5 December 2024

DS SMITH PLC – 2024/25 HALF YEAR RESULTS -
IN-LINE PERFORMANCE DESPITE CHALLENGING ENVIRONMENT

6 months to 31 October 2024 Continuing operations		Change (reported)	Change (constant currency)
Revenue	£3,371m	(4%)	(2%)
Adjusted operating profit(1)	£221m	(39%)	(38%)
Profit before tax	£29m	(89%)	(89%)
Adjusted basic EPS(1)	8.3p	(53%)	(52%)
Statutory basic EPS	3.1p	(79%)	(79%)
Dividend per share	6.2p	+3%	+3%
Return on sales (RoS)(2)	6.6%	(380bps)	(370bps)
ROACE(3)	8.3%	(450bps)	(450bps)
Net debt / EBITDA(4)	2.8x	-	-

See notes to financial table below

- Adjusted operating profit of £221m (H1 2023/24: £365m), in line with our expectations, despite ongoing challenging market conditions
- Like for like box volume growth of 2%, coupled with relentless focus on customer service, quality and innovation
- Lower adjusted profit driven by the expected lower packaging prices
- Higher input costs, notably fibre and paper, broadly offset by cost reduction and productivity initiatives
- £75m of International Paper transaction costs reflected in statutory profits
- Interim dividend 6.2 pence per share
- Continued capital and operational investment to support our customers and drive long term productivity and environmental efficiency
- DS Smith and IP shareholders overwhelmingly voted in favour of the Recommended all-share offer from International Paper to combine the businesses and create a truly international sustainable packaging solutions leader
    - Completion expected Q1 2025

Miles Roberts, Group Chief Executive, commented:
"We have delivered a solid performance, with profitability in line with our expectations, despite a continued challenging market environment. We have maintained our relentless focus on customer service, product quality and innovation, together with significant cost and productivity initiatives, to mitigate the impact of a softer than expected overall market.

Looking forward, whilst recognising the recent paper price weakness, we continue to expect modest growth in packaging volumes and increasing sequential prices to recover higher input costs.

We announced in April a recommended offer from International Paper to create a truly international sustainable packaging solutions leader that is well positioned in attractive and growing markets across Europe and North America and I am delighted that both DS Smith and International Paper shareholders overwhelmingly voted in favour of the transaction. We are working extensively with International Paper and expect completion in the first quarter of 2025. Our planning for the integration of our businesses is progressing well, and we remain excited about the opportunities for customers, employees and shareholders."

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There will be a webcast audio presentation at 9:00am with the slides of the half year results, followed by a Q&A, given by Miles Roberts, Group Chief Executive and Richard Pike, Group Finance Director.

To access the webcast, please register here. A copy of the slides presented will also be available on the Group's website, https://www.dssmith.com/investors/results-and-presentations shortly before the start of the presentation.

If you would like to ask a question at the end of the webcast, then you will need to dial into the associated conference call using the following details. Please dial in 15 minutes before the start of the webcast to allow for registration.

Standard International Access: +44 (0) 33 0551 0200
UK Toll Free: 0808 109 0700
Password: DS Smith

The webcast will be available to review:
https://www.dssmith.com/investors/results-and-presentations

Notes to the financial tables

Note 14 explains the use of non-GAAP performance measures. These measures are used both internally and externally to evaluate business performance, as a key constituent of the Group's planning process, they are applied in the Group's financial and debt covenants, as well as establishing the targets against which compensation is determined. Reporting of non-GAAP measures alongside reported measures is considered useful to enable investors to understand how management evaluates performance and value creation internally, enabling them to track the Group's adjusted performance and the key business drivers which underpin it over time. Reported results are presented in the Consolidated Income Statement and reconciliations to adjusted results are presented on the face of the Consolidated Income Statement, in note 2, note 3, note 7, and note 14.

(1) Operating profit (adjusted EBITA) is before adjusting items (as set out in note 3) and amortisation of £50 million.
(2) Operating profit before amortisation and adjusting items as percentage of revenue.
(3) Operating profit before amortisation and adjusting items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, right-of-use assets, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors, biological assets and assets/liabilities held for sale.
(4) EBITDA being operating profit before adjusting items, depreciation and amortisation and adjusted for the full year effect of acquisitions and disposals in the period. Net debt is calculated at average exchange rates as opposed to closing rates. Ratio as calculated in accordance with bank covenants. See note 14 on non-GAAP measures for reconciliation.

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

Unless otherwise stated, all commentary and comparable analysis in the overview and operating review relates to the operations of the Group on a constant currency basis.

In-line H1 profit performance

The business delivered profitability in line with management's expectations, despite a continuing challenging market environment. Like for like box volumes grew by 2 per cent compared to H1 2023/24, consistent with our medium term target, reflecting our strong customer relationships and focus on service and innovation. We described in our FY 2023/24 results in June 2024 that we expected the benefit of packaging prices to be weighted to the second half of our current financial year. As anticipated, packaging pricing has yet to fully reflect the input cost price increases, in particular for OCC and paper that we have experienced in 2024 and while the overall demand environment has been positive, packaging demand and paper pricing in the second quarter of our financial year were not as strong as expected.

The North America and Eastern Europe regions were the fastest growing in terms of volume growth, with Northern and Southern Europe consistent with the prior year, reflecting the overall subdued market demand.

For the six month period revenue declined to £3,371 million, down 2 per cent on a constant currency and 4 per cent on a reported basis, driven by lower selling prices (£124 million), partially offset by box volume growth (£51 million). While packaging pricing has increased sequentially since the start of the period, pricing was c.£160 million lower than the prior period, approximately 5 per cent, with the balance reflecting positive external paper and recyclate pricing.

The net impact of box and other volumes led to a £10 million positive impact on adjusted operating profit. However, this was more than offset by the reduction in sales pricing (£124 million), which reflects the lag in achieving packaging price increases to reflect higher input costs over the current period and during the prior financial year. Overall costs in the period increased slightly (£22 million), with increases in fibre and paper partially offset by reduced costs in other raw materials and significant cost and productivity initiatives.

Group return on sales declined during the period to 6.6 per cent (H1 2023/24: 10.4 per cent), below our medium term target of 10-12 per cent, reflecting the reduction in profitability despite the impact of increased packaging volumes.

Basic earnings per share from continuing operations fell 79 per cent to 3.1 pence, reflecting the lower profitability and the impact of adjusting items principally in relation to the recommended offer from International Paper. Adjusted basic earnings per share declined by 52 per cent on a constant currency basis to 8.3 pence.

Return on average capital employed declined slightly to 8.3 per cent, below our medium term target of 12-15 per cent, reflecting the movement in profit and an increase in capital employed as we continue to invest in the business.

Cash flow and net debt
Net debt increased slightly to £2,472 million at 31 October 2024 from £2,230 million at 30 April 2024, reflecting a small free cash outflow and our FY 2023/24 final dividend. Our net debt/EBITDA ratio is at 2.8 times, higher than our medium term target of at or below 2.0 times, but well below our primary covenant requirements of 3.75 times.

Free cash flow was impacted by a working capital outflow of £55 million, versus £253 million in the comparative period, and higher net capital expenditure of £239 million (H1 2023/24: £208 million), leading to an outflow of £69 million (H1 2023/24: £54 million). We have continued to invest in our business to drive future returns and further efficiencies. Net capital expenditure increased 15 per cent in the first half of the year to £239 million. We have also continued to focus on driving productivity and efficiency including labour productivity, further procurement savings, enhancing our operational efficiency and driving down waste and overheads.

Our medium-term targets and key performance indicators
We measure our performance according to both our financial and non-financial medium-term targets and key performance indicators. Performance against our financial key performance indicators and medium-term targets has been described above.

Dividend
The Board considers the dividend to be an important component of shareholder returns. Today, we are announcing an interim dividend for this year of 6.2 pence per share, a slight increase from our level from last year.

Combination with International Paper
In April 2024 the boards of International Paper Company and DS Smith recommended an all-share combination of International Paper with DS Smith. The combination will bring together complementary businesses to create a truly global sustainable packaging solutions leader, with industry leading positions in two of the most attractive geographies of Europe and North America. The combined business will enhance our global proposition to customers, create opportunities for colleagues and drive value for shareholders who can remain fully invested in such an exciting business. DS Smith and International Paper shareholders have voted in favour of the transaction and we are working collaboratively with International Paper to satisfy the remaining offer conditions as described in the Rule 2.7 announcement on 16 April 2024 and bring about the successful completion of the recommended all-share combination, expected to take place in the first quarter of 2025.

Further details on the proposed transaction can be found at:

https://www.dssmith.com/investors/possible-offer-for-ds-smith-by-international-paper

Current trading and outlook

The market trends experienced during the second quarter of the current financial year have continued into the start of the second half. We continue to expect ongoing modest volume growth and packaging prices to improve sequentially through the year to recover higher input costs, while recognising the recent paper price weakness. We remain focussed on our customers, pricing and operational and cost efficiencies, as well as working with International Paper towards completion of the recommended offer for DS Smith.

Operating Review

Northern Europe

	Half year ended 31 October 2024	Half year ended 31 October 2023	Change – reported	Change – constant currency
Revenue	£1,266m	£1,348m	(6%)	(5%)
Adjusted operating profit*	£41m	£107m	(62%)	(61%)
Return on sales(2)	3.2%	7.9%	(470bps)	(480bps)

*Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

In Northern Europe, corrugated box volumes were consistent with the prior year, reflecting the tough overall economic environment of the region, which includes the UK and Germany. Revenue decreased by 5 per cent, primarily due to a reduction in packaging prices compared to the prior year, with input costs in 2025, including OCC, yet to be recovered in packaging prices, leading to a reduced adjusted operating profit and return on sales.

Southern Europe

	Half year ended 31 October 2024	Half year ended 31 October 2023	Change – reported	Change – constant currency
Revenue	£1,251m	£1,298m	(4%)	(2%)
Adjusted operating profit*	£147m	£189m	(22%)	(20%)
Return on sales(2)	11.8%	14.6%	(280bps)	(270bps)

* Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Southern Europe saw box volumes in line with the comparable period, with good growth in Iberia and Italy mitigating a weaker performance in France, reflecting the overall economic environment. Revenue reduced slightly (2 per cent) as lower packaging pricing compared to the prior period more than offset higher external paper revenues due to higher selling prices. Although margins remained at the top of the Group’s target range, adjusted operating profit declined by 20 per cent compared to the prior period, due largely to the lower packaging prices more than offsetting a strong performance from the kraft paper mill in Viana, Portugal, reflecting strength in both its operations and kraft paper pricing.

Eastern Europe

	Half year ended 31 October 2024	Half year ended 31 October 2023	Change – reported	Change – constant currency
Revenue	£545m	£567m	(4%)	(2%)
Adjusted operating profit*	£19m	£38m	(50%)	(49%)
Return on sales(2)	3.5%	6.7%	(320bps)	(320bps)

* Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Organic corrugated box volumes in Eastern Europe grew strongly during the period. Revenues declined 2 per cent, as the decrease in packaging prices more than offset the increased volumes, while adjusted operating profit declined for the period with packaging pricing yet to reflect the increased input costs in 2024.

North America

	Half year ended 31 October 2024	Half year ended 31 October 2023	Change – reported	Change – constant currency
Revenue	£309m	£300m	+3%	+6%
Adjusted operating profit*	£14m	£31m	(55%)	(53%)
Return on sales(2)	4.5%	10.3%	(580bps)	(580bps)

*Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Packaging volumes grew very strongly during the period, reflecting excellent progress with customer and our recent investments in additional capacity. Revenue in the region increased by 6 per cent, principally reflecting the higher packaging volumes. Adjusted operating profit declined by 53 per cent, reflecting a decline in paper profitability resulting from greater downtime due to an extended maintenance shut and the impact of a hurricane in October.

Financial Review

2024/25 half year results

Prior year comparatives within the following commentary relate to the continuing operations of the Group.

Revenue decreased by 4 per cent on a reported basis and 2 per cent on a constant currency basis to £3,371 million for the half year ended 31 October 2024 (H1 2023/24: £3,513 million). There was an adverse foreign exchange impact on revenue in the period of £63 million. Lower average selling prices and sales mix of £124 million (principally reflecting lower packaging prices) were partially offset by increased box and other volumes of £45 million. Box volumes grew by 2 per cent in the current period versus the prior year.

Operating profit of £96 million decreased by 69 per cent versus the prior year both on a reported basis and a constant currency basis (H1 2023/24: £314 million). Adjusted operating profit decreased by 39 per cent on a reported basis and 38 per cent on a constant currency basis to £221 million (H1 2023/24: £365 million). The effect of the decrease in the average sales price and mix of £124 million combined with adverse foreign exchange impact of £8 million and higher input and other costs of £22 million were partially offset by higher box and other volumes of £10 million.

Amortisation of £50 million (H1 2023/24: £51 million) is in line with the prior half year on both a reported and constant currency basis.

After the effects of exchange and disposals in the current and prior periods, depreciation was £170 million, £13 million higher on a reported basis and £15 million higher on a constant currency basis (H1 2023/24: £157 million) as a result of increased capital expenditure in the prior year.

Free cash flow, comprising adjusted operating profit plus depreciation, movements in working capital (in addition to provisions and employee benefits), net capital expenditure, taxes and net interest paid was an outflow of £69 million (H1 2023/24: outflow of £54 million). The underlying working capital outflow of £29 million was mainly due to the effect of higher paper prices on inventories and higher receivables which was partly offset by the benefit of higher trade payables. Including the effect of resets of the Group’s energy derivatives, the reported working capital cash flow was an outflow of £55 million. The net impact on working capital from resets of energy derivatives was an outflow of £26 million, with the unwind of resets taken in the previous year (£39 million), offset by additional resets made in the period (£13 million).

The Group’s net debt position increased by £242 million to £2,472 million compared to the prior year end (30 April 2024: £2,230 million; 31 October 2023: £1,990 million). Net debt was impacted principally by free cash flow for the period of a £69 million outflow primarily driven by working capital and £165 million of dividend payments. Foreign exchange and fair value movements were a positive impact of £5 million.

Net capital expenditure was higher than in the previous half year at £239 million (H1 2023/24: £208 million) driven by further spend on projects started last year, the most significant being the replacement paper making line in Italy, the replacement recovery boiler in Portugal and the new biomass boiler in France.

Return on average capital employed (ROACE) reduced from 12.8 per cent in the prior year to 8.3 per cent driven by lower adjusted operating profit over the last 12 months versus the prior year.

Return on sales for the continuing operations at 6.6 per cent, lower by 380 basis points against the previous half year of 10.4 per cent.

Certain items are presented within the financial statements as adjusting items, in order to assist in understanding the trading results of the Group. Adjusting items of £75 million have been recognised in the current year, largely in respect of costs associated with the ongoing acquisition process of DS Smith by International Paper of America. No adjusting items were recognised in the prior half year.

Net financing costs before adjusting items of £68 million (H1 2023/24: £47 million) relate to interest on borrowings and lease liabilities, higher than last year due to higher interest rates primarily relating to the refinancing of the Group's European bonds in July 2023.

Income from associates was £1 million and in line with the prior half year (H1 2023/24: £1 million).

Profit before income tax decreased to £29 million (H1 2023/24: £268 million) principally due to lower operating profit.

The rate of tax on operating profit before amortisation and adjusting items is 25 per cent, marginally higher than the previous year's rate of 24 per cent. The total tax credit is £14 million (H1 2023/24: £64 million expense) driven by a tax credit in adjusting items of £41 million. The latter tax credit represents relief of £7 million in respect of adjusting items and a £34 million credit following the successful appeal against the State Aid decision made in 2019.

Profit after tax decreased to £43 million (H1 2023/24: £204 million), due to lower operating profit offset by an income tax credit.

Adjusted basic earnings per share before amortisation and adjusting items reduced by 52 per cent to 8.3 pence on a constant currency basis (H1 2023/24: 17.7 pence), driven by the reduction in operating profit. Basic earnings per share decreased to 3.1 pence (H1 2023/24: 14.8 pence).

Financial position

Total shareholder funds decreased to £3,760 million (30 April 2024: £3,949 million; 31 October 2023: £4,022 million). The movement is due primarily to profit attributable to shareholders of £43 million (H1 2023/24: £204 million), actuarial losses on employee benefits of £2 million (H1 2023/24: £23 million), dividends to shareholders recognised of £165 million (H1 2023/24: £165 million), a net decrease in the translation reserve of £94 million (net foreign currency translation losses of £148 million, and a positive £54 million movement in the net investment hedge) and a net positive movement on derivative hedges of £30 million. The latter is driven by commodity hedging positions. The tax charge on total comprehensive income items amounted to £3 million (H1 2023/24: credit of £17 million).

Reported net debt of £2,472 million has increased from year end (30 April 2024: £2,230 million). The Group calculates its net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio in accordance with the methodology prescribed by its bank covenants, which excludes the effects of IFRS 16 *Leases*. The ratio has increased to 2.8 times (30 April 2024: 2.1 times, 31 October 2023: 1.7 times), within the primary covenant requirements of 3.75 times, owing to a reduction in EBITDA.

The Group continues to sell trade receivables without recourse, a process by which the trade receivable balance sold is de-recognised, with proceeds then presented within operating cash flows. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given. Trade receivables sold under the factoring programme increased to £390 million (30 April 2024: £369 million) driven by new factoring arrangements in Iberia.

Dividend

The Board declares an interim dividend of 6.2 pence per share. The dividend will be paid on 29 January 2025 to ordinary shareholders on the register at close of business on 13 December 2024.

Risks and uncertainties

The Board has reconsidered the principal risks and uncertainties affecting the Group in the second half of the year. The principal risks and uncertainties on pages 49 to 56 of the 2024 Annual Report, available on the Group's website, www.dssmith.com, remain relevant.

In summary, the Group's key risks and uncertainties are:

- Macroeconomic impacts
- Paper/fibre price volatility
- Cyber attacks
- Shopping habits
- Regulation and governance
- Sustainability commitments
- Organisational capability
- Demand volatility and capacity management
- Disruptive market players
- Substitution of fibre packaging
- Security of paper/fibre supply
- Digitisation

Going Concern

The Board has reviewed a detailed consideration of going concern, based on the Group's recent trading and forecasts, and including scenario analysis. This takes into account reasonably foreseeable changes in trading performance, including the continued uncertainty caused by high inflation and the ongoing war in Ukraine and the reactivation of the Middle East conflict. More detail of the assessment performed is included in note 1 to the financial statements.

At 31st October 2024 there was significant liquidity headroom, at a level of c.£0.9 billion. The going concern assessment included the period to 30 April 2026. Based on the resilience of the Group's operations to the high-cost environment experienced during the prior year and depressed paper prices reflective of the bottom of the paper cycle, as well as the current and forecast liquidity available, the Board believes that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook, and to operate within its current debt facilities.

The Group's current committed bank facility headroom, its forecast liquidity headroom over the going concern period of assessment and potential controllable mitigating activities available to management have been considered by the Directors in forming their view that it is appropriate to conclude that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

In reaching this conclusion the Board has also considered the implications in a going concern context of the proposed acquisition of the Group by International Paper which was announced on 16 April 2024. As set out in the Rule 2.7 Announcement, the Boards of Directors of both International Paper and DS Smith believe there is a compelling strategic and financial rationale for the Combination, including the complementary nature of their geographic footprints and the significant synergies expected post transaction. On this basis, the Board of DS Smith believes this supports its going concern assessment, in the event the transaction proceeds. The transaction is expected to close in the early first quarter of 2025, following the approval of International Paper shareholders and DS Smith shareholders in October 2024, as well as being subject to customary closing conditions, including regulatory clearances in Europe, which are substantive conditions.

The financial statements have been prepared on the going concern basis with no material uncertainty identified after a detailed assessment.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements, prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication on important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR4.2.8R (disclosure of related parties' transactions and changes therein).

Miles Roberts, Group Chief Executive

Richard Pike, Group Finance Director

4 December 2024

INDEPENDENT REVIEW REPORT TO DS SMITH PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2024 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of financial position, Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
4 December 2024

Condensed consolidated income statement

	Note	Half year ended 31 October 2024 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Half year ended 31 October 2023 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Year ended 30 April 2024 Audited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m
Revenue	2	**3,371**	**-**	**3,371**	3,513	–	3,513	6,822	–	6,822
Operating costs		**(3,150)**	**-**	**(3,150)**	(3,148)	–	(3,148)	(6,121)	–	(6,121)
Operating profit before amortisation, acquisitions and divestments	2	**221**	**-**	**221**	365	–	365	701	–	701
Amortisation of intangible assets; acquisitions and divestments	3	**(50)**	**(75)**	**(125)**	(51)	–	(51)	(98)	1	(97)
Operating profit		**171**	**(75)**	**96**	314	–	314	603	1	604
Finance income	5	**5**	**-**	**5**	6	–	6	14	–	14
Finance costs	5	**(74)**	**-**	**(74)**	(53)	–	(53)	(116)	–	(116)
Employment benefit net finance income/(expense)		**1**	**-**	**1**	–	–	–	(1)	–	(1)
Net financing costs		**(68)**	**-**	**(68)**	(47)	–	(47)	(103)	–	(103)
Profit after financing costs		**103**	**(75)**	**28**	267	–	267	500	1	501
Share of profit of equity accounted investments, net of tax		**1**	**-**	**1**	1	–	1	2	–	2
Profit before income tax		**104**	**(75)**	**29**	268	–	268	502	1	503
Income tax (expense)/credit	6, 3	**(27)**	**41**	**14**	(64)	–	(64)	(119)	1	(118)
Profit for the period attributable to owners of the parent		**77**	**(34)**	**43**	204	–	204	383	2	385

Earnings per share	Note									
Earnings per share										
Basic	7			**3.1p**			14.8p			28.0p
Diluted	7			**3.1p**			14.8p			27.9p
Adjusted Earnings per share										
Basic	7		**8.3p**			17.7p			33.1p	
Diluted	7		**8.3p**			17.6p			32.9p	

Condensed consolidated statement of comprehensive income

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Profit for the period	**43**	204	385
Items which will not be reclassified subsequently to profit or loss			
Actuarial loss on employee benefits	**(2)**	(23)	(2)
Income tax on items which will not be reclassified subsequently to profit or loss	**-**	6	1
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences	**(148)**	(1)	(147)
Cash flow hedges fair value changes	**44**	(77)	(236)
Reclassification from cash flow hedge reserve to income statement	**(14)**	(3)	25
Movement in net investment hedge	**54**	(11)	41
Income tax on items which may be reclassified subsequently to profit or loss	**(3)**	11	43
Other comprehensive expense for the period, net of tax	**(69)**	(98)	(275)
Total comprehensive (expense)/income for the period attributable to owners of the parent	**(26)**	106	110

Condensed consolidated statement of financial position

	Note	**At 31 October 2024 Unaudited £m**	At 31 October 2023 Unaudited £m	At 30 April 2024 Audited £m
Assets				
Non-current assets				
Intangible assets		**2,690**	2,882	2,811
Biological assets		**10**	11	11
Property, plant and equipment		**3,768**	3,626	3,743
Right-of-use assets		**226**	212	237
Equity accounted investments		**17**	17	17
Other investments		**17**	18	17
Employee Benefits	4	**60**	12	50
Deferred tax assets		**34**	11	23
Other receivables		**8**	1	4
Derivative financial instruments		**18**	71	15
Total non-current assets		**6,848**	6,861	6,928
Current assets				
Inventories		**647**	610	591
Biological assets		**5**	5	5
Income tax receivable		**49**	31	37
Trade and other receivables		**1,164**	1,155	1,130
Cash and cash equivalents	10	**398**	908	499
Derivative financial instruments		**18**	69	64
Assets held for sale		**3**	-	-
Total current assets		**2,284**	2,778	2,326
Total assets		**9,132**	9,639	9,254
Liabilities				
Non-current liabilities				
Borrowings	10	**(2,585)**	(2,081)	(2,040)
Employee benefits	4	**(80)**	(79)	(82)
Other payables		**(30)**	(39)	(31)
Provisions		**(7)**	(10)	(8)
Lease liabilities	10	**(159)**	(144)	(164)
Deferred tax liabilities		**(198)**	(231)	(213)
Derivative financial instruments		**(57)**	(63)	(71)
Total non-current liabilities		**(3,116)**	(2,647)	(2,609)
Current liabilities				
Bank overdrafts	10	**(64)**	(215)	(89)
Borrowings	10	**(26)**	(421)	(397)
Trade and other payables		**(1,895)**	(1,876)	(1,819)
Income tax liabilities		**(134)**	(190)	(134)
Provisions		**(28)**	(68)	(60)
Lease liabilities	10	**(71)**	(70)	(75)
Derivative financial instruments		**(38)**	(127)	(122)
Total current liabilities		**(2,256)**	(2,967)	(2,696)
Total liabilities		**(5,372)**	(5,614)	(5,305)
Net assets		**3,760**	4,025	3,949
Equity				
Issued capital		**138**	138	138
Share premium		**2,262**	2,252	2,258
Reserves		**1,360**	1,632	1,553
Total equity attributable to owners of the parent		**3,760**	4,022	3,949
Non-controlling interests		**-**	3	-
Total equity		**3,760**	4,025	3,949

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings[1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2024 (audited)	**138**	**2,258**	**(57)**	**(89)**	**(9)**	**1,708**	**3,949**	**-**	**3,949**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**43**	**43**	**-**	**43**
Actuarial loss on employee benefits	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Foreign currency translation differences	**-**	**-**	**-**	**(148)**	**-**	**-**	**(148)**	**-**	**(148)**
Cash flow hedges fair value changes	**-**	**-**	**44**	**-**	**-**	**-**	**44**	**-**	**44**
Reclassification from cash flow hedge reserve to income statement	**-**	**-**	**(14)**	**-**	**-**	**-**	**(14)**	**-**	**(14)**
Movement in net investment hedge	**-**	**-**	**-**	**54**	**-**	**-**	**54**	**-**	**54**
Income tax on other comprehensive income	**-**	**-**	**(6)**	**3**	**-**	**-**	**(3)**	**-**	**(3)**
Total comprehensive (expense)/income	**-**	**-**	**24**	**(91)**	**-**	**41**	**(26)**	**-**	**(26)**
Issue of share capital	**-**	**4**	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Employee share trust	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**	**-**	**(3)**
Share-based payment expense (net of tax)	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**1**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(165)**	**(165)**	**-**	**(165)**
Other changes in equity in the period	**-**	**4**	**-**	**-**	**-**	**(167)**	**(163)**	**-**	**(163)**
At 31 October 2024 (unaudited)	**138**	**2,262**	**(33)**	**(180)**	**(9)**	**1,582**	**3,760**	**-**	**3,760**
At 1 May 2023 (audited)	138	2,251	113	15	(14)	1,581	4,084	3	4,087
Profit for the period	–	–	–	–	–	204	204	–	204
Actuarial loss on employee benefits	–	–	–	–	–	(23)	(23)	–	(23)
Foreign currency translation differences	–	–	–	(1)	–	–	(1)	–	(1)
Cash flow hedges fair value changes	–	–	(77)	–	–	–	(77)	–	(77)
Reclassification from cash flow hedge reserve to income statement	–	–	(3)	–	–	–	(3)	–	(3)
Movement in net investment hedge	–	–	–	(11)	–	–	(11)	–	(11)
Income tax on other comprehensive income	–	–	10	1	–	6	17	–	17
Total comprehensive income	–	–	(70)	(11)	–	187	106	–	106
Issue of share capital	–	1	–	–	–	–	1	–	1
Employee share trust	–	–	–	–	4	(8)	(4)	–	(4)
Share-based payment expense (net of tax)	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(165)	(165)	–	(165)
Reclassification	–	–	(2)	(5)	–	7	–	–	–
Other changes in equity in the period	–	1	(2)	(5)	4	(166)	(168)	–	(168)
At 31 October 2023 (unaudited)	138	2,252	41	(1)	(10)	1,602	4,022	3	4,025

1. Retained earnings include a reserve related to merger relief.

Condensed consolidated statement of cash flows

	Note	**Half year ended 31 October 2024 Unaudited £m**	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Operating activities				
Cash generated from operations	9	**279**	259	555
Interest received		**5**	6	14
Interest paid		**(110)**	(56)	(80)
Tax paid		**(19)**	(55)	(169)
Cash flows from operating activities		**155**	154	320
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents	13	**-**	(103)	(113)
Divestment of equity accounted for investment	13	**-**	-	5
Capital expenditure		**(247)**	(225)	(547)
Proceeds from sale of property, plant and equipment and intangible assets		**8**	17	41
Cash flows used in restricted cash and other deposits		**(1)**	2	-
Cash flows used in investing activities		**(240)**	(309)	(614)
Financing activities				
Proceeds from issue of share capital		**4**	-	7
Repayment of borrowings		**(393)**	(601)	(616)
Proceeds from borrowings		**607**	1,290	1,284
Proceeds/(payments) in respect of derivative financial instruments		**2**	-	(2)
Repayment of principal on lease liabilities		**(33)**	(35)	(72)
Dividends paid to Group shareholders	8	**(165)**	(165)	(247)
Other		**(2)**	(3)	(2)
Cash flows from financing activities		**20**	486	352
(Decrease)/increase in cash and cash equivalents		**(65)**	331	58
Net cash and cash equivalents at beginning of the period		**410**	368	368
Exchange losses on cash and cash equivalents		**(11)**	(6)	(16)
Net cash and cash equivalents at end of the period	10	**334**	693	410

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 October 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

These interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2024, which have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the UK Companies Act 2006 as applicable to companies reporting under those standards. Those accounts were reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditor was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain an adverse statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed information presented for the year ended 30 April 2024 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half year ended 31 October 2024 is unaudited but has been reviewed in accordance with ISRE 2410 *Review of Interim Financial Information* by Ernst & Young LLP, the Group's auditor, and a copy of their review report forms part of this half year report.

The interim financial information has been prepared using the same accounting policies as those adopted in the annual financial statements for the year ended 30 April 2024, apart from as detailed below.

The following new accounting standards, amendments or interpretations have been adopted by the Group as of 1 May 2024:

- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements.
- Amendments to IFRS 16 (Seller-Lessee Subsequent Measurement of Sale and Leaseback Transactions).
- Amendments to IAS 1 – Classification of Liabilities and Debt with Covenants.

The adoption of the amendments above has not had a material effect on the results for the Group's financial statements.

From 1 May 2024 the Group prospectively adopted hedge accounting under IFRS 9, as the hedge accounting requirements are simplified and are more closely aligned to the Group's risk management strategy. This has not had a material effect on the results for the Group's financial statements.

The Group's main currency exposures are to the Euro and the US dollar. The following significant exchange rates applied during the periods:

Foreign exchange rates

	Half year ended 31 October 2024		Half year ended 31 October 2023		Year ended 30 April 2024	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	1.183	1.194	1.159	1.145	1.161	1.170
US dollar	1.290	1.299	1.255	1.216	1.258	1.254

Going Concern

Overview

As explained in the narrative section of this half year financial report under the heading 'Going Concern', the condensed interim financial statements are prepared on a going concern basis. This is considered appropriate given that the Directors believe that the Group has adequate resources to continue in operational existence for the period to 30 April 2026.

Further details, including the analysis performed and conclusion reached, are set out below.

Liquidity and financing position

The total debt facilities at 31 October 2024 were £3.5bn, of which £2.0bn is publicly listed debt with no attached covenants. The Group has access to £0.9bn of committed, undrawn bank facilities as at 31 October 2024, which provide liquidity to the Group and carry the covenant of net debt:EBITDA of less than 3.75x. There is significant liquidity/financing headroom across the going concern forecast period for all scenarios modelled. For this reason, the going concern review has focused on forecast covenant compliance.

In determining the going concern basis for preparing the financial statements, the Directors consider the Group's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position. The economic environment reflected in this Going Concern assessment is based on the 2024/25 forecast which anticipates moderate organic box volume growth across each of our regions, recognising the inflationary pressures in the Group's raw materials and overhead cost bases. In preparing the financial statements, the Group has modelled three scenarios in its assessment of going concern. These are:

- The base case is derived from the forecast prevailing at the half year. The key inputs and assumptions include: Paper price increases and corresponding increases in sales price, packaging volume growth at moderate levels across the future periods, driven by continued FMCG and e-commerce demand recovery, together with the recovery in industrial volumes. Both paper sales price and input fibre price are consistent with those anticipated in the forecast.

- The downside case assumes paper price decreases in H2 of FY25 and weaker recovery levels across Packaging. European packaging volumes assume organic growth as similar to the base case. Certain controllable cost measures have been assumed in order to mitigate risks.
- The further downside case assumes the above downside case scenario but modelled to assume stagnated volume growth and double inflationary pressures on the cost base. Certain controllable cost measures have been assumed in order to mitigate risks.

Mitigating actions

Whilst the downside and further downside case scenarios incorporate some level of mitigating actions, a further range of options remain at the Group's disposal should they be required which provide the opportunity to support EBITDA, cash flow and net debt, including:

- Actions in respect of variable and controllable costs such as discretionary bonuses, pay rises, recruitment freezes and wider labour force actions in response to higher levels of volume reductions
- Limiting capital expenditure to minimum maintenance levels by pausing growth spend (including brownfield sites and other expansionary spend)
- Strategic actions in respect of the Group's asset base could be considered in respect of disposals, mothballing and closures
- A reduction or temporary suspension of the Group's dividend

The Group could also consider actions to assist covenant compliance such as optimising working capital by negotiating longer payment terms whilst continuing to pay suppliers in full and in line with contractual terms.

It is estimated that the Group EBITDA would have to fall for a sustained period by about 36 per cent from FY24 levels for a breach of the net debt:EBITDA covenant to occur. The Board considers this scenario to be a remote possibility based upon the Group's historical performance.

Going concern basis

Based on the forecast and the scenarios modelled, together with the performance of the Group in the current year, the Directors consider that the Group has significant covenant and liquidity headroom in its borrowing facilities to continue in operational existence for the length of the going concern period until 30 April 2026. The next significant debt maturity is the €600m bond maturing in September 2026 and the Board is confident that this can be refinanced or repaid as required.

In reaching this conclusion the Board has also considered the implications in a going concern context of the proposed acquisition of the Group by International Paper which was announced on 16 April 2024. As set out in the Rule 2.7 Announcement, the Boards of Directors of both International Paper and DS Smith believe there is a compelling strategic and financial rationale for the Combination, including the complementary nature of their geographic footprints and the significant synergies expected post transaction. On this basis, the Board of DS Smith believes this supports its going concern assessment, in the event the transaction proceeds. The transaction is expected to close in the early first quarter of 2025, following the approval of International Paper shareholders and DS Smith shareholders in October 2024, as well as being subject to customary closing conditions, including regulatory clearances in Europe, which are substantive conditions.

The Group's borrowings and facilities are subject to change of control provisions which allow for lenders to request repayment of the amounts owed but only in the event of a downgrade of the Group's credit rating to below investment grade. In light of the announcements a credit rating agency, in their Update issued on 5 August 2024, that they view the transaction as positive from a credit perspective (and the credit rating agency signalling their intention to upgrade the Group's credit rating as a result of an acquisition by International Paper), the Board considers the risk arising as a result of these change control clauses to be remote. Even in the remote event that the Group's borrowings are required to be repaid, the Board has also evaluated the ability of the enlarged group to settle any repayment requests and, based on the latest publicly available information, is satisfied that the available cash and facilities of the combined group would be sufficient to do so.

The scenarios modelled in the going concern assessment were based on the Group remaining an independent entity and, therefore, remain appropriate should the proposed acquisition not proceed. Accordingly, the Board believes the conclusion that the Group is a going concern for the period to 30 April 2026 remains appropriate in the circumstances of the proposed acquisition completing.

Estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied, and the reported amounts of assets and liabilities, income and expenses.

The application of the 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 Group. Actual outcomes could differ from the estimates and assumptions used.

In preparing these interim financial statements, the key sources of estimates and the critical accounting judgement were the same as those that applied to the Group's consolidated financial statements for the year ended 30 April 2024. Key estimates were taxation, impairments and employee benefits. The critical accounting judgement is applying the adjusting items policy.

Goodwill impairment assessment - key assumptions and methodology

The cash-generating units (CGU) that represent the lowest level at which goodwill is monitored for impairment indicators and internal management purposes remain consistent with the CGUs disclosed in the 2024 Annual Report.

IAS 36 requires goodwill and other intangibles with indefinite lives to be tested for impairment on an annual basis. DS Smith does this annually at the year-end date, 30 April. At 31 October 2024, a review of indicators of impairment was undertaken.

The indicators of impairment review has taken into consideration potential indicators, including the market value and net book value of the Group; performance against budgets and forecasts (as informing future projections); changes in the market rates which inform the discount rates used in the year end modelling; GILT rates, which represent the market participant cost of debt and IMF GDP outlook.

For the North America CGU, a specific assessment was made of the first half year business performance to understand variances against its forecast and a detailed assessment of the North American economic and price environment influencing the paper packaging industry. Consideration was given to these factors as to whether they represent an impairment indicator.

Given the understanding of the factors impacting the result of the first half of the year were largely considered as items that would not be expected to recur, the consistent long-term GDP growth outlook, the improved outlook for the North American market and the improvement in discount and GILT rates, management have not identified any indicators of impairment as at 31 October 2024.

Whilst the Directors believe that the assessment of indicators outcomes are realistic, it is possible that a reduction in the headroom would occur if any of the key assumptions applied were adversely changed. Factors which could cause an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

At 30 April 2024, to support their assertions at that time, the Directors reviewed the sensitivity analyses to determine the impact that would result from the above situations, including reduction or delays in future growth and increased discount rates. In these cases, if future estimates of economic improvements were delayed by twelve months, the growth rate in the outer years modelled reduced, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would still have been adequate headroom to support the carrying value of the assets. Based on this analysis, with the exception of North America, the Directors believed that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGUs to exceed their recoverable amounts, although the headroom would decrease. Sensitivities were also conducted to determine the change required to the CGUs EBITDA and discount rates, to reduce the recoverable amounts down to the carrying value of the assets. EBITDA growth was based on a number of elements over the long term, including price and volume growth in the first year as well as assumptions regarding inflation and the cyclical paper price assumption. With all other assumptions held constant, for Northern Europe, it would require a reduction in EBITDA of 16%, or a discount rate of 14.0%; Southern Europe a reduction in EBITDA of 22%, or a discount rate of 16.2% and Eastern Europe a reduction in EBITDA of 36%, or a discount rate of 21.3%. For North America, where future cash flows include domestic volume growth from completed expansion projects and cyclical paper price improvements, the sensitivity conducted identified that a reasonably possible change to the EBITDA growth assumption or discount rates applied could reduce the headroom of $338m (£268m) to nil. Any further decrease in EBITDA, or further increase in discount rate over and above the sensitivity could lead to an impairment. It is possible that these factors could move together in combination. The sensitivity identified that a reduction of 15% to the EBITDA across the period modelled or a discount rate of 11.8% would be required to reduce the headroom to nil.

2. Segment reporting

Operating segments

Half year ended 31 October 2024	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total £m
External revenue	**1,266**	**1,251**	**545**	**309**	**3,371**
Adjusted EBITDA[1]	**101**	**212**	**47**	**31**	**391**
Depreciation	**(60)**	**(65)**	**(28)**	**(17)**	**(170)**
Adjusted operating profit[1]	**41**	**147**	**19**	**14**	**221**
Unallocated items:					
Amortisation					**(50)**
Adjusting Items (note 3)					**(75)**
Total operating profit					**96**
Unallocated items:					
Net financing costs					**(68)**
Share of profit of equity accounted investments, net of tax					**1**
Profit before income tax					**29**
Income tax credit					**14**
Profit for the period					**43**
Analysis of total assets and total liabilities					
Segment assets	**2,461**	**3,304**	**1,439**	**1,314**	**8,518**
Unallocated items:					
Equity accounted investments and other investments					**34**
Derivative financial instruments					**36**
Cash and cash equivalents					**398**
Tax					**83**
Employee benefits					**60**
Assets held for sale					**3**
Total assets					**9,132**
Segment liabilities	**(1,063)**	**(754)**	**(246)**	**(110)**	**(2,173)**
Unallocated items:					
Borrowings, overdrafts and interest payable					**(2,692)**
Derivative financial instruments					**(95)**
Tax					**(332)**
Employee benefits					**(80)**
Total liabilities					**(5,372)**

1. Adjusted to exclude amortisation and adjusting items.

Half year ended 31 October 2023	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total £m
External revenue	1,348	1,298	567	300	3,513
Adjusted EBITDA[1]	161	250	64	47	522
Depreciation	(54)	(61)	(26)	(16)	(157)
Adjusted operating profit[1]	107	189	38	31	365
Unallocated items:					
Amortisation					(51)
Adjusting Items (note 3)					–
Total operating profit					314
Unallocated items:					
Net financing costs					(47)
Share of profit of equity accounted investments, net of tax					1
Profit before income tax					268
Income tax expense					(64)
Profit for the period					204
Analysis of total assets and total liabilities					
Segment assets	2,532	3,115	1,466	1,389	8,502
Unallocated items:					
Equity accounted investments and other investments					35
Derivative financial instruments					140
Cash and cash equivalents					908
Tax					42
Assets classified as held for sale					12
Total assets					9,639
Segment liabilities	(1,093)	(754)	(232)	(109)	(2,188)
Unallocated items:					
Borrowings, overdrafts and interest payable					(2,736)
Derivative financial instruments					(190)
Tax					(421)
Employee benefits					(79)
Total liabilities					(5,614)

1. Adjusted to exclude amortisation and adjusting items.

3. Adjusting items

Items are presented as adjusting in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group. Such items include business disposals, Group initiated restructuring and optimisation projects, acquisition related and integration costs, and impairments.

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Acquisition related costs	**(75)**	–	(9)
Gain on acquisitions and divestment	**-**	–	10
Net (loss)/gain on acquisitions and divestments	**(75)**	–	1
Total pre-tax adjusting items (recognised in operating profit)	**-**	–	1
Current tax credit on adjusting items	**7**	–	1
Adjusting tax items	**34**	–	–
Total post-tax adjusting items	**(34)**	–	2

Half year ended 31 October 2024

The £75m of acquisition related costs were incurred by the Group as part of its ongoing combination with International Paper. This represents the amount incurred to date of the total costs.

The total tax credit on adjusting items of £41m for the six months to 31 October 2024 comprises £7m for the tax effect at the local applicable tax rate of adjusting items that are subject to tax, excluding non-tax-deductible deal related advisory fees, and £34m from a decision on 19 September 2024 in the General Court of the European Court of Justice in respect of State Aid concerning the UK's Controlled Foreign Company Financing Exemption.

Half year ended 31 October 2023

There were no adjusting items during the half year ended 31 October 2023.

Year ended 30 April 2024

In April 2024, the Group sold its previously fully written-down Ukrainian associate, RKTK, for £10m. £5m was received by 30 April 2024 and a further £5m will be received over the next three years. This resulted in a £10m gain on divestment in the year ended 30 April 2024.

The Group incurred £3m of acquisition costs in the financial year ended 30 April 2024 relating to the recommended all-share offer from International Paper and a further £6m of other related costs.

4. Employee benefits

Movements in the net employee benefit deficit recognised in the Condensed consolidated statement of financial position:

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Opening employee benefit deficit	**(32)**	(55)	(55)
Expense recognised in operating profit	**(2)**	(2)	(5)
Employment benefit net finance expense (excluding Pension Protection Fund levy)	**1**	–	(1)
Employer contributions	**12**	11	21
Other payments and contributions	**3**	3	8
Actuarial losses	**(2)**	(23)	(2)
Currency translation	**-**	(1)	2
Closing employee benefit deficit	**(20)**	(67)	(32)
Deferred tax asset	**5**	17	7
Closing net employee benefit deficit	**(15)**	(50)	(25)

5. Finance income and costs

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Interest income from financial assets	**(5)**	(6)	(14)
Finance income	**(5)**	(6)	(14)
Interest on borrowings and overdrafts	**59**	47	103
Interest on lease liabilities	**8**	6	12
Other	**7**	–	1
Finance costs	**74**	53	116

6. Income tax expense

Tax on profit has been charged at an underlying rate before adjusting items and amortisation of 25.0% (half year ended 31 October 2023: 24.0%). The UK government, amongst others, has enacted legislation in respect of Pillar Two, introducing a global minimum effective tax rate of 15% and a domestic minimum top-up tax. The rules applied to the Group from 1 May 2024.

The Group has performed an assessment of the Group's Pillar Two Income taxes, including the application of the transitional safe harbour rules and based on this work there is no material impact of the Pillar Two legislation for the Group. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules, issued in May 2023.

7. Earnings per share

Basic earnings per share

	Half year ended 31 October 2024 Unaudited	Half year ended 31 October 2023 Unaudited	Year ended 30 April 2024 Audited
Profit attributable to ordinary shareholders	**£43m**	£204m	£385m
Weighted average number of ordinary shares	**1,378m**	1,376m	1,374m
Basic earnings per share	**3.1p**	14.8p	28.0p

Diluted earnings per share

	Half year ended 31 October 2024 Unaudited	Half year ended 31 October 2023 Unaudited	Year ended 30 April 2024 Audited
Profit attributable to ordinary shareholders	**£43m**	£204m	£385m
Weighted average number of ordinary shares	**1,378m**	1,376m	1,374m
Potentially dilutive shares issuable under share-based payment arrangements	**6m**	5m	7m
Weighted average number of ordinary shares (diluted)	**1,384m**	1,381m	1,381m
Diluted earnings per share	**3.1p**	14.8p	27.9p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the period of 2m (half year ended 31 October 2023: 2m, year ended 30 April 2024: 3m).

Adjusted earnings per share

Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders. Adjusted earnings is calculated by adding back the post-tax effects of both amortisation and adjusting items.

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 14.

A reconciliation of basic to adjusted earnings per share is as follows:

	Half year ended 31 October 2024 Unaudited			Half year ended 31 October 2023 Unaudited			Year ended 30 April 2024 Audited		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share	£m	Basic pence per share	Diluted pence per share
Basic earnings	**43**	**3.1p**	**3.1p**	204	14.8p	14.8p	385	28.0p	27.9p
Add back:									
Amortisation of intangible assets	**50**	**3.6p**	**3.6p**	51	3.7p	3.7p	98	7.1p	7.0p
Tax credit on amortisation	**(12)**	**(0.8p)**	**(0.8p)**	(12)	(0.8p)	(0.9p)	(26)	(1.9p)	(1.9p)
Adjusting items, before tax	**75**	**5.4p**	**5.4p**	–	–	–	(1)	(0.1p)	(0.1p)
Tax on adjusting items and adjusting tax items	**(41)**	**(3.0p)**	**(3.0p)**	–	–	–	(1)	–	–
Adjusted earnings	**115**	**8.3p**	**8.3p**	243	17.7p	17.6p	455	33.1p	32.9p

8. Dividends proposed and paid

	Pence per share	£m
2022/23 interim dividend – paid	6.0p	83
2022/23 final dividend – paid	12.0p	165
2023/24 interim dividend – paid	6.0p	83
2023/24 final dividend – declared and paid	12.0p	165
2024/25 interim dividend- declared	**6.2p**	**86**

	Half year ended 31 October 2024 Unaudited £m
Paid during the period	**165**

The 2023/24 final dividend of 12.0p per share (£165m) was paid during the half year ended 31 October 2024.

An interim dividend in respect of the half year ended 31 October 2024 of 6.2 pence per share (£86m) has been proposed by the Directors after the reporting date.

9. Cash generated from operations

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Profit for the period	**43**	204	385
Adjustments for:			
Amortisation of intangible assets; acquisitions and divestments	**125**	51	97
Cash outflow for adjusting items	**(15)**	–	(11)
Depreciation	**170**	157	323
Profit/(loss) on sale of non-current assets	**1**	(8)	(9)
Share of profit of equity accounted investments, net of tax	**(1)**	(1)	(2)
Employment benefit net finance (income)/expense	**(1)**	–	1
Share-based payments	**1**	(3)	(2)
Finance income	**(5)**	(6)	(14)
Finance costs	**74**	53	116
Other non-cash items	**(18)**	(2)	(13)
Income tax (credit)/expense	**(14)**	64	118
Change in provisions	**(14)**	14	7
Change in employee benefits	**(12)**	(11)	(24)
Cash generation before working capital movement	**334**	512	972
Changes in:			
Inventories	**(67)**	3	6
Trade and other receivables	**(65)**	106	88
Trade and other payables	**77**	(362)	(511)
Working capital movement	**(55)**	(253)	(417)
Cash generated from operations	**279**	259	555

10. Net debt

	At 31 October 2024 Unaudited £m	At 31 October 2023 Unaudited £m	At 30 April 2024 Audited £m
Cash and cash equivalents	**398**	908	499
Bank overdrafts	**(64)**	(215)	(89)
Net cash and cash equivalents	**334**	693	410
Other investments – restricted cash	**6**	6	7
Other deposits	**28**	27	29
Borrowings – after one year	**(2,585)**	(2,081)	(2,040)
Borrowings – within one year	**(26)**	(421)	(397)
Lease liabilities	**(230)**	(214)	(239)
Derivative financial instruments			
assets	**1**	–	–
liabilities	**-**	–	–
	(2,806)	(2,683)	(2,640)
Net debt – reported basis	**(2,472)**	(1,990)	(2,230)
IFRS 16 liabilities	**228**	211	236
Net debt excluding IFRS 16 liabilities	**(2,244)**	(1,779)	(1,994)

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements. Within lease liabilities of £230m at 31 October 2024 are £228m of lease liabilities that would have been classified as operating leases and £2m of lease liabilities that would have been classified as finance lease liabilities under IAS 17.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 14.

Derivative financial instruments above relate to forward foreign exchange contracts used to hedge foreign exchange exposure on the Group's borrowings and net assets of foreign operations. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the consolidated statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and firm commitments, and the Group's purchases of energy.

Other deposits are included, as these short-term receivables have the characteristics of net debt.

During the half year ended 31 October 2024, the Group repaid the remaining €452 million (£387 million) balance of the €750 million medium-term note.

11. Reconciliation of net cash flow to movement in net debt

	Half year ended 31 October 2024 Unaudited £m	Half year ended 31 October 2023 Unaudited £m	Year ended 30 April 2024 Audited £m
Profit for the period	**43**	204	385
Income tax (credit)/expense	**(14)**	64	118
Share of profit of equity accounted investments, net of tax	**(1)**	(1)	(2)
Net financing costs	**68**	47	103
Amortisation of intangible assets; acquisitions and divestments	**125**	51	97
Adjusted operating profit	**221**	365	701
Depreciation	**170**	157	323
Adjusted EBITDA	**391**	522	1,024
Working capital movement	**(55)**	(253)	(417)
Change in provisions	**(14)**	14	7
Change in employee benefits	**(12)**	(11)	(24)
Other	**(16)**	(13)	(24)
Cash generated from operations before adjusting cash items	**294**	259	566
Capital expenditure	**(247)**	(225)	(547)
Proceeds from sale of property, plant and equipment and other investments	**8**	17	41
Tax paid	**(19)**	(55)	(169)
Net interest paid	**(105)**	(50)	(66)
Free cash flow	**(69)**	(54)	(175)
Cash outflow for adjusting items	**(15)**	–	(11)
Dividends paid	**(165)**	(165)	(247)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**-**	(103)	(113)
Divestment of equity accounted for investments	**-**	–	5
Other	**(2)**	(2)	(2)
Net cash flow	**(251)**	(324)	(543)
Proceeds from issue of share capital	**4**	–	7
Net movement on debt	**(247)**	(324)	(536)
Foreign exchange, fair value and other non-cash movements	**5**	(30)	(58)
Net debt movement	**(242)**	(354)	(594)
Opening net debt	**(2,230)**	(1,636)	(1,636)
Closing net debt - reported basis	**(2,472)**	(1,990)	(2,230)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 14.

12. Financial instruments

Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

	Category	**At 31 October 2024 Unaudited** Carrying amount £m	Fair value £m	At 31 October 2023 Unaudited Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**398**	**398**	908	908
Restricted cash	Amortised cost	**6**	**6**	6	6
Other investments	Fair value through other comprehensive income	**11**	**11**	12	12
Trade and other receivables	Amortised cost	**1,172**	**1,172**	1,156	1,156
Derivative financial instruments	Fair value – hedging instruments	**36**	**36**	140	140
Total financial assets		**1,623**	**1,623**	2,222	2,222
Financial liabilities					
Trade and other payables	Amortised cost	**(1,925)**	**(1,925)**	(1,915)	(1,915)
Bank and other loans	Amortised cost	**(441)**	**(441)**	(6)	(6)
Commercial paper	Amortised cost	**-**	**-**	(15)	(15)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,170)**	**(2,163)**	(2,481)	(2,346)
Lease liabilities	Amortised cost	**(230)**	**(230)**	(214)	(214)
Bank overdrafts	Amortised cost	**(64)**	**(64)**	(215)	(215)
Derivative financial instruments	Fair value – hedging instruments	**(95)**	**(95)**	(190)	(190)
Total financial liabilities		**(4,925)**	**(4,918)**	(5,036)	(4,901)

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward rates and prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value fixed rate borrowings. All derivative financial instruments are shown at fair value in the consolidated statement of financial position.

The majority of the Group's medium-term notes and other fixed-term debt are in effective net investment hedges. The fair values of financial assets and liabilities which bear floating rates of interest or are short-term in nature are estimated to be equivalent to their carrying amounts.

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning that although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e., quoted market prices) or indirectly (i.e., derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. Certain pension investments are Level 3 financial instruments. The fair value of other investments at fair value through other comprehensive income is derived from fair value calculations based on their cash flows.

13. Acquisitions and divestments

(a) Acquisitions and divestments in the half year ended 31 October 2024

There were no acquisitions or divestments in the period.

(b) 2023/24 acquisitions and divestments

On 29 March 2024, the Group completed the acquisition of Bosis doo, a Serbia-based packaging company, for £17m, net of cash and cash equivalents.

In April 2024, the Group sold its previously fully written-down Ukrainian associate, RKTK, for £10m. £5m was received by 30 April 2024 and a further £5m will be received over the next three years. This resulted in a £10m gain on divestment in the year ended 30 April 2024.

The payment of £103m for the final 10% stake in Interstate Resources was made in the year ended 30 April 2024.

14. Non-GAAP performance measures

The Group presents reported and adjusted financial information in order to provide shareholders with additional information to further understand the Group's operational performance and financial position.

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 3) and amortisation.

Total reported financial information represents the Group's overall performance and financial position but can contain significant unusual or non-operational items that may obscure understanding of the key trends and position. These unusual or non-operational items include business disposals, restructuring and optimisation project costs, acquisition-related and integration costs, and impairments. Restructuring and optimisation items treated as adjusting items are major programmes usually spanning more than one year, with uneven impact on the profit and loss for those years affected. Other adjusting items, such as business disposals, impairments, integration and acquisition costs, are by nature either highly variable or can also have a similar distorting effect. Therefore, the Directors consider that presenting non-GAAP measures which exclude these adjusting items enables comparability of the recurring core business, complementing the IFRS measures presented.

Amortisation relates primarily to customer contracts and relationships and infrastructure optimisation projects arising from or as a result of business combinations. Significant costs are incurred in maintaining, developing and increasing the value of such intangibles, costs which are charged in determining adjusted profit. Exclusion of amortisation remedies this double count as well as, in the case of customer contracts and relationships, providing comparability over the accounting treatment of customer contracts and relationships arising from the acquisition of businesses and those generated internally.

The Group's key non-GAAP measures are used both internally and externally to evaluate business performance against the Group's KPIs and banking and debt covenants, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined.

Certain non-GAAP performance measures can be, and are, reconciled to information presented in the financial statements. Other financial key performance measures are calculated using information which is not presented in the financial statements and is based on, for example, average 12-month balances or average exchange rates.

Key non-GAAP performance measures

The key non-GAAP performance measures used by the Group and their calculation methods are as follows:

Adjusted operating profit

Adjusted operating profit is operating profit excluding the pre-tax effects of both amortisation and adjusting items. Adjusting items include business divestment gains and losses, restructuring and optimisation costs, acquisition related and integration costs and impairments.

A reconciliation between reported and adjusted operating profit is set out on the face of the consolidated income statement.

Operating profit before adjusting items

A reconciliation between operating profit and operating profit before adjusting items is set out on the face of the consolidated income statement. Other similar profit measures before adjusting items are quoted, such as profit before income tax and adjusting items, and are directly derived from the consolidated income statement, from which they can be directly reconciled.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 11.

Adjusted earnings per share

Adjusted earnings per share is basic earnings per share adjusted to exclude the post-tax effects of adjusting items and amortisation. Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders.

A reconciliation between basic and adjusted earnings per share is provided in note 7.

Return on sales

Return on sales is adjusted operating profit measured as a percentage of revenue. Return on sales is used to measure the value we deliver to customers and the Group's ability to charge for that value.

	Half year ended 31 October 2024 £m	Half year ended 31 October 2023 £m	Year ended 30 April 2024 £m
Adjusted operating profit	**221**	365	701
Revenue	**3,371**	3,513	6,822
Return on sales	**6.6%**	10.4%	10.3%

Adjusted return on average capital employed (ROACE)

ROACE is the last 12 months' adjusted operating profit as a percentage of the average monthly capital employed over the previous 12-month period. Capital employed is the sum of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to discontinued operations are excluded.

	Half year ended 31 October 2024 £m	Half year ended 31 October 2023 £m	Year ended 30 April 2024 £m
Capital employed	**6,544**	6,498	6,636
Currency, inter-month and acquisition/divestment movements	**159**	(181)	(79)
Last 12 months' average capital employed	**6,703**	6,317	6,557
Last 12 months' adjusted operating profit	**557**	808	701
Adjusted return on average capital employed	**8.3%**	12.8%	10.7%

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 10.

Net debt/EBITDA is the ratio of net debt to adjusted EBITDA, calculated in accordance with the Group's banking covenant requirements.

Net debt/EBITDA is considered a key measure of balance sheet strength and financial stability by which the Group assesses its financial position.

The Group's banking covenant requirements currently exclude IFRS 16 liabilities from the definition of net debt, as well as requiring that EBITDA is calculated before the effects of IFRS 16, so an adjustment to the previous IAS 17 basis is made in the calculation.

In calculating the ratio, net debt is stated at average rates as opposed to closing rates, and adjusted EBITDA is adjusted operating profit before depreciation from the previous 12-month period adjusted for the full year effect of acquisitions and divestments in the period and adjusted to an IAS 17 basis.

	Half year ended 31 October 2024 £m	Half year ended 31 October 2023 £m	Year ended 30 April 2024 £m
Net debt – reported basis (see note 10)	**2,472**	1,990	2,230
IFRS 16 lease liabilities (see note 10)	**(228)**	(211)	(236)
Adjustment to average rate	**38**	(6)	7
Net debt - adjusted basis	**2,282**	1,773	2,001
Adjusted EBITDA – last 12 months' reported basis	**893**	1,123	1,024
Adjust to IAS 17 basis	**(87)**	(87)	(85)
Divestment and acquisition effects	**1**	-	3
Adjusted EBITDA - banking covenant basis	**807**	1,036	942
Net debt/EBITDA	**2.8x**	1.7x	2.1x

Free cash flow

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and divestment of subsidiary businesses (including borrowings acquired) and proceeds from issue of share capital.

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 11.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit. The cash conversion rate can be derived directly from note 11, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business.

	Half year ended 31 October 2024 £m	Half year ended 31 October 2023 £m	Year ended 30 April 2024 £m
Growth capital expenditure	**76**	87	186
Non-growth capital expenditure	**171**	138	361
Total capital expenditure	**247**	225	547
Free cash flow (note 11)	**(69)**	(54)	(175)
Tax paid (note 11)	**19**	55	169
Net interest paid (note 11)	**105**	50	66
Growth capital expenditure	**76**	87	186
Change in employee benefits (note 11)	**12**	11	24
Adjusted free cash flow	**143**	149	270
Adjusted operating profit	**221**	365	701
Cash conversion	**65%**	41%	39%

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the average monthly working capital balances for the previous 12 months as a percentage of revenue over the same period. Working capital is the sum of inventories, trade and other receivables, and trade and other payables, excluding capital and acquisition and divestment related debtors and creditors.

	Half year ended 31 October 2024 £m	Half year ended 31 October 2023 £m	Year ended 30 April 2024 £m
Inventories	**647**	610	591
Trade and other receivables	**1,138**	1,115	1,099
Trade and other payables	**(1,825)**	(1,801)	(1,696)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**171**	26	80
Last 12 months' average working capital	**131**	(50)	74
Last 12 months' revenue	**6,680**	7,435	6,822
Average working capital to sales	**2.0%**	(0.7%)	1.1%

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions made in the current year, and the incremental effects of acquisitions made in the previous year, to determine underlying organic growth. The table below shows the calculations:

	Revenue £m	**Adjusted operating profit £m**
Reported basis – comparative half year ended 31 October 2023	**3,513**	**365**
Currency effects	**(63)**	**(8)**
Constant currency basis – comparative half year ended 31 October 2023	**3,450**	**357**
Organic growth	**(79)**	**(136)**
Reported basis – half year ended 31 October 2024	**3,371**	**221**

15. Related party transactions

There were no significant related party transactions outside the normal course of business.

16. Subsequent events

There are no subsequent events after the reporting date which require disclosure.