



DS Smith Plc

**Offer received for
Spicers
6 July 2011**

Summary

Becoming the leader in recycled packaging
for consumer goods

- Offer received for Spicers, a non-core business at 6.9x 2010/11 EBITDA
- Reduces Group cost of capital to c.10.5%
- Intention to reinvest proceeds strategically, to develop the recycled packaging business

Delivering value to shareholders through capital discipline

We are delivering on our stated aims regarding Spicers

Stated aim	Delivery
Improve management	New Chief Executive of Spicers appointed
Improve profitability	Margin discipline and cost management Profits in 2010/11 up 18% on the prior year
Deliver value to shareholders	Binding offer. Enterprise value of £200m

DS Smith will be focused on recycled packaging for consumer goods

Offer terms

- £200m enterprise value = 6.9x EBITDA (£29m in 2010/11)
- Review process of the offer includes consultation with employees' representatives bodies (European Works Council, etc)
 - Standard part of any M&A in continental Europe
 - Same as Otor
- Long-stop date at end of December 2011, though aim for quicker
- Final decision on the offer subject to the review process

Pro forma DS Smith ex Spicers

2010/11	DS Smith Plc	Spicers	DS Smith Packaging
Revenue	2,474.5	715.2	1,759.3
EBITA	136.1	25.2	110.9

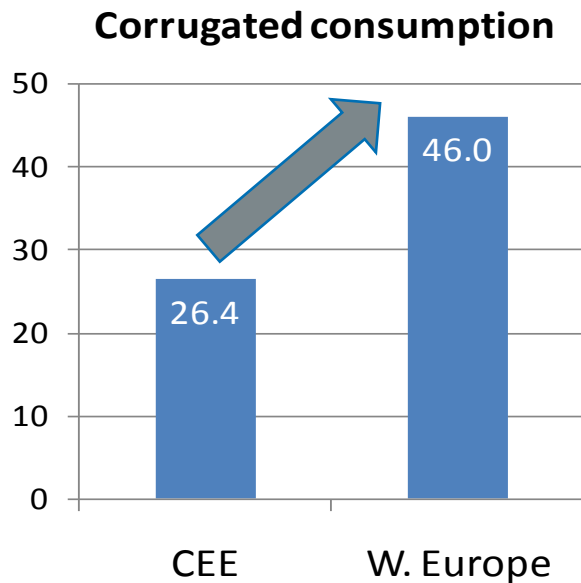
- Dividend cover on pro forma 2010/11 EPS within target range

Revised strategic financial targets

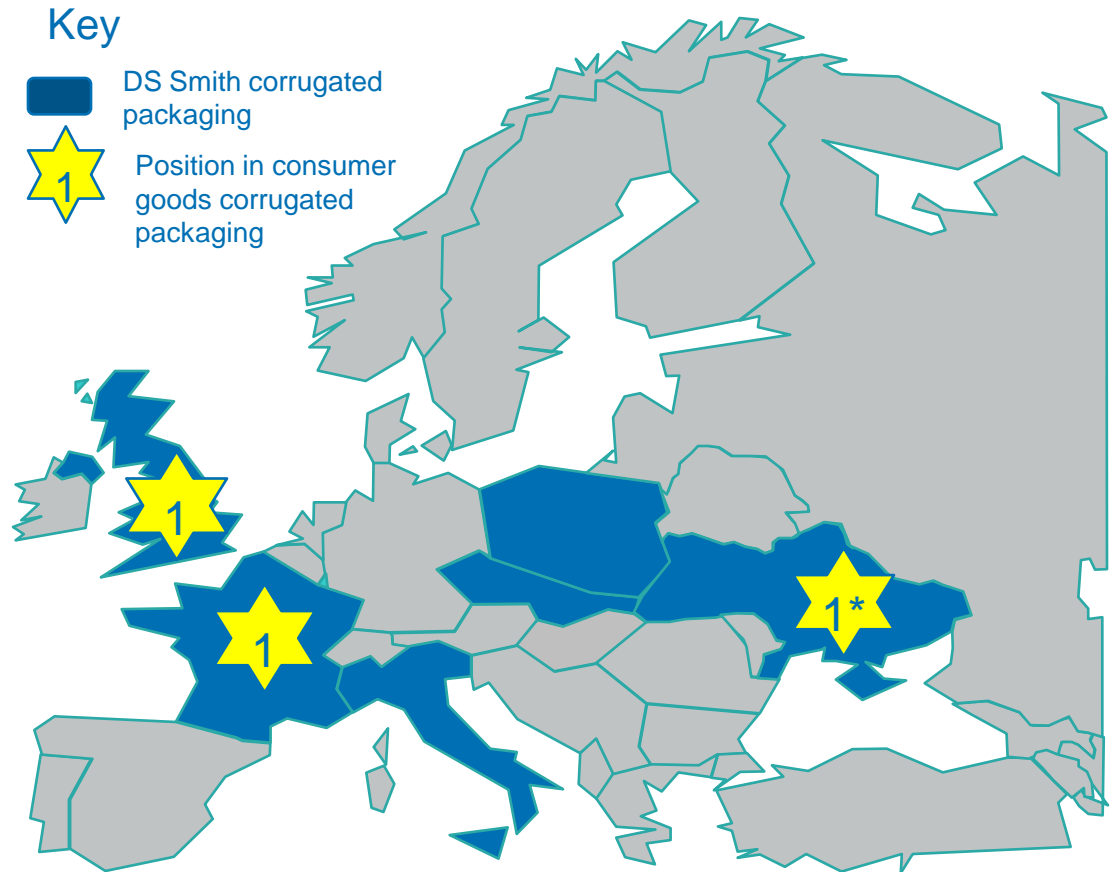
Metric	Original target	Revised target
Volume growth	>3%	>3%
EBITA margin	6% - 8%	7% - 9%
ROACE	12% - 15%	12% - 15%
Operating cash flow* / operating profit	>120%	>120%
Net debt / EBITDA	<2.0x	<2.0X

* before growth capital expenditure

We hope to reinvest to expand our footprint

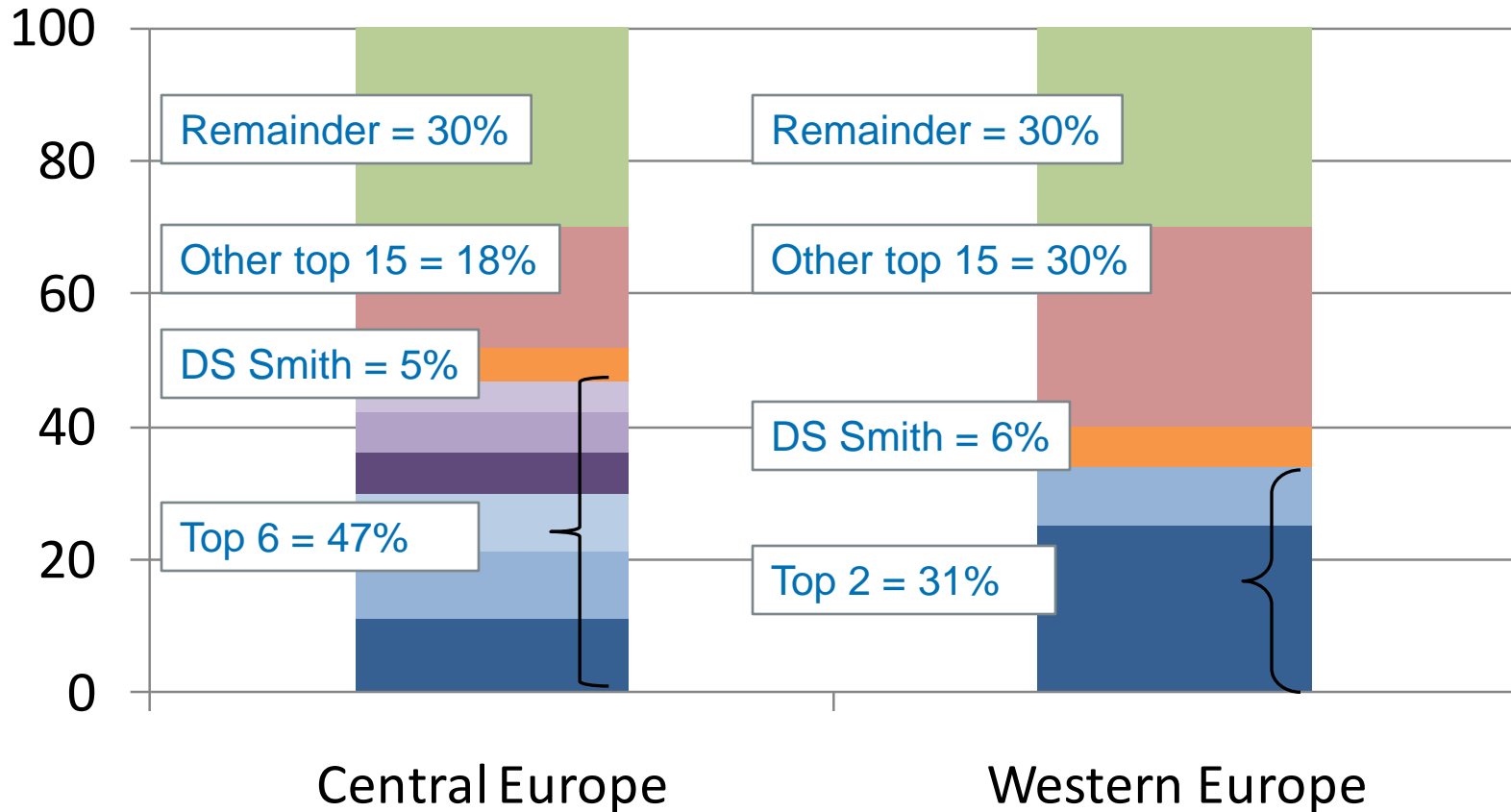


Corrugated consumption (2009) kg / per capita.
CEE = Poland, Czech Republic, Hungary, Ukraine
Western Europe = UK, France, Germany, Spain, Italy



Opportunities for consolidation in fragmented European market

Proportion of the corrugated market by ownership and geographic reach



Central Europe = Poland, Czech Republic, Hungary, Croatia, Slovakia. Western Europe = Germany, France, Austria

Summary

- Progress in realigning our business mix
- Exactly what we said we would do
- Disciplined capital allocation is at the heart of our strategy
- We will seek out opportunities to reinvest, but only where the returns are right

**DS Smith will be focused on recycled packaging
for consumer goods**