
Effect of tax rates in overseas jurisdictions	0.6	1.0	2.5	(2.2)	—
Non-deductible expenses	(7.7)	0.6	(2.0)	(11.5)	(3.7)
Origination of tax losses not recognised	(0.5)	(1.6)	(1.7)	(0.8)	(1.3)
Adjustment in respect of prior periods/years	2.3	4.6	2.5	6.4	9.8
Effect of change in Swedish corporation tax rate	—	—	—	—	0.6
Other	(0.1)	(0.9)	2.0	2.0	1.1
Income tax (expense)/credit	**(32.4)**	**(11.5)**	**(22.2)**	**23.4**	**(12.4)**

The tax charges in this financial information have been determined based on the tax charges recorded by the SCA Packaging Group companies in their local statutory accounts as well as certain adjustments made for SCA Group consolidation purposes. Deferred tax assets and liabilities reflect the full historical deferred tax assets and liabilities recorded by the legal entities included in the SCA Packaging Group. The tax charges recorded in the profit and loss account have been affected by the taxation arrangements within the SCA Group, and are not necessarily representative of the tax charges that could apply in the future.

Tax on other comprehensive income and equity

	Gross 9 months ended 30 September 2011	Tax credit/ (charge) 9 months ended 30 September 2011	Net 9 months ended 30 September 2011	Gross 9 months ended 30 September 2010	Tax credit/ (charge) 9 months ended 30 September 2010	Net 9 months ended 30 September 2010
	€m	€m	€m	€m (unaudited)	€m (unaudited)	€m (unaudited)
Actuarial (losses)/gains on defined pension schemes	(114.8)	22.9	(91.9)	(69.0)	14.5	(54.5)
Currency translation gains	(9.9)	—	(9.9)	30.6	—	30.6
Movements in cash flow hedges . .	0.8	(0.2)	0.6	(0.7)	0.1	(0.6)
Other comprehensive (expense)/income	**(123.9)**	**22.7**	**(101.2)**	**(39.1)**	**14.6**	**(24.5)**

	Gross Year ended 31 December 2010	Tax credit/ (charge) Year ended 31 December 2010	Net Year ended 31 December 2010	Gross Year ended 31 December 2009	Tax credit/ (charge) Year ended 31 December 2009	Net Year ended 31 December 2009	Gross Year ended 31 December 2008	Tax credit/ (charge) Year ended 31 December 2008	Net Year ended 31 December 2008
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Actuarial (losses)/gains on defined pension schemes	(30.3)	8.3	(22.0)	(54.6)	14.8	(39.8)	(122.0)	33.5	(88.5)
Currency translation gains	12.7	—	12.7	(1.8)	—	(1.8)	(36.9)	—	(36.9)
Movements in cash flow hedges	2.5	(0.7)	1.8	—	—	—	—	—	—
Other comprehensive (expense)/income . . .	**(15.1)**	**7.6**	**(7.5)**	**(56.4)**	**14.8**	**(41.6)**	**(158.9)**	**33.5**	**(125.4)**

There were no tax charges or credits on items related to transactions with owners of the SCA Packaging Group directly recognised in equity for the above periods.

8. Intangible fixed assets

	Goodwill				Licences, patents and similar rights				Capitalised development cost				Total			
	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Accumulated costs	490.0	497.5	485.5	473.9	57.7	57.6	54.2	53.8	28.9	28.9	28.8	27.7	576.6	584.0	568.5	555.4
Accumulated amortisation	—	—	—	—	(44.8)	(43.4)	(38.0)	(36.1)	(19.7)	(18.4)	(16.5)	(14.1)	(64.5)	(61.8)	(54.5)	(50.2)
Accumulated impairment	—	—	—	—	(0.1)	(0.2)	(0.8)	(0.6)	(2.2)	(2.2)	(2.2)	(0.1)	(2.3)	(2.4)	(3.0)	(0.7)
Net book value	**490.0**	**497.5**	**485.5**	**473.9**	**12.8**	**14.0**	**15.4**	**17.1**	**7.0**	**8.3**	**10.1**	**13.5**	**509.8**	**519.8**	**511.0**	**504.5**

	Goodwill				Licences, patents and similar rights				Capitalised development cost				Total			
	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January	497.5	485.5	473.9	524.3	14.0	15.4	17.1	20.2	8.3	10.1	13.5	14.2	519.8	511.0	504.5	558.7
Investments	—	—	—	—	0.8	2.3	2.8	2.9	—	—	1.0	0.6	0.8	2.3	3.8	3.5
Sales and disposals	—	—	—	—	—	(0.3)	—	—	—	—	—	—	—	(0.3)	—	—
Company divestments	(3.1)	—	—	—	—	—	—	—	—	—	—	—	(3.1)	—	—	—
Reclassifications	—	—	—	—	0.9	1.0	0.3	(1.1)	—	—	—	1.1	0.9	1.0	0.3	—
Reclassification of joint venture (note 30)	(2.6)	—	—	—	—	—	—	—	—	—	—	—	(2.6)	—	—	—
Amortisation for the year	—	—	—	—	(3.0)	(4.4)	(4.2)	(4.8)	(1.3)	(1.9)	(2.3)	(2.6)	(4.3)	(6.3)	(6.5)	(7.4)
Impairment for the year	—	—	—	—	—	—	—	—	—	—	(2.1)	—	—	—	(2.1)	—
Translation differences	(1.8)	12.0	11.6	(50.4)	0.1	—	(0.6)	(0.1)	—	0.1	—	0.2	(1.7)	12.1	11.0	(50.3)
Net book value	**490.0**	**497.5**	**485.5**	**473.9**	**12.8**	**14.0**	**15.4**	**17.1**	**7.0**	**8.3**	**10.1**	**13.5**	**509.8**	**519.8**	**511.0**	**504.5**

Impairment testing

Goodwill is tested for impairment at the level of cash-generating units at least once each year or more frequently if there are indications that goodwill might be impaired. The Directors have considered that SCA Packaging Group has only one cash-generating unit. The carrying amounts of the entities within the SCA Packaging Group plus the goodwill allocated to the SCA Packaging Group has been tested against the recoverable amount of the SCA Packaging Group cash-generating unit which has been determined based on value in use calculations for all periods.

For the financial years 2008, 2009 and 2010 the value in use calculation was based on the budgeted cash flows for the subsequent year as approved by the directors of the SCA Group. The assumed growth rate for the following four years was 2% and a terminal value multiple applied thereafter. The applicable discount rates used for the plan periods was 6.6%, 5.9% and 5.3% for 2008, 2009 and 2010 respectively. These discount rates represent the weighted average cost of capital (WACC) for the Packaging Europe division of the SCA Group as at 31 December 2008, 2009 and 2010.

The key assumptions in the value in use calculation as at 30 September 2011 were:

- Cash forecasts derived from the latest forecast for the year ending 31 December 2011 and for the subsequent two financial years to 31 December 2013 as approved by the SCA Group directors and as used by the SCA Packaging Group for working capital forecasts. Cash flows for the following three years were extrapolated assuming an inflationary growth rate of 2%; and
- Discount rate of 5.4% based on the Packaging Europe WACC.

The headroom for the impairment test is summarised as follows:

	9 months ended 30 September 2011	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m	€m	€m
Headroom	72.4	314.3	307.2	192.6

The headroom represents the difference between the calculated value in use and the carrying amount of the SCA Packaging cash generating unit. As at 30 September 2011 the carrying amount was €1,952m.

It is possible impairment would be identified if any of the above key management assumptions were changed significantly. For instance, factors which could cause impairment are:

- significant underperformance relative to the forecast results;
- changes to the way the assets are used or the strategy for the business;
- a further deterioration in the industry or the wider economy; and
- an increase in the discount rate used.

The value in use is based upon anticipated discounted future cash flows. Management believe the assumptions used as set out above are appropriate. In order for the remaining headroom as at 30 September 2011 to be used, the discount rate would have to increase by 0.8% to 6.2%.

9. Property, plant and equipment

	Building				Land				Machinery and equipment				Construction in progress				Total			
	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Accumulated cost	612.1	638.1	615.3	594.8	113.6	130.3	130.2	129.3	1,976.4	2,059.3	2,056.1	2,086.7	83.5	65.4	44.4	102.5	2,785.6	2,893.1	2,846.0	2,913.3
Accumulated depreciation	(268.8)	(267.6)	(251.0)	(242.0)	(9.2)	(12.7)	(12.2)	(10.8)	(1,220.2)	(1,232.5)	(1,194.4)	(1,195.3)	—	—	—	—	(1,498.2)	(1,512.8)	(1,457.6)	(1,448.1)
Accumulated impairment	(20.1)	(23.8)	(22.0)	(15.1)	(3.9)	(4.1)	(3.3)	(2.5)	(49.3)	(71.1)	(75.0)	(68.9)	—	—	—	—	(73.3)	(99.0)	(100.3)	(86.5)
Net book value	**323.2**	**346.7**	**342.3**	**337.7**	**100.5**	**113.5**	**114.7**	**116.0**	**706.9**	**755.7**	**786.7**	**822.5**	**83.5**	**65.4**	**44.4**	**102.5**	**1,214.1**	**1,281.3**	**1,288.1**	**1,378.8**

	Building				Land				Machinery and equipment				Construction in progress				Total			
	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08	Sep 11	Dec 10	Dec 09	Dec 08
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
As at 1 January	346.7	342.3	337.7	384.3	113.5	114.7	116.1	150.2	755.7	786.7	822.5	871.4	65.4	44.4	102.5	98.7	1,281.3	1,288.1	1,378.8	1,504.6
Investments	0.3	8.1	26.2	11.8	0.1	0.2	0.7	0.4	18.7	27.9	57.6	84.7	45.6	60.4	(4.7)	77.1	64.7	96.6	79.8	174.0
Sales and disposals	(0.4)	(1.3)	(1.6)	(1.3)	(8.9)	(2.4)	(1.1)	(1.1)	(2.6)	(6.7)	(12.8)	(0.8)	—	—	—	(0.3)	(11.9)	(10.4)	(15.5)	(3.5)
Company divestments	(3.9)	—	—	(24.4)	(0.4)	—	—	(23.9)	2.7	—	—	(58.1)	—	—	—	(0.5)	(1.6)	—	—	(106.9)
Reclassifications	1.7	12.8	8.7	2.9	—	(0.1)	—	—	23.0	26.5	50.8	64.4	(25.6)	(40.2)	(52.9)	(67.3)	(0.9)	(1.0)	6.6	—
Reclassification of joint venture (note 30)	(3.5)	—	—	—	(1.9)	—	—	—	(18.4)	—	—	—	(1.1)	—	—	—	(24.9)	—	—	—
Depreciation for the year	(13.9)	(18.8)	(17.4)	(20.5)	(0.3)	(0.4)	(1.7)	(0.8)	(65.3)	(90.1)	(98.8)	(108.5)	—	—	—	—	(79.5)	(109.3)	(117.9)	(129.8)
Impairment for the year	(1.3)	(1.8)	(14.2)	—	(1.2)	(0.7)	(0.7)	—	(3.6)	0.1	(36.4)	—	—	—	—	—	(6.1)	(2.4)	(51.3)	—
Translation differences	(2.5)	5.4	2.9	(15.1)	(0.4)	2.2	1.4	(8.7)	(3.3)	11.3	3.8	(30.6)	(0.8)	0.8	(0.5)	(5.2)	(7.0)	19.7	7.6	(59.6)
Net book value	**323.2**	**346.7**	**342.3**	**337.7**	**100.5**	**113.5**	**114.7**	**116.1**	**706.9**	**755.7**	**786.7**	**822.5**	**83.5**	**65.4**	**44.4**	**102.5**	**1,214.1**	**1,281.3**	**1,288.1**	**1,378.8**

The amounts above include land, buildings and machinery held under finance lease agreements. At 30 September 2011, the carrying amount of land and buildings held under finance leases was €4.5m and machinery € 0.4m (31 December 2010: land and buildings €4.7m and machinery €0.8m, 31 December 2009: land and buildings €5.0m, 31 December 2008: land and buildings €6.2m and machinery €1.0m).

Construction in progress mainly relates to production machines being built for various sites across the SCA Packaging Group.

Impairments relate to the restructuring programmes in the period as disclosed in note 4.

The amounts above include a depreciation charge of €7.5m associated with discontinued operations in 2008.

10. Investment in associates

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Balance at 1 January	41.1	38.1	37.5	40.4
Share of profit of associates after interest and tax	1.4	1.6	—	0.1
Impairment	(0.9)	—	—	—
Investments	—	0.9	—	—
Reclassification of joint venture (note 30)	26.6	—	—	—
Exchange differences	—	0.5	0.6	(3.0)
Balance at 30 September / 31 December	**68.2**	**41.1**	**38.1**	**37.5**

	Nature of Business	Principal Country of Operation	Ownership	Carrying Value			
				30 September 2011	31 December 2010	31 December 2009	31 December 2008
Lantero Group	Packaging	Spain	25%	30.3	30.2	30.0	30.5
GAE Smith	Packaging	Great Britain	50%	10.7	9.9	8.0	6.9
SCA Packaging Ambalaj Sanayi Ticaret AS	Packaging	Turkey	22.69%	2.9	—	—	—
Kaplamin Ambalaj Sanayi ve Ticaret AS	Packaging	Turkey	29.16%	4.1	—	—	—
OVA SCA Pack. Ambalaj Sanayi Ve Ticaret AS	Packaging	Turkey	37.09%	3.3	—	—	—
Atkasan Atik Kagit Degerlendisme Sanayi AS	Packaging	Turkey	2.2%	0.3	—	—	—
SelkasanKagit-vePeketleme MalzemeleriImalati	Packaging	Turkey	49%	16.5	—	—	—
Scala Packaging srl	Packaging	Italy	48%	—	0.9	—	—
Other	Packaging			0.1	0.1	0.1	0.1
				68.2	**41.1**	**38.1**	**37.5**

Associates are accounted for using the equity method within this financial information.

11. Other investments

	September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Non-current investments	0.5	1.3	1.2	1.2

Non-current investments comprise investments in other unlisted companies that are not classified as subsidiaries, joint ventures or associates and assets.

12. Inventories

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Raw materials and consumables	116.5	123.1	96.2	109.5
Work in progress	13.4	13.1	11.9	13.4
Finished goods	83.5	76.5	68.2	85.9
	213.4	**212.7**	**176.3**	**208.8**

The SCA Packaging Group consumed €1,018.3m in the 9 months to 30 September 2011 (2010: €1,189.4m; 2009: €916.7m; 2008: €1,325.9m) of raw materials and consumables recognised as cost of sales.

13. Trade and other receivables

(a) Current

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Trade receivables	566.7	536.4	454.4	470.9
Amounts receivable from SCA Group entities (note 28)	18.3	15.7	12.9	12.7
Provisions for bad and doubtful receivables	(33.0)	(31.6)	(30.9)	(28.3)
Prepayments and other receivables[1]	35.3	36.2	37.1	44.5
	587.3	**556.7**	**473.5**	**499.8**

(1) Included with prepayment and other receivables are amounts receivable from SCA Group entities as at 30 September 2011 of €3.2m (31 December 2010: €1.6m; 31 December 2009: €1.5m; 31 December 2008: €2.4m). See note 28.

(b) Non-current

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Prepayments and other receivables	13.9	0.7	1.5	1.7
	13.9	**0.7**	**1.5**	**1.7**

In determining the recoverability of trade receivables, the SCA Packaging Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the reporting date. The fair value of trade and other receivables is not materially different from their carrying amounts above therefore this is the maximum exposure credit risk at the reporting date. Refer to note 19 for further quantitative and qualitative analysis of credit risk.

Non-current prepayments and other receivables as at 30 September 2011 includes €12.0m related to the disposal of the SCA Packaging Group's Greece operations during the period. Refer to note 27.

The other classes within trade and other receivables do not contain impaired assets.

14. Trade and other payables

(a) Current

	September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Trade payables	288.4	328.6	257.1	288.7
Amounts payable to SCA Group entities (note 28)	52.1	42.9	28.5	24.2
Non-trade payables and accrued expenses	176.4	163.6	159.6	176.5
	516.9	**535.1**	**445.2**	**489.4**

(b) Non-current

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Amounts payable to SCA Group entities (note 28)	0.4	0.4	0.4	0.4
Non-trade payables	0.2	3.7	3.7	3.5
	0.6	**4.1**	**4.1**	**3.9**

The fair value of trade and other payables is not materially different from their carrying amounts shown above.

15. Non-Current assets and liabilities held for sale

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Assets classified as held for sale				
Land and building	5.4	5.4	5.4	5.4

Assets classified as held for sale relate to land and buildings in Castelfranco Italy. In July 2006, the paper mill in Castelfranco, Italy was closed. In 2007, the assets associated with the mill were classified as held for sale. The valuation of the land and buildings according to an external valuation report as at 31 December 2010 was €5.74m. As at each reporting date, management considered that the completion of the sale of the land and buildings within a year was highly probable.

16. Net debt

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Non-current financial liabilities due to banks and other credit institutions and from finance leases	11.9	12.9	16.3	19.5
Non-current financial liabilities due to SCA Group	828.8	837.0	825.9	127.3
Current financial liabilities due to banks and other credit institutions and from finance leases	0.2	17.9	16.6	15.2
Bank overdrafts	1.9	3.4	6.0	11.3
Current financial liabilities due to SCA Group	1,416.1	1,491.8	1,471.5	1,694.4
Non-current financial assets	(0.4)	(0.6)	(0.7)	(0.9)
Non-current financial assets due from SCA Group	(806.1)	(817.7)	(816.8)	(3.4)
Current financial assets	(0.3)	(0.2)	(0.2)	(0.6)
Current financial assets due from SCA Group	(613.4)	(640.7)	(605.4)	(648.9)
Cash and cash equivalents	(11.8)	(12.6)	(20.1)	(27.5)
Net debt	**826.9**	**891.2**	**893.1**	**1,186.4**
Of which due to SCA Group	**825.4**	**870.4**	**875.2**	**1,169.5**

Included within non-current liabilities due to SCA Group companies is a loan of €700m on which no interest is charged. The loan was taken out in July 2009 and is due for repayment on July 2024. An equivalent loan amount of €700m for the same term between the same two companies is included within non-current financial assets due from the SCA Group on which interest of 4.5% is charged.

Also included within non-current liabilities due to SCA Group companies are amounts as at 30 September 2011 totalling €88.4m (31 December 2010: €89.9m; 31 December 2009: €72.1m; 31 December 2008: €66.8m) on which no interest is charged and have no repayment date.

Included within non-current financial assets due from the SCA Group are amounts as at 30 September 2011 totalling €16.1m (31 December 2010: €16.4m; 31 December 2009: €15.5m; 31 December 2008: €3.4m) on which no interest is charged and which have no repayment date.

Current financial liabilities due to SCA Group companies and current financial assets due from SCA Group companies include amounts related to cash pooling arrangements within the SCA Group, short-term loans (including accrued interest), and short-term deposits (including accrued interest).

17. Cash and cash equivalents

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Bank balances	11.8	12.5	20.1	25.9
Short-term deposits	—	0.1	—	1.6
Cash and cash equivalents (statement of financial position)	11.8	12.6	20.1	27.5
Bank overdrafts	(1.9)	(3.4)	(6.0)	(11.3)
Net cash and cash equivalents (statement of cash flows)	**9.9**	**9.2**	**14.1**	**16.2**

Cash and cash equivalents were not subject to any significant restrictions.

18. Loans and borrowings

This note provides information about the contractual terms of the SCA Packaging Group's loans and borrowings. For more information about the SCA Packaging Group's exposure to interest rate and foreign currency risk, refer to note 19.

	30 September 2011		31 December 2010		31 December 2009		31 December 2008	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	€m	€m	€m	€m	€m	€m	€m	€m
Borrowings measured at amortised cost								
Bank and other loans	—	7.5	17.7	7.9	16.4	10.8	14.7	14.5
Other loans due to SCA Group companies	1,416.1	828.8	1,491.8	837.0	1,471.5	825.9	1,694.4	127.3
Finance lease liabilities	0.2	4.4	0.2	5.0	0.2	5.5	0.5	5.0
Total loans and borrowings	**1,416.3**	**840.7**	**1,509.7**	**849.9**	**1,488.1**	**842.2**	**1,709.6**	**146.8**

All of the SCA Packaging Group's external loans with banks and other credit institutions and loans due to other SCA Group companies were unguaranteed and unsecured.

Floating rate financial liabilities are determined by reference to the market rate of the relevant currency in which the loan is denominated, primarily EURIBOR and LIBOR. Amounts due under SCA Group cash pooling arrangements and short-term loans due to SCA Group companies are included within the fixed-rate classification in the table below as the interest rate on loans within the SCA Group is fixed for the period of the loan according to the SCA Group treasury policy.

The repayment dates of the SCA Packaging Group's borrowings are as follows:

	30 September 2011				
	1 year or less	1-2 years	2-5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	0.2	2.0	—	1.0	3.2
Fixed-rate — loans due to SCA Group companies	1,416.1	—	—	—	1,416.1
Floating-rate — external bank and other loans	—	—	6.0	2.9	8.9
Floating-rate — loans due to SCA Group companies	—	—	—	40.4	40.4
Total interest-bearing loans and borrowings	**1,416.3**	**2.0**	**6.0**	**44.3**	**1,468.6**
Non-interest bearing loans and other financial liabilities	—	—	—	788.4	788.4
Total loans and borrowings	**1,416.3**	**2.0**	**6.0**	**832.7**	**2,257.0**

	31 December 2010				
	1 year or less	1-2 years	2-5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	17.8	1.1	—	1.1	20.0
Fixed-rate — loans due to SCA Group companies	1,491.8	—	—	—	1,491.8
Floating-rate — external bank and other loans	0.1	—	4.3	6.4	10.8
Floating-rate — loans due to SCA Group companies	—	—	—	47.1	47.1
Total interest-bearing loans and borrowings	**1,509.7**	**1.1**	**4.3**	**54.6**	**1,569.7**
Non-interest bearing loans and other financial liabilities	—	—	—	789.9	789.9
Total loans and borrowings	**1,509.7**	**1.1**	**4.3**	**844.5**	**2,359.6**

	31 December 2009				
	1 year or less	1-2 years	2-5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	16.3	0.6	2.3	1.2	20.4
Fixed-rate — loans due to SCA Group companies	1,471.5	—	—	—	1,471.5
Floating-rate — external bank and other loans	0.3	—	4.1	8.1	12.5
Floating-rate — loans due to SCA Group companies	—	—	—	53.8	53.8
Total interest-bearing loans and borrowings	**1,488.1**	**0.6**	**6.4**	**63.1**	**1,558.2**
Non-interest bearing loans and other financial liabilities	—	—	—	772.1	772.1
Total loans and borrowings	**1,488.1**	**0.6**	**6.4**	**835.2**	**2,330.3**

	31 December 2008				
	1 year or less	1-2 years	2-5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	15.0	3.6	2.4	1.2	22.2
Fixed-rate — loans due to SCA Group companies	1,694.4	—	—	—	1,694.4
Floating-rate — external bank and other loans	0.2	—	2.3	9.9	12.4
Floating-rate — loans due to SCA Group companies	—	—	—	60.6	60.6
Total interest-bearing loans and borrowings	**1,709.6**	**3.6**	**4.7**	**71.7**	**1,789.6**
Non-interest bearing loans and other financial liabilities	—	—	—	66.8	66.8
Total loans and borrowings	**1,709.6**	**3.6**	**4.7**	**138.5**	**1,856.4**

The SCA Packaging Group's borrowings are denominated in the following currencies:

	SEK	Sterling	Euro	Other	Total
	€m	€m	€m	€m	€m
At 30 September 2011					
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	—	—	3.1	0.1	3.2
Fixed-rate — loans due to SCA Group companies	39.5	177.3	956.4	242.9	1,416.1
Floating-rate — external bank and other loans	—	—	8.9	—	8.9
Floating-rate — loans due to SCA Group companies	—	—	40.4	—	40.4
Non-interest bearing loans and other financial liabilities		88.4	700.0		788.4
	39.5	**265.7**	**1,708.8**	**243.0**	**2,257.0**
Net cash and cash equivalents (including bank overdrafts)					
Floating-rate	—	(1.7)	(4.5)	(3.7)	(9.9)
Net borrowings/(cash) at 30 September 2011	**39.5**	**264.0**	**1,704.3**	**239.3**	**2,247.1**

	SEK	Sterling	Euro	Other	Total
	€m	€m	€m	€m	€m
At 31 December 2010					
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	—	2.9	3.5	13.6	20.0
Fixed-rate — loans due to SCA Group companies	40.7	168.9	1,006.2	276.0	1,491.8
Floating-rate — external bank and other loans	—	—	10.7	0.1	10.8
Floating-rate — loans due to SCA Group companies	—	—	47.1	—	47.1
Non-interest bearing loans and other financial liabilities	—	89.9	700.0	—	789.9
	40.7	**261.7**	**1,767.5**	**289.7**	**2,359.6**
Net cash and cash equivalents (including overdrafts)					
Floating-rate	(0.2)	0.7	(4.4)	(5.3)	(9.2)
Net borrowings/(cash) at 31 December 2010	**40.5**	**262.4**	**1,763.1**	**284.4**	**2,350.4**

	SEK	Sterling	Euro	Other	Total
	€m	€m	€m	€m	€m
At 31 December 2009					
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	—	4.9	3.5	12.0	20.4
Fixed-rate — loans due to SCA Group companies	29.2	158.8	997.7	285.8	1,471.5
Floating-rate — external bank and other loans	—	—	12.5	—	12.5
Floating-rate — loans due to SCA Group companies	—	—	53.8	—	53.8
Non-interest bearing loans and other financial liabilities	—	72.1	700.0	—	772.1
	29.2	**235.8**	**1,767.5**	**297.8**	**2,330.3**
Net cash and cash equivalents (including overdrafts)					
Floating-rate	(0.1)	(3.5)	(3.8)	(6.7)	(14.1)
Net borrowings/(cash) at 31 December 2009	**29.1**	**232.3**	**1,763.7**	**291.1**	**2,316.2**

	SEK	Sterling	Euro	Other	Total
	€m	€m	€m	€m	€m
At 31 December 2008					
Interest-bearing loans and borrowings					
Fixed-rate — external bank and other loans	—	8.4	4.3	9.5	22.2
Fixed-rate — loans due to SCA Group companies	36.5	305.0	1,055.8	297.1	1,694.4
Floating-rate — external bank and other loans	—	—	12.4	—	12.4
Floating-rate — loans due to SCA Group companies	—	—	60.6	—	60.6
Non-interest bearing loans and other financial liabilities	—	66.8	—	—	66.8
	36.5	**380.2**	**1,133.1**	**306.6**	**1,856.4**
Net cash and cash equivalents (including overdrafts)					
Floating-rate	(0.1)	0.5	(8.7)	(7.9)	(16.2)
Net borrowings/(cash) at 31 December 2008	**36.4**	**380.7**	**1,124.4**	**298.7**	**1,840.2**

The SCA Packaging Group had no material undrawn committed facilities as at 30 September 2011, 31 December 2010, 31 December 2009 or 31 December 2008.

Finance lease liabilities

	As at 30 September 2011			As at 31 December 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	€m	€m	€m	€m	€m	€m
Less than one year	0.2	—	0.2	0.3	(0.1)	0.2
Between one and five years	3.5	(0.1)	3.4	3.9	(0.1)	3.8
More than five years	1.0	—	1.0	1.2	—	1.2
Finance lease liabilities	**4.7**	**(0.1)**	**4.6**	**5.4**	**(0.2)**	**5.2**

	As at 31 December 2009			As at 31 December 2008		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	€m	€m	€m	€m	€m	€m
Less than one year	0.2	—	0.2	0.5	—	0.5
Between one and five years	4.0	—	4.0	3.7	—	3.7
More than five years	1.5	—	1.5	1.3	—	1.3
Finance lease liabilities	**5.7**	**—**	**5.7**	**5.5**	**—**	**5.5**

19. Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, trade receivables, other financial receivables, trade payables, loans, other financial liabilities and derivative financial instruments. The SCA Packaging Group classifies its financial instruments in the categories shown in the table below.

Loans and other receivables are financial assets, which are not derivatives, with fixed or determinable payments, that are not quoted in an active market. Assets in this category are measured at amortised cost less a potential provision for impairment. Trade and other receivables are stated at their cost less impairment provisions. Trade receivables arise when the SCA Packaging Group provides money, goods or services directly to another party. Any impairment of trade receivables affects the SCA Packaging Group's operating profit.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The method of recognising the resulting gain or loss depends on whether the item being hedged is designated as a hedging instrument, and if so, the nature of the item being hedged. For the SCA Packaging Group, only cash flow hedges are

designated as hedging instruments, being hedges of commodity and foreign exchange risk associated with highly probable forecast transactions. The remaining derivatives are not designated as hedging instruments, and as such the resulting gain or loss is recognised in the income statement.

Financial liabilities measured at amortised cost include financial liabilities that are not held for trading. Loans and other interest-bearing liabilities are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

(a) Carrying amounts of financial assets and liabilities

Set out below are the carrying amounts and fair values of the SCA Packaging Group's financial assets and liabilities.

	30 September 2011	Fair value 30 September 2011	31 December 2010	Fair value 31 December 2010	31 December 2009	Fair value 31 December 2009	31 December 2008	Fair value 31 December 2008
	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)
Financial assets								
Cash and cash equivalents	11.8	11.8	12.6	12.6	20.1	20.1	27.5	27.5
Loans and receivables:								
Trade receivables	533.7	533.7	504.8	504.8	423.5	423.5	442.6	442.6
Trade receivables SCA Group	18.3	18.3	15.7	15.7	12.9	12.9	12.7	12.7
Other receivables	0.7	0.7	0.8	0.8	0.9	0.9	1.5	1.5
Other loans and receivables due from SCA Group companies	703.4	703.4	742.0	742.0	706.7	706.7	648.9	648.9
Derivative financial instruments:								
Other financial assets in designated hedge accounting relationships	3.9	3.9	3.1	3.1	—	—	—	—
Total financial assets	**1,271.8**	**1,271.8**	**1,279.0**	**1,279.0**	**1,164.1**	**1,164.1**	**1,133.2**	**1,133.2**

Excluded from the financial assets table above are non-interest bearing financial assets due from SCA Group companies of €16.1m (31 December 2010: €16.4m; 31 December 2009: €15.5m; 31 December 2008: €3.4m). These amounts have been excluded from the above as they are not related to the trading or financing of the SCA Packaging business and will be settled as part of the transaction. The fair value of these assets is not materially different from the carrying amounts.

Also excluded from the table above is the fixed interest loan of €700m with the SCA Group described in Note 16. This has been excluded on the basis that the loan arrangement with the SCA Group is not related to the trading or financing of the SCA Packaging business and will be settled as part of the transaction. The carrying amount of this loan receivable is €700m at 30 September 2011 (€700m at 31 December 2010 and €700m at 31 December 2009), with a fair value being assessed of €346.5m at 30 September 2011 (€359.5m at 31 December 2010; €334.8m at 31 December 2009). The day one gain arising upon initial recognition has been included within the loan balance, and is amortized over the loan using the effective interest method. The fair value of the loan receivable has been calculated based on future cash flows discounted at a rate of 5.91% as at 30 September 2011 (31 December 2010: 5.26%; 31 December 2009: 5.41%). The discount rate represents the weighted average cost of capital for the Packaging Europe division of the SCA Group as at 30 September 2011, 31 December 2010 and 31 December 2009.

	30 September 2011	Fair value 30 September 2011	31 December 2010	Fair value 31 December 2010	31 December 2009	Fair value 31 December 2009	31 December 2008	Fair value 31 December 2008
	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)
Financial liabilities								
Financial liabilities at amortised cost:								
Trade payables	(288.4)	(288.4)	(328.6)	(328.6)	(257.1)	(257.1)	(288.7)	(288.7)
Trade payables SCA Group	(52.1)	(52.1)	(42.9)	(42.9)	(28.5)	(28.5)	(24.2)	(24.2)
Bank and other loans	(7.5)	(8.3)	(25.6)	(26.3)	(27.2)	(27.3)	(29.1)	(29.0)

	30 September 2011	Fair value 30 September 2011	31 December 2010	Fair value 31 December 2010	31 December 2009	Fair value 31 December 2009	31 December 2008	Fair value 31 December 2008
	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)	(€m)
Other loans and liabilities to SCA Group companies	(1,456.5)	(1,455.7)	(1,538.9)	(1,536.7)	(1,525.3)	(1,519.9)	(1,755.0)	(1,761.2)
Finance lease liabilities	(4.6)	(4.8)	(5.2)	(5.6)	(5.7)	(6.1)	(5.5)	(5.2)
Bank overdrafts	(1.9)	(1.9)	(3.4)	(3.4)	(6.0)	(6.0)	(11.3)	(11.3)
Derivative financial instruments:								
Other financial liabilities in designated hedge accounting relationships	(1.4)	(1.4)	(0.7)	(0.7)	—	—	(0.2)	(0.2)
Total financial liabilities	(1,812.4)	(1,812.6)	(1,945.3)	(1,944.2)	(1,849.8)	(1,844.9)	(2,114.0)	(2,119.8)

Excluded from the financial liabilities table above are non-interest bearing financial liabilities due to SCA Group companies of €788.4m as at 30 September 2011 (€789.9m at 31 December 2010, €772.1m at 31 December 2009, €66.8m at 31 December 2008). Further details on these non-interest bearing liabilities can be found in Note 16. These amounts have been excluded from the above as they are not related to the trading or financing of the SCA Packaging business and will be settled as part of the transaction. The carrying amount of the interest free loan payable is €700m at 30 September 2011 (€700m at 31 December 2010 and €700m at 31 December 2009), with a fair value being assessed of €346.5m at 30 September 2011 (€359.5m at 31 December 2010; €334.8m at 31 December 2009). The day one loss arising upon initial recognition is included within the loan balance, and is amortised over the loan period using the effective interest method. The fair value of the loan has been calculated based on future cash flows discounted at a rate of 5.91% as at 30 September 2011 (31 December 2010: 5.26%; 31 December 2009: 5.41%). The discount rate represents the weighted average cost of capital for the Packaging Europe division of the SCA Group as at 30 September 2011, 31 December 2010 and 31 December 2009.

The fair value is the amount for which an asset or liability could be exchanged or settled on an arm's-length basis. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The fair value of financial assets and liabilities which bear floating rates of interest are estimated to be equivalent to the carrying value.

IFRS 7 'Financial Instruments: Disclosures' requires financial instruments measured at fair value to be classified using the following fair value hierarchy that reflects the significance of the inputs used in making the assessments:

- Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Of the SCA Packaging Group's financial instruments only the derivative financial instruments are measured at fair value. All of these derivative financial instruments are Level 2 financial instruments. With the exception of the €700m loan balance detailed above (determined to be a Level 3 financial instrument), the Group does not hold any Level 1 or Level 3 financial instruments. There have been no realised or unrealised gains or losses, new issues or settlements associated with these Level 3 instruments, and no transfers into or out of Level 3.

(b) Derivative financial instruments

The SCA Packaging Group enters into derivative financial instruments, primarily commodity swaps, to manage commodity risks associated with the SCA Packaging Group's underlying business activities.

Commodity hedging for the SCA Packaging Group has historically been undertaken by the SCA Group central treasury function (which is not part of the SCA Packaging Group). The SCA Group central treasury function enters into individual commodity hedging contracts with external counterparties on behalf of underlying SCA Group companies.

In 2008 and 2009, SCA Packaging entities were recharged with gains and losses on these hedging contracts. The gains and losses were calculated and recharged on a monthly basis. No entries were made in the SCA

Packaging entities to recognise the fair value of these commodity hedges at the balance sheet date in the SCA Packaging entities since there were no internal contracts in place at the time with the SCA Group central treasury function. The fair value of the energy hedge contracts entered into by the SCA Group central treasury function on behalf of SCA Packaging as at 31 December 2009 and 31 December 2008 were net liability of €6.4m and net liability of €4.6m respectively. The gains and losses on commodity hedging contracts that were recharged to SCA Packaging during the year ending 31 December 2009 and 31 December 2008 were losses of €3.4m and gains of €3.0m respectively.

In 2010, commodity hedging contracts between the SCA Group central treasury function and the SCA Packaging entities were established, mirroring the external hedging contracts entered into by the central treasury function on behalf of the SCA Packaging entities. The fair value of these commodity hedges were subsequently recognised in the SCA Packaging balance sheet. The commodity contracts entered into by the SCA central treasury function are considered to be effective for the purposes of hedge accounting, in accordance with IAS39. Consequently, the SCA Packaging commodity hedge contracts with SCA central treasury are also considered effective. Further detail is provided in 'Commodity Risk' below.

The SCA Group's treasury policy is not to engage in speculative transactions.

The assets and liabilities of the SCA Packaging Group held in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	€m	€m	€m	€m	€m	€m
Derivatives held to:						
Hedge future transactions — energy costs	3.9	2.6	0.5	0.4	3.4	2.2
Hedge future transactions — foreign exchange on purchases and sales of goods and services	—	0.5	0.9	0.3	(0.9)	0.2
Total derivative financial instruments	**3.9**	**3.1**	**1.4**	**0.7**	**2.5**	**2.4**
Current	2.6	1.7	1.2	0.6	1.4	1.1
Non-current	1.3	1.4	0.2	0.1	1.1	1.3
	3.9	**3.1**	**1.4**	**0.7**	**2.5**	**2.4**

	Assets		Liabilities		Net	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	€m	€m	€m	€m	€m	€m
Derivatives held to:						
Hedge future transactions — foreign exchange on purchases and sales of goods and services	—	—	—	0.2	—	(0.2)
Total derivative financial instruments (all current)	**—**	**—**	**—**	**0.2**	**—**	**(0.2)**

(c) Cash flow hedges

(i) Cash flow hedging reserve movements

The following table identifies the movements in the cash flow hedging reserve during the year. All figures are post-tax.

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m		
Balance at 1 January	**1.7**	—	—	—
Unrealised fair value (loss)/gain on designated cash flow hedges				
Forward exchange contracts	(0.2)	0.2	—	—
Commodity contracts	1.2	(0.7)	—	—
(Gains)/loss in Invested Capital recycled to the income statement				
Commodity contracts	(0.4)	2.3	—	—
Translation differences	—	(0.1)	—	—
Balance at 30 September / 31 December	**2.3**	**1.7**	—	—

	9 months ended 30 September 2011	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m		
Cost of sales	(0.6)	3.2	—	—
Income tax	0.2	(0.9)	—	—
	(0.4)	**2.3**	—	—

(d) Risk identification and risk management

Financial risk management within the SCA Group is centralised. The SCA central treasury function (which is not part of the SCA Packaging Group) is responsible for the SCA Group's external borrowing, currency and interest-rate risk management. Historically the SCA Packaging Group has been required to use the SCA central treasury function to take out loans, deposit surplus funds and use cash-pools where such structures were in place. Cash pool arrangements were generally used for loans and deposits with expected terms of less than 10 business days. The SCA Packaging Group also had longer term deposits and borrowings in place with the SCA Group central treasury function. The majority of the SCA Packaging Group's borrowings are from the SCA Group central treasury function. Loans and deposits with SCA are generally short term, i.e., with a maximum maturity of 12 months. Some cash pool agreements are not with the SCA Group central treasury function so there are some short-term loans also with other SCA Group companies. In addition, SCA Packaging companies do also have certain longer-term loans with SCA Group companies.

(i) *Interest rate risk*

The SCA Packaging Group is exposed to interest rate risk as entities in the SCA Packaging Group borrow funds at both fixed and floating interest rates. No arrangements existed within the SCA Packaging Group to hedge the SCA Packaging Group's exposure to interest rate risk. At 30 September 2011, 35% (31 December 2010: 34%, 31 December 2009: 33%, 31 December 2008: 4%) of the SCA Packaging Group's loans and borrowings were fixed for a period of at least one year. The sensitivity analysis below shows the impact on profit and Invested Capital of a 100 basis points rise in market interest rates (representing management's assessment of the reasonably possible change in interest rates) in all currencies in which the SCA Packaging Group had variable rate borrowings at period end.

To calculate the impact on the income statement for the year, the interest rates on all interest-bearing loans and cash deposits have been increased by 100 basis points. The results are presented before non-controlling interests and tax.

	9 months ended 30 September 2011		Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital
	€m	€m	€m	€m	€m	€m	€m	€m
Increase in market interest rates by 100 basis points . .	(6.4)	(6.4)	(7.0)	(7.0)	(7.1)	(7.1)	(8.5)	(8.5)

(ii) *Foreign exchange risk*

Foreign exchange risk on investments

The SCA Packaging Group is exposed to foreign exchange risk arising from net investments in SCA Packaging Group entities, the functional currencies of which may differ from the SCA Packaging Group's functional and presentational currency. The SCA Packaging Group does not hedge these risks. The SCA central treasury function has been responsible for hedging of these risks in the past for the SCA Group.

Foreign exchange risk on borrowings

The SCA Packaging Group is exposed to foreign exchange risk on borrowings denominated in foreign currencies. Entities within SCA Packaging have primarily borrowed in the local functional currency from other entities within the SCA Group and therefore the foreign exchange risk on borrowings is mitigated through a natural hedge. There are no derivatives to hedge the foreign exchange risk on borrowings within the SCA Packaging Group. The SCA central treasury function has been responsible for hedging exchange.

Foreign exchange risk on transactions

Foreign currency transaction risk arises where a SCA Packaging company makes product sales and material purchases in a currency other than its functional currency. For the majority of SCA Packaging companies, product sales and material purchases are made in the same currency, minimising this currency risk. Where exposure does arise, part of the risk is hedged using foreign exchange contracts. Where applicable, these contracts are designated as cash flow hedges.

The following sensitivity analysis shows the impact on the SCA Packaging Group's results at the balance sheet date from a 10% change in the Euro exchange rate against all other currencies. The impact primarily results from movements in receivable and payable balances denominated in foreign currencies, as well as foreign currency derivatives that are not treated as hedging instruments. The results are presented before non-controlling interests and tax.

	9 months ended 30 September 2011		Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital	Impact on profit	Impact on Invested Capital
	€m	€m	€m	€m	€m	€m	€m	€m
10% strengthening of Euro	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.4)	(0.4)
10% weakening of Euro	0.8	0.8	0.7	0.7	0.7	0.7	0.4	0.4

(iii) *Commodity risk*

The SCA Packaging Group's main commodity exposures are to changes in gas and electricity prices. This commodity price risk is managed by a combination of physical supply agreements and derivative instruments.

The derivative instruments are primarily commodity swaps that are designated as cash flow hedges. At 30 September 2011, gains of € 1.2m (31 December 2010: losses of € 0.7m) net of tax is deferred in equity in respect of cash flow hedges in accordance with IAS 39. This will be recycled to the income statement in the period in which the hedged item also affects the income statement, which occurs within three years. During the nine months ended 30 September 2011, gains of €0.4m

deferred in equity were transferred to the income statement (year-ended 2010: losses of €2.3m net of tax). See Derivative Financial Instruments above for details regarding gains and losses recognised in 2008 and 2009 associated with commodity derivative contracts.

Sensitivity analysis calculations have been performed on the financial instruments relevant risk variable to which the SCA Packaging Group was exposed at end of each reporting period using assumptions on market movements that are regarded as reasonably possible in one year's time.

The following table details the SCA Packaging Group's sensitivity to a 20% movement in electricity and natural gas prices. The total energy cost for the SCA Packaging Group, however, would have been affected differently, if the price risk related to supply contracts was taken into account. The results are presented before non-controlling interests and tax.

	9 months ended 30 September 2011		Year ended 31 December 2010		Year ended 31 December 2009		Year ended 31 December 2008	
	Impact on profit	**Impact on Invested Capital**	**Impact on profit**	**Impact on Invested Capital**	**Impact on profit**	**Impact on Invested Capital**	**Impact on profit**	**Impact on Invested Capital**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
20% increase in electricity and natural gas prices . .	4.3	3.9	4.5	3.2	—	—	—	—

(iv) *Credit risk*

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due, causing financial loss to the SCA Packaging Group. In the current economic environment, the SCA Packaging Group has placed increased emphasis on the management of credit risk. The carrying amount of financial assets (including non-interest bearing financial assets) at 30 September 2011 was €1,987.9m (31 December 2010: €1,995.4m, 31 December 2009: €1,879.6m, 31 December 2008: €1,136.6m) and is analysed in note 19(a). This represents the maximum credit exposure. As at 30 September 2011, included within the carrying amount of these financial assets are amounts due from the SCA Group of €1,437.8m (31 December 2010: €1,474.1m; 31 December 2009: €1,435.1m; 31 December 2008: €665.0m). The credit rating of the SCA Group according to Moody's and Standard and Poor's was Baa1 and BBB+ respectively.

The majority of the SCA Packaging Group's trade receivables are due for maturity within 90 days. Concentrations of credit risk with respect to trade receivables are limited due to the SCA Packaging Group's customer base being large and diverse. Management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts.

	Net carrying amount (see note 13)	**Of which neither impaired nor past due**	**Past due**		
			1 month or less	**1-3 months**	**More than 3 months**
	€m	**€m**	**€m**	**€m**	**€m**
The ageing of trade receivables					
As at 30 September 2011 . . .	552.0	496.4	39.4	9.0	7.2
As at 31 December 2010 . . .	520.5	460.8	44.0	9.7	6.0
As at 31 December 2009 . . .	436.4	364.9	52.0	12.5	7.0
As at 31 December 2008 . . .	455.3	339.7	71.6	23.8	20.1

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Movement in the allowance for bad and doubtful receivables				
Balance as at 1 January	(31.6)	(30.9)	(28.3)	(16.4)
Uncollectible amounts written off, net of receivables	0.5	2.0	3.3	1.9
Decrease/(increase) in allowance	(1.6)	(2.1)	(5.6)	(14.2)
Effect of movements in foreign exchange	(0.3)	(0.6)	(0.3)	0.3
Balance as at 30 September / 31 December (see note 13)	**(33.0)**	**(31.6)**	**(30.9)**	**(28.4)**

(v) *Liquidity risk*

Liquidity risk is the risk that the SCA Packaging Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due. As described above, historically the central Treasury function of SCA has been responsible for managing the external funding and investments of the SCA Group. The majority of SCA Packaging's financial assets relate to amounts due from the SCA Group.

The SCA Packaging Group manages its liquidity risk by maintaining adequate financial resources, by continuously monitoring forecasted and actual cash flows and by matching the maturity profile of financial assets and liabilities to these risks. The following table is an analysis of the undiscounted contractual maturities of financial liabilities.

		Contractual Repayments			
As at 30 September 2011	Carrying amount	Total	1 year or less	1-5 years	More than 5 years
	€m	€m	€m	€m	€m
Non-derivative financial liabilities					
Trade payables	288.4	288.4	288.4	—	—
Trade payables SCA Group	52.1	52.1	52.1	—	—
Bank and other loans	7.5	7.5	—	4.6	2.9
Other loans SCA Group	2,244.9	2,244.9	1,416.1	—	828.8
Finance lease liabilities	4.6	4.6	0.2	3.4	1.0
Bank overdrafts	1.9	1.9	1.9	—	—
Total non-derivative financial liabilities	**2,599.4**	**2,599.4**	**1,758.7**	**8.0**	**832.7**

		Contractual repayments			
As at 31 December 2010	Carrying amount	Total	1 year or less	1-5 years	More than 5 years
	€m	€m	€m	€m	€m
Non-derivative financial liabilities					
Trade payables	328.6	328.6	328.6	—	—
Trade payables SCA Group	42.9	42.9	42.9	—	—
Bank and other loans	25.6	25.6	17.7	1.6	6.3
Other loans SCA Group	2,328.8	2,328.8	1,491.8	—	837.0
Finance lease liabilities	5.2	5.2	0.2	3.8	1.2
Bank overdrafts	3.4	3.4	3.4	—	—
Total non-derivative financial liabilities	**2,734.5**	**2,734.5**	**1,884.6**	**5.4**	**844.5**

As at 31 December 2009	Carrying amount	Contractual repayments Total	1 year or less	1-5 years	More than 5 years
	€m	€m	€m	€m	€m
Non-derivative financial liabilities					
Trade payables	257.1	257.1	257.1	—	—
Trade payables SCA Group	28.5	28.5	28.5	—	—
Bank and other loans	27.2	27.3	16.4	3.1	7.8
Other loans SCA Group	2,297.4	2,297.4	1,471.5	—	825.9
Finance lease liabilities	5.7	5.7	0.2	4.0	1.5
Bank overdrafts	6.0	6.0	6.0	—	—
Total non-derivative financial liabilities	**2,621.9**	**2,622.0**	**1,779.7**	**7.1**	**835.2**

As at 31 December 2008	Carrying amount	Contractual repayments Total	1 year or less	1-5 years	More than 5 years
	€m	€m	€m	€m	€m
Non-derivative financial liabilities					
Trade payables	288.7	288.7	288.7	—	—
Trade payables SCA Group	24.2	24.2	24.2	—	—
Bank and other loans	29.1	29.0	14.6	4.6	9.8
Other loans SCA Group	1,821.8	1,821.7	1,694.4	—	127.3
Finance lease liabilities	5.5	5.5	0.5	3.7	1.3
Bank overdrafts	11.3	11.3	11.3	—	—
Total non-derivative financial liabilities	**2,180.6**	**2,180.4**	**2,033.7**	**8.3**	**138.4**

The tables above exclude interest expense.

The above table does not include forecast data for liabilities which may be incurred in the future. Refer to note 25 for an analysis of the SCA Packaging Group's future operating lease payments and to note 26 for a summary of the SCA Packaging Group's commitments.

The following table is an analysis of the undiscounted contractual maturities of derivative financial liabilities. Where the payable and receivable legs of these derivatives are denominated in foreign currencies, the contractual payments/receipts have been calculated based on exchange rates as at the respective year ends.

Where applicable, interest and foreign exchange rates prevailing at the reporting date are assumed to remain constant over the future contractual maturities.

As at 30 September 2011	Carrying amount	Contractual payments/(receipts) Total	1 year or less	1-5 years	More than 5 years
	€m	€m	€m	€m	€m
Derivative financial liabilities					
Energy derivatives	(3.4)	(3.4)	(2.3)	(1.1)	—
Foreign exchange:					
Outflow	0.9	31.0	31.0	—	
Inflow	—	(30.1)	(30.1)	—	—
Total net derivative financial liabilities/(assets)	**(2.5)**	**(2.5)**	**(1.4)**	**(1.1)**	**—**

As at 31 December 2010	Carrying amount	Total	1 year or less	1-5 years	More than 5 years
		Contractual payments/(receipts)			
	€m	€m	€m	€m	€m
Derivative financial liabilities					
Energy derivatives	(2.2)	(2.2)	(1.0)	(1.2)	—
Foreign exchange:					
Outflow	0.3	29.9	28.8	1.1	—
Inflow	(0.5)	(30.1)	(28.9)	(1.2)	—
Total net derivative financial liabilities/(assets)	**(2.4)**	**(2.4)**	**(1.1)**	**(1.3)**	**—**

As at 31 December 2009	Carrying amount	Total	1 year or less	1-5 years	More than 5 years
		Contractual payments/(receipts)			
	€m	€m	€m	€m	€m
Derivative financial liabilities					
Foreign exchange:					
Outflow	—	5.5	5.5	—	—
Inflow	—	(5.5)	(5.5)	—	—
Total net derivative financial liabilities/(assets)	**—**	**—**	**—**	**—**	**—**

As at 31 December 2008	Carrying amount	Total	1 year or less	1-5 years	More than 5 years
		Contractual payments/(receipts)			
	€m	€m	€m	€m	€m
Derivative financial liabilities					
Foreign exchange:					
Outflow	0.2	9.8	9.8	—	—
Inflow	—	(9.6)	(9.6)	—	—
Total net derivative financial liabilities/(assets)	**0.2**	**0.2**	**0.2**	**—**	**—**

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	€m	€m	€m	€m	€m	€m
Property, plant and equipment and intangible assets	1.3	4.2	(140.7)	(134.7)	(139.4)	(130.5)
Employee benefits including pensions	22.1	17.4	(5.7)	(10.0)	16.4	7.4
Tax credits and tax losses carried forward	34.5	32.4	—	—	34.5	32.4
Other items	22.5	7.7	(22.1)	(14.8)	0.4	(7.1)
Tax assets/(liabilities)	**80.4**	**61.7**	**(168.5)**	**(159.5)**	**(88.1)**	**(97.8)**
Netting by tax jurisdiction	(47.1)	(34.9)	47.1	34.9	—	—
Tax assets/(liabilities) in the statement of financial position	**33.3**	**26.8**	**(121.4)**	**(124.6)**	**(88.1)**	**(97.8)**

	Assets		Liabilities		Net	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	€m	€m	€m	€m	€m	€m
Property, plant and equipment and intangible assets	10.6	7.0	(145.6)	(152.6)	(135.0)	(145.6)
Employee benefits including pensions	18.9	15.0	(6.0)	(13.8)	12.9	1.2
Tax credits and tax losses carried forward	20.7	15.9	—	—	20.7	15.9
Other items	10.5	7.5	(8.9)	(7.2)	1.6	0.3
Tax assets/(liabilities)	**60.7**	**45.4**	**(160.5)**	**(173.6)**	**(99.8)**	**(128.2)**
Netting by tax jurisdiction	(32.1)	(26.7)	32.1	26.7	—	—
Tax assets/(liabilities) in the statement of financial position	**28.6**	**18.7**	**(128.4)**	**(146.9)**	**(99.8)**	**(128.2)**

The value of deferred tax assets and deferred tax liabilities in the Combined Statement of Financial Position reflect the net position where legal entities within the SCA Packaging Group have a legally enforceable right to set off a tax asset and a tax liability with the same tax authority.

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Losses		Other items		Total	
	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010	30 September 2011	31 December 2010
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January	(130.5)	(135.0)	7.4	12.9	32.4	20.7	(7.1)	1.6	(97.8)	(99.8)
Credit/(charge) for the year	(10.0)	6.0	(3.8)	(14.7)	3.1	10.9	6.1	(6.9)	(4.6)	(4.7)
Recognised directly in Invested Capital	0.8	—	12.9	8.3	(0.4)	—	1.0	(0.7)	14.3	7.6
Exchange adjustments	0.3	(1.5)	(0.1)	0.9	(0.6)	0.8	0.4	(1.1)	—	(0.9)
Balance at 30 September/ 31 December	**(139.4)**	**(130.5)**	**16.4**	**7.4**	**34.5**	**32.4**	**0.4**	**(7.1)**	**(88.1)**	**(97.8)**

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Losses		Other items		Total	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January	(145.6)	(168.6)	1.2	(31.2)	15.9	12.7	0.3	14.1	(128.2)	(173.0)
Acquired	—	—	—	—	—	—	—	—	—	—
Credit/(charge) for the year	10.9	21.5	(3.2)	(1.9)	4.6	3.6	1.3	(12.9)	13.6	10.3
Recognised directly in Invested Capital	—	—	14.7	33.5	—	—	0.1	—	14.8	33.5
Exchange adjustments	(0.3)	1.5	0.2	0.8	0.2	(0.4)	(0.1)	(0.9)	—	1.0
Balance at 30 September / 31 December	**(135.0)**	**(145.6)**	**12.9**	**1.2**	**20.7**	**15.9**	**1.6**	**0.3**	**(99.8)**	**(128.2)**

At 30 September 2011, deferred tax assets and liabilities were recognised for all taxable temporary differences:

- except where the deferred tax liability arises on goodwill;
- except on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled by the SCA Packaging Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	Assets			
	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Tax losses	9.6	13.0	10.2	13.4
Total	9.6	13.0	10.2	13.4

Of the tax losses above €1.2m (€1.7m: €1.9m; €6.4m) do not expire and the remaining €7.6m (€11.3m; €8.3m; €7.0m) expire from 2012. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the SCA Packaging Group can utilise the benefits therefrom.

21. Provisions

	Provisions Restructuring	Provisions Other	Total
	€m	€m	€m
Balance at 1 January 2011	43.0	0.7	43.7
Provisions made during the year	11.3	3.8	15.1
Provisions used during the year	(16.9)	(0.3)	(17.2)
Provisions reversed during the year	(0.3)	—	(0.3)
Effect of movements in foreign exchange	(0.1)	(0.4)	(0.5)
Balance at 30 September 2011	**37.0**	**3.8**	**40.8**
Non-current	—	3.0	3.0
Current	37.0	0.8	37.8
	37.0	**3.8**	**40.8**

	Provisions Restructuring	Provisions Other	Total
	€m	€m	€m
Balance at 1 January 2010	65.5	1.5	67.0
Provisions made during the year	19.0	0.3	19.3
Provisions used during the year	(40.9)	(0.8)	(41.7)
Provisions reversed during the year	(1.5)	(0.3)	(1.8)
Effect of movements in foreign exchange	0.9	—	0.9
Balance at 31 December 2010	**43.0**	**0.7**	**43.7**
Non-current	—	—	—
Current	43.0	0.7	43.7
	43.0	**0.7**	**43.7**

	Provisions Restructuring	Provisions Other	Total
	€m	€m	€m
Balance at 1 January 2009	35.0	1.6	36.6
Provisions made during the year	65.5	1.1	66.6
Provisions used during the year	(43.6)	(0.3)	(43.9)
Provisions reversed during the year	—	(0.4)	(0.4)
Reclassification	6.9	—	6.9
Effect of movements in foreign exchange	1.7	(0.5)	1.2
Balance at 31 December 2009	**65.5**	**1.5**	**67.0**
Non-current	—	0.5	0.5
Current	65.5	1.0	66.5
	65.5	**1.5**	**67.0**

	Provisions Restructuring	Provisions Other	Total
	€m	€m	€m
Balance at 1 January 2008	93.5	2.2	95.7
Provisions made during the year	—	0.6	0.6
Provisions used during the year	(20.0)	(1.1)	(21.1)
Attributable to divested operations	(29.7)	—	(29.7)
Provisions reversed during the year	(3.2)	(0.7)	(3.9)
Effect of movements in foreign exchange	(5.6)	0.6	(5.0)
Balance at 31 December 2008	**35.0**	**1.6**	**36.6**
Non-current	6.0	0.1	6.1
Current	29.0	1.5	30.5
	35.0	**1.6**	**36.6**

2008

Restructuring provisions mainly includes provisions made for the efficiency programmes started in 2005 (Plan B) and 2007 (Plan C). The provisions attributable to divested operations refer to the divestment of operations in the UK and Ireland.

2009

The restructuring provisions made during the year primarily refer to a restructuring programme launched by the SCA group in the European packaging operations (Plan D), in order to adjust the operations' capacity and costs. 'Provisions used during the year' refers to all the restructuring programmes, with a significant proportion of the utilisation from Plan C and Plan D. Reclassification refers to impairment releases during the year associated with Plan B and C that have been reclassified into provisions, representing future costs to be incurred associated with Plan B and C.

2010

The restructuring provisions made during the year are all associated with Plan D. Provisions used primarily relate to Plan D.

2011

The restructuring provisions made during the year refer to an efficiency programme that was launched during the third quarter, Plan E, to reduce costs and increase profitability. The additional provisions in Other Provisions primarily relate to payroll taxes.

22. Post-retirement benefits

Liability for defined benefit obligations

The SCA Packaging Group has both defined contribution and defined benefit pension plans. The most substantial defined-benefit plans are based on period of service and the remuneration received by employees on or close to retirement.

Certain entities within the SCA Packaging Group are members of SCA Group pension schemes. The amounts below are in respect of SCA Packaging's share of the relevant schemes.

SCA Packaging also has obligations for disability and family pensions for salaried employees in Sweden, secured through insurance with the insurance company Alecta. These benefits are reported as a defined contribution plan as SCA Packaging did not have access to sufficient information to report this obligation as a defined benefit plan, and the contribution to Alecta is small. Premiums for the nine month period ending 30th September 2011 for the disability and family pension insurance with Alecta amounted to €83k (31 December 2010: €112k; 31 December 2009: €183k; 31 December 2008: €192k). The surplus for Alecta may be distributed among the policyholders and/or the insured. At 31 December 2010, the surplus of collective consolidation level amounts to 146% (31 December 2009: 141%, 31 December 2008; 112%).

The defined benefit pension plans comprise both funded and unfunded schemes. Funded pension schemes with a surplus of assets over the associated pension obligations of the scheme are recognised as an asset in the combined statements of financial position. Other funded pension schemes and unfunded pensions are recognised in liabilities. The values of all pension schemes are shown below:

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Provisions for pensions	(151.8)	(85.1)	(84.2)	(62.7)
Surplus in funded pension plans	17.2	23.2	18.8	46.6
Provisions for pensions, net value	**(134.6)**	**(61.9)**	**(65.4)**	**(16.1)**

The table below summarises the value of the defined benefit pensions obligations between funded and unfunded schemes.

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Funded plans				
Defined benefit obligations	1,029.7	1,035.1	883.0	683.4
Fair value of plan assets	(938.2)	(991.1)	(834.7)	(677.4)
Net value, funded plans	**91.5**	**44.0**	**48.3**	**6.0**
Unrecognised past service cost	—	(3.0)	(3.7)	(4.2)
Provisions for pensions, funded plans	**91.5**	**41.0**	**44.6**	**1.8**
Unfunded plans				
Defined benefit obligations	46.8	22.3	22.4	16.1
Unrecognised past service cost	(3.8)	(1.4)	(1.6)	(1.8)
Provisions for pensions, unfunded plans	**43.0**	**20.9**	**20.8**	**14.3**
Provisions for pensions, net value	**134.6**	**61.9**	**65.4**	**16.1**

Management consider that the principal defined benefit schemes of the SCA Packaging Group are those in Sweden, the UK, the Netherlands and Germany.

Balance sheet

The assets, liabilities and surplus/(deficit) position of the pension and other post-employment benefit plans at the balance sheet date were:

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Assets of principal plans:				
Equities	458.3	556.5	445.2	323.4
Bonds, government bonds and cash (weighted average)	439.1	388.4	350.5	321.2
Assets of other plans	40.8	46.2	39.0	32.8
Total market value of assets	**938.2**	**991.1**	**834.7**	**677.4**
Present value of schemes' liabilities:				
Principal plans	(990.2)	(971.3)	(826.3)	(628.6)
Other plans	(86.3)	(86.1)	(79.0)	(70.9)
Present value of scheme liabilities	(1,076.5)	(1,057.4)	(905.3)	(699.5)
Unrecognised past service cost	3.9	4.4	5.2	6.0
Deficit in the schemes	**(134.6)**	**(61.9)**	**(65.4)**	**(16.1)**

Principal actuarial assumptions in the principal defined benefit schemes operated by the SCA Packaging Group are as follows:

Sweden	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	%	%	%	%
Discount rate for scheme liabilities	3.7	5.0	4.3	4.3
Inflation	2.0	2.0	2.0	2.0
Future salary increases	3.3	3.3	3.5	3.5
Expected return on plan assets	6.4-6.8	6.4-6.8	5.8-6.9	6.17

UK	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	%	%	%	%
Discount rate for scheme liabilities	5.4	5.6	5.7	6.7
Inflation	3.0	3.0	2.8	2.8
Future salary increases	4.0	4.0	4.0	4.1
Expected return on plan assets	6.6	6.6	7.2	6.7-7.5

Netherlands and Germany	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	%	%	%	%
Discount rate for scheme liabilities	4.6	4.7	5.0	6.3
Inflation	2.0	2.0	2.0	2.0
Future salary increases	3.3	3.3	3.3	3.3
Expected return on plan assets	4.7-6.1	4.7-6.1	5.0-5.4	4.2-6.3

The sensitivity of the liabilities in the above schemes to the key assumptions above is summarised below:

	Increase in pension liability
	€m
0.5% decrease in discount rate	(71.4)
0.5% increase in inflation	(64.7)

The amounts recognised in the statement of financial position in respect of post-retirement benefits and the expected long-term rates of return applied to the schemes' assets in the relevant financial period, are as follows:

Sweden	30 September 2011		31 December 2010		31 December 2009		31 December 2008	
	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value
	%	€m	%	€m	%	€m	%	€m
Equities	6.8	11.1	7.0	20.0	7.8	11.6	8.5	7.1
Bonds, government bonds and cash (weighted average)	2.2	2.6	2.7	2.5	2.0	3.7	4.4	2.9
Total market value of assets		**13.7**		**22.5**		**15.3**		**10.0**
Present value of schemes' liabilities		(27.9)		(20.9)		(19.9)		(19.5)
(Deficit)/surplus in the schemes		**(14.2)**		**1.6**		**(4.6)**		**(9.5)**
Related deferred tax (liability)/asset		(2.4)		(1.8)		0.2		1.7
Net pension liability		**(16.6)**		**(0.2)**		**(4.4)**		**(7.8)**

UK	30 September 2011		31 December 2010		31 December 2009		31 December 2008	
	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value
	%	€m	%	€m	%	€m	%	€m
Equities	7.8	354.6	8.2	426.3	7.7	357.0	8.5	261.9
Bonds, gilts and cash (weighted average)	4.4	278.7	5.3	250.3	3.4	209.6	4.8	189.7
Total market value of assets		**633.3**		**676.6**		**566.6**		**451.6**
Present value of schemes' liabilities		(722.1)		(713.7)		(596.2)		(451.7)
Deficit in the schemes		**(88.8)**		**(37.1)**		**(29.6)**		**(0.1)**
Related deferred tax asset		15.3		10.5		9.2		2.9
Net pension (liability)/asset		**(73.5)**		**(26.6)**		**(20.4)**		**2.8**

As part of the actuarial valuation exercise, the mortality tables in UK have used as follows:

	2010	2009	2008
Longevity (years) at age 65 for current pensioners in years	21.1	19.4	19.4
Longevity (years) at age 65 for future pensioners in years	22.5	20.6	20.6

The mortality assumptions used in the actuarial valuations for the UK scheme have been derived from the '00 series tables and adjusted with an age rate of 25 years with Long Cohort improvements.

Netherlands	30 September 2011		31 December 2010		31 December 2009		31 December 2008	
	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value	Expected rate of return	Market value
	%	€m	%	€m	%	€m	%	€m
Equities	7.2	61.0	7.4	75.1	6.8	55.5	7.6	41.3
Bonds, government bonds and cash (weighted average)	3.6	142.2	4.0	122.5	3.1	123.7	4.4	117.4
Total market value of assets		**203.2**		**197.6**		**179.2**		**158.7**
Present value of the schemes' liabilities		(196.5)		(192.5)		(166.0)		(118.2)
Surplus in the schemes		**6.7**		**5.1**		**13.2**		**40.5**
Related deferred tax liability		(2.4)		(2.1)		(4.5)		(11.8)
Net pension asset		**4.3**		**3.0**		**8.7**		**28.7**

Germany	30 September 2011 Expected rate of return	30 September 2011 Market value	31 December 2010 Expected rate of return	31 December 2010 Market value	31 December 2009 Expected rate of return	31 December 2009 Market value	31 December 2008 Expected rate of return	31 December 2008 Market value
	%	€m	%	€m	%	€m	%	€m
Equities	7.6	31.6	7.5	35.1	8.9	21.1	8.4	13.1
Bonds, government bonds and cash (weighted average)	3.3	15.6	3.7	13.1	3.1	13.5	4.3	11.2
Total market value of assets		**47.2**		**48.2**		**34.6**		**24.3**
Present value of the schemes' liabilities		(43.7)		(44.2)		(44.2)		(39.2)
Surplus/(deficit) in the schemes		**3.5**		**4.0**		**(9.6)**		**(14.9)**
Related deferred tax asset/(liability)		0.3		(5.1)		2.7		3.6
Net pension asset/(liability)		**3.8**		**(1.1)**		**(6.9)**		**(11.3)**

Movements in the liability for defined benefit schemes' obligations recognised in the statement of financial position

	2011-09	2010	2009	2008
	€m	€m	€m	€m
Schemes' liabilities at 1 January	(1,057.4)	(905.3)	(699.5)	(1,010.3)
Interest cost	(40.1)	(50.4)	(48.8)	(52.0)
Service cost recognised in the income statement	(9.8)	(10.5)	(9.8)	(18.8)
Member contributions	—	—	—	—
Curtailments, settlements and reclassifications	—	(0.2)	(0.7)	—
Pension payments	40.4	57.2	50.6	68.7
Actuarial (losses)/gains recognised in the combined statement of comprehensive income	(25.8)	(80.5)	(161.8)	114.1
Transfers in	—	(22.9)	—	—
Disposals	2.9	—	—	(7.0)
Effect of movements in foreign exchange	13.3	(44.8)	(35.3)	205.8
Schemes' liabilities at 30 September 2011, otherwise 31 December	**(1,076.5)**	**(1,057.4)**	**(905.3)**	**(699.5)**

Movements in the fair value of defined benefit schemes' assets recognised in the statement of financial position

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Schemes' assets at 1 January	991.1	834.7	677.4	1,045.1
Employer contributions	40.5	38.4	18.4	24.5
Member contributions	2.8	3.7	4.0	6.8
Other contributions	—	—	—	—
Expected return on schemes' assets	44.8	58.6	42.4	67.1
Pension payments	(40.4)	(57.2)	(50.6)	(68.7)
Actuarial (losses)/gains recognised in the combined statement of comprehensive income	(89.0)	50.2	107.2	(236.1)
Transfers in	—	22.9	—	—
Effect of movements in foreign exchange	(11.6)	39.8	35.9	(161.3)
Schemes' assets at 30 September 2011, otherwise 31 December	**938.2**	**991.1**	**834.7**	**677.4**

Expense recognised in the income statement

	9 months to 30 September 2011	9 months to 30 September 2010	Year to 31 December 2010	Year to 31 December 2009	Year to 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Current service cost	(9.8)	(8.0)	(10.5)	(9.8)	(18.8)
Past service cost	(0.6)	(0.6)	(0.8)	(1.3)	(0.5)
Total service cost	**(10.4)**	**(8.6)**	**(11.3)**	**(11.1)**	**(19.3)**
Curtailment gain	**—**	**—**	**—**	**1.4**	**—**
Interest cost on schemes' liabilities	(40.1)	(37.7)	(50.4)	(48.8)	(52.0)
Expected return on schemes' assets	44.8	43.9	58.6	42.4	67.1
Employment benefit net finance (expense)/income	**4.7**	**6.2**	**8.2**	**(6.4)**	**15.1**

The expected rates of return on scheme assets have been derived based on the weighted average of the expected returns on the individual asset classes.

Analysis of amounts recognised in the statement of comprehensive income

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year to 31 December 2010	Year to 31 December 2009	Year to 31 December 2008
	€m	(unaudited) €m	€m	€m	€m
Actual return less expected return on pension schemes' assets	(89.0)	34.0	50.2	107.2	(236.1)
Experience gains/(losses) arising on schemes' liabilities	3.1	—	33.8	(28.2)	5.6
Changes in assumptions underlying present value of schemes' liabilities	(28.9)	(103.0)	(114.3)	(133.6)	108.5
Actuarial losses recognised in the statement of comprehensive income	**(114.8)**	**(69.0)**	**(30.3)**	**(54.6)**	**(122.0)**

History of experience gains and losses

	9 months to 30 September 2011	Year to 31 December 2010	Year to 31 December 2009	Year to 31 December 2008
	€m	€m	€m	€m
Difference between expected and actual returns on schemes' assets	(89.0)	50.2	107.2	(236.1)
Above as a percentage of schemes' assets	(9.5)%	5.1%	12.8%	(34.9)%
Experience gains/(losses) arising on schemes' liabilities	3.1	33.8	(28.2)	5.6
Above as a percentage of the present value of schemes' liabilities	(0.3)%	(3.2)%	3.1%	(0.8)%
Total amount recognised in the combined statement of comprehensive income	(114.8)	(30.3)	(54.6)	(122.0)
Above as a percentage of the present value of schemes' liabilities	10.7%	2.9%	6.0%	17.4%

The actual return on scheme assets in the 9 months ended 30 September 2011 was €-44.3m (31 December 2010: €108.3m, 31 December 2009: €149.6m, 31 December 2008: €-169.0m). The SCA Packaging Group expects to pay approximately €36.9m in contributions to the SCA Packaging Group defined benefit pension schemes in the year ending 31 December 2011.

23. Cash generated from operations

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year to 31 December 2010	Year to 31 December 2009	Year to 31 December 2008
	€m	(unaudited) €m	€m	€m	€m
Profit/(loss) for the financial period/year	71.8	47.3	76.2	(88.7)	57.4
Adjustments for:					
Exceptional items (credited)/charged to income statement	22.0	24.0	24.1	122.3	—
Cash outflow for exceptional items	(16.9)	(34.8)	(40.9)	(43.6)	(20.1)
Depreciation and amortisation	83.8	86.7	115.6	124.4	137.2
Profit on sale of non-current assets	(0.7)	(1.2)	(1.9)	(3.1)	(1.9)
Share of profit of associates	(1.4)	(1.1)	(1.6)	(0.1)	(0.1)
Employment benefit net finance expense	(4.7)	(6.2)	(8.2)	6.4	(15.1)
Finance income	(32.2)	(31.0)	(40.9)	(31.5)	(26.1)
Finance costs	26.5	25.9	34.3	50.7	94.0
Other non-cash items	0.9	(0.1)	—	(0.5)	0.6
Income tax expense	32.4	11.5	22.2	(23.4)	12.4
	109.7	73.7	102.7	201.6	180.9
Changes in					
Inventories	(16.4)	(34.0)	(35.8)	30.6	22.0
Trade and other receivables	(76.7)	(70.0)	(60.3)	23.5	121.7
Trade and other payables	3.8	58.2	68.1	(24.9)	(72.7)
Provisions and employee benefits	(35.5)	(20.2)	(29.5)	(26.6)	(11.0)
	(124.8)	(66.0)	(57.5)	2.6	60.0
Cash generated from operations	**56.7**	**55.0**	**121.4**	**115.5**	**297.1**

Cashflows from operating activities arising from discontinued operations in 2008 were €8.2m inflow.

24. Reconciliation of net cash flow to movement in net debt

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	(unaudited) €m	€m	€m	€m
Operating profit before amortisation and exceptional items	118.7	75.1	112.4	42.3	129.3
Depreciation	79.5	82.0	109.3	117.9	129.8
Adjusted EBITDA	198.2	157.1	221.7	160.2	259.1
Working capital movements	(89.3)	(45.8)	(28.0)	29.2	71.0
Provisions and employee benefits	(35.5)	(20.2)	(29.5)	(26.6)	(11.0)
Other	0.2	(1.3)	(1.9)	(3.7)	(1.9)
Cash generated from operations before exceptional cash items	**73.6**	**89.8**	**162.3**	**159.1**	**317.2**
Capital expenditure payments	(66.3)	(44.5)	(92.7)	(89.0)	(189.9)
Proceeds from sales of assets and investments	12.9	9.4	10.8	18.7	5.7
Cash flow from other investing activities	0.4	—	0.5	—	0.8
Tax paid	(11.1)	(5.8)	(7.1)	(5.9)	(30.8)
Net interest paid	5.1	4.8	6.3	(19.6)	(68.5)
Free cash flow	**14.6**	**53.7**	**80.1**	**63.3**	**34.5**
Exceptional cash costs	(16.9)	(34.8)	(40.9)	(43.6)	(20.1)
Net (acquisitions)/disposals of subsidiaries and associates	4.0	(0.9)	(0.9)	—	119.5
Net cash flow	**1.7**	**18.0**	**38.3**	**19.7**	**133.9**

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	(unaudited) €m	€m	€m	€m
Transactions with owners of the SCA Packaging Group	37.6	(3.0)	(17.4)	285.5	(200.4)
Disposals of subsidiaries	3.9	—	—	—	—
Reclassification of joint venture	13.4	—	—	—	—
Net movement on (borrowings)/cash	56.6	15.0	20.9	305.2	(66.5)
Foreign exchange and fair value movements	7.7	(19.5)	(19.0)	(11.9)	84.4
Net debt movement	**64.3**	**(4.5)**	**1.9**	**293.3**	**17.9**
Opening net debt	(891.2)	(893.1)	(893.1)	(1,186.4)	(1,204.3)
Closing net debt	**(826.9)**	**(897.6)**	**(891.2)**	**(893.1)**	**(1,186.4)**

Free cash flow excludes net acquisitions/(disposals) of in subsidiaries, and associates exceptional cash.

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Less than one year	30.9	32.7	23.5	22.6
Between one and five years	67.2	73.0	53.2	41.4
More than five years	31.6	32.7	28.4	30.0
	129.7	**138.4**	**105.1**	**94.0**

Operating lease payments represent rentals payable by the SCA Packaging Group for certain of its properties, machines, vehicles and office equipment.

26. Contingent liabilities

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Contingencies held a respect of:				
- employees	0.5	0.3	0.3	0.5
- customers and others	0.3	0.3	0.3	0.2
Other contingent liabilities	13.0	2.1	4.4	4.2
Total	**13.8**	**2.7**	**5.0**	**4.9**

Other contingent liabilities relate to warranty claims and leases on vacant properties which have been assigned to third parties.

27. Disposals and discontinued operations

(a) Disposal of Greek operations and ZAO SCA Packaging Kuban

In April 2011, SCA Packaging finalised and sold its Greek operations. The discounted net price for the disposal was €13.1m and the sale generated a loss on disposal of €3.9m. As at 30 September 2011 there was deferred consideration receivable in connection with this disposal of €12.0m payable in instalments to 2018. The outstanding amounts receivable are classified within non-current receivables and current trade and other receivables in the combined statement of financial position.

In July 2011, SCA Packaging sold ZAO SCA Packaging Kuban to DS Smith Sarl. The net proceeds for the disposal was €6.9m, producing a loss on disposal of €0.9m.

The net assets and liabilities at disposal and the profit on disposal were as follows:

	Greece operations	ZAO SCA Packaging Kuban, Russia	TOTAL
	€m	€m	€m
Total consideration	13.1	6.9	20.0
Intangible assets	1.2	2.1	3.3
Property, plant and equipment	0.2	1.2	1.4
Deferred tax assets	3.2	0.6	3.8
Other non-current receivables	0.1	0.1	0.2
Inventories	10.4	2.6	13.0
Trade and other receivables	25.7	3.6	29.3
Cash and cash equivalents	0.3	1.0	1.3
Post-retirement benefits	(2.1)	—	(2.1)
Deferred tax liabilities	(0.7)	—	(0.7)
Interest-bearing loans and borrowings — current	(4.1)	—	(4.1)
Trade and other payables	(16.6)	(2.7)	(19.3)
Net assets disposed of:	**17.6**	**8.5**	**26.1**
Transaction and other costs of disposal:	0.6	0.7	1.3
Loss on disposal	**(3.9)**	**(0.9)**	**(4.8)**

The impact of the disposals on the combined statement of cash flows was as follows:

	Greece operations	ZAO SCA Packaging Kuban, Russia	TOTAL
	€m	€m	€m
Total consideration	**16.0**	**6.9**	**22.9**
Discounting of deferred consideration	(2.9)	—	(2.9)
Total consideration (after discounting)	**13.1**	**6.9**	**20.0**
Disposed cash and cash equivalents	(0.3)	(1.0)	(1.3)
Unpaid consideration	(12.0)	(1.5)	(13.5)
Impact on combined statements of cash flows	**0.8**	**4.4**	**5.2**
Disposed net debt	**(4.0)**	**0.1**	**(3.9)**

(b) Sale of UK conventional corrugated packaging business in 2008

On 30 September 2008 SCA Packaging disposed of certain conventional corrugated plants in the UK and Ireland to SAICA Packaging UK Limited and SAICA Packaging Ireland. The proceeds totalled €119.5m and there was no profit or loss arising on the transaction.

The UK conventional corrugated operations represented a separate line of business for SCA Packaging. As a result, these operations have been treated as discontinued operations for the year ended 31 December 2008. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations. The table below provides further detail of the amount shown on the income statement.

Financial information relating to the disposed operations for the period to the date of disposal is set out below:

	€m
Revenue	240.9
Cost of goods sold	(196.4)
Gross profit	**44.5**
Operating expenses	(42.6)
Operating profit	**1.9**
Financial income	(0.8)
Profit before tax	**1.1**
Tax expense	(0.5)
Profit for the financial year	**0.6**

The carrying value of the assets liabilities at disposal and were as follows:

	UK Conventional Corrugated Business
	€m
Total consideration	**119.5**
Property, plant and equipment	106.8
Inventories	15.9
Trade and other receivables	59.1
Post-retirement benefits	7.0
Trade and other payables	(39.6)
Provisions	(29.7)
Net assets disposed of:	**119.5**
Profit/(loss) on disposal of discontinued operations	**—**

28. Related parties

(a) Key Management compensation

The key management personnel of SCA Packaging comprise the SCA Packaging Board. The compensation of key management personnel is set out below, which excludes notice period and redundancy payments for former presidents:

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Fixed salary*	1.0	0.8	1.5	1.0	1.0
Variable remuneration — performance related	—	—	0.8	0.6	—
Post retirement benefit	0.1	0.1	0.1	0.1	0.1
Total	**1.1**	**0.9**	**2.4**	**1.7**	**1.1**

* Included within 2010 fixed salary is a bonus payment made to acting president for the period from the end of 2009 to the beginning of 2010, as well as a sign on bonus for the new president in 2010.

(b) Transactions with other SCA Group entities

In the normal course of business SCA Packaging undertakes transactions with other companies in the SCA Group. Sales to SCA Group entities are made by both SCA Packaging's packaging operations and its recycling operations. Purchases from SCA Group entities include purchases of both paper and recycled material. Services provided by SCA Group entities were made on an arm's length basis. Services such as IT Services and R&D were provided on a cost basis.

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Packaging sales to SCA Group entities (included in Revenue)	43.9	39.4	52.6	47.9	55.6
Recycling income from SCA Group entities (included as a credit in the SCA Packaging Group's Cost of sales)	14.8	11.3	15.8	5.9	—
Total sales to SCA Group entities	**58.7**	**50.7**	**68.4**	**53.8**	**55.6**

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Purchases of paper reels from SCA Group entities	137.1	120.5	166.0	129.6	160.7
Other purchases/services provided from SCA Group entities	1.4	6.1	6.5	10.6	19.9
Total purchases from SCA Group entities (included in Cost of Sales)	**138.5**	**126.6**	**172.5**	**140.2**	**180.6**

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Other purchases/services provided from SCA Group entities (included in Operating expenses)	9.6	9.8	13.3	17.1	28.9

The following table sets out the receivables and payable balances in relation to the above transactions.

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Trading balances and other receivables due from SCA Group entities	21.5	17.3	14.4	15.1
Trading balances and other payables due to SCA Group entities	52.5	43.3	28.9	24.6

As described in note 19, the SCA Packaging Group has historically used the SCA Group central treasury function to provide loans and make deposits of surplus funds and has used cash-pools where such arrangements were in place within the SCA Group. Further information regarding the interest receivable and payable in relation to these arrangements are included in notes 5 and 19.

29. SCA Packaging Group companies

Control of the SCA Packaging Group

The ultimate parent company of all the companies in the SCA Packaging Group is SCA AB. A list of the principal companies included in the SCA Packaging Group is as follows:

	Country of incorporation or registration	Ownership interest 2011
		%
SCA Packaging Czeska Republica S.R.O.	Czech Republic	100
SCA Packaging Containerboard Deutschland GmbH	Germany	100
SCA Packaging FULDA GmbH	Germany	100
SCA Packaging Stiftung & Co KG	Germany	100
SCA Packaging Denmark A/S	Denmark	100
SCA Emballage France SAS	France	100
SCA Packaging Nicollet SAS	France	100
SCA Packaging Ltd	Great Britain	100
SCA Packaging Hungary Kft	Hungary	100
SCA Packaging Italia SpA	Italy	100
SCA Packaging Poland Spolka Z O O	Poland	100
SCA Packaging Benelux BV	Netherlands	100
SCA de Hoop B.V.	Netherlands	100
SCA Packaging Sweden AB	Sweden	100
SCA Recycling UK Ltd	Great Britain	100
SCA Packaging Coordination Center NV	Belgium	100
SCA Packaging Marketing NV	Belgium	100

30. Investment in Joint Ventures

In 2008, 2009 and 2010, SCA Packaging considered that it had joint control over the operations of its Turkish joint ventures. Accordingly, SCA Packaging's share of each of the assets, liabilities, income and expenses of these entities were combined with the SCA Packaging Group's similar line items, line by line, in accordance with the proportionate consolidation method. During 2011 a renewal of the Shareholders Agreement between SCA Packaging International B.V. and the majority owner of the entities was negotiated. As a result of the negotiations, management considers that the SCA Packaging Group no longer had joint control over these Turkish entities and they were reclassified as associates and accounted for under the equity method from May 2011. Management determined that the fair value of the net assets was equal to the book value at the date of reclassification from joint ventures to associates.

The table below, shows SCA Packaging's share of the summarised financial information of the Turkish entities, for the periods in which they were accounted for using proportionate consolidation.

	30 September 2011	31 December 2010	31 December 2009	31 December 2008
	€m	€m	€m	€m
Total non-current assets	—	28.8	27.4	25.9
Total current assets	—	18.3	13.3	10.4
Total non-current liabilities	—	2.8	3.8	5.0
Total current liabilities	—	18.6	13.8	9.7
Share of net assets, proportionately combined	**—**	**25.7**	**23.1**	**21.6**

	9 months ended 30 September 2011	9 months ended 30 September 2010	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
	€m	€m (unaudited)	€m	€m	€m
Revenue	17.6	40.8	55.0	36.6	41.2
Cost of sales	(16.1)	(35.0)	(49.3)	(33.6)	(40.4)
Operating expenses	0.6	(2.4)	(3.2)	(2.6)	(3.3)
Share of profit/loss for the financial period, proportionately combined	**0.9**	**3.4**	**2.6**	**0.4**	**(2.5)**

31. Events after the balance sheet date

In November, SCA Packaging sold OAO SCA Packaging St Petersburg to Smurfit Kappa Group. The net proceeds for the disposal was €8.1m, producing a loss on disposal of €1.8m

Part XII

Unaudited Pro Forma Combined Financial Information for the Enlarged Group

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group set out below has been based on the net assets of DS Smith at 31 October 2011 and the net assets of SCA Packaging as at 30 September 2011 and prepared in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II of the Prospectus Rules and on the basis of the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the impact of: (i) the Acquisition of SCA Packaging; (ii) the financing of the Acquisition (through the Rights Issue and the Acquisition Facilities Agreement) and (iii) the disposal of the DS Smith Group's Office Products Wholesaling business, Spicers, on the net assets of the DS Smith Group as if they had been completed on 31 October 2011.

The unaudited pro forma income statement of the Enlarged Group set out below has been based on the consolidated income statement of DS Smith for the year ended 30 April 2011 and the combined income statement of SCA Packaging for the year ended 31 December 2010 and prepared in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II of the Prospectus Rules and on the basis of the notes set out below. The unaudited pro forma income statement has been prepared to illustrate the impact of the Acquisition of SCA Packaging on the consolidated income of the DS Smith Group as if they had been completed on 1 May 2010.

The unaudited pro forma statement of net assets and the unaudited pro forma income statement have been prepared in a manner consistent with the accounting policies adopted by DS Smith Group in preparing the 2011 Financial Statements. The unaudited pro forma adjustments give effect to events that are directly attributable to the Acquisition, and the financing thereof, and the disposal of Spicers.

The unaudited pro forma statement of net assets presents the Acquisition as being accounted for under the acquisition method pursuant to IFRS 3 "*Business Combinations*" (revised). Under the acquisition method, assets and liabilities are recorded at their fair values on the date of purchase and the total purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed. As of the date of this document, the valuation studies necessary to finalise the fair values of the assets acquired and liabilities assumed and the related allocation of the purchase price have not been completed.

Accordingly, the unaudited pro forma statement of net assets and income statement are based on an allocation of the total estimated purchase price, and the book value of the assets acquired and liabilities assumed. A final determination of these fair values will reflect, among other things, consideration of the final purchase price, as well as the final valuation based on the actual net tangible and intangible assets, if any, that exist as of the closing of the acquisition. Any adjustments will change the allocation of the purchase price, which will affect the fair value assigned to the assets and liabilities and could result in a material change to the unaudited pro forma statement of net assets and the unaudited pro forma income statement.

The unaudited pro forma statement of net assets and the unaudited pro forma income statement have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and do not, therefore, represent the Enlarged Group's actual financial position or results.

The unaudited pro forma financial information has not been prepared, or shall not be construed as prepared, in accordance with Regulation S-X under the Securities Act. In addition, the unaudited pro forma financial information does not purport to represent what the Enlarged Group's financial position and results of operations actually would have been if the Acquisition had been completed on the dates indicated nor do they purport to represent our results of operations for any future period or our financial condition at any future date.

In addition to the matters noted above, the unaudited pro forma combined financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Acquisition.

Basis of preparation of the pro forma statement of net assets at 31 October 2011

The pro forma statement of net assets set out below is based on information which has been extracted without material adjustment from the unaudited balance sheet of the Company as at 31 October 2011 as incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document and from the audited balance sheet of SCA Packaging (prepared in accordance with DS Smith's accounting policies) as at 30 September 2011 as set out

in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document. Further adjustments have been made in accordance with item 6 of Annex II of the Prospectus Rules, as described below.

Basis of preparation of the pro forma income statement for the year ended 30 April 2011

The pro forma income statement set out below is based on information which has been extracted without material adjustment from the 2011 Financial Statements as incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document and from the audited combined income statement of SCA Packaging (prepared in accordance with DS Smith's accounting policies) for the year ended 31 December 2010 as set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document. Further adjustments have been made in accordance with item 6 of Annex II of the Prospectus Rules.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

	Notes	DS Smith unaudited net assets as at 31 October 2011	SCA Packaging audited net assets as at 30 September 2011	Adjustments: Spicers disposal adjustments	Adjustments: Rights issue proceeds	Adjustments: New and existing debt facilities drawdown	Adjustments: Cash consideration	Adjustments: Net debt, pensions and goodwill adjustment	Adjustments: Acquisition accounting	DS Smith pro forma net assets as at 31 October 2011
		£m	£m	£m	£m	£m	£m	£m	£m	£m
		1	2	3	4	5	6	7	8	9
ASSETS										
Non-current assets										
Intangible assets		321.5	442.9	—	—	—	—	(425.7)	124.7	463.4
Property, plant and equipment		612.3	1,054.7	—	—	—	—	—	—	1,667.0
Investment in associates		—	59.2	—	—	—	—	—	—	59.2
Other investments		—	0.4	—	—	—	—	—	—	0.4
Deferred tax assets		57.0	28.9	—	—	—	—	(13.3)	—	72.6
Other receivables		2.7	12.1	—	—	—	—	—	—	14.8
Surplus in funded pensions plan		—	14.9	—	—	—	—	(5.8)	—	9.1
Financial assets		—	700.6	—	—	—	—	(700.6)	—	—
Derivative financial instruments		10.0	1.1	—	—	—	—	—	—	11.1
Total non-current assets		1,003.5	2,314.8	—	—	—	—	(1,145.4)	124.7	2,297.6
Current assets										
Inventories		158.1	185.4	—	—	—	—	—	—	343.5
Other investments		0.2	—	—	—	—	—	—	—	0.2
Income tax receivable		0.4	23.2	—	—	—	—	—	—	23.6
Trade and other receivables		334.8	510.2	—	—	—	—	—	—	845.0
Financial assets		—	533.1	—	—	—	—	(533.1)	—	—
Cash and cash equivalents		58.7	10.3	160.0	456.4	760.3	(1,376.8)	(10.3)	—	58.6
Derivative financial instruments		2.5	2.3	—	—	—	—	—	—	4.8
Assets classified as held for sale		268.9	4.7	(260.9)	—	—	—	—	—	12.7
Total current assets		823.6	1,269.2	(100.9)	456.4	760.3	(1,376.8)	(543.4)	—	1,288.4
Total assets		1,827.1	3,584.0	(100.9)	456.4	760.3	(1,376.8)	(1,688.8)	124.7	3,586.0
LIABILITIES										
Non-current liabilities										
Interest-bearing loans and borrowings		355.0	730.3	—	—	760.3	—	(730.3)	—	1,115.3
Post-retirement benefits		152.0	131.9	(14.8)	—	—	—	(77.1)	—	192.0
Other payables		10.0	0.5	—	—	—	—	—	—	10.5
Provisions		17.6	2.6	—	—	—	—	—	—	20.2
Deferred tax liabilities		56.6	105.5	—	—	—	—	(2.1)	—	160.0
Derivative financial instruments		27.0	0.2	—	—	—	—	—	—	27.2
Total non-current liabilities		618.2	971.0	(14.8)	—	760.3	—	(809.5)	—	1,525.2
Current liabilities										
Bank overdrafts		11.0	1.7	—	—	—	—	(1.7)	—	11.0
Interest-bearing loans and borrowings		3.2	1,230.3	—	—	—	—	(1,230.3)	—	3.2
Trade and other payables		443.5	449.0	—	—	—	—	—	—	892.5
Income tax liabilities		23.6	39.0	—	—	—	—	—	—	62.6
Provisions		5.0	32.8	—	—	—	—	—	—	37.8
Derivative financial instruments		3.6	1.0	—	—	—	—	—	—	4.6
Liabilities classified as held for sale		145.8	—	(143.4)	—	—	—	—	—	2.4
Total current liabilities		635.7	1,753.8	(143.4)	—	—	—	(1,232.0)	—	1,014.1
Total liabilities		1,253.9	2,724.8	(158.2)	—	760.3	—	(2,041.5)	—	2,539.3
NET ASSETS		573.2	859.2	57.3	456.4	—	(1,376.8)	352.7	124.7	1,046.7
NET DEBT	10	312.9	718.3	(160.0)	(456.4)	—	1,376.8	(718.3)	—	1,073.3

Notes:

(1) The consolidated net assets of DS Smith as at 31 October 2011 have been extracted without material adjustment from the 2011 Interim Financial Statements of DS Smith, which are incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document.

(2) The consolidated net assets of SCA Packaging as at 30 September 2011 and the adjustments in column 7 have been extracted without material adjustment from the SCA Packaging Group's combined financial information prepared on a basis consistent with DS Smith

accounting policies, as set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document, translated into sterling at £1.00 : €1.1511 being the closing rate of exchange at 30 September 2011.

(3) The adjustment to cash and cash equivalents of £160.0 million reflects the estimated net proceeds after tax and related costs of £174.8 million received in respect of the disposal of the Spicers' discontinued business less £14.8 million for an additional employer contribution to the DS Smith defined benefit pension scheme. The adjustment to the assets classified as held for sale of £260.9 million and liabilities held for sale of £143.4 million reflect the balances related to Spicers as at 31 October 2011 as disclosed in note 7 to the 2011 Interim Financial Statements of DS Smith, which are incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document.

(4) The adjustment to cash for the rights issue proceeds has been calculated as follows:

	£m
Gross proceeds from the rights issue	466.2
Commissions relating to the rights issue	(9.8)
Net proceeds from the rights issue	456.4

(5) The adjustment to cash and interest-bearing loans reflects the estimated drawdown under new and existing bank facilities of £760.3 million.

(6) The adjustment to cash of £1,376.8 million reflects the transaction costs and fees of approximately £40.2 million in addition to the purchase consideration of £1,336.6 million.

(7) This adjustment eliminates certain assets and liabilities included within the SCA Packaging audited net assets as at 30 September 2011 which will not be acquired as part of the Acquisition. As described under paragraph 3.2 of Part II (*Details of the Acquisition and Rights Issue*) of this document the SCA Packaging Shares will be acquired on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. Euro denominated balances set out below are translated into sterling at £1.00:€1.1511 being the closing rate of exchange at 30 September 2011.

The adjustment to intangible assets of £425.7 million is the sterling equivalent of goodwill reported on the SCA Packaging balance sheet of €490.0 million as at 30 September 2011. This amount has been eliminated as it will be replaced by the resulting goodwill calculated as described below in note (8) below.

The adjustments to non-current financial assets of £700.6 million, current financial assets of £533.1 million, cash and cash equivalents of £10.3 million, non-current interest-bearing loans and borrowings of £730.3 million, bank overdrafts of £1.7 million and current interest-bearing loans and borrowings of £1,230.3 million eliminate cash and debt balances from the SCA Packaging consolidated net assets as at 30 September 2011 set out in column 2 in the table.

The adjustments to pension liabilities have been extracted from Note 22 of the SCA Packaging Historical Financial Information set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*). The adjustments of £77.1 million to Post-retirement benefits and deferred tax assets of £13.3 million represent the SCA Packaging UK pension deficit of €88.8 million and related deferred tax asset of €15.3 million. The adjustments of £5.8 million to the Surplus in funded pension plans and deferred tax liabilities of £2.1 million represent the SCA Packaging Netherlands BV pension surplus of €6.7 million and related deferred tax liability of €2.4 million. These amounts have been eliminated as they are not being acquired under the transaction.

(8) The unaudited pro forma statement of net assets has been prepared on the basis that the acquisition of SCA Packaging will be accounted for using the acquisition method. The excess of cash consideration over the book value of assets acquired has been reflected as goodwill. No account has been taken of any fair value adjustments which may arise on the Acquisition. The goodwill arising on this basis has been calculated as follows:

	£m
Cash consideration for SCA Packaging	1,336.6
Less net assets acquired	(1,211.9)
Goodwill	124.7

The net assets acquired are calculated as follows:

	£m
SCA Packaging net assets as at 30 September 2011	859.2
SCA Packaging net debt, pension and goodwill elimination (Adjustment)	352.7
	1,211.9

(9) No adjustment has been made to the unaudited pro forma statement of net assets to reflect the trading results of DS Smith or SCA Packaging since the balance sheet dates shown, nor the consequential impact of amortisation.

(10) Net debt for DS Smith as at 31 October 2011 as extracted without material adjustment from note 11 to the 2011 Interim Financial Statements of DS Smith , which are incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document is £312.9 million. Net debt for SCA Packaging at 30 September 2011, as extracted without material adjustment from note 16 to the audited historical financial information of SCA Packaging set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document is, €826.9 million. This has been translated into sterling at £1.00 : €1.1511 being the closing rate of exchange at 30 September 2011.

All adjustments made to the pro-forma statement of net assets are adjusted for within net debt other than those made for the disposal of assets and liabilities related to the Spicers' disposal included in adjustment 3 and to goodwill in adjustment 8, neither of which are net debt items.

UNAUDITED PRO FORMA INCOME STATEMENT

	Notes	DS Smith audited consolidated income statement for the year ended 30 April 2011	Adjustments SCA Packaging audited combined income statement for the year ended 31 December 2010	DS Smith Pro forma income statement for the year ended 30 April 2011
		£m	£m	£m
		1	2	3
Revenue		1,759.3	2,182.4	3,941.7
Cost of sales		(1,341.0)	(1,615.9)	(2,956.9)
Gross profit		418.3	566.5	984.8
Operating expenses		(307.4)	(470.0)	(777.4)
Operating profit before amortisation and exceptional items		110.9	96.5	207.4
Amortisation of intangible assets		(6.8)	(5.4)	(12.2)
Pre-tax exceptional items		0.9	(20.7)	(19.8)
Operating profit		105.0	70.4	175.4
Finance income		0.8	35.1	35.9
Finance costs		(20.8)	(29.4)	(50.2)
Employment benefit net finance (expense) / income		(7.4)	7.0	(0.4)
Net financing (costs) / income		(27.4)	12.7	(14.7)
Profit after financing costs		77.6	83.1	160.7
Share of profit of associates		—	1.4	1.4
Profit before income tax, amortisation and exceptional items		83.5	110.6	194.1
Amortisation of intangible assets		(6.8)	(5.4)	(12.2)
Pre-tax exceptional items		0.9	(20.7)	(19.8)
Profit before income tax		77.6	84.5	162.1
Income tax on profit before exceptional items		(21.6)	(19.1)	(40.7)
Exceptional tax expense		(2.9)	—	(2.9)
Profit for the financial year from continuing operations		53.1	65.4	118.5
Discontinuing operations				
Profit for the financial year from discontinued operations		17.6	—	17.6
Profit for the financial year		70.7	65.4	136.1

Notes:

(1) The consolidated income statement of DS Smith for the year ended 30 April 2011 has been extracted without material adjustment from the 2011 Financial Statements, which are incorporated by reference in Part XVII (*Documents Incorporated by Reference*) of this document. The consolidated income statement for DS Smith is presented after exceptional items.

(2) The combined income statement of SCA Packaging as for the year ended 31 December 2010 has been extracted without material adjustment from the audited historical financial information of SCA Packaging prepared in accordance with DS Smith accounting policies, as set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document, translated into pounds sterling at £1.00: €1.1649 being the average rate of exchange for the year ended 31 December 2010.

(3) No adjustment has been made to the unaudited pro forma income statement to reflect any changes in finance or tax charges which may have arisen as a result of the rights issue or the Acquisition Facilities Agreement.

SECTION B: ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Deloitte.

Deloitte LLP
Athene Place
66 Shoe Lane
London EC4A 3BQ
Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198
www.deloitte.co.uk

The Board of Directors
on behalf of DS Smith Plc
Beech House
Whitebrook Park
68 Lower Cookham Road
Maidenhead
SL6 8XY

J.P. Morgan Limited
125 London Wall
London
EC2Y 5AJ

17 January 2012

Dear Sirs,

DS Smith Plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part XII of the combined Class 1 Circular and Prospectus dated 17 January 2012 (the "Prospectus"), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the proposed acquisition (the "Acquisition") of SCA Packaging (the "Target"), the financing of the Acquisition through a rights issue, the Acquisition Facilities and the Revolving Credit Facility, the disposal of the Office Products Wholesaling business, Spicers, by the Company and the proposed admission to listing on the premium segment of the Official List of the Financial Services Authority and admission to trading on the London Stock Exchange of the new ordinary shares of the Company (the "Admission") and the proposed re-admission of the entire issued ordinary share capital of the Company to the premium segment of the Official List of the Financial Services Authority and re-admission to trading on the London Stock Exchange of the entire issued ordinary share capital of the Company following completion of the rights issue and completion of the Acquisition (the "Re-admission") (together, the "Transaction") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 April 2011. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Part XIII

Capitalisation and Indebtedness Statement

SECTION A: DS SMITH

1. CAPITALISATION

The following tables show the capitalisation of the DS Smith Group as at 31 October 2011. The capitalisation figures have been extracted without material adjustment from the 2011 Interim Financial Statements of DS Smith at 31 October 2011 prepared in accordance with IAS 34 "*Interim Financial Reporting*" and includes interest-bearing loans and borrowings relating to the Office Products Wholesaling business, Spicers, which were classified as liabilities held for sale in the 2011 Interim Financial Statements.

	As at 31 October 2011
	£m
Current interest-bearing loans and borrowings	
Guaranteed	—
Secured	0.8
Unguaranteed / unsecured	16.8
Total	17.6
Non-current debt interest-bearing loans and borrowings	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	376.9
Total Debt	394.5
Equity	
Issued capital	43.7
Share premium	310.0
Reserves	221.2
Non-controlling interests	(1.7)
Total equity	573.2
Total capitalisation	967.7

2. NET INDEBTEDNESS

The net indebtedness figures have been extracted without material adjustment from the 2011 Interim Financial Statements as at 31 October 2011 prepared in accordance with IAS 34 and includes cash and cash equivalents and relevant debt balances related to Spicers which were classified as asset and liabilities held for sale in the 2011 Interim Financial Statements. There has been no material change in the indebtedness of the DS Smith Group between 31 October 2011, being the date of the indebtedness statement, and the Latest Practicable Date except for the net proceeds of £160 million arising on disposal of Spicers as disclosed at paragraph 1.3 of Part VIII *(Operating and Financial Review of the DS Smith Group)*.

The following table sets out the net indebtedness of DS Smith as at 31 October 2011:

	As at 31 October 2011
	£m
A. Cash	81.6
B. Cash equivalents	—
C. Trading securities	—
D. Liquidity (A+B+C)	**81.6**
E. Current portion of financial receivables	—
F. Current bank loans	17.6
G. Current portion of non-current debt	—
H. Current other financial debt	—
I. Current financial debt (F+G+H)	**17.6**
J. Net current financial Indebtedness (I-E-D)	**(64.0)**
K. Non-current bank loans	28.5
L. Bonds issued	—
M. Non-current other financial debt	348.4
N. Non-current financial Indebtedness (K+L+M)	**376.9**
O. Net financial Indebtedness (J+N)	**312.9**

Note: DS Smith has no indirect or contingent indebtedness as at the date of this document.

SECTION B: SCA PACKAGING

1. INDEBTEDNESS

The following table shows the indebtedness of the SCA Packaging Group as at 30 November 2011 which has been extracted without material adjustment from the underlying accounting records of the combined companies included within the SCA Packaging Group which form part of the SCA financial records.

	As at 30 November 2011
	€m
Current financial debt	
Unguaranteed and unsecured:	
Amounts due to the SCA Group	1,409.7
Other (including overdrafts and finance leases)	9.8
Total current indebtedness	1,419.5
Non-current financial debt (excluding current portion of long-term debt)	
Unguaranteed and unsecured:	
Amounts due to the SCA Group	754.1
Other (including finance leases)	11.9
Total non-current indebtedness	**766.0**
Total indebtedness	2,185.5

The SCA Packaging Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for the SCA Packaging Group. This statement of indebtedness has been prepared under IFRS using policies that are consistent with those used in preparing the SCA Packaging Group's combined historical financial information for the nine months ended 30 September 2011.

As described in paragraph 1 of Part I *(Letter from the Chairman)* of this document, the SCA Packaging Group will be acquired on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. Certain of the above balances may be purchased as part of the Acquisition, but to the extent that such balances are acquired, the purchase price will be adjusted accordingly.

2. NET INDEBTEDNESS

The following table shows the net indebtedness of the SCA Packaging Group as at 30 November 2011 which has been extracted without material adjustment from the underlying accounting records of the combined companies included within the SCA Packaging Group which form part of the SCA financial records.

	As at 30 November 2011
	€m
Cash and cash equivalents	13.2
Liquidity	**13.2**
Current bank debt (including overdrafts)	9.5
Current loans due to the SCA Group[1]	1,409.7
Other current borrowings (including finance leases)	0.3
Current financial debt	**1,419.5**
Net current debt	**1,406.3**
Non-current bank debt	7.6
Non-current loans due to the SCA Group[1]	754.1
Other non-current borrowings (including finance leases)	4.3
Non-current financial debt	**766.0**
Net financial debt	**2,172.3**
Net financial debt (excluding amounts due to the SCA Group)	***8.5***

Notes

(1) Amounts due to the SCA Group include balances related to cash pooling arrangements within the SCA Group, as well as other loans provided by SCA Group entities. As at 30 November 2011, the SCA Packaging Group had similar current and non-current financial assets due from SCA Group entities totalling €1,389.4 million. As described in paragraph 1 of Part I *(Letter from the Chairman)* of this document, the SCA Packaging Group will be acquired on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. Certain of the above balances may be purchased as part of the Acquisition, but to the extent that such balances are acquired, the purchase price will be adjusted accordingly.

(2) As at 30 November 2011, the SCA Packaging Group had contingent liabilities of €13.8 million.

Part XIV

Taxation

1. GENERAL

The comments below are of a general and non-exhaustive nature based on the Directors' understanding of current tax law and published practice in the United Kingdom and the United States, which is subject to change, possibly with retrospective effect. The acquisition of Ordinary Shares in the Company involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company has assets, in the United Kingdom (or in any other country in which a subsidiary of the Company through which acquisitions are made is located), or in the United States or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to investors or increase the tax liabilities of Qualifying Shareholders.

Shareholders who are in any doubt as to their taxation position should consult their own independent professional advisers on the potential tax consequences regarding the acquisition, holding or disposal of New Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

2. UK TAXATION

The following statements are intended to apply only as a general guide to current UK tax law and to the current published practice of HMRC. They are intended to apply only to Qualifying Shareholders who (unless the position of non-UK resident shareholders is expressly referred to) are resident or ordinarily resident in the United Kingdom for UK tax purposes (and not in any other territory), who hold their Ordinary Shares directly as investments and who are the beneficial owners of their Ordinary Shares and who have not acquired (or been deemed to have acquired) their Ordinary Shares through any form of option arrangements or by reason of their or another person's employment. The statements may not apply to certain classes of shareholders such as dealers in securities or Qualifying Shareholders who are trustees or who hold their Ordinary Shares through any form of investment vehicle.

Qualifying Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and disposal of the New Ordinary Shares or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers.

2.1 Taxation of chargeable gains

(a) Rights Issue

The issue of the New Ordinary Shares by the Company to Qualifying Shareholders by way of a rights issue should constitute a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains. Accordingly, a Qualifying Shareholder should not be treated as making a disposal, for the purposes of the taxation of chargeable gains, of any part of his Existing Ordinary Shares by reason of taking up his rights to New Ordinary Shares. No liability to taxation on chargeable gains should arise in respect of the issue of New Ordinary Shares to the extent that a Qualifying Shareholder takes up his full entitlement to New Ordinary Shares.

For the purposes of the taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his rights to the New Ordinary Shares his holding of Existing Ordinary Shares and his New Ordinary Shares should be treated as the same asset. The amount paid for the New Ordinary Shares should be added to the acquisition cost of his Existing Ordinary Shares.

(b) Sale of Nil Paid Rights or lapse of rights to New Ordinary Shares

If a Qualifying Shareholder sells all or any of his rights to New Ordinary Shares, or if he allows his rights to lapse and receives a cash payment in respect of them he may, depending on his circumstances (including the availability of exemptions, reliefs and/or allowable losses), incur a liability to taxation on chargeable gains or realise an allowable loss.

If the proceeds resulting from a lapse or disposal of the rights are 'small' compared with the market value (on the date of lapse or disposal) of the Existing Ordinary Shares and the proceeds do not exceed the total acquisition cost of the Existing Ordinary Shares owned, a Qualifying Shareholder can be treated as not having made a disposal for the purposes of tax on chargeable gains and instead the proceeds can be deducted from the acquisition cost of the existing holding for the purposes of computing any chargeable gain or

allowable loss on a subsequent disposal. HMRC's current practice is that 'small' for these purposes means either (i) the proceeds of the disposal or lapse of rights do not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the shares in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent. test is satisfied.

Where the proceeds are not 'small' or the proceeds exceed the total acquisition cost of the Existing Ordinary Shares owned, a part disposal is deemed to have occurred and the Qualifying Shareholder may, depending on his circumstances (including the availability of exemptions, reliefs and/or allowable losses), incur a liability to taxation on chargeable gains or realise an allowable loss.

Where the proceeds exceed the total acquisition cost of the Existing Ordinary Shares owned, the taxpayer may be able to choose to deduct that acquisition cost from the proceeds, reducing to nil the amount of such costs available for subsequent disposals. Where such a shareholder does not choose this approach, the normal part disposal rules apply and the acquisition cost used in the calculation of any resulting gain or loss as a result of the part disposal is apportioned by reference to the proceeds receivable and the market value of the shares retained.

(c) Subsequent sale of New Ordinary Shares by individuals

Following an acquisition of New Ordinary Shares, a subsequent disposal of any such shares by a Qualifying Shareholder who is an individual within the charge to UK capital gains tax may, depending upon the Qualifying Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals or other applicable reliefs), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax on their return to the United Kingdom in respect of gains realised whilst they are not resident in the United Kingdom.

(d) Subsequent sale of New Ordinary Shares by companies

Following an acquisition of New Ordinary Shares, a subsequent disposal of any such shares by a Qualifying Shareholder who is a company within the charge to UK corporation tax may, depending upon the Qualifying Shareholder's circumstances and subject to any available exemption or relief (such as indexation), give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax.

In calculating any such chargeable gain Qualifying Shareholders may claim an indexation allowance in respect of the subscription monies and acquisition costs paid for their Existing Ordinary Shares and New Ordinary Shares. Where shares have been purchased on different dates, consideration will need to be given to the "pooling" rules to determine the correct indexed acquisition cost available to set off against the consideration proceeds to calculate the chargeable gain arising. The indexation allowance will generally only apply from the date the shareholder became liable to make or made payment of the subscription monies. It may not be used to create or increase an allowable loss.

2.2 Taxation of dividends

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual Qualifying Shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual Qualifying Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the **gross dividend**) which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the gross dividend (i.e., the tax credit will be one-ninth of the amount of the cash dividend received).

A UK resident individual Qualifying Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any repayment from HMRC in respect of any part of the tax credit.

A UK resident individual Qualifying Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross

dividend so that the tax credit will satisfy in full such Qualifying Shareholder's liability to income tax on the dividend. A UK resident individual Qualifying Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. to the extent that such sum, when treated as the top slice of such Qualifying Shareholder's income, falls above the threshold for higher rate income tax. However, such a Qualifying Shareholder will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Qualifying Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received).

A UK resident individual Qualifying Shareholder liable to income tax at the 50 per cent. additional rate will be subject to tax on the gross dividend at the rate of 42.5 per cent to the extent that such sum, when treated as the top slice of such Qualifying Shareholder's income, falls above the threshold for the additional rate of income tax. However, such a Qualifying Shareholder will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Qualifying Shareholder will have to account for additional tax equal to 32.5 per cent. of the gross dividend, to the extent that the gross dividend fell above the threshold for the additional rate of income tax. This is equivalent to 36.1 per cent. of the cash dividend received.

In all circumstances, the dividend tax credit is notional only and non-refundable.

(b) Companies

Qualifying Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 (**CTA 2009**)) will not generally be subject to UK corporation tax on any dividend received from the Company.

Qualifying Shareholders within the charge to UK corporation tax that are not "small companies" will not be subject to UK tax on dividends received from the Company so long as the dividends fall within an exempt class under Chapter 3 of Part 9A CTA 2009 and certain conditions are met. For example, dividends paid on shares that are "ordinary shares" and are not "redeemable" (as those terms are used in Chapter 3 of Part 9A CTA 2009) and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) should generally fall within an exempt class. The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not or cease to be satisfied, or such a shareholder elects for an otherwise exempt dividend to be taxable, the shareholder will be subject to UK corporation tax on dividends received from the Company. Corporation tax would be charged on such dividends at the rate applicable to that company.

(c) Other UK Qualifying Shareholders

Other Qualifying Shareholders in the UK which are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

2.3 Stamp duty and SDRT

(a) Rights Issue

No stamp duty or SDRT will generally be payable on: the issue of Provisional Allotment Letters or definitive share certificates; the registration of the original holders of Provisional Allotment Letters or their renouncees; the crediting of the Nil Paid Rights or Fully Paid Rights to stock accounts in CREST; or issue in uncertificated form of the New Ordinary Shares, unless the holders concerned are persons to whom the depositary receipt or clearance service charge may apply (excluding clearance services where an election for a different basis of charge is in effect).

The transfer of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter or held in CREST (other than a transfer to a depositary or clearance service or their nominees or agents) on or before the latest time for registration or renunciation or transfer, will not be liable to stamp duty but will normally be liable to SDRT at the rate of 0.5 per cent. of the actual consideration paid. In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note

issued to the purchaser. In other cases, the acquirer of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST.

(b) Subsequent Transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring New Ordinary Shares. A charge to SDRT will also arise on an unconditional agreement to transfer New Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, where the tax repaid is not less than £25, with interest at the relevant prevailing rate from the date on which the payment was made until the order for repayment is issued) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring New Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Paperless transfers of New Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of New Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(c) New Ordinary Shares held through clearance services or depositary receipt schemes

Under current UK law, where New Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the New Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt scheme. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT or stamp duty. Clearance services may opt, provided certain conditions are satisfied, for the normal rates of stamp duty or SDRT to apply to issues or transfers of New Ordinary Shares into, and to transactions within, such services instead of the 1.5 per cent. charge generally applying to an issue or transfer of New Ordinary Shares into the clearance service and instead of the exemption from SDRT on transfers of New Ordinary Shares whilst in the clearance service.

Following a recent European Court of Justice judgment, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. stamp duty or SDRT charge on the issue of shares into a clearance service or depositary receipt scheme within the European Union, on the basis that the charge is not compatible with EU law. However, the judgment may have broader application than HMRC currently accept. Accordingly, specific professional advice should be sought before paying the 1.5 per cent. stamp duty or SDRT charge in any circumstances.

The above statements are intended only as a general guide to the current stamp duty and SDRT position. Transfers to certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it.

3. US FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH US TREASURY REGULATIONS, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE

USED BY THE HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE HOLDER UNDER THE US INTERNAL REVENUE CODE OF 1986; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a discussion of the material US federal income tax consequences of the receipt, exercise and disposition of Nil Paid Rights pursuant to the Rights Issue, as well as the acquisition, ownership and disposition of New Ordinary Shares. This summary addresses only US Holders (as defined below) that receive Nil Paid Rights with respect to Existing Ordinary Shares in the Rights Issue, acquire New Ordinary Shares, hold Nil Paid Rights and New Ordinary Shares as capital assets and use the US dollar as their functional currency. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a US Holder. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws such as banks and other financial institutions, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons that own (or are deemed to own) 10 per cent. or more (by voting power) of the shares of DS Smith, persons who have ceased to be US citizens or to be taxed as US lawful permanent residents, and investors that will hold the New Ordinary Shares as part of straddles, hedging or conversion transactions, or as part of a synthetic security for US federal income tax purposes. This summary also does not address the application of the alternative minimum tax, state, local or non-US or other tax laws.

For the purposes of this summary, a **US Holder** is a beneficial owner of Nil Paid Rights or New Ordinary Shares that is, for US federal income tax purposes, (a) a citizen of or an individual resident in the United States, (b) a corporation created in or organised under the laws of the United States or any state thereof or the District of Columbia, (c) an estate, the income of which is subject to US federal income taxation regardless of its source or (d) a trust, if (x) a court within the United States is able to exercise primary supervision over its administration and one or more US Persons (as defined in the US Internal Revenue Code of 1986 (the **Code**)) have the authority to control all of the substantial decisions of such trust, or (y) it has a valid election in place to be treated as a domestic trust for US federal income tax purposes.

This summary does not address US Holders that are partnerships (or any other entity treated as fiscally transparent for US federal income tax purposes) or holders of equity interests in a US Holder. If a partnership (or any other fiscally transparent entity) holds Nil Paid Rights or New Ordinary Shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the US federal income tax consequences to them of the partnership's receipt, exercise and disposition of Nil Paid Rights as well as the partnership's acquisition, ownership and disposition of New Ordinary Shares.

This summary is based upon current US federal income tax law, including the Code, its legislative history, existing, temporary and proposed regulations thereunder, published rulings and court decisions, all of which are subject to change, possibly with retroactive effect, and the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains (the **Treaty**).

3.1 Taxation of Nil Paid Rights

(a) Receipt of Nil Paid Rights

The proper US federal income tax characterisation of the issuance of Nil Paid Rights is uncertain because (i) the proper characterisation of any subsequent sale by the Underwriters of such Nil Paid Rights and the remittance of the proceeds from that sale to US Holders whose Nil Paid Rights were sold is unclear and (ii) it is not at present certain what, if any, adjustments will be made to the conversion ratios for options issued under the Share Schemes following the Rights Offering. Under US federal income tax principles, the issuance and subsequent sale of Nil Paid Rights could be treated either as a distribution of property by DS Smith or as a distribution of Nil Paid Rights by DS Smith and a subsequent sale of Nil Paid Rights by the relevant US Holders. US Holders should consult their tax advisers as to the proper characterisation of the issuance of Nil Paid Rights for US federal income tax purposes.

If the issuance of Nil Paid Rights is not a distribution of property for US federal income tax purposes, a US Holder should not be required to include any amount in income for US federal income tax purposes as a result of the Rights Issue. In such a case, if, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights allocable to a US Holder is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which such Nil Paid Rights are issued, the Nil Paid Rights will have a zero basis for US federal income tax purposes unless such US Holder affirmatively elects to allocate basis in proportion to the relative fair market value of such US Holder's Existing Ordinary Shares and the Nil Paid Rights, determined on the date of issuance. This election must be made in the tax return of the US Holder for the taxable year in which the Nil Paid Rights are issued.

If, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights attributable to a US Holder is at least 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights are issued, then the basis in such US Holder's Existing Ordinary Shares must be allocated between such Existing Ordinary Shares and the Nil Paid Rights issued in proportion to their fair market values determined on the date the Nil Paid Rights are issued. This general rule will apply with respect to Nil Paid Rights only if the Nil Paid Rights are exercised or sold.

If a taxable distribution of property is considered to be made by DS Smith, the issuance of Nil Paid Rights to a US Holder generally should be taxable as foreign source dividend income in an amount equal to the fair market value of the Nil Paid Rights. In such a case, a US Holder would have a tax basis in the Nil Paid Rights equal to the amount treated as a dividend, and a US Holder's holding period in the Nil Paid Rights would begin on the date the Nil Paid Rights are received. For the US federal income taxation of dividends paid by DS Smith, refer to the discussion below at paragraph 3.3(a) of this Part XIV (*Taxation*).

(b) Sale, exchange or other disposition of Nil Paid Rights

A US Holder will recognise capital gain or loss on the sale, exchange or other disposition of Nil Paid Rights (including a sale of Nil Paid Rights on its behalf) in an amount equal to the difference between such US Holder's tax basis in the Nil Paid Rights and the US dollar value of the amount realised (as determined for US federal income tax purposes) from the sale, exchange or other disposition. Capital gains of individuals and certain other non-corporate US Holders derived from capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations. Any gain or loss generally will be treated as arising from US sources.

If the issuance of Nil Paid Rights is treated as a non-taxable distribution of Nil Paid Rights, the holding period of the US Holder in the Nil Paid Rights should include its holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed. If the issuance of Nil Paid Rights is treated as a taxable distribution of property, however, the holding period of the US Holder in the Nil Paid Rights would begin on the date the Nil Paid Rights are received.

For the US federal income taxation of an amount realised in non-US currency from a sale, exchange or other disposition of Nil Paid Rights, refer to the discussion below at paragraph 3.3(b) of this Part XIV (*Taxation*).

(c) Exercise of Nil Paid Rights and Receipt of Fully Paid Rights

A US Holder who receives Nil Paid Rights will not recognise taxable income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights. Such a US Holder will have a tax basis in the Fully Paid Rights equal to the sum of such US Holder's tax basis in the Nil Paid Rights exercised to obtain the Fully Paid Rights and the US dollar value of the subscription price on the exercise date. Such a US Holder's holding period in the Fully Paid Rights received generally will begin on the date the Nil Paid Rights are exercised.

(d) Expiration of Nil Paid Rights

If the issuance of Nil Paid Rights is treated as a non-taxable distribution of Nil Paid Rights, and a US Holder who receives Nil Paid Rights allows the Nil Paid Rights to expire without selling or exercising them (and such US Holder does not receive any proceeds), such US Holder should not recognise any loss upon the expiration of the Nil Paid Rights.

If the issuance of Nil Paid Rights is treated as a taxable distribution of property, however, and a US Holder who receives Nil Paid Rights allows the Nil Paid Rights to expire without selling or exercising them (and such US Holder does not receive any proceeds from the sale of Nil Paid Rights on its behalf), such US Holder should recognise a capital loss treated as arising from US sources upon the expiration of the Nil Paid Rights. The deductibility of capital losses is subject to significant limitations.

3.2 Taxation of Fully Paid Rights

(a) Exercise of Fully Paid Rights

A US Holder will not ordinarily recognise taxable income upon the receipt of New Ordinary Shares pursuant to the exercise of Fully Paid Rights. A US Holder will have a tax basis in the New Ordinary Shares equal to such US Holder's tax basis in the Fully Paid Rights and a holding period starting on the date the Nil Paid Rights were exercised.

(b) Sale, exchange or other disposition of Fully Paid Rights

A US Holder will recognise capital gain or loss on the sale, exchange or other disposition of Fully Paid Rights in an amount equal to the difference between such US Holder's adjusted tax basis in the Fully Paid Rights (which should equal the US Holder's basis in the Nil Paid Rights and the US dollar value of the amount paid to take up its Fully Paid Rights) and the US dollar value of the amount realised (as determined for US federal income tax purposes) from the sale, exchange or other disposition. Any gain or loss generally will be treated as arising from US sources.

For the US federal income taxation of an amount realised in non-US currency from a sale, exchange or other disposition, refer to the discussion below at paragraph 3.3(b) of this Part XIV (*Taxation*).

3.3 Taxation of New Ordinary Shares

(a) Dividends

The gross amount of any distributions paid by DS Smith to a US Holder that are actually or constructively received by the US Holder generally will be subject to US federal income tax as foreign source dividend income. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution. Such distributions will not be eligible for the dividends received deduction allowed to corporations.

Dividends received by individual and certain other non-corporate US Holders in tax years beginning before 1 January 2013 will be qualified dividend income subject to a maximum US federal income tax rate of 15 per cent. if (i) DS Smith is a "qualified foreign corporation" (as defined below) and (ii) such dividend is paid on New Ordinary Shares that have been held by such US Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. DS Smith generally will be a "qualified foreign corporation" if (1) it is eligible for the benefits of the Treaty, and (2) it is not a PFIC in the taxable year of the distribution or the immediately preceding taxable year. DS Smith expects to be eligible for the benefits of the Treaty. In addition, as discussed below at paragraph 3.4 of this Part XIV (*Taxation*), DS Smith does not believe it was a PFIC for the taxable year ended 30 April 2011 and does not expect to be a PFIC for the current year or for any future years.

The gross amount of dividends paid in non-US currency will be included in the income of a US Holder in a US dollar amount calculated by reference to the spot exchange rate in effect on the day the dividends are received by the US Holder regardless of whether the payment is in fact converted into US dollars. A US Holder will have a tax basis in any non-US currency distributed equal to its US dollar value on the date it is received by the US Holder. If any non-US currency is converted into US dollars on the date of receipt, the US Holder therefore should not be required to recognise any foreign currency gain or loss in respect of the receipt of non-US currency as dividends. Any gain or loss recognised upon a subsequent disposition of non-US currency generally will be ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

(b) Sale, exchange or other disposition

A US Holder generally will recognise gain or loss for US federal income tax purposes upon a sale or other disposition of its New Ordinary Shares in an amount equal to the difference between the amount realised from such sale or disposition and the US Holder's adjusted tax basis in such New Ordinary Shares, as determined in US dollars. Such gain or loss will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate US Holders, such as individuals) or loss if, on the date of sale or disposition, such New Ordinary Shares were held by such US Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Such gain or loss realised generally will be treated as derived from US sources.

An accrual basis US Holder that receives non-US currency from the sale, exchange or other disposition of New Ordinary Shares generally will realise an amount equal to the US dollar value of such non-US currency on the date of sale or other disposition and recognise currency gain or loss if the US dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A US Holder that is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the US Internal Revenue Service (the **IRS**)) generally will realise an amount equal to the US dollar value of such non-US currency on the settlement date of such sale, exchange or disposition if the New Ordinary Shares are treated as being "traded on an established securities market" (which DS Smith believes the LSE to be). If the non-US currency so received is converted into US dollars on the settlement date, such US Holder should not recognise foreign currency gain or loss on such conversion. If the non-US currency so received is not converted into US dollars on the settlement date, such US Holder will have a tax basis in such non-US currency equal to its US dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of such non-US currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

3.4 Passive Foreign Investment Company Status

The foregoing discussion of dividends and capital gains assumes that DS Smith is not a passive foreign investment company (**PFIC**) for US federal income tax purposes. A non-US corporation is classified as a PFIC for US federal income tax purposes for each taxable year in which (a) 75 per cent. or more of its gross income is passive income (as defined for US federal income tax purposes) or (b) on average for such taxable year, 50 per cent. or more (by value) of its gross assets either produce or are held for the production of passive income. For purposes of the PFIC provisions, passive income generally includes dividends, interest, royalties, rents and gains from some securities transactions.

DS Smith believes that it was not a PFIC for the year ended on 30 April 2011, and based on the present nature of its activities (including the Rights Issue) and the present composition of its assets and sources of income (with or without the Acquisition), it does not expect to become a PFIC for the current year or for any future taxable year. There can be no assurances, however, that DS Smith will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. If DS Smith is classified as a PFIC in any year that a US Holder is a shareholder, DS Smith generally will continue to be treated as a PFIC for that US Holder in all succeeding years, regardless of whether DS Smith continues to meet the income or asset test described above. If DS Smith were a PFIC in any taxable year, materially adverse US federal income tax consequences could result for US Holders.

3.5 US Information Reporting and Backup Withholding

A US Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Holder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Recently enacted legislation may require individual US Holders to report to the IRS certain information with respect to their beneficial ownership of the New Ordinary Shares not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

If persons who take up the Nil Paid Rights or purchase New Ordinary Shares hold at least 80 per cent of the Shares immediately after the Rights Issue, a US Holder who exercises rights or purchases New Ordinary Shares may be required to file additional tax forms with respect to its acquisition of New Ordinary Shares if the purchase, when aggregated with all transfers of cash or other property made by the US Holder (or any related person) to DS Smith within the preceding twelve month period, exceeds US$100,000 (or its equivalent). A US Holder who fails to file any such required form could be subject to significant penalties.

Part XV

Directors, Senior Managers and Corporate Governance

1. DIRECTORS

1.1 Directors

The current Directors and their functions are as follows:

Name	Position
Gareth Davis	Chairman
Miles William Roberts	Group Chief Executive
Stephen William Dryden	Group Finance Director
Christopher Jonathan Bunker	Senior Independent Director
Philippe Jean-Claude Mellier	Non-Executive Director
Jonathan Clive Nicholls	Non-Executive Director

Following the publication of the UK Corporate Governance Code by the Financial Reporting Council in June 2010, which recommends that directors of companies in the FTSE 350 be subject to annual re-election, the Directors resolved that the Chairman and non-Executive Directors would retire and stand for re-election at the annual general meeting held on 6 September 2011 and the Directors currently intend to repeat this process annually thereafter. The Directors have resolved, however, that the Executive Directors will remain subject to the three year rotation cycle in accordance with the Articles and their performance will be subject to the existing succession planning process. At the annual general meeting held on 6 September 2011, Mr Dryden was re-elected as Group Finance Director; Mr Bunker, Mr Davis, Mr Mellier and Mr Nicholls were also re-elected.

The business address of each of the Directors (in such capacity) is Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead, Berkshire SL6 8XY.

The Board will be unchanged following the Acquisition and Re-admission. Following the decision of Peter Johnson to step down from the Board on 4 January 2012, the Board intends to appoint a further non-Executive Director in due course.

1.2 Profiles of the Directors

The business experience and principal business activities outside of DS Smith of each of the Directors are as follows:

(a) **Gareth Davis, Chairman (age 61)**

Gareth Davis was appointed to the Board on 1 June 2010 as a non-Executive Director and is the Chairman of the Nominations Committee. On 7 October 2011 the Company announced that Mr Davis would act as Interim Chairman of the Board and the Nominations Committee, covering for Peter Johnson. On 4 January 2012, the Company announced that Mr Davis would become Chairman of the Board and of the Nominations Committee with immediate effect following the decision of Mr Johnson to step down as Chairman on that date. Mr Davis is the Chairman of both William Hill PLC and Wolseley plc. He was previously Group Chief Executive of Imperial Tobacco Group PLC.

(b) **Miles William Roberts, Group Chief Executive (age 47)**

Miles William Roberts was appointed to the Board on 4 May 2010 as Group Chief Executive. He was previously Chief Executive of McBride plc from July 2005 until April 2010, having originally joined as its Group Finance Director in January 2002. He was a non-executive director of Care UK plc until May 2010.

(c) **Stephen William Dryden, Group Finance Director (age 43)**

Stephen William Dryden was appointed to the Board on 1 April 2008 as Group Finance Director. He is a non-executive director of Fiberweb plc. He previously held the position of Finance Director of Filtrona plc following its demerger from Bunzl plc in 2005. Prior to that he was divisional Finance Director of the Filtrona businesses and held other senior finance positions within Bunzl plc. He began his career at Price Waterhouse and has also held various finance roles within Rolls-Royce plc.

(d) **Christopher Jonathan Bunker, Senior Independent Director (age 65)**

Christopher Jonathan Bunker was appointed to the Board on 9 December 2003 as a non-Executive Director and is the Chairman of the Remuneration Committee. He is the Senior Independent Director and until recently was Chairman of the Audit Committee. He was previously Group Finance Director of Thames Water Plc, Tarmac Plc and Westland Group Plc. He is the Senior Independent Director of Travis Perkins plc and was a non-executive director of Mowlem Plc, Baltimore Technologies plc and Xansa plc.

(e) **Philippe Jean-Claude Mellier, non-Executive Director (age 55)**

Philippe Jean-Claude Mellier was appointed to the Board on 7 September 2006 as a non-Executive Director. He is Group Chief Executive Officer of De Beers Group. He was President of Alstom Transport and an Executive Vice-President of Alstom Group. He was previously Chairman and CEO of Renault Trucks and a member of the Executive Committee of AB Volvo, and prior to that held senior management positions with Renault S.A. and Ford Motor Company.

(f) **Jonathan Clive Nicholls, non-Executive Director (age 53)**

Jonathan Clive Nicholls was appointed to the Board on 1 December 2009 as a non-Executive Director and is the Chairman of the Audit Committee. He was previously Group Finance Director of Hanson Plc and, most recently, Group Finance Director of Old Mutual Plc. He is a non-executive director and Chairman of the Audit Committees of Great Portland Estates plc and SIG plc and was a non-executive director of Man Group Plc.

2. SENIOR MANAGERS

2.1 Senior Managers

On Re-admission the Senior Managers who, together with the Executive Directors, will manage the business of the Enlarged Group are:

Name	Position
Paul Harridine	Chief Procurement Officer
Nigel John Hayter	Group Human Resources Director
Matthew Paul Jowett	DS Smith Group General Counsel and Company Secretary
Jean Lienhardt	Divisional Chief Executive, DS Smith Kaysersberg
Gary Edward Saunders	Divisional Chief Executive, DS Smith Packaging UK
Mark Shaw	Divisional Chief Executive, DS Smith Packaging France
Mark Allen Smith	Divisional Chief Executive, DS Smith Plastics, Liquid Packaging and Dispensing

2.2 Profiles of the Senior Managers

The business experience and principal business activities of each of the Senior Managers are as follows:

(a) **Paul Harridine, Chief Procurement Officer**

Paul Harridine joined DS Smith in July 2011. Paul's previous experience includes senior purchasing and supply chain roles in the automotive, aerospace and construction industries as well as positions on the operating boards of Oxford Instruments plc and De La Rue plc.

(b) **Nigel John Hayter, Group Human Resources Director**

Nigel Hayter joined DS Smith in September 1992. Nigel has been Group Human Resources Director since 1999. In that role he is responsible for health and safety and for pensions, as well as managing all aspects of the development of the employee base. Prior to that, within DS Smith, he was Human Resources Director for UK Packaging.

(c) **Matthew Paul Jowett, DS Smith Group General Counsel and Company Secretary**

Matthew Jowett was appointed Group General Counsel and Company Secretary on 21 June 2011. He was previously Group General Counsel and Company Secretary of VT Group plc and prior to that he was Group General Counsel of RMC Group plc. He began his career at law firm Linklaters LLP.

(d) **Jean Lienhardt, Divisional Chief Executive – DS Smith Kaysersberg**

Jean Lienhardt joined DS Smith in January 1994. Jean has been Divisional Chief Executive of DS Smith, Kaysersberg since October 2006. Prior to that he was finance director of that division, with additional responsibilities for the operations in Poland and other parts of the continental European business.

(e) **Gary Edward Saunders, Divisional Chief Executive – DS Smith Packaging UK**

Gary Saunders joined DS Smith in November 2010. Gary has substantial experience gained from a 30 year career in fast moving consumer goods and retail companies. He has had a range of senior operational roles with Quaker Oats, Nestle, Sainsbury's, RHM (now Premier Foods) and McBride plc. Gary previously managed the integration of Quaker Oats and Dalgety's petfoods divisions to create the second largest pan-European petfoods business; and during his time at McBride plc, Gary successfully acquired and integrated two European businesses.

(f) **Mark Shaw, Divisional Chief Executive – DS Smith Packaging France**

Mark Shaw joined DS Smith in 1994. Mark has been Divisional Chief Executive of DS Smith Packaging France since October 2011. Prior to that he held senior operational positions within UK Packaging and DS Smith Kaysersberg in France.

(g) **Mark Allen Smith, Divisional Chief Executive – DS Smith Plastics, Liquid Packaging and Dispensing**

Mark Smith joined DS Smith in September 2001. Mark has 29 years of experience in the plastics packaging industry, specifically in product and business development. Mark became Divisional Chief Executive of DS Smith LP&D, in November 2010, following a series of senior positions within the LP&D business in the US, progressing from Research Director to heading the US operations of the business.

3. INTERESTS OF THE DIRECTORS AND SENIOR MANAGERS

3.1 Interests of Directors and Senior Managers in Ordinary Shares

As at the Latest Practicable Date, the interests (all of which are beneficial) of the Directors and Senior Managers, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) their connected persons (within the meaning of section 96B of FSMA) in Ordinary Shares, including: (i) those arising pursuant to transactions notified to DS Smith pursuant to DTR 3.1.2R; or (ii) those of connected persons of the Directors and Senior Managers, which would, if such connected person were a Director or a Senior Manager, be required to be disclosed under (i) above, together with such interests as are expected to subsist immediately following Re-admission, are set out below:

	Ordinary Shares held prior to the Rights Issue	Per cent. of issued Ordinary Share capital prior to the Rights Issue	Ordinary Shares held after the Rights Issue	Per cent. of issued Ordinary Share capital after the Rights Issue
Directors				
M W Roberts	109,549	0.025%	232,791	0.025%
S W Dryden	91,994	0.021%	195,487	0.021%
G Davis	40,000	0.009%	85,000	0.009%
C J Bunker	20,000	0.005%	42,500	0.005%
P J-C Mellier	20,000	0.005%	42,500	0.005%
J C Nicholls	19,130	0.004%	40,651	0.004%
Senior Managers				
G E Saunders	10,259	0.002%	21,800	0.002%
N J Hayter	30,285	0.007%	64,355	0.007%

	Ordinary Shares held prior to the Rights Issue	Per cent. of issued Ordinary Share capital prior to the Rights Issue	Ordinary Shares held after the Rights Issue	Per cent. of issued Ordinary Share capital after the Rights Issue
J Lienhardt	174,611	0.040%	371,048	0.040%
M Shaw	80,450	0.018%	170,956	0.018%

Notes:

1. Details of the options over Ordinary Shares and interests in the long-term incentive plan held by the Directors are set out in paragraph 3.2 of this Part XV (*Directors, Senior Managers and Corporate Governance*). They are not included in the interests of the Directors shown in the table above.
2. Assuming that no share options are exercised between the date of this document and Admission and that the Directors take up their rights to New Ordinary Shares in full and that the maximum number of New Ordinary Shares is issued.

Taken together, the combined percentage interest of the Directors and the Senior Managers in the issued share capital expected to subsist immediately following the Rights Issue is approximately 0.137 per cent., assuming that the Directors and the Senior Managers take up their rights in full.

There are no outstanding loans granted by DS Smith or any member of the DS Smith Group to any of the Directors or the Senior Managers, nor has any guarantee been provided by DS Smith or any member of the DS Smith Group for their benefit, save that each of the Directors has the benefit of a qualifying third party indemnity pursuant to which DS Smith agrees to indemnify the Directors against liabilities that they may incur as a result of their office as director, in terms which are in accordance with the relevant provisions of the Act.

3.2 Interests of Directors and the Senior Managers in Ordinary Shares pursuant to the share-based incentive schemes

As at the Latest Practicable Date, the following options over Ordinary Shares have been granted to the Directors under the share-based incentive schemes:

(a) Awards made to Miles William Roberts

As disclosed in 2010, in order to facilitate the recruitment of Mr Roberts in unusual circumstances, and to ensure that his interests are directly and immediately aligned with the Shareholders, the Company granted several conditional share awards as detailed below, principally for lost entitlements to bonus, deferred share awards and long-term share incentive awards relating to his previous employer, McBride plc. On 5 September 2011 the Remuneration Committee converted the conditional award structure to a nil cost option structure. The performance conditions, where appropriate, remain unchanged. The awards become exercisable as shown below and will lapse ten years from the date of grant.

Executive Directors	Scheme	Awards granted/ commitments made	Date of award	Market price at date of award / date of vesting (p)	Interest in Scheme as at Latest Practicable Date	Vesting date/Date exercisable from
M W Roberts	Replacement 2007 LTIP	224,039	16 July 2010	140.52 / 161.5	—	10 October 2010
	Replacement 2008 LTIP	432,432	16 July 2010	140.52 / -	432,432	17 October 2011
	Replacement Deferred Shares Award	106,685	16 July 2010	140.52 / -	106,685	1 September 2012
	Recruitment Award	570,768	16 July 2010	140.52 / -	570,768	19 October 2012
	Substitute Share Bonus Award	80,014	16 July 2010	140.52 / -	80,014	1 September 2013

(b) Deferred Share Bonus Plan (DSBP)

On 5 September 2011 the Remuneration Committee converted the conditional award structure to a nil cost option structure. The awards become exercisable as shown below and will lapse ten years from the date of grant. Details of the Directors' interests in the DSBP are as follows:

Executive Directors	Plan	Awards granted/ commitments	Date of award	Market price at date of award / date of vesting (p)	Interest in Plan as at Latest Practicable Date	Date exercisable from
M W Roberts	Deferred Share Bonus Plan	75,110	8 July 2011	267.11 / -	75,110	8 July 2014
S W Dryden	Deferred Share Bonus Plan	58,710	16 July 2010	140.5 / -	58,710	16 July 2013
		47,256	8 July 2011	267.11 / -	47,256	8 July 2014

(c) Performance Share Plan (PSP)

On 5 September 2011 the Remuneration Committee converted the conditional award structure to a nil cost option structure. The performance conditions, where appropriate, remain unchanged. The awards become exercisable as shown below and will lapse ten years from the date of grant. Details of the Directors' and the Senior Managers' interests in the PSP are as follows:

	Plan	Awards granted/ commitments	Date of award	Market price at date of award / date of vesting (p)	Interest in Plan as at Latest Practicable Date	Date exercisable from
Directors						
M W Roberts	PSP	570,768	16 July 2010	140.6/-	570,768	16 July 2013
		302,146	8 July 2011	265.6/-	302,146	8 July 2014
S W Dryden.	PSP	370,786	17 September 2008	133.5/-	75,831	17 September 2011
		464,788	22 July 2009	71.0/-	464,788	22 July 2012
		352,062	16 July 2010	140.6/-	352,062	16 July 2013
		190,097	8 July 2011	265.6/-	190,097	8 July 2014
Senior Managers						
P Harridine	PSP	71,536	8 July 2011	265.6/-	71,536	8 July 2014
N J Hayter.	PSP	132,584	17 September 2008	133.5/-	27,115	17 September 2011
		174,507	22 July 2009	71.0/-	174,507	22 July 2012
		125,889	16 July 2010	140.6/-	125,889	16 July 2013
		67,974	8 July 2011	265.6/-	67,974	8 July 2014
M Jowett	PSP	79,066	8 July 2011	265.6/-	79,066	8 July 2014
J Lienhardt	PSP	166,591	17 September 2008	133.5/-	119,446	17 September 2011
		230,130	22 July 2009	71.0/-	230,130	22 July 2012
		182,207	16 July 2010	140.6/-	182,207	16 July 2013
		96,047	8 July 2011	265.6/-	96,047	8 July 2014
G E Saunders	PSP	97,891	8 July 2011	265.6/-	97,981	8 July 2014
M Shaw	PSP	53,207	17 September 2008	133.5/-	38,149	17 September 2011
		83,371	22 July 2009	71.0/-	83,371	22 July 2012
		50,520	16 July 2010	140.6/-	50,520	16 July 2013
		22,732	8 July 2011	265.6/-	22,732	8 July 2014

Notes:

The vesting of each award granted in 2008 was split into equal thirds, based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, average adjusted earnings per share, as defined therein, and average ROACE. 25 per cent. of the TSR part vested if the Company was ranked median, rising until 100 per cent. vests if the Company was ranked in the upper quartile. The threshold (at which 25 per cent. vested) and maximum targets are 16.5p and 19.0p for earnings per share and 11.5 per cent. and 12.5 per cent. for ROACE. In respect of Mr Dryden's 2008 award, the earnings per share and ROACE targets were not met and those parts lapsed. 55 per cent. of the TSR element was met and 68,101 Ordinary Shares became exercisable with the balance lapsing. The award also carried a dividend equivalent element which was paid in shares of which 7,930 Ordinary Shares became exercisable. In respect of Mr Dryden's 2008 award, this also carried a dividend equivalent element which was paid in shares of which 2,764 Ordinary Shares became exercisable.

The vesting of each award granted in 2009 is split 80 per cent. based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, and 20 per cent. based on the average ROACE. 25 per cent. of the

TSR part vests if the Company is ranked median, rising until 100 per cent. vests if the Company is ranked in the upper quartile. The threshold (at which 25 per cent. vests) and maximum targets are 10.3 per cent. and 11.5 per cent. for ROACE.

The vesting of each award granted in 2010 is split 50 per cent. based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, 25 per cent. based on average adjusted earnings per share, as defined therein, and 25 per cent. based on the average ROACE. 25 per cent. of the TSR part vests if the Company is ranked median, rising until 100 per cent. vests if the Company is ranked in the upper quartile. The threshold (at which 25 per cent. vests) and maximum targets are 14.8p and 17.6p for earnings per share and 11.1 per cent. and 12.2 per cent. for ROACE.

The vesting of each award granted in 2011 is split 50 per cent. based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, 25 per cent. based on average adjusted earnings per share, as defined therein, and 25 per cent. based on the average ROACE. 25 per cent. of the TSR part vests if the Company is ranked median, rising until 100 per cent. vests if the Company is ranked in the upper quartile. The threshold (at which 25 per cent. vests) and maximum targets are 22p and 25p for earnings per share and 12.5 per cent. and 15 per cent. for ROACE.

(d) All employee Share Schemes

In the United Kingdom a sharesave plan was introduced in January 2011. Executive Directors are eligible (along with all UK employees of the Company and participating subsidiaries of the DS Smith Group) to participate in this plan. Under this HMRC approved plan options are granted to participants who have contracted to save up to £250 per month over a period of three years at a discount of up of 20 per cent. to the average closing mid-market price of an Ordinary Share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this plan. A similar plan is planned to be rolled out to other regions.

	Options held at Latest Practicable Date	Exercise price (p)	Dates from which exercisable	Expiry date
Directors				
M W Roberts	5,202	173.0	1 April 2013	30 September 2013
S W Dryden.	5,202	173.0	1 April 2013	30 September 2013
Senior Managers				
G E Saunders.	5,202	173.0	1 April 2013	30 September 2013
N J Hayter	5,202	173.0	1 April 2013	30 September 2013

(e) Other interests

Save as disclosed above in this paragraph 3.2, no Director, nor his immediate family, nor any person connected with any Director (within the meaning of section 96B of FSMA) has any interests (beneficial or non-beneficial) in the issued share capital or any options over unissued Ordinary Shares of DS Smith or of its subsidiaries.

4. REMUNERATION AND BENEFITS

Each Director is entitled to receive a fee from the Company at a rate to be determined by the Board in accordance with the Articles, which are summarised in paragraph 5 of Part XVI (*Additional Information*) of this document. The Remuneration Committee's overall policy is to ensure that the remuneration packages enable the Company to attract, retain and motivate Directors and other senior managers of sufficient calibre to meet the Company's needs.

4.1 Executive Directors' remuneration and benefits

Executive Directors are remunerated in respect of their executive appointments under the terms of their service contracts, and receive no additional fees for serving as Directors. The Remuneration Committee's general policy is that the notice periods for Executive Directors appointed in future will not exceed one year, although on appointment it may be necessary in exceptional cases to offer a longer initial period which reduces to one year or less after a specific date.

The service contracts for Mr Roberts and Mr Dryden are dated 4 May 2010 and 1 April 2008 respectively. The service contracts may be terminated by 12 months' notice by the Company, and by the Executive Director. The Company may terminate the contract with immediate effect by making a payment equal, in Mr Roberts' case, to basic salary and pensions allowance for any unexpired period of notice and, in Mr Dryden's case, to basic salary for any unexpired period of notice. The Company may make such payment in

a lump sum or in monthly instalments from the termination date. These monthly payments will be reduced to take account of any alternative employment or consultancy income during the period over which such instalments are payable.

From 1 August 2011, the base salaries of Mr Roberts and Mr Dryden are £570,000 and £357,000 respectively (a 6.5 per cent. and 6.0 per cent. increase as compared with the previous year, respectively). Benefits in kind include provision of a company car, free fuel, permanent health insurance, life cover and private medical cover.

Mr Roberts receives a pension allowance of 30 per cent. of salary per annum plus death in service cover equal to four times basic salary.

Mr Dryden participates in the Company's registered defined contribution scheme with death in service cover equal to four times basic salary. Members of this scheme are required to contribute a minimum of 3 per cent. of their basic salary to qualify for matching Company contributions, with higher levels of Company contributions payable (up to a maximum of 6 per cent.) if the members pay a higher contribution. Mr Dryden has elected to pay contributions at a level that qualifies for the maximum Company contribution. Mr Dryden also receives a cash supplement of £65,000 per annum. This payment is not pensionable and is not considered to be salary for the purpose of calculating any bonus payment.

The Company has entered into qualifying third-party indemnity arrangements for the benefit of its Directors in a form and scope which comply with the requirements of the Act.

4.2 Non-Executive Directors' remuneration and benefits

The remuneration for non-Executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected Committees. Non-Executive Directors have letters of appointment for a term of three years whereupon they are normally renewed but generally for no more than three terms in aggregate.

The Chairman's remuneration consists of an annual fee for his service as Chairman of the Board and his letter of appointment is for a term of three years. His appointment may be terminated by three months' notice by the Company and by the Chairman.

The letters of appointment detail the time commitment expected of each non-Executive Director and are available for viewing at the registered office during normal business hours and prior to and at the annual general meeting.

Neither the non-Executive Directors nor the Chairman are eligible for pension scheme membership and they do not participate in any of the DS Smith Group's annual bonus or other incentive arrangements. The Articles enable the Board to set the remuneration of Directors within the limits set by shareholders. The current aggregate limit is £750,000 and the aggregate amount paid in the financial year ended 30 April 2011 to the non-Executive Directors was £229,595.

4.3 Director's emoluments for the financial year ended 30 April 2011

	Salary/fees (£'000)	Annual bonus (£'000)	Deferred bonus (£'000)	Substitute Cash Bonus Award (£'000)	Benefits (£'000)	Pension supplement (£'000)	Total (£'000)
Chairman							
G Davis[1 2]	48	—	—	—	—	—	**48**
Group Chief Executive							
M W Roberts[3]	532	334	201	188	21	159	**1,435**
Group Finance Director							
S W Dryden	335	210	126	—	29	65	**765**
Non-Executive Directors							
C J Bunker[4]	50	—	—	—	—	—	**50**
P J-C Mellier	50	—	—	—	—	—	**50**
J C Nicholls	53	—	—	—	—	—	**53**
	1,068	**544**	**327**	**188**	**50**	**224**	**2,401**

Notes:

1. Mr Davis was appointed Chairman with effect from 4 January 2012 whereupon he will receive an annual salary of £190,000. The figures in this table relate to his role as a non-Executive Director during the financial year ended 30 April 2011.
2. Appointed 1 June 2010
3. Appointed 4 May 2010
4. Mr Bunker was appointed Chairman of the Remuneration Committee with effect from 4 January 2012 whereupon he will receive an additional payment of £7,500 per annum.

4.4 Senior Managers' remuneration and benefits

For the financial year ended 30 April 2011, the aggregate remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) by the DS Smith Group to those Senior Managers that were employed during this period was £1,531,731.[8]

5. CORPORATE GOVERNANCE

The Company is firmly committed to high standards of corporate governance and to maintaining a sound framework through which the strategy and objectives of the Company are set and the means of attaining these objectives and monitoring performance is determined.

The Company currently complies with the UK Corporate Governance Code and has complied with such Code throughout the financial year to date, except in respect of certain aspects of Board Committee membership between 7 October 2011 and 4 January 2012. The Company complied with all the provisions of the Combined Code on Corporate Governance throughout the financial year ended 30 April 2011, except in respect of Mr Beeston's membership of various Board committees for the period from 1 May 2010 to the end of June 2010. Further details of Board Committee membership between 7 October 2011 and 4 January 2012 and Mr Beeston's membership of Board committees are disclosed below, at paragraph 5.2 of this Part XV (*Directors, Senior Managers and Corporate Governance*). For the purposes of assessing compliance with the UK Corporate Governance Code and the Combined Code on Corporate Governance, the Board considers that all of the non-Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Directors are formally required to comply with a dealings code consistent with the Model Code for directors' dealings contained in the Listing Rules, and the Board is responsible to the FSA for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

The Board has overall responsibility for the strategy, effective control and management of the Company. The Board reviews the performance of the DS Smith Group and undertakes a strategic review on an annual

[8] An exchange rate of £1.00:€1.176 and £1.00:US$1.565 has been used to calculate this figure; being the average exchange rates for the financial year ended 30 April 2011.

basis. There is a formal schedule of matters reserved for consideration and approval by the Board. These include the annual budget, substantial acquisitions and disposals, the approval of the full-year and half-year results and a review of the overall system of internal control and risk management. In addition to formal Board meetings, the Chairman and Group Chief Executive maintain regular contact with all Directors and hold informal meetings with non-Executive Directors to discuss issues affecting the Company. Individual Directors are encouraged to make site visits during the year.

The Company has a programme of regular meetings, site visits and results briefings with its major institutional Shareholders, which provides opportunities to discuss the progress of the business. Presentations are conducted in accordance with the Disclosure and Transparency Rules on the dissemination of inside information to ensure the protection of such information that has not already been made available generally to the Company's shareholders.

The annual general meeting is used as an opportunity to communicate with private Shareholders, including a short presentation on the business and current trading position as well as an opportunity for questions from investors to the Chairman of the Board and the chairmen of the Audit and Remuneration Committees. All Directors who attend the annual general meeting make themselves available to meet Shareholders after the formal business of the meeting. To ensure compliance with the Combined Code, separate resolutions are proposed on each discrete subject.

Regular communication with Shareholders also takes place through the full-year and half-year reports and via the Company's website, www.dssmith.uk.com. In addition, the Company provides Interim Management Statements and Trading Updates.

5.1 Board of Directors

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board's role is to provide leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance.

In addition, the Board sets the Company's values and standards and ensures that its obligations to its Shareholders and others are understood and met.

The Board currently comprises the Chairman, two Executive and three non-Executive Directors. The offices of Chairman and Group Chief Executive are held separately. During the year, each non-Executive Director has at all times acted independently of management and has no relationships which would materially interfere with the exercise of their independent judgement and decision making. On 7 October 2011 the Company announced that Mr Davis, Deputy Chairman, would act as Chairman in place of Mr Johnson, who stood down from his responsibilities as Chairman for a temporary period in order to attend to a family illness. On 4 January 2012, the Company announced that Mr Davis would become Chairman of the Board with immediate effect following the decision of Mr Johnson to step down as Chairman on that date.

As discussed in paragraph 5.2 of this Part XV (*Directors, Senior Managers and Corporate Governance*), it is recognised that Mr Beeston was not considered a fully independent non-Executive Director after 5 December 2009 because of his length of service. Mr Beeston retired as a non-Executive Director on 8 December 2010.

All Board members attend all Board and relevant Committee meetings unless exceptional circumstances prevent them from attending. The Board meets a minimum of eight times per financial year. Since 1 May 2011 it has met nine times.

5.2 Board Committees

The principal Committees of the Board are the Audit, Remuneration and Nomination Committees. All Committees have written terms of reference agreed by the Board. These are available on the Company's website at www.dssmith.uk.com/about-us/corporate-governance or are available on request to the Company Secretary.

The Audit and Remuneration Committees comprised independent non-Executive Directors for the majority of the financial year ended 30 April 2011. However, Mr Beeston was not considered an independent non-Executive Director after 5 December 2009 by reason of his length of service (Combined Code C.3.1 and

B.2.1). The Nomination Committee comprised a majority of independent non-Executive Directors for most of the year. According to Combined Code A.4.1, Mr Beeston was not considered an independent non-Executive Director after 5 December 2009 by reason of his length of service. Mr Beeston stepped down from his membership of the Remuneration, Nomination and Audit Committees at the end of June 2010. With the exception of Mr Beeston, all members of the Remuneration Committee are considered independent.

Mr. Davis remained a member of the Audit Committee and Chairman of the Remuneration Committee following his appointment on 7 October 2011 as acting Chairman of the Board, covering for Mr. Johnson, Mr. Davis stepped down from the Audit Committee and as Chairman of the Remuneration Committee on 4 January 2012 when he became Chairman of the Board following Mr. Johnson's resignation. Mr. Davis continues to serve as a member of the Remuneration Committee.

From 7 October 2011 to 4 January 2012, the Remuneration Committee comprised Mr. Davis and two independent non-Executive Directors (Mr. Bunker and Mr. Mellier) and the Nominations Committee comprised Mr. Johnson, Mr. Davis, Mr. Roberts and two independent non-Executive Directors (Mr. Bunker and Mr. Nicholls). On 4 January 2012, Mr. Johnson resigned from the Board, Mr. Nicholls was appointed to the Remuneration Committee and Mr. Mellier was appointed to the Nominations Committee, in each case as an additional independent non-Executive Director.

(a) Audit Committee

The Audit Committee is chaired by Mr Nicholls. Its other members are Mr Bunker and Mr Mellier. In addition to its members, the Chairman, the Group Chief Executive, the Group Finance Director, representatives from internal audit and the Group Financial Controller attend parts of these meetings by invitation.

Mr Davis ceased to be a member of the Audit Committee on 4 January 2012. The Board is satisfied that Mr Nicholls has both current and relevant financial experience.

The terms of reference of the Audit Committee, which meets at least three times a year, include all the matters indicated by the Combined Code except the oversight of business risks which is the direct responsibility of the Board. The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to:

(i) the accounting principles, policies and practices adopted in the DS Smith Group's accounts;

(ii) external financial reporting and associated announcements;

(iii) the appointment, independence, effectiveness and remuneration of the DS Smith Group's Auditors;

(iv) the resourcing, plans and effectiveness of the internal audit performed on behalf of the Company by a major accountancy firm, independent from the DS Smith Group's Auditors; the adequacy and effectiveness of the financial control environment; and

(v) the DS Smith Group's compliance with the Combined Code.

The Committee receives and reviews regular reports from the external auditors, internal audit and the Group Finance Director.

(b) Remuneration Committee

The Remuneration Committee is chaired by Mr Bunker (and was previously chaired by Mr Davis). Its other members are Mr Mellier, Mr Davis and Mr. Nicholls. The Group Chief Executive may attend these meetings by invitation, except when his remuneration is being discussed.

The Remuneration Committee is responsible for determining the remuneration of the Executive Directors, the Chairman and the Company Secretary and for advising on the remuneration of Senior Management.

(c) Nominations Committee

The Nominations Committee is chaired by Mr Davis (and was previously chaired by Mr Johnson). Its other members are Mr Roberts, Mr Bunker, Mr Nicholls and Mr. Mellier.

Mr Johnson ceased to be Chairman and a member of the Nominations Committee on 4 January 2012.

The Nominations Committee evaluates the balance of skills, knowledge and experience (including the length of service of each Director) of the Board, develops role specifications, considers the appointment of Directors, reviews succession planning and diversity at Board level, identifies the skills required of future directors and makes recommendations to the Board as a whole.

(d) Other Board Committees

The Board has delegated certain powers, mainly of a routine nature, to the General Purposes Committee, which comprises the Group Chief Executive and the Group Finance Director under the chairmanship of the Group Chief Executive.

6. EMPLOYEES

6.1 General

As at 31 October 2011, the DS Smith Group (excluding its Office Products Wholesaling business, held for disposal at that date and now sold) had over 10,000 employees. The below table summarises the average number of employees of the DS Smith Group for the financial years ended 30 April 2009, 2010 and 2011.

	Financial year ended 30 April		
	2009	**2010**	**2011**
United Kingdom	6,913	6,273	6,231
France	1,724	1,638	3,159
Western Continental Europe	1,449	1,337	1,272
Eastern Continental Europe	1,120	1,054	1,120
Rest of the World	504	474	519
Average number of employees	**11,710**	**10,776**	**12,301**

Note: Extracted from DS Smith's Audited Financial Statements and 2011 Interim Financial Statements.

6.2 Employees' Share Schemes

DS Smith currently has approval to operate the following employees' Share Schemes:

PSP, Share Matching Plan (**SMP**), Approved Executive Share Option Scheme (**Approved ESOS**) and a Sharesave Plan. Set out below are the principal features of each of the Share Schemes:

(a) PSP

The individual grant limit under this plan is 150 per cent. of basic salary per annum. In exceptional circumstances this may be increased to 200 per cent. of basic salary. Under the PSP, the Remuneration Committee has the power to vary the metrics used each year and their relative weightings. It also has the power to review the specific targets for each award to ensure that they remain appropriate, but the new targets must be at least as challenging in the circumstances as the original targets were when they were set. On 5 September 2011 the Remuneration Committee converted the conditional award structure to a nil cost option structure. The performance conditions, where appropriate, remain unchanged. The awards become exercisable on the vesting date and lapse ten years from the date of grant.

(b) SMP

(i) Eligibility

Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the SMP at the discretion of the Remuneration Committee.

(ii) Grant of matching awards

The Remuneration Committee may grant matching awards to acquire ordinary shares in the Company within six weeks following the Company's announcement of its results for any period or at any other time when the Remuneration Committee considers there are exceptional circumstances which justify the granting of awards. The grants will only be

made in conjunction with the grant of deferred share bonus awards (**DSB Awards**) under the DSBP. It is intended that the first awards will be made in 2012 when DSB Awards, representing the bonus deferral for 2011/12, are made.

The Committee may grant matching awards as conditional shares which will normally vest on their third anniversary subject to the satisfaction of performance conditions, the retention of the DSB Awards and the continued employment of the participant within the DS Smith Group. The Remuneration Committee may also decide to grant cash-based matching awards of an equivalent value to share-based matching awards or to satisfy share-based matching awards in cash, although it does not currently intend to do so.

A matching award will be made in conjunction with the deferral of part of an individual's discretionary bonus into a DSB Award. The number of Ordinary Shares in a matching award will be based on the number of Ordinary Shares in the related DSB Award. The maximum match for the Executive Directors will be 1.5:1 (based on the gross investment) for a stretch level of performance and the maximum will be 1:1 for other participants. 25 per cent. of the maximum match (i.e., 0.375:1 for Executive Directors, 0.25 for others) will be available for achieving a threshold level of performance.

A matching award may not be granted more than ten years after shareholder approval of the SMP.

No payment is required for the grant of a matching award. Matching awards are not transferable, except on death. Matching awards are not pensionable.

(iii) Performance conditions

The vesting of matching awards will be subject to performance conditions set by the Remuneration Committee.

It is intended that the performance conditions applying to the initial matching awards will be based 50 per cent. on earnings per share and 50 per cent. on the average adjusted ROACE of the DS Smith Group, and that the earnings per share and ROACE targets will be the same as those set for the 2012 awards to be made under the PSP. The actual targets set will be reported in the following Directors' remuneration report.

The Remuneration Committee may set different performance conditions from those described above for future matching awards provided that, in the reasonable opinion of the Remuneration Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Remuneration Committee may also vary the performance conditions applying to existing matching awards if an event or events occur which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions, provided the Remuneration Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event or events in question. It is expected that this power to vary the performance conditions is most likely to be used to reflect technical events such as a variation in share capital or a change in accounting standards. If the Remuneration Committee wanted to use the power to take account of a significant acquisition or disposal then it would first consult with the Company's major shareholders.

(iv) Vesting of matching awards

Matching awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied, the related DSB Award has not lapsed and provided the participant is still employed within the DS Smith Group.

If a DSB Award lapses before the vesting of the related matching award then that matching award will lapse at the same time.

(v) Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their matching awards, of an amount based on the dividends that would have been paid on those Ordinary Shares between the time

when the matching awards were granted and the time when the Ordinary Shares are transferred to them. This amount may assume the reinvestment of notional dividends. Alternatively, participants may have their matching awards increased as if dividends were paid on the Ordinary Shares subject to their matching award and then reinvested in further Ordinary Shares.

(vi) Leaving employment

As a general rule, a matching award will lapse upon a participant ceasing to hold employment or be a director within the DS Smith Group. However, if a participant ceases to be an employee or a director because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the DS Smith Group or in other circumstances at the discretion of the Committee, then his matching award will normally vest on the normal vesting date. The extent to which a matching award will vest in these situations will depend upon: (A) the extent to which the performance conditions have been satisfied over the normal performance period; and (B) the pro-rating of the matching award to reflect any reduced period of time between the first day of the performance period and the date of cessation, although the Remuneration Committee can decide not to pro-rate a matching award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director within the DS Smith Group for one of the 'good leaver' reasons specified above, the Remuneration Committee can decide, in exceptional circumstances, that his matching award will vest on the date of cessation, subject to: (A) the extent to which the performance conditions are, in the opinion of the Remuneration Committee, satisfied after it has taken into account past performance and, where appropriate, expected future performance over the remainder of the relevant performance period; and (B) pro-rating by reference to the time of cessation as described above.

(vii) Corporate events

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all matching awards will vest early subject to: (A) the extent that the performance conditions are, in the opinion of the Remuneration Committee, satisfied after it has taken into account past performance and, where appropriate, expected future performance over the remainder of the relevant performance period; and (B) the pro-rating of the matching awards to reflect any reduced period of time between the first day of the performance period and their vesting, although the Remuneration Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, matching awards will be replaced by equivalent new matching awards over shares in a new holding company unless the Remuneration Committee decides that matching awards should vest on the basis which would apply in the case of a takeover.

(viii) Clawback

If there is a material misstatement of the Company's results which results in matching awards vesting to a greater extent than they should have, the Remuneration Committee may require a participant to pay back the overpaid amount. The clawback may be effected by a reduction in cash bonus or other incentive awards, or by way of a cash repayment. Similar clawback provisions also apply in the case of serious misconduct.

(ix) Participants' rights

Matching awards will not confer any shareholder rights until the matching awards have vested and the participants have received their shares.

(x) Rights attaching to shares

Any shares allotted when a matching award vests will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(xi) Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of shares subject to a matching award.

(xii) Overall SMP limits

The SMP may operate over new issue shares, treasury shares or shares purchased in the market. In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

(A) 10 per cent. of the issued ordinary share capital of the Company under the SMP and any other employee share plan adopted by the Company; and

(B) 5 per cent. of the issued ordinary share capital of the Company under the SMP and any other executive share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of these limits unless institutional investors decide that they need not count.

(xiii) Alterations to the Plan

The Remuneration Committee may, at any time, amend the SMP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares or cash to be acquired and the adjustment of matching awards.

However, the requirement to obtain the prior approval of shareholders will not apply to any minor alteration made to benefit the administration of the SMP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the DS Smith Group. Shareholder approval will also not be required for any amendments to any performance condition applying to a matching award.

(xiv) Overseas Plans

The Remuneration Committee can establish further plans for overseas territories, any such plan to be similar to the SMP, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the SMP.

(c) Approved ESOS

The Approved ESOS is a discretionary share option scheme which was approved by HMRC in 1999. There is no intention to grant further options under the Approved ESOS (and so no details have been included below in relation to eligibility criteria or grant procedure) but there are existing options outstanding under it. Set out below is a summary of the Approved ESOS provisions that apply to outstanding options under it. Benefits received under the Approved ESOS are not pensionable.

(i) Exercise of options

Options are normally exercisable, subject to any performance condition being satisfied, by a person who remains a director or employee within the DS Smith Group, between the third and tenth anniversaries of grant. Options are not transferable and may only be exercised by the persons to whom they are granted or their personal representatives.

(ii) Performance condition

The performance condition to be met was that the growth in the Company's normalised earnings per share, as defined therein, must match or exceed the growth in the UK Retail Price Index plus an average of 3 per cent. per annum over the three year period following grant, with no retesting facility. The base financial year for the purposes of measuring earnings per share growth was the financial year prior to the grant date. Normally, no part of

the option may be exercised unless the performance target has been achieved. All outstanding options under the Approved ESOS are now exercisable.

(iii) Termination of employment

Options may be exercised after leaving employment in certain circumstances, for example on an optionholder ceasing to be an employee due to ill health, death, retirement, redundancy or following a change in control of the employing company. If an optionholder leaves in any other circumstances, his options will lapse.

(iv) Limits

The Approved ESOS is subject to the following overall limits on the number of Ordinary Shares which may be issued under it in any ten year period:

(A) not more than 10 per cent. of the ordinary share capital of the Company in issue from time to time may in aggregate be issued or be issuable under the Approved ESOS and any other employees share plan adopted by the Company; and

(B) not more than 5 per cent. of the ordinary share capital of the Company in issue from time to time may in aggregate be issued or be issuable under the Approved ESOS and the other executive share plans adopted by the Company.

For the purposes of these limits, options which are released or lapse cease to count.

(v) HMRC limit

An employee's participation is limited so that the aggregate price payable for Ordinary Shares under option at any one time does not exceed £30,000 or such other maximum limit as HMRC may determine from time to time. This limit applies to options granted under the Approved ESOS and any other HMRC approved executive share option scheme established by the Company or its associated companies.

(vi) Variation of capital

Options may be adjusted to take account of a variation of the Company's share capital.

(d) DS Smith Unapproved Executive Share Option Scheme

The DS Smith Unapproved Executive Share Option Scheme (**Unapproved ESOS**) is substantially the same as the Approved ESOS except that the approval of HMRC is not required in relation to anything done under the Unapproved ESOS and the Unapproved ESOS has been modified to include the ability to settle options by way of cash equivalent payments equal to the gain in Ordinary Shares under option. There is no intention to grant further options under the Unapproved ESOS but there are existing options outstanding under it.

(e) Sharesave Plan

Under this HMRC approved Plan options are granted to participants who have contracted to save up to £250 per month over a period of three years at a discount of up of 20 per cent. to the average closing mid-market price of a DS Smith Ordinary Share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this plan.

7. PENSIONS

7.1 The DS Smith Group Pension Scheme and associated benefits

The DS Smith Group operates a defined benefit pension scheme in the United Kingdom (the **Group scheme**). Since May 2005, all new employees in the United Kingdom joining the DS Smith Group have been invited to join the DS Smith Group's defined contribution scheme. The Group scheme was closed to future accrual with effect from 30 April 2011, and all contributing members of the Group scheme were invited to join the defined contribution scheme from May 2011. Ex-members of the Group scheme were granted special terms in the defined contribution scheme.

Following the completion of the triennial actuarial valuation as at 30 April 2010, the Group scheme had a deficit of £147.5 million. To comply with the Pensions Act 2004, the trustees prepared a recovery plan, which has been agreed by the principal employer to correct the deficit, being annual payments of £14.8 million starting in the financial year ended 30 April 2012, increasing by 2 per cent. per annum for ten years.

In the financial year ended 30 April 2011, the DS Smith Group made a contribution of £30.1 million to the Group scheme, comprising £15.6 million in respect of the historical agreed annual contributions and an additional one-off payment of £14.5 million in respect of the newly agreed pension deficit (as compared to £15.6 million in the financial year ended 30 April 2010). The decision to close the Group scheme to future accrual was taken by the trustees in light of the growing deficit of the Group scheme and the trustees' responsibility to safeguard the accrued benefits to existing members.

As part of the agreement to close the Group scheme, DS Smith agreed with the trustees to provide additional security for members of such scheme by way of agreeing a long-term funding plan, with the aim of achieving self sufficiency by 30 April 2035.

More recently, the trustees entered into an apportionment agreement with the principal employer and Spicers, upon completion of the sale of Spicers on 29 December 2011 whereby an additional one-off payment of £14.8 million was paid into the Group scheme in December 2011.

7.2 DS Smith personal pension plan

The DS Smith personal pension plan is a contract-based arrangement offering members a range of investments with Norwich Union Life and other external investment fund managers, and the stakeholder arrangement is provided through Investment Solutions Limited. The personal pension plan is now closed to new members and DS Smith is consulting members of this scheme to propose that they join the defined contribution scheme. All such assets of the personal pension plan are held independently from the DS Smith Group.

7.3 Death benefits

Members of the standard scale of the DS Smith defined contribution scheme are provided with death in service cover of four times basic annual salary and income protection benefit of 50 per cent. of pre-disability salary. The ex-members of the Group scheme, with the special terms under the defined contribution scheme, have a lump sum death benefit of six times salary. There are a number of employees that have death in service benefits of one times their P60 earnings.

7.4 Overseas pension arrangements

The DS Smith Group operates some small pension arrangements for overseas operations and unfunded arrangements for senior executives; these are, in aggregate, not significant to the DS Smith Group.

7.5 Pension entitlements of Directors

Neither the non-Executive Directors nor the Chairman are eligible for pension scheme membership and they do not participate in any of the DS Smith Group's annual bonus or other incentive arrangements.

Both Mr. Roberts and Mr. Dryden received certain pension benefits in the financial year ended 30 April 2011. For further information, see paragraph 4.1 of this Part XV (*Directors, Senior Managers and Corporate Governance*) of this document.

For the financial year ended 30 April 2011, the aggregate remuneration by DS Smith to provide pension benefits to those Directors employed during such period was £224,000.

7.6 Pension entitlements of Senior Managers

Senior Managers employed in the United Kingdom either participate in the defined contribution arrangement or receive a payment *in lieu* of pension contributions.

8. DIRECTORS' AND SENIOR MANAGERS' CONFIRMATIONS

As at the date of this document, none of the Directors or Senior Managers have, during the five years prior to the date of this document:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies);

(d) been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;

(e) while acting in the capacity as a director or executive officer of a company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(f) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or entered into a settlement agreement with a securities regulatory authority;

(g) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision;

(h) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; or

(i) had any conflict of interests between their duties to the Company and their private interests.

No Director or Senior Manager has any material interest, either currently or on Completion, in any significant contract with the Company or any of its subsidiary undertakings.

No Director or Senior Manager has or has had any interest in any transaction or the Acquisition which is or was unusual in its nature or conditions or which is or was significant to the business of the DS Smith Group and which was effected by DS Smith during the current or immediate preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.

There are no potential conflicts of interests between any of the Directors' duties to DS Smith or the DS Smith Group and their private interests and/or other duties.

None of the Directors or Senior Managers were selected to act in such capacity pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Enlarged Group.

As at the date of this document, no restrictions have been agreed by any Director or Senior Managers on the disposal within a certain time period of their holdings of their Ordinary Shares.

There are no family relationships between any of the Directors or Senior Managers.

There are no outstanding loans granted by the Company or any member of the Enlarged Group to any of the Directors, nor has any guarantee been provided by the Company or any member of the Enlarged Group for their benefit, save that each of the Directors has the benefit of an indemnity provided by the Company indemnifying the Director against liabilities that they may incur as a result of their office as director, in terms that are in accordance with the Act.

9. OTHER DIRECTORSHIPS AND PARTNERSHIPS

The details of those companies and partnerships outside the DS Smith Group in which the Directors and Senior Managers are, or have been, members of the administrative, management or supervisory bodies or partners at any time during the five years prior to the date of this document are as follows:

Director	Current directorships and partnerships	Previous directorships and partnerships
Mr Davis.	Chairman of William Hill PLC and Wolseley plc	Imperial Tobacco Finance (2) Plc, Imperial Tobacco Finance plc, Imperial Tobacco Group PLC,

Director	Current directorships and partnerships	Previous directorships and partnerships
		Imperial Tobacco Holdings (2007) Limited, Imperial Tobacco Holdings Limited, Imperial Tobacco Limited, Imperial Tobacco Overseas Holdings (3) Limited, Imperial Tobacco South Africa S.A.
Mr Roberts	None	McBride plc, Robert McBride Limited, McBride Holdings Limited, McBride CE Holdings Limited, Care UK plc
Mr Dryden	Non-Executive Director of Fiberweb plc	FIL International Limited, Alexander Industrial Supplies (Essex) Limited, Alliance Plastics Limited, B R Lewis Industrial Supplies Limited, Banbury Injection Moulding Technologies Limited, Banbury Plastics Limited, Cigarette Components (HK) Limited, Cigarette Components Limited, Enitor B.V., Fijnmechanica Surhuisterveen BV, FIL Holdings (No 1) Limited, FIL Holdings (No 2) Limited FIL Holdings Corp, Filtrona (China) Limited, Filtrona (Hong Kong) Limited, Filtrona Custom Moulding Limited, Filtrona Finance Limited, Filtrona International GmbH, Filtrona International Ltd, Filtrona Jordan (Limited Liability Company), Filtrona Paraguaya S.A., Filtrona Plasticos S.A.U., Filtrona Plastics LLC, Filtrona plc (Finance Director), Filtrona Services Limited, Filtrona Textile Products Limited, Filtrona United Kingdom Limited, HE Product Developments Limited, Laminex International Limited, Laminex Limited, Morane Limited, Moss Overseas Limited, Moss Plastic Parts Limited, Multiquip Limited, North West Plastics Limited, P.P. Payne Limited, Payne (India) Private Limited, Plastic Parts Centre Limited, Precision Engineering Products (Suffolk) Limited, Rowan Plastic Mouldings Limited,

Director	Current directorships and partnerships	Previous directorships and partnerships
		Securiseal Limited, Supastrip Limited, Teaching Matters Limited, Unicap Plastics Limited, Unicap Plastics Limited, Workforce Clothing Limited
Mr Bunker	Senior Independent Director of Travis Perkins plc	A1 Auto Cosmetics Limited, Xansa plc
Mr Mellier	Group Chief Executive Officer of DBCM Holdings (Proprietary) Limited, De Beers Consolidated Mines Limited, De Beers Société Anonyme, De Beers Société Anonyme Executive Committee, De Beers Société Anonyme Investment Committee, Debswana Diamond Company (Proprietary) Limited, Namdeb Diamond Corporation (Proprietary) Limited	AB Volvo, Douja Promotion Groupe Addoha SA Renault S.A., Renault Trucks
Mr Nicholls	Non-Executive Director and Chairman of the Audit Committees of Great Portland Estates plc and SIG plc	Old Mutual Plc, Old Mutual Business Services Limited, OM Group (UK) Limited

Senior Manager	Current directorships and partnerships	Previous directorships and partnerships
Mr Harridine	None	De La Rue plc
Mr Hayter	None	None
Mr Jowett	None	Babcock Aerospace Limited, Babcock Land Limited, Babcock Porchester Limited, BAE Systems Surface Ships Portsmouth Ltd
Mr Lienhardt	None	None
Mr Saunders	None	Chemolux Germany G.m.b.H., Chemolux S.à.r.l., Dasty Italia S.p.A, McBride B.V., McBride S.A. (Spain), McBride S.A. (Belgium), McBride S.A.S., McBride S.p.A, Problanc S.A.S., Vitherm S.A.S.
Mr Shaw	None	None
Mr Smith	None	None

Part XVI

Additional Information

1. RESPONSIBILITY

The Directors, whose names appear in paragraph 1.1 of Part XV (*Directors, Senior Managers and Corporate Governance*) and DS Smith accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and DS Smith (who have each taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE

DS Smith was incorporated and registered in England and Wales on 7 July 1978 under the Companies Acts 1948 to 1976 as a private company limited by shares with the name David S. Smith (Packaging) Limited and registered number 1377658. Its name was changed to David S. Smith (Holdings) Limited on 11 August 1978. Following the acquisition of St. Regis Paper Company, the Company listed on the London Stock Exchange on 3 March 1986. On 28 June 1992, the Company re-registered as a public company limited by shares with the name David S. Smith (Holdings) Public Limited Company. Its name was subsequently changed to DS Smith Plc on 17 September 2001.

The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created, is the Act and the regulations made under the Act.

DS Smith is domiciled in the United Kingdom. Its registered and head office is at Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead, Berkshire SL6 8XY. The Company's telephone number is +44 (0)1628 583 400.

The Ordinary Shares are admitted to the premium segment of the Official List and traded on the main market of the London Stock Exchange. The ISIN of the Ordinary Shares is GB0008220112 and the SEDOL number is 0822011. The Ordinary Shares are in registered form and are capable of being held in either certificated or uncertificated form.

The Ordinary Shares will be ordinary shares in registered form and are capable of being held either: (i) in certificated form; or (ii) in uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations).

Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ are the auditors of DS Smith. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales.

3. DS SMITH'S SHARE CAPITAL

3.1 Issued share capital

As at 1 May 2008, the first day covered by the Audited Financial Statements incorporated by reference into this document, the authorised share capital of the Company was £41,000,000 divided into 410,000,000 Ordinary Shares of 10 pence each. On 8 September 2009, the Company passed an ordinary resolution increasing the authorised share capital of the Company to £70,000,000 by the creation of an additional 290,000,000 Ordinary Shares of 10 pence each.

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital, and the Articles adopted by special resolution on 7 September 2010 reflect this. Directors are still limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employees' Share Schemes.

As detailed below, following the Placing announced on 7 July 2010, 39,296,253 new Ordinary Shares were issued at a Price of £1.20 per share, resulting in total proceeds on issue of approximately £47.2 million. These new shares ranked equally in all respects with the then Existing Ordinary Shares. Pursuant to the Company's employee share option schemes, 2,929,144 Ordinary Shares of 10 pence each were issued during the year. No Shares pursuant to the Company's employee share option schemes were issued between 30 April 2011 and the Latest Practicable Date inclusive.

The issued and fully paid share capital of the Company as at the Latest Practicable Date was as follows:

Nominal value of Ordinary Shares	Number of Ordinary Shares issued, allotted, called up and fully paid	Amount of share capital
		£
Ordinary Shares of £0.10 each	436,224,468	43,622,446.80

3.2 Allotments of Ordinary Shares

During the three year period ended 30 April 2011 and for the period between 1 May 2011 and the Latest Practicable Date, the following alterations in DS Smith's issued ordinary share capital have occurred, all of which have been issues of Ordinary Shares arising as a result of the exercise of options under the Share Schemes apart from the Placing announced on 7 July 2010 and issued on 12 July 2010 which was in connection with the acquisition of the Otor Group:

Date of issue	Number of Ordinary Shares issued	Share Scheme under which Ordinary Shares were issued (if applicable)	Option price per Ordinary Share (p)	Market price per Ordinary Share (p)
12 July 2010	39,296,253	N/A	N/A	120.0
4 October 2010	18,067	1999 Executive Share Option Scheme	135.227	154.9
4 October 2010	22,050	1999 Executive Share Option Scheme	149	154.9
13 October 2010	243,979	1999 Executive Share Option Scheme	135.227	161.5
13 October 2010	241,245	1999 Executive Share Option Scheme	149.216	161.5
13 October 2010	239,050	1999 Executive Share Option Scheme	149	161.5
14 December 2010	128,988	1999 Executive Share Option Scheme	151.5278	205.1179
14 December 2010	142,779	1999 Executive Share Option Scheme	148.7218	205.1179
14 December 2010	119,200	1999 Executive Share Option Scheme	153	205.1179
21 December 2010	31,416	1999 Executive Share Option Scheme	135.227	201.4636
21 December 2010	29,164	1999 Executive Share Option Scheme	149.216	201.4636
21 December 2010	34,425	1999 Executive Share Option Scheme	151.5278	201.4636
21 December 2010	38,381	1999 Executive Share Option Scheme	148.7218	201.4636
21 December 2010	22,350	1999 Executive Share Option Scheme	153	201.4636
10 January 2011	103,521	1999 Executive Share Option Scheme	135.227	204.4224
10 January 2011	97,839	1999 Executive Share Option Scheme	149.216	204.4224
10 January 2011	77,800	1999 Executive Share Option Scheme	159	204.4224
10 January 2011	88,050	1999 Executive Share Option Scheme	149	204.4224
12 January 2011	29,110	1999 Executive Share Option Scheme	135.227	220
12 January 2011	61,437	1999 Executive Share Option Scheme	149.216	220
12 January 2011	37,90	1999 Executive Share Option Scheme	159	220
12 January 2011	42,200	1999 Executive Share Option Scheme	149	220
18 January 2011	38,813	1999 Executive Share Option Scheme	135.227	221.0418
18 January 2011	37,152	1999 Executive Share Option Scheme	149.216	221.0418
18 January 2011	38,950	1999 Executive Share Option Scheme	159	221.0418

Date of issue	Number of Ordinary Shares issued	Share Scheme under which Ordinary Shares were issued (if applicable)	Option price per Ordinary Share (p)	Market price per Ordinary Share (p)
18 January 2011	48,650	1999 Executive Share Option Scheme	149	221.0418
19 January 2011	26,805	1999 Executive Share Option Scheme	149.216	220
19 January 2011	16,600	1999 Executive Share Option Scheme	159	220
19 January 2011	18,400	1999 Executive Share Option Scheme	149	220
20 January 2011	31,040	1999 Executive Share Option Scheme	135.227	219
20 January 2011	29,486	1999 Executive Share Option Scheme	149.216	219
20 January 2011	17,950	1999 Executive Share Option Scheme	159	219
20 January 2011	19,850	1999 Executive Share Option Scheme	149	219
1 February 2011	32,339	1999 Executive Share Option Scheme	151.5278	204.2995
1 February 2011	33,730	1999 Executive Share Option Scheme	148.7218	204.2995
1 February 2011	18,900	1999 Executive Share Option Scheme	153	204.2995
1 February 2011	20,150	1999 Executive Share Option Scheme	146	204.2995
1 February 2011	28,467	1999 Executive Share Option Scheme	149.216	204.2995
1 February 2011	17,800	1999 Executive Share Option Scheme	159	204.2995
1 February 2011	19,950	1999 Executive Share Option Scheme	149	204.2995
8 February 2011	29,914	1999 Executive Share Option Scheme	135.227	212.6906
8 February 2011	30,450	1999 Executive Share Option Scheme	149.216	212.6906
8 February 2011	22,150	1999 Executive Share Option Scheme	159	212.6906
8 February 2011	24,750	1999 Executive Share Option Scheme	149	212.6906
9 February 2011	28,467	1999 Executive Share Option Scheme	149.216	213.1268
9 February 2011	20,750	1999 Executive Share Option Scheme	159	213.1268
9 February 2011	24,150	1999 Executive Share Option Scheme	149	213.1268
15 February 2011	13,200	1999 Executive Share Option Scheme	159	209.0193
15 February 2011	16,50	1999 Executive Share Option Scheme	149	209.0193
16 February 2011	27,716	1999 Executive Share Option Scheme	135.227	209.3333
16 February 2011	50,983	1999 Executive Share Option Scheme	149.216	209.3333
16 February 2011	33,700	1999 Executive Share Option Scheme	159	209.3333

Date of issue	Number of Ordinary Shares issued	Share Scheme under which Ordinary Shares were issued (if applicable)	Option price per Ordinary Share (p)	Market price per Ordinary Share (p)
16 February 2011	37,150	1999 Executive Share Option Scheme	149	209.3333
21 February 2011	26,805	1999 Executive Share Option Scheme	149.216	202.8069
21 February 2011	16,000	1999 Executive Share Option Scheme	159	202.8069
21 February 2011	17,650	1999 Executive Share Option Scheme	149	202.8069
23 March 2011	14,050	1999 Executive Share Option Scheme	149	201.4775
20 April 2011	33,989	1999 Executive Share Option Scheme	138.9574	212.288
20 April 2011	36,669	1999 Executive Share Option Scheme	135.227	212.288
20 April 2011	35,168	1999 Executive Share Option Scheme	149.216	212.288
20 April 2011	21,300	1999 Executive Share Option Scheme	159	212.288
20 April 2011	23,650	1999 Executive Share Option Scheme	149	212.288
28 June 2011	51,734	1999 Executive Share Option Scheme	135.227	243.8278
28 June 2011	50,930	1999 Executive Share Option Scheme	149.216	243.8278
28 June 2011	57,500	1999 Executive Share Option Scheme	159	243.8278
28 June 2011	67,100	1999 Executive Share Option Scheme	149	243.8278
7 July 2011	33,935	1999 Executive Share Option Scheme	135.227	265
7 July 2011	31,791	1999 Executive Share Option Scheme	149.216	265
7 July 2011	18,800	1999 Executive Share Option Scheme	159	265
7 July 2011	20,650	1999 Executive Share Option Scheme	149	265
11 July 2011	26,100	1999 Executive Share Option Scheme	146	260.8
2 August 2011	61,973	1999 Executive Share Option Scheme	149.216	229.6013
2 August 2011	60,365	1999 Executive Share Option Scheme	152.0138	229.6013
2 August 2011	40,400	1999 Executive Share Option Scheme	152	229.6013
2 August 2011	42,100	1999 Executive Share Option Scheme	146	229.6013
2 August 2011	30,843	1999 Executive Share Option Scheme	151.5278	229.6013
2 August 2011	27,957	1999 Executive Share Option Scheme	148.7218	229.6013
2 August 2011	21,000	1999 Executive Share Option Scheme	153	229.6013

3.3 Authorisations relating to share capital

Details of the Resolutions to be passed in connection with the Acquisition and the Rights Issue are set out in the Notice of General Meeting at the end of this document.

3.4 Share capital prior to Admission and immediately following Admission

The following table sets out DS Smith's issued share capital as at the Latest Practicable Date and as it will be immediately following Admission.

	Existing Ordinary Shares prior to the Rights Issue[1]		Ordinary Shares following the Rights Issue[2]	
	Number	**£**	**Number**	**£**
Issued	436,224,468	43,622,446.80	926,976,994	92,697,699.40

Notes:

1. Assuming that no share options are exercised between the date of this document and Admission.
2. Assuming the maximum number of New Ordinary Shares is issued.

The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

3.5 Miscellaneous

Save as disclosed in this document, during the three years immediately preceding the date of this document, there has been no issue of share capital of DS Smith fully or partly paid, either for cash or other consideration, and no such issues are proposed and no share capital of DS Smith or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

4. RESOLUTIONS

As described in paragraph 15 of Part I (*Letter from the Chairman*) of this document, it is proposed that the following resolutions be passed at the General Meeting:

Resolution 1 — to approve the Acquisition and to authorise the Directors to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition

Resolution 1 proposes that the Acquisition be approved and that the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition. Resolution 1 is conditional upon Resolutions 2 and 3 being passed.

Resolution 2 — to authorise the Directors to issue the New Ordinary Shares

Resolution 2 proposes that the Directors be authorised to issue up to 490,752,526 New Ordinary Shares in connection with the Rights Issue (representing approximately 112 per cent. of DS Smith's issued share capital (excluding treasury shares) at the Latest Practicable Date). Resolution 2 is conditional upon Resolutions 1 and 3 being passed.

Resolution 3 — to increase the limit of the Company's borrowing powers

Resolution 3 proposes to increase the limit of the Company's borrowing powers in light of the proposed funding of the Acquisition. Resolution 3 is conditional upon Resolutions 1 and 2 being passed.

As at the date of this document, the Company does not hold any Ordinary Shares in the capital of the Company in treasury.

Approval of the Resolutions

Resolutions 1, 2 and 3 will be proposed as ordinary resolutions and will be taken on a show of hands. These resolutions must be approved by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting. The Rights Issue and the Acquisition will not proceed unless each of Resolutions 1, 2 and 3 are passed.

5. ARTICLES OF ASSOCIATION

The following is a summary of DS Smith's Articles which were adopted by special resolution passed on 7 September 2010 and contain (amongst others) provisions as set out below. The Articles are available for inspection at the registered office of the Company and at the offices of Allen & Overy LLP, as set out in the section entitled "*Directors, Company Secretary, Registered Office and Advisers*" of this document.

5.1 Objects

The objects of the Company, in accordance with section 31(1) of the Act, are unrestricted.

5.2 Limited liability

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

5.3 Rights attaching to ordinary shares

(a) *Voting rights of members* — subject to disenfranchisement in the event of (i) non-payment of any call or other sum payable in respect of any share or (ii) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present). On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(b) *Dividends* — subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.

(c) *Return of capital* — if the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by any applicable statutory provision (i) divide among the members in specie the whole or any part of the assets of the Company; or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

(d) *Capitalisation of reserves* — the Board may, with the authority of an ordinary resolution of the Company (i) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (ii) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve, and any sum not available for distribution in accordance with the applicable statutes may only be applied in paying up unissued shares to be allotted credited as fully paid up.

5.4 Transfer of shares

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is approved by the Board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion refuse to register any instrument of transfer of any certificated share which is not

fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien as a result of such share not being fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor and it is in the respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument of transfer was lodged or the operator instruction was received, send to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

5.5 Alteration of share capital

The Company may exercise the powers conferred by the applicable statutory provisions to:

(a) increase its share capital by allotting new shares;

(b) reduce its share capital, any capital redemption reserve and any share premium account in any way;

(c) sub-divide or consolidate and divide all or any of its share capital;

(d) reconvert stock into shares;

(e) redenominate all or any of its shares and reduce its share capital in connection with such redenomination;

(f) issue redeemable shares; and

(g) purchase all or any of its own shares including any redeemable shares (subject to the prior authorisation by a special resolution).

5.6 Authority to allot shares and grant rights and disapplication of pre-emption rights

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Act, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject, other than in relation to the sale of treasury shares, to the Board being generally authorised to allot shares and grant rights to subscribe for, or to convert any security into, shares in the Company in accordance with section 551 of the Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561(1) of the Act did not apply to the allotment but that power shall be limited (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

5.7 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares (which it is not as at the date of this document), all or any of the rights for the time being attached to any class of shares may from time to time (whether or not the Company is being wound-up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the quorum is two members present in person or proxy holding at least one-third in nominal amount of the issued shares of the class in question. At any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class.

5.8 Disclosure of interests in shares

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in section 793 of the Companies Act 2006 (a **section 793 notice**) and, in respect of that share (a **default share**), has been in default for a period of 28 days (in the case of (A) below) and 14 days (in the case of (B) below) from and including the date of the section 793 notice has been given in supplying to the Company the information required by the section 793 notice, the following restrictions

shall apply (A) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

(a) to attend or to vote, either personally or by proxy, at any general meeting of the Company; or

(b) to receive any dividend or other distribution; or

(c) to transfer or agree to transfer any of those shares or any rights to them.

5.9 Uncertificated shares — general powers

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

5.10 Directors

(a) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than 20 in number.

(b) A director need not be a member of the Company.

(c) At each annual general meeting any director then in office shall retire from office if he has been appointed by the Board since the previous annual general meeting or it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected; but he shall be eligible for re-election.

(d) The directors shall be paid such fees not exceeding in aggregate £750,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the directors may decide to be divided among them in such proportion and manner as they may agree, or failing agreement, equally.

(e) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission participation in profits or otherwise as the Board may decide in addition to his ordinary remuneration (if any) as a director.

(f) The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the Board meetings, committee meetings and general meetings.

(g) The Board may exercise all the powers of the Company to:

(i) pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any body corporate which is or was associated with the Company or of the predecessors in business of the Company or any such associated body corporate or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement or the payment of any insurance premiums;

(ii) establish, maintain, adopt and enable participation in any profit sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of the Company or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and

(iii) support and subscribe to any institution or association which may be for the benefit of the Company or of any associated body corporate or any directors or employees of the Company or associated

body corporate or their relatives or dependants or connected with any town or place where the Company or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.

(h) If a situation (a **Relevant Situation**) arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company, the director must declare the nature and extent of his interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may (i) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of the Company, resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine and (ii) if the Relevant Situation arises in other circumstances, resolve to authorise the Relevant Situation and the continuing performance by the director of his duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

(i) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;

(ii) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and

(iii) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

(A) If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.

(B) Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:

I. enter into or be interested in any transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;

II. hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director;

III. act by himself or his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director;

IV. be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested; and

V. be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.

(C) A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment or the termination of his own appointment.

(D) A director shall not vote (or be counted in the quorum at a meeting) in respect of any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest. Notwithstanding the above, a director may vote (and be counted in the quorum) on:

I. any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

II. the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;

III. indemnification (including loans made in connection with it) by the Company in relation to the performance of his duties on behalf of the Company or any of its subsidiary undertakings;

IV. any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;

V. any transaction or arrangement concerning any other company in which he does not hold, directly or indirectly as shareholder, or through his direct or indirect holdings of financial instruments (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) voting rights representing one per cent. or more of any class of shares in the capital of such company;

VI. any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

VII. the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

5.11 General meetings

An annual general meeting shall be held in accordance with the applicable statutory provisions at such place as may be determined by the Board. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Act.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of the Company shall be two qualifying persons, representing different members and entitled to vote on the business to be transacted at the meeting. A qualifying person is an individual who is a member of the Company, a corporate representative, or a proxy.

5.12 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as security for any debt, liability or obligations of the Company or any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the DS Smith Group (exclusive of any borrowings which are owed by one company of the DS Smith Group to another company of the DS Smith Group) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed the greater of £1,000,000,000 or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

5.13 Change of name

The Board may change the name of the Company.

5.14 Dividends

(a) *Declaration of dividends* — the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

(b) *Fixed and interim dividends* — the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

(c) *Calculation and currency of dividends* — except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (iii) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

(d) *Dividends not to bear interest* — no dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

(e) *Calls or debts may be deducted from dividends* — the Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

(f) *Dividends in specie* — with the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

(g) *Scrip dividends* — the Board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive further ordinary shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.

(h) *Unclaimed dividends* — any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

5.15 Forfeiture of shares

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

5.16 Communications by the Company

Subject to the applicable statutory provisions, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned (by post or other permitted means) of the presence of a document or information on the website. Before communicating with a member by means of its website, the Company must have asked each member, individually, to agree

that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or received no response within the period of 28 days beginning with the date on which the Company's request was sent.

5.17 Directors' indemnity, insurance and defence

As far as the applicable statutory provisions allow, the Company may:

(a) indemnify any director of the Company (or of an associated body corporate) against any liability;

(b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against any liability incurred in connection with such company's activities as trustee of the scheme;

(c) purchase and maintain insurance against any liability for any director referred to in (a) or (b) above; and

(d) provide any director referred to in (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

6. FINANCIAL STATEMENTS AND ANNUAL GENERAL MEETINGS

The Company's annual reports and financial statements are made up to 30 April in each year. The Company's latest annual report and financial statements cover the financial year ended 30 April 2011, and was made public and posted to shareholders on 14 July 2011. The Company also made public its half year results for the six months ended 31 October 2011 on 7 December 2011. The Company held its most recent annual general meeting on 6 September 2011, the same date on which the Company made available its latest interim management statement, at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. Further information on annual general meetings is contained in paragraph 5.11 above of this Part XVI (*Additional Information*).

7. MAJOR SHAREHOLDERS AND OTHER INTERESTS

As at the Latest Practicable Date, the Company had been notified under the Disclosure and Transparency Rules of the following direct and indirect substantial interests in the issued Ordinary Shares of the Company:

Shareholders	Number of Existing Ordinary Shares	Approximate percentage of existing issued share capital	Number of Existing Ordinary Shares following Rights Issue[1]	Approximate percentage of issued share capital following Rights Issue[1]
Standard Life Investments Ltd . . .	63,796,896	14.6%	135,568,404	14.6%
Scottish Widows Investment Partnership.	29,704,602	6.8%	63,122,279	6.8%
Schroder Investment Management Ltd	20,832,993	4.8%	44,270,110	4.8%
Dimensional Fund Advisers	18,095,682	4.1%	38,453,324	4.1%

Note:

1. Assuming each major Shareholder takes up its rights to New Ordinary Shares in full and the maximum number of New Ordinary Shares are issued.

As at the Latest Practicable Date, save as disclosed in this paragraph 7, the Company is not aware of any interest (within the meaning of the Disclosure and Transparency Rules) which represents 3 per cent. or more of the voting rights in the Company. The Company is not aware of any person or persons who, directly or indirectly, acting jointly with others or acting alone, exercised or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company.

None of the Company's major Shareholders has now, or will following the Rights Issue have, different voting rights from other holders of Ordinary Shares.

8. SIGNIFICANT SUBSIDIARIES

8.1 DS Smith

DS Smith is the holding company of an international group of companies.

The following is a list of the principal subsidiaries and associated undertakings of DS Smith (each of which is considered by DS Smith to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the DS Smith Group) as at the Latest Practicable Date.

The businesses listed below operate principally in the country in which they are incorporated.

Name of subsidiary undertaking	Country of origin/ incorporation	Percentage holding or shares and voting rights	Nature of business
Cartón Plástico s.a.	Spain	100%	Manufacture of plastic packaging
D.W. Plastics NV	Belgium	100%	Manufacture of plastic packaging
David S Smith (America) Inc	United States	100%	Manufacture of plastic packaging
DS Smith Ducaplast S.A.S.	France	100%	Manufacture of plastic packaging
DS Smith Kaysersberg SAS	France	100%	Manufacture of plastic and corrugated packaging
DS Smith Logistics Limited	United Kingdom	100%	Distribution
DS Smith Packaging Limited	United Kingdom	100%	Manufacture of corrugated packaging
DS Smith Paper Limited	United Kingdom	100%	Manufacture of paper
DS Smith Plastics Limited	United Kingdom	100%	Manufacture of plastic packaging
DS Smith Polska SA	Poland	100%	Manufacture of corrugated packaging
DSS Rapak Inc	United States	100%	Manufacture of plastic packaging
OJSC Rubezhansk Paper and Packaging Mill (Rubezhansk)	Ukraine	49.6%	Manufacturer of paper and packaging
DS Smith Packaging France SAS (formerly Otor SA)	France	100%	Manufacture of corrugated packaging
Rapak AD	Bulgaria	50%	Manufacture of plastic packaging
Rapak Asia Pacific Limited	New Zealand	100%	Manufacture of plastic packaging
Rapak GmbH	Germany	100%	Manufacture of plastic packaging
StePac L.A. Limited	Israel	97.2%	Manufacture of plastic packaging
Toscana Ondulati SpA	Italy	92%	Manufacture of corrugated packaging

Note:

1. All subsidiaries are held indirectly.
2. The list above does not include all of the subsidiaries of DS Smith.

8.2 SCA Packaging

SCA Packaging has not in the past formed a separate legal group. All of the companies which comprise the SCA Packaging Group are currently owned, directly or indirectly, by SCA, the ultimate parent company, and form part of the Packaging Europe business unit of SCA. The following is a list of significant subsidiaries and associated undertakings within the SCA Packaging Group (each of which is considered to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the SCA Packaging Group) as at the Latest Practicable Date.

The businesses listed below operate principally in the country in which they are incorporated.

Name	Country of origin/ incorporation	Percentage holding of shares and voting rights	Nature of business
SCA Packaging Czeska Republica S.R.O.	Czech Republic	100%	Manufacture of paper, pulp cardboard and products using these materials
SCA Packaging Containerboard Deutschland GmbH	Germany	100%	Manufacture of CCM

Name	Country of origin/ incorporation	Percentage holding of shares and voting rights	Nature of business
SCA Packaging FULDA GmbH	Germany	100%	Manufacture of packaging and related products
SCA Packaging Stiftung & Co KG	Germany	100%	Manufacture of cardboard, packaging materials and synthetic packaging
SCA Packaging Denmark A/S	Denmark	100%	Trade in packaging
SCA Emballage France SAS	France	100%	Manufacture, import and export of pulp, paper and packaging
SCA Packaging Nicollet SAS	France	100%	Purchase, manufacture and sale of all forms of cardboard packaging
SCA Packaging Limited	United Kingdom	100%	Manufacture of corrugated cartons, boxes and cases
SCA Packaging Hungary Kft	Hungary	100%	Manufacture of paper, packaging and related products
SCA Packaging Italia SpA	Italy	100%	Production, import, export and sale of cardboard packaging
SCA Packaging Poland Spolka Z O O	Poland	100%	Manufacture of paper and corrugated materials
SCA Packaging Benelux BV	Netherlands	100%	Manufacture of packaging and related products
SCA de Hoop B.V[2]	Netherlands	100%	Manufacture of CCM
SCA Packaging Sweden AB	Sweden	100%	Manufacture of packaging and related products and expanded polystyrene products
SCA Recycling UK Limited	United Kingdom	100%	Recycling of metal waste and non-metal waste and scrap
SCA Packaging Coordination Center NV[2]	Belgium	100%	Development and centralisation of various activities having a supporting or pre-operational nature for the SCA Packaging Group
SCA Packaging Marketing NV[2]	Belgium	100%	Production of packaging materials for wholesale and retail business, and marketing and commercial information processing activities

Note:

1. The list above does not include all the subsidiaries of SCA Packaging.
2. Operates on a pan-European basis.

9. MATERIAL CONTRACTS

9.1 DS Smith's material contracts

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by members of the DS Smith Group: (i) within the two years immediately preceding the date of this document and which is, or may be, material; or (ii) which contains any provision under which any member of the DS Smith Group has any obligation or entitlement which is material to the DS Smith Group as at the date of this document.

(a) Contracts relating to the Acquisition and Rights Issue

(i) Acquisition Agreement

A description of the principal terms of the Acquisition Agreement is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(ii) Offer Letter and French Acquisition Agreement

A description of the principal terms of the Offer Letter and French Acquisition Agreement is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(iii) The Supply Agreements

A description of the principal terms of the Supply Agreements is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(iv) The Transitional Services Agreement

A description of the principal terms of the Transitional Services Agreement is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(v) The Tax Deeds

A description of the principal terms of the Tax Deed and the French Tax Deed is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(vi) The Underwriting Agreement

A description of the principal terms of the Underwriting Agreement is set out in Part II (*Details of the Acquisition and Rights Issue*) of this document.

(vii) The Acquisition Facilities Agreement

DS Smith has entered into the Acquisition Facilities Agreement with a group of relationship bank lenders which includes HSBC Bank plc, J.P. Morgan Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc.

Loans

The Acquisition Facilities Agreement has two term loan facilities (Facility A and B) (together referred to as the **Acquisition Facilities**) to be granted thereunder as set out in the table below. The Facilities may be used to finance the Acquisition and related costs.

Acquisition Facility	Amount in millions	Maturity
A	€300	the date 3 years after the signing date of the Acquisition Facilities Agreement
B	€400	30 June 2016

Availability

The Acquisition Facilities are made available on a certain funds basis as set out in the Acquisition Facilities Agreement. The Acquisition Facilities are available from the signing date of the Acquisition Facilities Agreement until the earlier to occur of: (a) the date on which DS Smith publicly confirms in writing that it is no longer pursuing the Acquisition; and (b) 31 July 2012. The Acquisition Facilities are not conditional upon the completion of the acquisition of the French Business. If the acquisition of the French Business does not complete, DS Smith will be obliged to mandatorily prepay €83 million against Facility A and Facility B on a *pro rata* basis.

Interest and fees

The rate of interest under the Acquisition Facilities is calculated as the aggregate of the applicable margin, the applicable reference rate (EURIBOR) and mandatory costs. The margin for each of Facility A and Facility B under the Acquisition Facilities Agreement will be 1.675 per cent. per annum and 2.50 per cent. per annum from the date of first utilisation with the margin for Facility B ratcheting in accordance with the following table:

Facility B

Consolidated leverage	Applicable Margin (% per annum)
Greater than 2.75	3.00
Greater than 2.5:1 but less than or equal to 2.75	2.60
Greater than 2.25 but less than or equal to 2.5:1	2.40
Greater than 2:1 but less than or equal to 2.25	2.20
Greater than 1.75:1 but less than or equal to 2:1	2.00
Greater than 1.5:1 but less than or equal to 1.75	1.80
Equal to or less than 1.5:1	1.60

The upfront fees payable by DS Smith in respect of the Acquisition Facilities are €8.4 million, subject to certain adjustments if the acquisition of the French Business does not complete.

The upfront fees will become payable in three tranches from the date of the Acquisition Facilities Agreement until first drawdown of the Facilities. In the event that the Acquisition does not proceed certain of the upfront fees will not become payable.

Mandatory prepayment/cancellation provisions

The Acquisition Facilities Agreement includes certain mandatory prepayment events, including (A) illegality; (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations); and (C) until Facility A only has been repaid or cancelled in full, the net proceeds of certain disposal, equity capital markets and debt capital markets proceeds (subject to agreed exceptions).

The Acquisition Facilities Agreement includes a mandatory cancellation of the Acquisition Facilities if DS Smith no longer intends to, or is prevented from, proceeding with the Acquisition.

Security

The Acquisition Facilities are unsecured.

Representations and warranties and covenants

The Acquisition Facilities Agreement contains various customary representations and warranties, to be given on the date of execution of the Acquisition Facilities Agreement, certain of which are deemed to be repeated in certain circumstances thereafter. In addition, the Acquisition Facilities Agreement contains certain covenants in respect of future maintenance and conduct of the business (subject to certain agreed exceptions and limitations), including, amongst others, various restrictive covenants such as restrictions on disposals, change of business, on the incurrence of financial indebtedness, granting of security and making acquisitions (for a defined period of time). The Acquisition Facilities Agreement also requires DS Smith to maintain a consolidated leverage ratio, which is tested on a semi-annual basis.

Events of default

The Acquisition Facilities Agreement contains customary events of default subject to specified exceptions, materiality, grace periods, baskets, thresholds, qualifications and remedy periods, including, amongst others, non-payment due under a finance document, breach of financial and other covenants, material breach of representations and warranties, cross acceleration, and insolvency events. There is a 90 day "clean-up" period after the closing date in respect of any SCA Packaging Group related defaults.

Ranking and priority

DS Smith's payment obligations under the Acquisition Facilities rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

Permitted payments

The Acquisition Facilities Agreement does not restrict dividend or any other payments by DS Smith in the ordinary course of business.

Governing law and jurisdiction of courts

The Acquisition Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(b) Non-Acquisition related contracts

(i) Sale of Spicers

On 7 September 2011, DS Smith entered into a binding legal agreement with Unipapel in respect of the sale by DS Smith of Spicers for a purchase price of £200 million, satisfied on completion in cash and by the assumption of existing debt. The purchase price is subject to post-completion price adjustments. DS Smith has given customary business warranties in favour of Unipapel in respect of the sale.

The sale of Spicers completed on 29 December 2011 and net proceeds, after tax, related costs and an accelerated payment into the DS Smith pension fund were approximately £160 million which have reduced DS Smith's net debt (£312.9 million as at 31 October 2011) by approximately £160 million.

(ii) Acquisition of the Otor Group

On 1 September 2010, the DS Smith Group acquired 100 per cent. of the voting share capital of Otor Finance S.A., a holding company which owns and controls 80 per cent. of Otor, a leading FMCG focused corrugated packaging company in France. On the same date and as part of the same acquisition, the DS Smith Group acquired an additional 15 per cent. of the voting share capital of Otor. As a result, the DS Smith Group's total voting and ownership interest in Otor at the acquisition date was 95 per cent. Total consideration transferred comprised cash of £156.6 million.

In October 2010, the DS Smith Group acquired an additional 5 per cent. interest in Otor for £8.5 million in cash, increasing its ownership in the Otor Group from 95 per cent. to 100 per cent. The DS Smith Group recognised a decrease in non-controlling interests of £3.3 million and a decrease in retained earnings of £5.2 million, to reflect this transaction.

(iii) The placing of 39,296,253 new Ordinary Shares announced on 7 July 2010 (the **Placing**):

(A) On 7 July 2010, DS Smith entered into a placing agreement with JPMSL in connection with the Placing. Pursuant to the placing agreement, JPMSL agreed, subject to the satisfaction of certain conditions and the agreement not having been terminated, to use reasonable endeavours to procure placees to subscribe for up to 39,296,253 new Ordinary Shares and, to the extent that any placees procured by it failed to subscribe for any or all of the placing shares which they had agreed to subscribe for, to subscribe itself for such placing shares. The Placing completed on 7 July 2010 and the placing shares were issued and admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities on 12 July 2010.

In consideration for JPMSL's agreement to procure placees for the placing shares (or to otherwise subscribe for the placing shares themselves) and their services in connection with the Placing, DS Smith paid JPMSL a commission equal to 2 per cent. of the gross proceeds of the Placing and a discretionary fee of £200,000. DS Smith also agreed to pay certain costs and expenses in connection with the Placing including, but not limited to DS Smith's own costs and expenses, advisers' fees and certain of JPMSL's costs and expenses.

The placing agreement contained customary warranties and indemnities for placing agreements of this nature given by DS Smith to JPMSL.

(B) On 7 July 2010, DS Smith also entered into a subscription and transfer agreement with Whitebeech Limited and JPMSL whereby JPMSL agreed to subscribe for 100 redeemable preference shares of no par value in Whitebeech Limited and, subject to the placing agreement having become unconditional in all respects, JPMSL agreed to transfer the preference shares and the shares in Whitebeech Limited to DS Smith in consideration for the issue and allotment of the placing shares. Under the transfer agreement, DS Smith and Whitebeech Limited gave certain warranties to JPMSL in relation to the activities of Whitebeech Limited, DS Smith and the status of the preference shares, and DS Smith provided an indemnity in favour of JPMSL

regarding taxation and losses and expenses incurred by JPMSL in the performance of the transfer agreement.

(C) On 7 July 2010, DS Smith also entered into an initial subscription and put and call option agreement with JerseyCo and JPMSL whereby JPMSL agreed to subscribe for 11 ordinary shares of no par value in Whitebeech Limited. In certain circumstances, JPMSL had the right to require DS Smith to purchase, and DS Smith had the right to require JPMSL to sell, all the ordinary shares in Whitebeech Limited, in each case for £1 per share; these rights expired on 12 July 2010 (the date of admission of the placing shares in (A) above). Under the option agreement, DS Smith and Whitebeech Limited gave certain warranties to JPMSL in relation to the activities of Whitebeech Limited, DS Smith and the status of the ordinary shares in Whitebeech Limited Shares and DS Smith provided an indemnity in favour of JPMSL regarding taxation and losses and expenses incurred by JPMSL in the performance of the option agreement.

(c) Supply agreement with DS Smith Paper Limited and Saint-Gobain

On 3 March 2005, DS Smith, DS Smith Paper and BPB United Kingdom Limited (now part of the Saint-Gobain Group) (**Saint-Gobain**) entered into a long-term supply agreement for the manufacture and supply of plasterboard liner paper to Saint-Gobain. The agreement contains a number of customary provisions for such long-term supply agreements. The agreement is expected to continue (subject to usual rights of early termination) until at least December 2015, when the volumes to be supplied will then reduce down to zero over a four year period.

(d) Banking facilities

(i) On 23 September 2011, DS Smith entered into a syndicated revolving credit facility of £610 million which expires on 23 September 2016 (the **Revolving Credit Facility**). The banks in the syndicate are: Abbey National Treasury Services PLC (trading as Santander Global Banking and Markets), Citibank N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, Crédit Industriel et Commercial, London Branch, DNB NOR Bank ASA, London Branch, HSBC Bank plc, JPMorgan Chase Bank, N.A., KBC Bank NV, London Branch, Lloyds TSB Bank plc, Natixis, and The Royal Bank of Scotland plc. Advances drawn under the facility bear interest at a margin over LIBOR or EURIBOR (as applicable).

(ii) The Revolving Credit Facility contains customary covenants, representations and events of default including restrictions on disposals, subsidiary indebtedness and the creation of security. The financial covenants stipulate that DS Smith must have a minimum level of consolidated net assets, not to exceed a maximum level of consolidated net borrowings with reference to the EBITDA of the DS Smith Group and maintain a minimum interest cover ratio.

(e) Private Placements

(i) On 14 November 2002, DS Smith issued US$105,000,000 6.24 per cent. series A senior notes due 14 November 2012 and £25,000,000 6.85 per cent. series B senior notes due 14 November 2012 by way of a private placement.

In connection with this private placement DS Smith entered into three swap transactions on 14 November 2002 to hedge the associated interest and currency exposures. DS Smith made payment of US$80,000,000 to The Royal Bank of Scotland plc in return for proceeds of approximately €81,591,025. The swap counterparty also agreed to pay fixed US dollar interest of 6.24 per cent. on US$80,000,000 in exchange for floating euro rate interest at rates linked to EURIBOR on €81,591,025 until 14 November 2012. In another swap The Royal Bank of Scotland plc agreed to pay fixed rate US dollar interest rate of 6.24 per cent. on a principal amount of US$25,000,000 in exchange for floating US dollar interest linked to US dollar LIBOR on £25,000,000 until 14 November 2012. Bayerische Landesbank agreed to pay fixed rate pound sterling interest of 6.85 per cent. on a principal amount of £25,000,000 in exchange for floating pound sterling interest linked to LIBOR until 14 November 2012.

(ii) On 25 August 2004, DS Smith issued US$105,000,000 5.66 per cent. senior notes due 25 August 2014 and US$95,000,000 5.80 per cent. senior notes due 25 August 2016 by way of a private placement.

In connection with this private placement DS Smith entered into three swap transactions with Lloyds TSB Bank plc on 25 August 2004 to hedge the associated interest and currency exposures. DS Smith made a payment of approximately US$105,000,000 to Lloyds TSB Bank plc in return for proceeds of approximately €86,498,064. The swap counterparty also agreed to pay fixed US dollar interest of 5.66 per cent. on US$105,000,000 in exchange for floating euro rate interest at rates linked to EURIBOR on €86,498,064 until 25 August 2014. DS Smith made a payment of US$20,000,000 in return for proceeds of approximately €16,475,822. The swap counterparty also agreed to pay fixed US dollar interest of 5.80 per cent. on US$20,000,000 in exchange for floating euro interest at rates linked to EURIBOR on €16,475,822 until 25 August 2016. DS Smith made a payment of approximately US$75,000,000 in return for proceeds of £40,847,448. The swap counterparty also agreed to pay fixed US dollar interest of 5.80 per cent. on US$20,000,000 in exchange for fixed pound sterling interest of 6.213 per cent. on £40,847,448 until 25 August 2016.

(iii) On 11 August 2010, DS Smith issued €59,000,000 4.395 per cent. senior notes due 13 August 2018 and €59,000,000 4.825 per cent. senior notes due 11 August 2020 by way of a private shelf facility.

All the private placement agreements contain customary covenants, representations and events of default including restrictions on disposals, subsidiary indebtedness and creation of security. The covenants stipulate that DS Smith must have a minimum level of consolidated net assets, not exceed a maximum level of consolidated net borrowings with reference to a measure of the operating profit of the DS Smith Group and a minimum interest cover ratio.

(f) Sale of the business and assets of Demes Logistics

On 23 September 2009, Demes Logistics GmbH & Co. KG and DS Smith Plastics Limited entered into an agreement with Cartonplast Trading GmbH, Diskus Dreihundertzweiundvierzigste Beteiligungs-und Verwaltungs GmbH and Cartonplast UK Limited for the sale of the business and assets of Demes Logistics. The sale completed on 5 January 2010. Demes had gross assets of approximately €11.2 million as at 31 October 2009.

(g) Sale of DS Smith Copikas, Turkey

On 28 May 2010, DS Smith (Luxembourg) S.à.r.l. entered into an agreement with Olmuksa International Paper — Sabanci Ambalaj Sanayi Ve Ticaret AS for the sale of DS Smith Copikas Kagit Ve Oluklu Mukavva Kutu Sanayi A.S. This sale completed on 1 October 2010 for a consideration of £4.7 million.

(h) Sale of DS Smith Sacks business

On 30 April 2011, the DS Smith Group sold its business in the United Kingdom, DS Smith Sacks, to Forum Packaging Limited for a consideration of £1.1 million.

(i) Disposal of Higher Kings Mill paper mill

On 30 September 2011, the DS Smith Group sold its Higher Kings Mill paper mill in the United Kingdom, a leading European producer of filing and educational papers, to Asia File Corporation Berhad, for an enterprise value of £4.6 million.

9.2 SCA Packaging's material contracts

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by a member of the SCA Packaging Group: (a) within the two years immediately preceding the date of this document and which is, or may be, material; or (b) which contains any provision under which a member of the SCA Packaging Group has any obligation or entitlement which is material to SCA Packaging as at the date of this document.

(a) Sale of SCA Packaging Singapore Pte Ltd

On 26 April 2010, SCA Packaging International BV and SCA entered into an agreement with International Paper Investments (Asia) BV and International Paper Company for the sale of 100 per cent. of the shares in SCA Packaging Singapore Pte Ltd by SCA Packaging International BV. The sale completed on 30 June 2010. The purchase price was US$200 million on a debt free/cash free basis with adjustment for a normalised level of working capital at completion.

(b) Sale of UK and Ireland conventional corrugated business

On 18 June 2008, SCA Packaging Ltd, Lenpack Limited, SCA Packaging Britain Limited, SCA Recycling UK Limited as sellers and SCA Packaging International B.V. as guarantor, entered into an agreement with Sociedad Anonima Industrias Celulosa Aragonesa (**SAICA**), SAICA Packaging UK Limited and SAICA Packaging Ireland for the sale of its UK and Irish conventional corrugated business. The sale completed on 30 September 2008. The cash purchase price was €119.5 million. The seller gave customary warranties and indemnities under the agreement in respect of which claims need to be made before the expiry of fixed periods, some of which have not yet expired. Certain claims have been made under the agreement which are the subject of dispute between the parties.

10. RELATED PARTY TRANSACTIONS

10.1 DS Smith

Save as disclosed in the 2011 Financial Statements at Note 32 and Note 12 to the Company Balance Sheet and the 2011 Interim Financial Statements incorporated by reference into this document, DS Smith has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the period covered by the historical financial information of the DS Smith Group incorporated by reference into this document and the Latest Practicable Date.

10.2 SCA Packaging

The related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) of SCA Packaging are disclosed in Part XI *(Historical Financial Information Relating to the SCA Packaging Group)* of this document at Note 28. Save as disclosed in the aforementioned Note 28, the nature of the related party transactions of SCA Packaging has not changed since 30 September 2011 up to the Latest Practicable Date and no member of SCA Packaging has entered into any other related party transactions during the period from 30 September 2011 up to the Latest Practicable Date.

11. WORKING CAPITAL STATEMENT

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the DS Smith Group, the working capital available to the DS Smith Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this document.

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue, the Acquisition Facilities Agreement and the bank and other facilities available to the Enlarged Group, the working capital available for the Enlarged Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this document.

12. LITIGATION

12.1 DS Smith

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DS Smith is aware) which may have or have had in the recent past (covering the 12 months immediately preceding the date of this document) a significant effect on DS Smith and/or the DS Smith Group's financial position or profitability.

12.2 SCA Packaging

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DS Smith is aware) which may have or have had in the recent past (covering the 12 months immediately preceding the date of this document) a significant effect on SCA Packaging and/or the SCA Packaging Group's financial position or profitability.

Danish Tax Litigation

On 29 November 2011 the Danish revenue authorities issued a resolution on additional assessments in respect of SCA Packaging Denmark A/S, reflecting an alleged transfer pricing adjustment relating to the closure of a paper machine in Grenå in 2005. The resolution assesses additional taxable income on SCA Packaging Denmark A/S in an amount of close to DKK 500 million and the resulting tax effects will be a

prior period current tax of approximately DKK 112 million (approximately €15 million)[1] together with a deferred tax effect of some DKK 13 million (approximately €2 million).[1] SCA Packaging has until the end of February 2012 to contest the claim.

13. NO SIGNIFICANT CHANGE

13.1 DS Smith

Save for the significant change detailed in paragraph 2 of Part V (*Information on the DS Smith Group*) of this document in relation to the completion of the Spicers disposal and the resulting reduction in DS Smith's net debt, there has been no significant change in the financial or trading position of the DS Smith Group since 31 October 2011, being the end of the last financial period of the DS Smith Group for which interim financial information has been published.

13.2 SCA Packaging

There has been no significant change in the financial or trading position of the SCA Packaging Group since 30 September 2011, being the date to which the combined financial information relating to SCA Packaging included in Section B of Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document has been prepared.

14. PROPERTY, PLANT AND EQUIPMENT

14.1 DS Smith

DS Smith's current head office is located in Maidenhead (Berkshire) in the UK. Its regional businesses in the UK are located in Sittingbourne (Kent), Rugby (Warwickshire) and Caerphilly (Mid-Glamorgan) and in France in Kaysersberg and Puteaux.

The DS Smith Group believes that its production facilities are well maintained and in good operating condition, and are utilised at practical capacities that vary in accordance with product mixes, market conditions and machine configurations. From time to time, it also leases additional warehouse space and sales offices on an as-needed basis. As at 31 October 2011, the net book value of the DS Smith Group's tangible fixed assets amounted to £612.3 million of which £5.2 million related to capitalised lease assets. All of the DS Smith Group's major sites are owned freehold, and minor sites not owned freehold generally have a statutory right to renew. As at 31 October 2011, the DS Smith Group's leased properties were leased through arms' length arrangements at rates management believes to be standard for similar types of properties in the jurisdictions in which they are leased.

The Directors believe that the DS Smith Group's properties are generally adequate for its present needs and believe that suitable additional or replacement space would be available to the extent required.

14.2 SCA Packaging

The SCA Packaging Group's manufacturing facilities were spread throughout 21 countries across Europe as at 30 September 2011. The SCA Packaging Group's production facilities are kept in good operating conditions, and are utilised at practical capacities that vary in accordance with product mixes, market conditions and machine configurations. As at 30 September 2011, the net book value of the SCA Packaging Group's tangible fixed assets amounted to €1,214.1 million, of which €4.9 million related to assets held under finance leases. As at 30 September 2011, the SCA Packaging Group's leased properties were leased through arm's length arrangements at standard rates for similar types of properties in the jurisdictions in which they are leased. The Directors believe that the SCA Packaging Group's properties are generally adequate for its present needs and believe that suitable additional or replacement space would be available to the extent required.

15. MANDATORY BIDS AND COMPULSORY ACQUISITION RULES RELATING TO ORDINARY SHARES

The Company is subject to the Takeover Code. Other than as provided by the Act and the Takeover Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the period from incorporation to 30 April 2011 or in the current financial year.

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[1] Based on an exchange rate of DKK 1 to £0.1345 on 16 January 2012.

16. DIVIDEND POLICY

The following table sets out the dividend per Ordinary Share paid in respect of each of the financial years ended 2009, 2010 and 2011 (the interim dividend for the six months ended 31 October 2011 is proposed to be paid on 23 January 2012 as at the Latest Practicable Date):

	pence per share
Interim dividend for the six months ended 31 October 2008	2.6
Final dividend for the year ended 30 April 2009	1.8
Interim dividend for the six months ended 31 October 2009	1.5
Final dividend for the year ended 30 April 2010	3.1
Interim dividend for the six months ended 31 October 2010	2.0
Final dividend for the year ended 30 April 2011	4.5
Interim dividend for the six months ended 31 October 2011	2.8

The Board considers the dividend to be an important component of the Enlarged Group shareholders' returns. It is the Board's intention to continue DS Smith's current dividend policy for the Enlarged Group by taking into account the Enlarged Group's leverage, earnings growth potential and future expansion plans. The amount of the dividend will be set so that dividends are progressive and, in the medium term, the Board anticipates that dividend cover should be, on average, 2.0 to 2.5 times throughout the cycle.

17. GENERAL

Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, and who is a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the inclusion in this document of its report included in Part XII (*Unaudited Pro Forma Combined Financial Information for the Enlarged Group*) of this document in the form and context in which they appear, and has authorised the contents of those parts of this document which comprise its reports for the purposes of Prospectus Rule 5.5.3(2)(f).

PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH, and who is a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the inclusion in this document of its report included in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document in the form and context in which it appears, and has authorised the contents of those parts of this document which comprise its report for the purposes of Prospectus Rule 5.5.3(2)(f).

J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

JPMSL has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

HSBC has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

RBS has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

The aggregate costs and expenses payable by DS Smith in connection with the Rights Issue and the Acquisition are estimated to amount to approximately £50.0 million (excluding amounts in respect of VAT). Total estimated costs and expenses are split as follows: Rights Issue £11.8 million and Acquisition £38.2 million.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day, free of charge, at the registered office of the Company at Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead, Berkshire SL6 8XY and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD, from the date of this document up to and including the date of Re-admission:

(a) the memorandum of association of DS Smith and the Articles;

(b) the Acquisition Agreement;

(c) the Audited Financial Statements;

(d) the Accountants' Report on the Financial Information on SCA Packaging set out in Part XI (*Historical Financial Information Relating to the SCA Packaging Group*) of this document;

(e) the Accountants' Report on the Unaudited Pro Forma Information on the Enlarged Group set out in Part XII (*Unaudited Pro Forma Combined Financial Information for the Enlarged Group*) of this document;

(f) the letters of consent referred to in paragraph 17 of this Part XVI (*Additional Information*) of this document; and

(g) a copy of this document and the Form of Proxy.

19. ANNOUNCEMENT ON RESULTS OF THE RIGHTS ISSUE

DS Smith will make an announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue.

Part XVII

Documents Incorporated by Reference

This document should be read and construed in conjunction with certain documents which have been previously published and filed with the FSA and which shall be deemed to be incorporated in, and form part of, this document.

Paragraph 2 of Part X (*Historical Financial Information Relating to DS Smith*) and the table below list the information which is incorporated by reference into this document in compliance with Prospectus Rule 2.4.1. To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are also available on the Company's website at www.dssmith.uk.com.

Information incorporated by reference into this document	Reference document	Page numbers
For the six months ended 31 October 2011 and 2010		
Independent review report to DS Smith	DS Smith's 2011 Interim Results Announcement	12
Consolidated income statement for the six months ended 31 October 2011 and 2010	DS Smith's 2011 Interim Results Announcement	13
Consolidated statement of comprehensive income for the six months ended 31 October 2011 and 2010	DS Smith's 2011 Interim Results Announcement	14
Consolidated statement of financial position at 31 October 2011 and 2010	DS Smith's 2011 Interim Results Announcement	15
Consolidated statement of changes in equity for the six months ended 31 October 2011 and 2010	DS Smith's 2011 Interim Results Announcement	16
Consolidated statement of cash flows for the six months ended 31 October 2011 and 2010	DS Smith's 2011 Interim Results Announcement	17
Notes to the interim financial statements	DS Smith's 2011 Interim Results Announcement	18 to 25
For the year ended 30 April 2011		
Directors' Renumeration Report, Sections M, O, P, R, S	DS Smith's Annual Report 2011	49, 50 and 52
Independent auditor's report to the members of DS Smith	DS Smith's Annual Report 2011	59
Consolidated income statement for the year ended 30 April 2011	DS Smith's Annual Report 2011	60
Consolidated statement of comprehensive income for the year ended 30 April 2011	DS Smith's Annual Report 2011	61
Consolidated statement of financial position at 30 April 2011	DS Smith's Annual Report 2011	62
Consolidated statement of changes in equity for the year ended 30 April 2011	DS Smith's Annual Report 2011	63
Consolidated statement of cash flows for the year ended 30 April 2011	DS Smith's Annual Report 2011	64

Information incorporated by reference into this document	Reference document	Page numbers
Notes to the consolidated financial statements	DS Smith's Annual Report 2011	65 to 110
For the year ended 30 April 2010		
Directors' Renumeration Report, Sections N, O, P, Q, R, S	DS Smith's Annual Report 2010	51, 52 and 53
Independent auditor's report to the members of DS Smith	DS Smith's Annual Report 2010	59
Consolidated income statement for the year ended 30 April 2010	DS Smith's Annual Report 2010	60
Consolidated statement of comprehensive income for the year ended 30 April 2010	DS Smith's Annual Report 2010	61
Consolidated statement of financial position at 30 April 2010	DS Smith's Annual Report 2010	62
Consolidated statement of changes in equity for the year ended 30 April 2010	DS Smith's Annual Report 2010	63
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Except as set forth above, no other portion of these documents is incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for the prospective investors or the relevant information is included elsewhere in this document.

Part XVIII

Definitions and Glossary of Technical Terms

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

2009/2010 Restructuring Programme	the SCA Packaging Group's restructuring programme that commenced in April 2009;
Acquisition	the proposed acquisition of the non-French Business (pursuant to the Acquisition Agreement) and the French Business (pursuant to the Offer Letter and the French Acquisition Agreement);
Acquisition Agreement	the agreement dated 17 January 2012 between DS Smith, DS Smith Luxco, SCA and SCA Dutchco pursuant to which DS Smith Luxco conditionally agreed to acquire the SCA Packaging Shares, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Acquisition Facilities	each of Facility A and Facility B of the Acquisition Facilities Agreement;
Acquisition Facilities Agreement	the €700 million facility agreement between HSBC Bank plc, J.P. Morgan Limited, Lloyds TSB Bank plc, The Royal Bank of Scotland plc and DS Smith, dated 17 January 2012 under which the Acquisition Facilities are made available to DS Smith on the terms therein, further details of which are set out in paragraph 9.1(a) of Part XVI (*Additional Information*) of this document;
Act or **Companies Act 2006**	the Companies Act 2006, as amended;
Admission	the proposed admission of the New Ordinary Shares by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading nil paid on the main market of the London Stock Exchange;
Approved ESOS	the Company's approved Executive Share Option Scheme;
Articles	the articles of association of DS Smith and reference to a specific article of the articles of association of DS Smith shall be to an **Article**;
Audit Committee	the Audit Committee of the Board;
Auditors	Deloitte LLP;
BACS	the UK BACS system for the electronic processing of financial transactions;
Board	the board of Directors of the Company;
Box Supply Agreement	the supply agreement relating to corrugated packaging material to be entered into upon Completion between DS Smith and SCA pursuant to which the DS Smith Group has agreed to supply and the SCA Group has agreed to purchase certain corrugated packaging material, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;

Business Day	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
Central and Eastern Europe	Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia and the Ukraine;
certificated	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
CHAPS	the UK Clearing House Automated Payment System for the same-day processing of pound sterling and euro fund transfers;
Climate Change Levy	the tax imposed by HMRC on the taxable supply of specified energy products for use on fuels, by business consumers, charged in accordance with Part I of Schedule 6 to the Finance Act 2000;
Closing Price	the closing middle market price of a relevant share as derived from SEDOL on any particular day;
Code	the US Internal Revenue Code of 1986, as amended;
Combined Code or **UK Corporate Governance Code**	the combined code on corporate governance issued by the Financial Reporting Council in the United Kingdom from time to time to be known in future as the UK Corporate Governance Code;
Committee or **Committees**	one or all of the Audit Committee, the Nominations Committee, the Remuneration Committee and any other committees established from time to time by the Company;
Completion	completion of the acquisition of the non-French Business;
Containerboard	the SCA Packaging Group division that manufactures containerboard;
Continental European Corrugated Packaging	the DS Smith Group's continental European corrugated packaging segment, comprised of, amongst others, DS Smith Kaysersberg SAS and DS Smith Packaging France SAS;
Corrugated & Packaging	the SCA Packaging Group's corrugated and packaging division;
CREST or **CREST system**	the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;
CREST Deposit Form	the form used to deposit securities into the CREST system in the United Kingdom;
CREST courier and sorting service or **CCSS**	the CREST courier and sorting service operated by Euroclear to facilitate, *inter alia,* the deposit and withdrawal of securities;
CREST Manual	the rules governing the operation of CREST as published by Euroclear;

CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);
CREST Personal Member	a CREST member admitted to CREST as a personal member;
CREST Proxy Instruction	has the meaning ascribed to it in paragraph 6 of the notes to the Notice of General Meeting;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
Design Centres	the SCA Packaging Group's 15 design centres across Europe that conduct strategic research and development;
Directors	the directors of the Company, whose names appear in paragraph 1.1 of Part XV (*Directors, Senior Managers and Corporate Governance*) of this document, or the directors from time to time of the Company, as the context requires, and **Director** shall be construed accordingly;
document	this combined prospectus and circular;
DSBP	the Company's Deferred Share Bonus Plan;
DS Smith or **the Company**	DS Smith Plc;
DS Smith Correx	a division of DS Smith Kaysersberg SAS trading as DS Smith Correx;
DS Smith Dutchco	David S Smith (Netherlands) BV;
DS Smith Group or **Group**	DS Smith and its subsidiary undertakings from time to time;
DS Smith Luxco	DS Smith (Luxembourg) S.à.r.l.;
DS Smith Packaging France	DS Smith Packaging France SAS;
DS Smith Paper	DS Smith Paper Limited;
DS Smith Plastics	DS Smith Plastics Limited;
DS Smith Replen	a division of DS Smith Plastics Limited trading as DS Smith Replen;
DS Smith Recycling	DS Smith Paper, trading as DS Smith Recycling;
DTR or **Disclosure and Transparency Rules**	the disclosure and transparency rules made by the FSA under section 73A of FSMA;
EBITDA	earnings before interest, taxation, deprecation and amortisation;
EEA	the European Economic Area;
EEA States	the member states of the European Economic Area;
Enlarged Group	the DS Smith Group as enlarged by the Acquisition and the Rights Issue proceeds (following completion of the Acquisition and completion of the Rights Issue, respectively);
EPS	earnings per share before goodwill, amortisation and exceptional items (including one-off costs associated with the integration of SCA Packaging);

Equiniti	Equiniti Limited;
EU	the member states of the European Union;
EU ETS	the European Union's Emission Trading System;
Euroclear	Euroclear UK and Ireland Limited;
Europe	the EU, Switzerland and Norway;
Eurozone	the area of the 17 Member States of the European Union that have adopted the euro as their common currency and sole legal tender;
ex-rights date	the date on which the Company's Ordinary Shares begin trading without giving the holders of those Ordinary Shares the right to participate in the Rights Issue (being 8.00 a.m. on 6 February 2012);
Excluded Territories	Australia, Canada, Japan and South Africa and any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law;
Exchange Act	the United States Securities Exchange Act of 1934, as amended;
Executive Directors	collectively the Group Chief Executive and the Group Finance Director from time to time of DS Smith and each an **Executive Director**;
Existing Ordinary Shares	the Ordinary Shares of 10 pence each in the capital of DS Smith in issue immediately prior to the Rights Issue;
Form of Proxy	the form of proxy enclosed with this document for use in connection with the General Meeting;
French Acquisition Agreement	the agreement which may be entered into between DS Smith Dutchco, DS Smith, the French Group Parent and SCA pursuant to which DS Smith Dutchco will conditionally agree to acquire the French Shares, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
French Business	the business carried on by the French Companies;
French Companies	the companies in the French Group;
French Group	Cartonnages Industriels Mehunois CIM SAS, SCA Packaging Auneuil SAS, SCA Emballage France SAS, SCA Display & Services SAS, SCA Packaging Service SAS, SCA Packaging Nicollet SAS and SCA Packaging Fegersheim SAS;
French Group Parent	SCA Packaging France SAS;
French Offer	the formal offer by DS Smith Dutchco to the French Group Parent and SCA to acquire the French Shares from the French Group Parent on the terms of the French Acquisition Agreement;
French Shares	the entire issued share capital of SCA Packaging Nicollet SAS;
French Tax Deed	the French tax deed to be entered into between DS Smith Dutchco and the French Group Parent on completion of the

	French Acquisition Agreement, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
French Transaction	the proposed sale by the French Group Parent of the French Shares to DS Smith Dutchco pursuant to the terms of the French Acquisition Agreement;
FSA	the Financial Services Authority;
FSMA	the Financial Services and Markets Act 2000, as amended;
Fully Paid Rights	rights to acquire the New Ordinary Shares, fully paid;
GDP	gross domestic product;
General Meeting	the general meeting of the Company proposed to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 9.30 a.m. on 3 February 2012 to approve the Resolutions, the notice which is contained in this document;
Group scheme	the DS Smith Group's funded, defined benefit pension scheme;
HM Revenue & Customs or **HMRC**	HM Revenue & Customs, the UK tax authority;
HSBC	HSBC Bank plc;
IASB	International Accounting Standards Board;
ICCA	the International Corrugated Case Association;
IFRIC	International Financial Reporting Interpretations Committee;
IFRS	International Financial Reporting Standards as adopted by the European Union;
Innovation Centre	the SCA Packaging Group's innovation centre in Brussels, Belgium which links together all of the Design Centres;
IPPC	the European Union's Integrated Pollution Prevention and Control Directive;
IRS	the US Internal Revenue Service;
ISIN	international securities identification number;
J.P. Morgan	both J.P. Morgan Cazenove and JPMSL;
J.P. Morgan Cazenove	J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove);
JPMSL	J.P. Morgan Securities Ltd;
Kraftliner Supply Agreement	the supply agreement relating to kraftliner to be entered into upon Completion between DS Smith and SCA pursuant to which the DS Smith Group has agreed to purchase and the SCA Group has agreed to supply certain kraftliner products, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Latest Practicable Date	16 January 2012 (being the latest practicable date prior to publication of this document);

Listing Rules	the listing rules made by the FSA under section 73A of FSMA;
London Gazette	the official newspaper of the Crown;
London Stock Exchange or **LSE**	London Stock Exchange plc;
member account ID	the identification code or number attached to any member account in CREST;
Model Code	the Model Code restricting the ability of persons discharging managerial responsibilities from dealing in a company's securities, pursuant to Annex 1R of Chapter 9 of the Listing Rules;
Money Laundering Regulations	the Money Laundering Regulations (SI 2007 No. 2157), as amended;
MTM	a many-to-many instruction in CREST;
New Ordinary Shares	the Ordinary Shares of 10 pence each proposed to be issued by DS Smith pursuant to the Rights Issue;
Nil Paid Rights	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
Nominations Committee	the nominations committee of the Board;
non-Executive Directors	the Directors who hold the position of Chairman or non-Executive Director and each a **non-Executive Director**;
non-French Business	the business carried on by SCA Packaging Holding B.V. and its subsidiaries and associated companies;
Northern and Central Europe	Austria, Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Northern Italy, the Netherlands, Norway, Poland, Slovakia, Sweden and Switzerland;
Notice of General Meeting	the notice of General Meeting contained in this document;
Offer Letter	the offer letter dated 17 January 2012 from DS Smith Dutchco and DS Smith to the French Group Parent and SCA pursuant to which DS Smith Dutchco conditionally offered to acquire the French Business, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Office Products Wholesaling	previously DS Smith's pan-European provider of office products wholesaling solutions, otherwise known as Spicers;
Official List	the official list of the UKLA;
Ordinary Shares	the ordinary shares with a nominal value of 10 pence each in the capital of DS Smith;
Otor	Otor S.A. (now DS Smith Packaging France);
Otor Group	Otor Finance S.A. and its subsidiary undertakings;
Overseas Shareholders	Qualifying Shareholders who are resident in, or citizens of, countries other than the United Kingdom;

participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other system participant (as defined in the CREST Regulations);
PD Regulation	the Prospectus Directive Regulation (No 2004/809/EC);
Pensions Regulator	the regulatory body established under the Pensions Act 2004 with responsibility for all work-based pension schemes in the United Kingdom;
Placing	the placing of 39,296,253 new Ordinary Shares announced by DS Smith on 7 July 2010 and which were issued and admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities on 12 July 2010;
Plastic Packaging	the DS Smith Group's plastic packaging segment, comprised of, amongst others, DS Smith Plastics Limited;
pounds sterling, sterling or **£**	the lawful currency of the United Kingdom;
Principal Transaction Agreements	the Acquisition Agreement, the Offer Letter, the French Acquisition Agreement, the Tax Deed, the French Tax Deed, the Supply Agreements and the Transitional Services Agreement;
Prospectus Directive	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC (the **PD Amending Directive**) to the extent implemented in the relevant EEA State) and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC;
Prospectus Rules	the prospectus rules of the FSA made pursuant to section 73A of FSMA;
Provisional Allotment Letter(s) or **PAL(s)**	the renounceable provisional allotment letters relating to the Rights Issue to be issued to Qualifying non-CREST Shareholders other than certain Overseas Shareholders as described in Part IV (*Terms and Conditions of the Rights Issue*) of this document;
PSP	the Company's Performance Share Plan;
Qualified Institutional Buyer or **QIB**	has the meaning given to such term by Rule 144A of the Securities Act;
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
Qualifying non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form;
Qualifying Shareholder(s)	Shareholder(s) on the register of members of the Company at the Record Date;
RBS	The Royal Bank of Scotland plc (trading as RBS Hoare Govett);
Re-admission	the re-admission of the Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange following Completion;
Receiving Agent	Equiniti, or any other receiving agent appointed by the Company from time to time;

Receiving Agent Agreement	the receiving agent agreement on or about 17 January 2012 between DS Smith and Equiniti;
Record Date	close of business on 1 February 2012;
Recovered Paper Supply Agreement	the supply agreement relating to recovered paper to be entered into upon Completion between DS Smith and SCA pursuant to which the DS Smith Group has agreed to supply recovered paper to the SCA Group, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Recycling	the SCA Packaging Group's recycling division;
Registrar	Equiniti, or any other registrar appointed by the Company from time to time;
Regulation S	Regulation S under the Securities Act;
regulatory authority	any central bank, ministry, governmental, quasi governmental (including the European Union), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the takeover panel, the FSA, the UKLA and the London Stock Exchange;
Regulatory Information Service	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies;
Remaining New Ordinary Shares	any New Ordinary Shares not taken up in the Rights Issue;
Remuneration Committee	the remuneration committee of the Board;
Reorganisation	the reorganisation of SCA's packaging business, in order to: (a) remove certain SCA entities from the SCA Packaging Group that currently sit within it but are not part of the SCA Packaging business; and (b) transfer certain entities into the SCA Packaging Group that are currently outside the SCA Packaging Group but are operating as part of the SCA Packaging business and are intended to be included as part of the Acquisition;
Resolutions	the resolutions numbered 1, 2 and 3 set out in the Notice of General Meeting;
reverse takeover	has the meaning given to such term by the Listing Rules;
Revolving Credit Facility	the £610 million syndicated revolving credit facility dated 23 September 2011 between the Company and Abbey National Treasury Services PLC (trading as Santander Global Banking and Markets), Citibank N.A. London Branch, Commerzbank Aktiengesellschaft, London Branch, Crédit Industriel et Commercial, London Branch, DNB NOR Bank ASA, London Branch, HSBC Bank plc,

	JPMorgan Chase Bank, N.A., KBC Bank NV, London Branch, Lloyds TSB Bank plc, Natixis, and The Royal Bank of Scotland plc;
Rights	the Nil Paid Rights and/or the Fully Paid Rights;
Rights Issue	the proposed issue of the New Ordinary Shares to Qualifying Shareholders by way of Rights on the terms and subject to the conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letters;
Rights Issue Price	95 pence per New Ordinary Share;
Rights Issue Resolution	the resolution numbered 2 in the Notice;
ROACE	return on average capital employed;
RTGS payment mechanism	has the meaning given to such term by the CREST Manual;
RTGS settlement bank	has the meaning given to such term by the CREST Manual;
Rule 144A	Rule 144A under the Securities Act;
Saint-Gobain	Saint-Gobain S.A.;
SCA	Svenska Cellulosa Aktiebolaget SCA (publ);
SCA Dutchco	SCA Group Holding B.V.;
SCA Group	SCA and its subsidiaries and associated companies;
SCA Packaging or **SCA Packaging Group**	the packaging division of SCA, comprising the non-French Business and the French Business, excluding the kraftliner assets;
SCA Packaging Shares	the entire issued and allotted share capital of SCA Packaging Holding B.V., being the holding company of the non-French Business;
SCA Packaging Warranties	the warranties provided by SCA Dutchco to DS Smith Luxco under the terms of the Acquisition Agreement;
SDRT	UK stamp duty reserve tax;
Securities Act	the United States Securities Act of 1933, as amended;
SEDOL	the London Stock Exchange Daily Official List of share identifiers;
SEK	the lawful currency of the Kingdom of Sweden;
Senior Managers	those persons employed by the Company to assist in the management of the Company from time to time, whose names appear in paragraph 2.1 of Part XV (*Directors, Senior Managers and Corporate Governance*) of this document and **Senior Manager** shall be construed accordingly;
Settlement Date	the date for settlement of the Underwriters' payment obligations to DS Smith pursuant to the Underwriting Agreement;
Share Schemes	the share schemes currently operated by DS Smith as described in paragraph 6.2 of Part XV (*Directors, Senior Managers and* Corporate Governance) of this document;

Shareholder	any holder of Ordinary Shares;
Shareholder Helpline	the helpline set up for Shareholders which will advise Shareholders how to complete the Provisional Allotment Letter (if they are Qualifying non-CREST Shareholders) and answer certain questions about the Rights Issue: 0871 384 2165 (from inside the United Kingdom) or +44 121 415 0094 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day;
SMP	the Company's Share Matching Plan;
Spicers	Spicers Ltd, Spicers (Ireland) Ltd, Spicers Belgium NV and Spicers France SAS, and each of their respective subsidiaries;
Sponsor	J.P. Morgan Cazenove;
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is admitted;
Supply Agreements	the Box Supply Agreement, Kraftliner Supply Agreement and Recovered Paper Supply Agreement;
Takeover Code	the City Code on Takeovers and Mergers;
Tax Deed	the tax deed to be entered into upon Completion between SCA Dutchco and DS Smith Luxco, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Termination Right	a right of DS Smith or SCA to terminate the Acquisition Agreement in accordance with the terms thereof;
Transitional Services Agreement	the transitional services agreement dated the date of the Acquisition Agreement between DS Smith and SCA under which the parties agree to provide certain transitional services post-Completion, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Treaty	the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains;
TSR	total shareholder return;
UK Packaging	the DS Smith Group's UK packaging segment, comprised of, amongst others, DS Smith Packaging Limited, DS Smith Logistics Limited and DS Smith Paper;
UKLA	the Financial Services Authority in its capacity as competent authority under FSMA;
uncertificated or **in uncertificated form**	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;

Unapproved ESOS	the Company's unapproved Executive Share Option Scheme;
Underwriters	JPMSL, HSBC and RBS;
Underwriting Agreement	the agreement dated 17 January 2012 between DS Smith, J.P. Morgan Cazenove and the Underwriters pursuant to which the Underwriters have conditionally agreed to underwrite the Rights Issue, a summary of which is contained in Part II (*Details of the Acquisition and Rights Issue*) of this document;
Unipapel	Unipapel S.A.;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction;
VAT	(i) within the EU, any tax imposed by any member state in conformity with the directive of the council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition;
Western Europe	France, Germany, Italy, Spain and the United Kingdom; and
Works Councils	the relevant works councils for each of the French Companies.

Reference to a **company** in this document shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

GLOSSARY OF TECHNICAL TERMS

bag-in-box	a form of packaging where a liquid is packed in a flexible plastic film or bag which is then inserted into a corrugated box. The plastic film or bag will usually have a tap which allows the liquid to be poured and which is accessed through a perforated hole in the box. Capacities range from about 3 litres to about 200 litres. There are retail and commercial applications in wine, juice, milk and water, among others;
boxboard	a heavy grade of paperboard used principally in the production of folding cartons which are used to package a wide range of consumer products. Industrial grades of boxboard are used in tubes and cores for the paper and textile industries. Carton grades tend to be lighter than the industrial grades. Carton grades may be based on recovered or virgin fibres and may be coated or uncoated while industrial grades are generally recovered and uncoated;
CCM	corrugated case material, which is the generic term used to describe certain grades of paperboard, mainly liner and medium, which are used principally for the production of corrugated sheet;
corrugated container	a packaging container using corrugated sheet, which is cut, printed, folded and glued, stapled or stitched to form a corrugated box. It is one of the most efficient forms of packaging for distributing goods;
corrugated sheet	corrugated sheet is made from several layers of containerboard laminated together. In its most common form, corrugated sheet is made from two layers of liner and one layer of medium fitted between the liner. The layers are combined on a corrugator, a machine that presses fluting into the medium and laminates a ply of liner to each side;
DMR	dry mixed recyclable;
fluting	fluting refers to the wave shapes pressed into the medium by the corrugator and is categorised by the size of the wave;
GWhe	giga watt hours of electricity;
FMCG	fast moving consumer goods;
kraftliner	the strongest form of liner. It is manufactured primarily from virgin fibre;
liner	the grade of CCM used for the flat inner and outer layers of corrugated sheet. There are two main types of liner: kraftliner and testliner. White top liner, which provides an improved surface for printing as opposed to standard brown, is produced by adding a layer of white fibre to one side of the liner during manufacture;
LP&D	liquid packaging and dispensing;
medium	the grade of CCM used for the fluted interior of corrugated sheet. Medium can be made from virgin or recovered fibre;
MRF	material recovery facility;
OCC	old corrugated cases that have been collected to be recycled and used in the manufacture of liner;
paperboard	the generic term used to describe certain grades of paper primarily used for packaging materials. Paperboard includes grades such as CCM, boxboard, sack kraft paper and greyboard (primarily used for

	packaging, bookbinding, puzzles and stationery) but excluding non-packaging papers such as printing and writing papers;
recovered paper	paper-based raw material for use in the manufacture of recycled paper;
RTP	returnable transit packaging;
solidboard	a grade of paperboard used for packaging. Solidboard is manufactured on paper machines (which in general are smaller in scale than CCM machines) by constricting layers of paper using recycled paper and is often laminated with linerboard, printed or white liner;
testliner	liner made from recovered paper, often using 100 per cent., recovered material;
Tj	terajoules; and
virgin fibre	wood fibre not previously used in paper.

NOTICE OF GENERAL MEETING

DS Smith Plc

(incorporated under the Companies Act 1985 in England and Wales with registered number 1377658)

NOTICE IS HEREBY GIVEN that a general meeting of DS Smith Plc (the **Company**) will be held at 9.30 a.m. on Friday 3 February 2012 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions (this means that for each of the ordinary resolutions to be passed, more than half of the votes cast must be in favour of the resolution).

1. **THAT** subject to and conditional upon the passing of Resolutions 2 and 3:

   (a) the proposed acquisition by DS Smith (Luxembourg) S.à.r.l. of the entire issued and allotted share capital of SCA Packaging Holding B.V. (the **non-French Business**) pursuant to the terms and subject to the conditions contained in the conditional share purchase agreement dated 17 January 2012 between the Company, DS Smith (Luxembourg) S.à.r.l., Svenska Cellulosa Aktiebolaget SCA (publ) and SCA Group Holding B.V. (the **Acquisition Agreement**); and

   (b) the proposed acquisition by David S Smith (Netherlands) BV of the entire issued share capital in SCA Packaging Nicollet SAS (the **French Shares**) pursuant to the terms of the offer letter dated 17 January 2012 from David S Smith (Netherlands) BV and the Company to SCA Packaging France SAS (**French Group Parent**) and Svenska Cellulosa Aktiebolaget SCA (publ) pursuant to which David S Smith (Netherlands) BV conditionally offered to acquire the French Shares (the **Offer Letter**) and the agreement to be entered into between David S Smith (Netherlands) BV, the Company, the French Group Parent and Svenska Cellulosa Aktiebolaget SCA (publ) pursuant to which David S Smith (Netherlands) BV will conditionally agree to acquire the French Shares (the **French Acquisition Agreement**),

   each as described in the combined prospectus and circular to the shareholders of the Company dated 17 January 2012 of which this notice forms part (the **Combined Prospectus and Circular**), together with the Tax Deed, the French Tax Deed, the Supply Agreements and the Transitional Services Agreement (each as defined in the Combined Prospectus and Circular) (and together with the Acquisition Agreement, Offer Letter and French Acquisition Agreement, the **Principal Transaction Agreements**) and all other agreements and ancillary arrangements contemplated by the Principal Transaction Agreements be and are hereby approved and that the directors of the Company (the **Directors**) (or any duly constituted committee of the Directors) be and are hereby authorised to take all such steps as may be necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as they shall deem necessary, expedient or desirable.

2. **THAT** subject to and conditional upon the passing of Resolutions 1 and 3, and in accordance with Article 7 of the Company's Articles of Association, in addition and without prejudice to all existing authorities conferred on the Directors, the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to issue and allot ordinary shares in the Company or grant rights to subscribe for or to convert any securities into ordinary shares in the Company (the **Ordinary Shares**) in connection with the rights issue as described in the Combined Prospectus and Circular up to the maximum nominal amount of £49,075,253. The authorisation shall expire at the conclusion of the Company's next annual general meeting after the passing of this resolution, or, if earlier, at the close of business on 30 October 2012 (save that the Company may, before such expiry, make an offer or agreement which would or might require the Ordinary Shares to be allotted, or rights to be granted, after such expiry and the Directors may allot the Ordinary Shares or grant rights to subscribe for or to convert any security into the Ordinary Shares, in pursuance of such offer or agreement as if the authorisations conferred hereby had not expired).

3. **THAT** subject to and conditional upon the passing of Resolutions 1 and 2, and in accordance with Article 68(2)(b) of the Company's Articles of Association, sanction be and is hereby given to the Directors permitting the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash and cash equivalents (each of "borrowings," "cash and cash equivalents,"

"Group" and "Group company" as defined in Article 68) to exceed the limit imposed on them by Article 68(2)(a); provided that the sanction hereby given shall not extend to permit the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash and cash equivalents to exceed an amount equal to £2 billion.

By order of the Board

Registered office:
Beech House
Whitebrook Park
68 Lower Cookham Road
Maidenhead
Berkshire SL6 8XY

Matthew Jowett
Company Secretary

17 January 2012

Notes:

(1) Only persons entered on the register of members of the Company at the close of business on 1 February 2012 (or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or any adjourned meeting either in person or by proxy. The number of Ordinary Shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a show of hands at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend and vote (and the number of votes they may cast) at the meeting or adjourned meeting.

(2) A member entitled to attend and vote is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend and to speak and vote instead of him/her. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this document and instructions for completion are shown on the form.

(3) Forms of Proxy, and any power of attorney or other authority under which they are signed or a notarially certified or office copy thereof, need to be deposited with the Registrar at Aspect House, Lancing Road, West Sussex BN99 6DA not less than 48 hours before the start of the meeting or any adjournment thereof. A member must inform the Registrar in writing of any termination of the authority of a proxy. Completing and returning a Form of Proxy will not preclude a Shareholder from attending the meeting in person and voting should he or she wish to do so and is so entitled. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

(4) As an alternative to completing and returning the Form of Proxy, you may submit your proxy electronically by logging onto www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number given on the Form of Proxy. Shareholders are advised to read the terms and conditions shown on the website relating to this facility before appointing a proxy. To be valid, any electronic appointment of a proxy must be received by the Registrar not less than 48 hours before the time appointed for the meeting. The facilities to appoint proxies electronically are available to all Shareholders, and those who use them instead of returning a Form of Proxy will not be disadvantaged in any way.

(5) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(6) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or any amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA 19 by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

(7) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in

particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(8) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(9) A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **Nominated Person**) may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraphs (2), (3) and (4) above does not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

(10) As at 16 January 2012 (being the latest practicable date prior to publication of this notice) the Company's issued share capital consisted of 436,224,468 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 16 January 2012 are 436,224,468.

(11) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that (where more than one corporate representative has been appointed) they do not do so in relation to the same shares.

(12) A member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(13) A copy of this notice, and other information required by section 311A of the Companies Act 2006 can be found at www.dssmith.uk.com.

(14) You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

ANNEX 1
FORM OF QIB REPRESENTATION LETTER

To: DS Smith Plc
Beech House
Whitebrook Park
68 Lower Cookham Road
Maidenhead
Berkshire SL6 8XY
United Kingdom

And to: The Underwriters, as defined in the combined prospectus and circular to the shareholders of DS Smith Plc dated 17 January 2012 (the **Combined Prospectus and Circular**)

Ladies and Gentlemen:

This letter is delivered in connection with our proposed transfer or offer to subscribe in a private placement transaction of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares as the case may be (the **Securities**), of DS Smith Plc (the **Company**). Capitalised terms not defined herein have the respective meanings set forth in the Combined Prospectus and Circular relating to the offer of New Ordinary Shares by the Company by way of rights. We hereby represent, warrant, undertake and agree as follows:

(1) we are a "qualified institutional buyer" (**QIB**) (as defined in Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**)) and, if we are acquiring the Securities as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB;

(2) we are aware, and each beneficial owner of such Securities has been advised, that the Securities have not been, and will not be, registered under the Securities Act, and that the offer and sale to us (or such beneficial owner) is being made in a private placement transaction not involving a public offering, exempt from registration under the Securities Act;

(3) we are acquiring the Securities for our own account or for the account of a QIB as to which we have full investment discretion (and we have full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(4) we are aware that such Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(5) we are aware that the New Ordinary Shares may not be deposited, and we hereby agree that we shall not deposit any New Ordinary Shares, into any unrestricted depositary receipt facility and that the New Ordinary Shares may not settle or trade, and we hereby agree that we shall not settle or trade such New Ordinary Shares, through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system, unless at the time of deposit, settlement or trading such New Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(6) we understand and agree that offers and sales of the Securities are being made only to QIBs in the United States QIBs, that the Nil Paid Rights, Fully Paid Rights and Provisional Allotment Letters may only be transferred to or exercised by QIBs in the United States and that such Securities may not be reoffered, resold, pledged or otherwise transferred, except: (a) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S; (b) to another QIB in compliance with Rule 144A; or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or any other exemption from the registration requirements of the Securities Act, subject to our delivery to the Company of an opinion of counsel (and of such other evidence that the Company may reasonably require) that such transfer or sale is in compliance with the Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(7) if we transfer any Securities in a transaction described in (6)(b) above, we will require our transferee to execute a letter in the same form as this letter and deliver it to the Company;

(8) we understand, and each beneficial owner understands, that the Company does not intend to file a registration statement in respect of the Securities;

(9) we are an institution and we, and each other QIB, if any, for whose account we are acquiring the Securities: (a) have such knowledge and experience in financial and business matters that we are capable of evaluating the risks and merits of an investment in the Securities; and (b) have the financial ability to bear the economic risk of an investment in the Securities and adequate means for providing for current needs and possible contingencies;

(10) we have received and read a copy of the Combined Prospectus and Circular and have had access to the financial and other information regarding the Company and the Securities as we have requested in connection with our investment decision to subscribe for or purchase the Securities. If we have had any queries regarding this subscription or purchase of Securities or the Company and its affairs, we have asked these questions of and received answers satisfactory to us from the representatives of the Company. We acknowledge that neither the Company, the Underwriters, nor any other person representing the Company has made any representation to us with respect to the Company or the offering or sale of any Securities other than as set forth herein or in the Combined Prospectus and Circular which has been delivered to us, and upon which we are relying solely in making our investment decision with respect to such Securities. We have made our own assessment concerning the relevant tax, legal and other economic considerations relevant to our investment in the Securities;

(11) we acknowledge that the Company, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. We understand that the Company and the Underwriters are relying on this certificate in order to comply with United States and other securities laws. We irrevocably authorise the Company and the Underwriters to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters set forth herein; and

(12) we undertake to promptly notify the Company and the Underwriters if, at any time prior to 21 February 2012, any of the foregoing ceases to be true.

Signed:
Name:
Title:

(If signing on behalf of another person, indicate the capacity in which signed.)

Name of custodian through which shares are held:

Name of institutional shareholder:

Name of contact person:

Telephone and e-mail address:

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