DS Smith Plc

Full year results

28 June 2012

Miles Roberts, Group Chief Executive

INTRODUCTION

Presentation themes

A pivotal year, with improved operational and financial performance and a transformational acquisition

- Resilient and sustainable business model
- Another strong set of results
- Operational momentum
- Developed management and culture
- Robust outlook
- Ready to integrate SCA Packaging

Results highlights

Another year of strong results

- Underlying business improved on all metrics
  - EPS +28% to 12.8p
  - ROACE +310bps to 14.6%
  - DPS +31% to 5.9p
- Delivering on previously announced cost and cash savings

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Steve Dryden, Group Finance Director

FINANCIAL REVIEW

Consistent delivery

Sustainable growth	• 12% increase in revenue, like for like revenue growth of 8% • Corrugated volumes up 2.2%
Faster cost recovery	• Faster cost recovery reduces cyclicality • Fully recovered £124.9m
Strong margin progression	• 90bps improvement in return on sales to 7.2% • Increases in every division
Returns above cost of capital	• Return on average capital employed 14.6%, a 310bps improvement • Significantly above our cost of capital of c.10%
Strong cash generation	• Free cash flow of £94.5m, a 31% increase • Working capital efficiency – now less than 5%

Note - All figures based on continuing operations, unless otherwise stated

Group Income Statement

Continuing operations* (£m)	2011/12	2010/11	*Actual change*	*Underlying change***
Revenue	1,969.4	1,759.3	*+12%*	*+8%*
Operating profit	142.0	110.9	*+28%*	*+20%*
Return on sales	**7.2%**	**6.3%**	***+90bps***	
Profit before tax	118.8	83.5	*+42%*	
Adjusted earnings	87.3	61.3	*+42%*	
Adjusted EPS	12.8p	10.0p	*+28%*	
Asset turnover	2.0x	1.8x	*+11%*	
Return on average capital employed	**14.6%**	**11.5%**	***+310bps***	

* Before amortisation and exceptional items

** Underlying = constant FX, adjusted for acquisitions/disposals

Segmental analysis

Group – Continuing operations*

Revenue	£1,969.4m	+12%
EBITA	£142.0m	+28%
ROS	7.2%	+90bps
ROACE	14.6%	+310bps

UK Packaging

Revenue	£960.2m	+5%
EBITA	£64.4m	+19%
ROS	6.7%	+80bps
ROACE	13.9%	+360bps

Continental European Corrugated Packaging

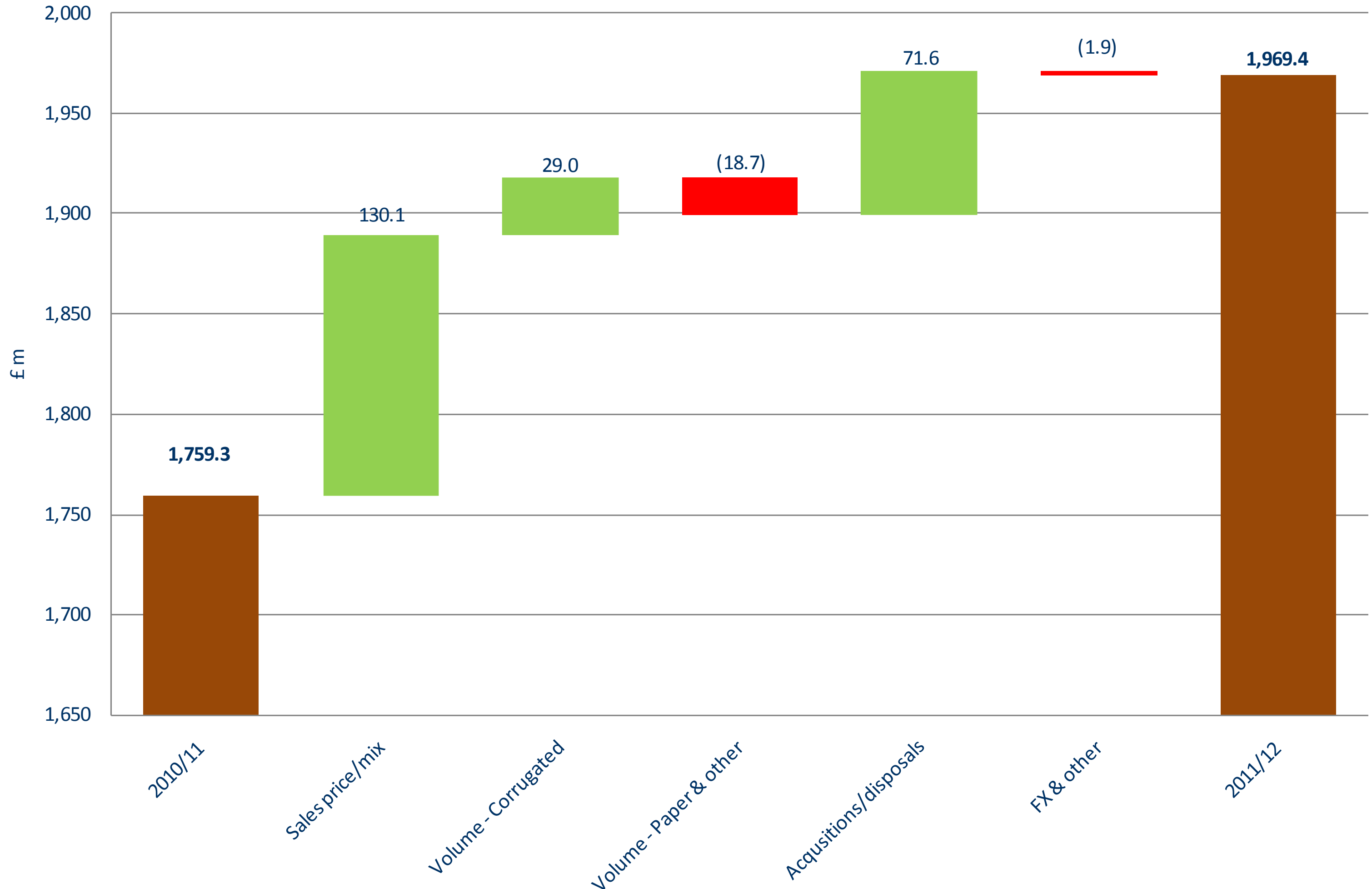
Revenue	£743.9m	+24%
EBITA	£55.6m	+40%
ROS	7.5%	+90bps
ROACE	14.0%	+150bps

Plastic Packaging

Revenue	£265.3m	+10%
EBITA	£22.0m	+30%
ROS	8.3%	+130bps
ROACE	19.6%	+470bps

* Excluding amortisation and exceptional items

Revenue bridge*



* Continuing operations

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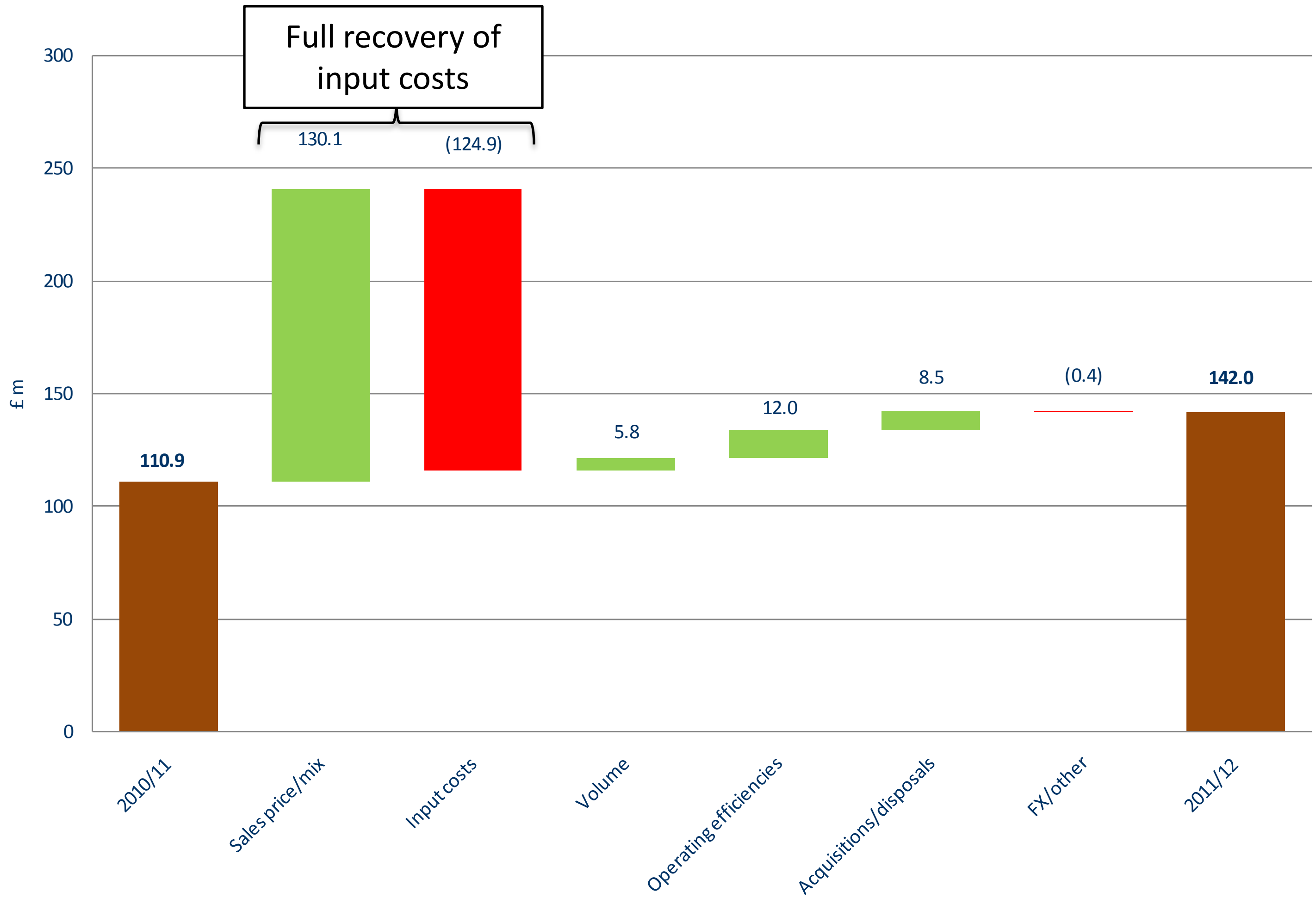
Operating profit bridge*



* Continuing operations, excluding amortisation and exceptional items

Group Income Statement

£m	2011/12	2010/11	*Change (£m)*
Operating profit*	**142.0**	**110.9**	***31.1***
Net interest charge	(18.4)	(20.0)	*1.6*
Pension finance charge	(4.8)	(7.4)	*2.6*
Amortisation of intangible assets	(8.1)	(6.8)	*(1.3)*
Profit before tax and exceptional items	**110.7**	**76.7**	***34.0***
Income tax on profit before exceptional items	(30.6)	(21.6)	*(9.0)*
Underlying tax rate	*27.6%*	*28.2%*	*(60bps)*
Profit after tax, before exceptional items	**80.1**	**55.1**	***25.0***
SCA acquisition costs (net of tax)	(16.5)	-	*(16.5)*
Other exceptional items (net of tax)	(54.7)	(2.0)	*(52.7)*
Discontinued operations (including profit on disposal)	67.3	17.6	*49.7*
Share of loss of associate	(0.5)	-	*(0.5)*
Profit for the period	**75.7**	**70.7**	***5.0***

* Continuing operations, excluding amortisation and exceptional items

Net debt bridge

At 30 April 2012:

- Committed facilities of c.£1.5bn (including €700m which is dependent upon completion of the SCA Packaging acquisition)
- EBITDA interest cover 11.1x
- Temporarily in net cash position of £322m

Long-term funding in place

- Next material refinancing in 2016

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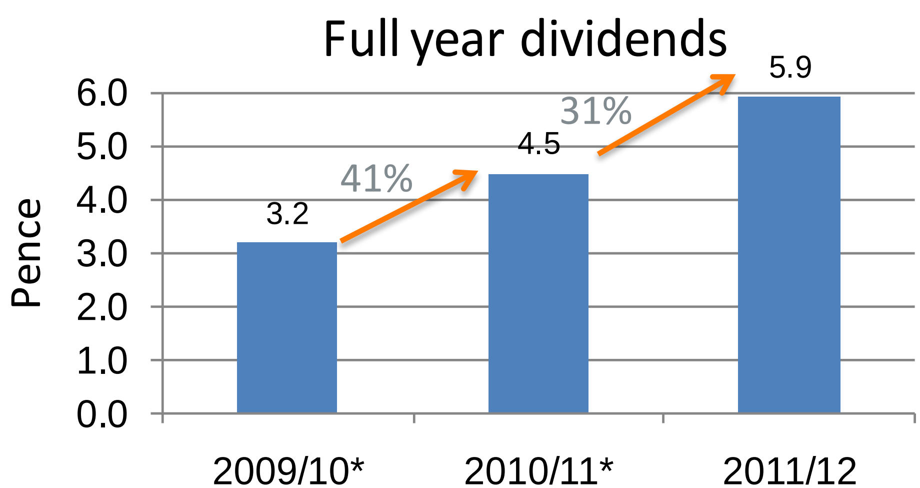
Free cash flow up 31%

£m	2011/12	2010/11	*Change (£m)*
EBITDA	**205.9**	**178.0**	***27.9***
Working capital	43.6	0.2	*43.4*
Pension payments/other	(24.0)	(22.0)	*(2.0)*
Capital expenditure (net of asset sale proceeds)	(85.9)	(52.4)	*(33.5)*
Tax paid	(25.3)	(16.0)	*(9.3)*
Net interest paid	(19.8)	(15.8)	*(4.0)*
Free cash flow	**94.5**	**72.0**	***22.5***

Delivering on our target savings

Cost savings	Original target	Status
UK efficiency	£10m run-rate by April 2014	£7.8m run rate delivered in 2011/12, principally due to more integrated working between our Paper and Packaging businesses
Procurement	£10m run-rate by April 2012	£13m delivered in 2011/12, about half relating to capital projects
Otor cost synergies	€9.3m by April 2014	€10m delivered in 2011/12, and we are on track to deliver our revised target of €13m
Working capital	Reduce from 8% to 5% of revenue by 30 April 2014, equivalent to c.£75m	Achieved two years early Average working capital to revenue ratio for 2011/12: 4.9%

Delivering sustainable dividends



- Strategy to improve returns and to reduce cyclicality in the business
- Dividend policy to pay 2-2.5x cover through the cycle
- Adjusted EPS from continuing operations up 28%
- DPS up 31%
- Cover of 2.2x, in line with our policy

* Restated for rights issue bonus factor

Delivering on our strategic financial targets

Metric	Medium term target	2011/12		Progress
Volume growth	GDP + 1%	2.2%	✓	Ahead of the corrugated market and meeting our target
EBITA margin*	7% - 9%	7.2%	✓	In range, +90bps
ROACE*	12% - 15%	14.6%	✓	At upper end of the range, +310bps
Operating cash flow** / operating profit	>120%	139%	✓	Excellent underlying cash generation due to positive working capital
Net debt / EBITDA	≤2.0x	n/a	✓	Temporary net cash position

* Before amortisation and exceptional items

** Before growth capital expenditure

Miles Roberts, Group Chief Executive

BUILDING INDUSTRY LEADERSHIP

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DS Smith has changed substantially in the past two years

May 2010: Miles Roberts joins as CEO

July 2010: Otor acquisition announced

Sept 2010: Otor acquisition completed

Dec 2010: Strategy announced

April 2011: DB pension scheme closed

July 2011: Disposal of Spicers announced (6.9x EBITDA)

Dec 2011: Disposal of Spicers completed

Jan 2012: SCA Packaging acquisition announced (6.0x EBITDA)

30 June 2012: expected completion of SCA Packaging acquisition

Differentiated business mix

Less cyclical, more sustainable, higher returns

000 tonnes	Recycling	→	Paper	→	Packaging
DS Smith – UK(1)	1,800		600		550
DS Smith – Cont'l Europe(1)	0		135		690
SCA Packaging(2)	3,600		1,400		1,800
Pro forma total	5,400		2,135		3,040
	Long		Short		Long

(1) For the year 2011/12,excluding Higher Kings Mill (sold Sept 2011) and Hollins Mill (being closed in calendar H2 2012)
(2) For the year 2011 (per Supplementary Prospectus 26 Jan 2012) with respect to paper and packaging. Fibre per Prospectus 17 January 2012.
N.B. Paper as given above = packaging grades (CCM). The Group also manufactures 450kt of other paper grades

Building momentum across the business

All divisions have improved this year, all have outperformed their markets

- All divisions have improved in difficult markets
- Divisional restructuring
- Reconfiguring the Group
- Ready for SCA Packaging

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Concentrating on developing innovation

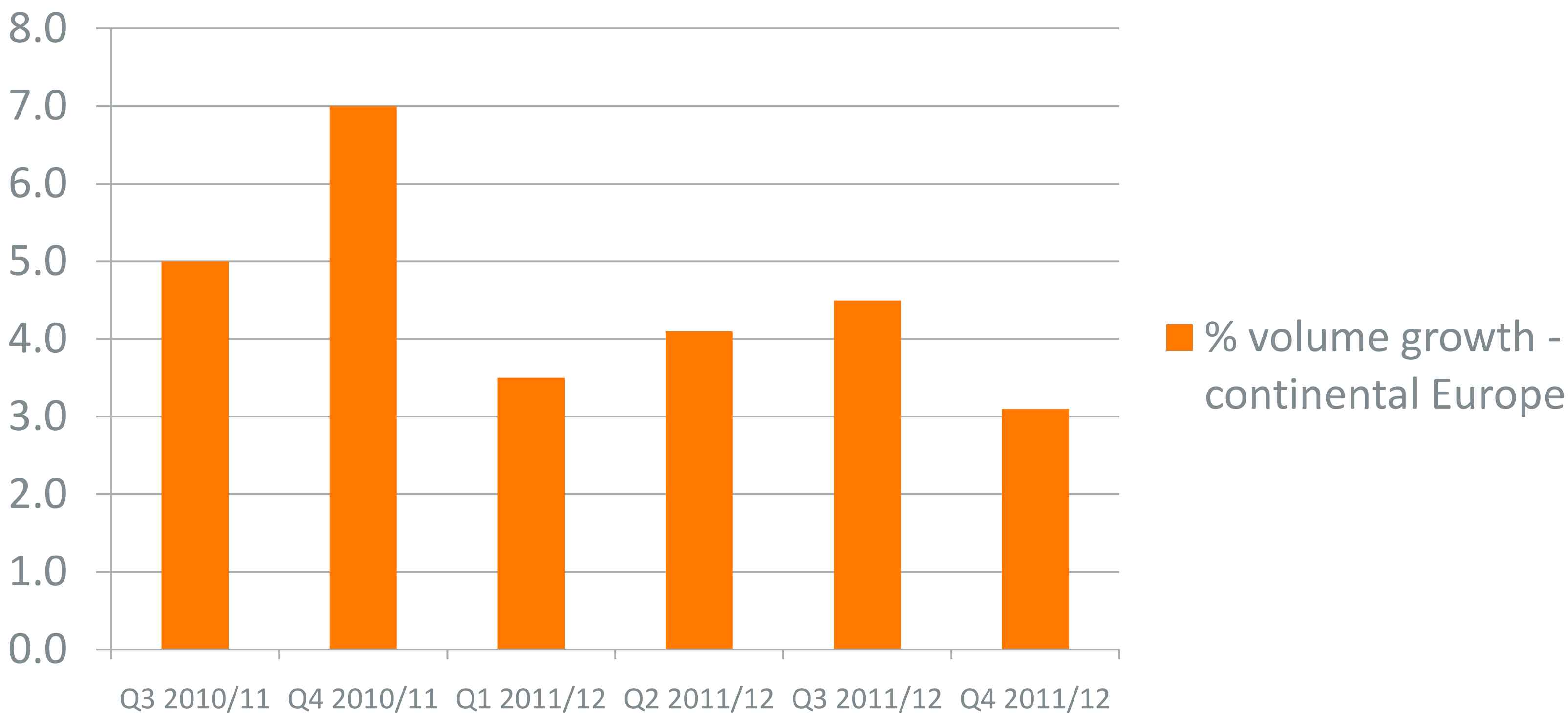
Revenues +13% among our top 25 customers

- Building our pan-European capability with central sales, supply and innovation
- "PackRight" software to optimise performance packaging throughout the supply chain
- Developing the potential of our intellectual property
- Expanding our Impact and Innovation Centres
  - Now in the UK, France and Poland

DesignRight SupplyRight ImageRight RecycleRight PackRight

Impact and Innovation Centre, Poland

Our continental European business is delivering consistent, sustainable volume growth



Good progress on cultural change programme

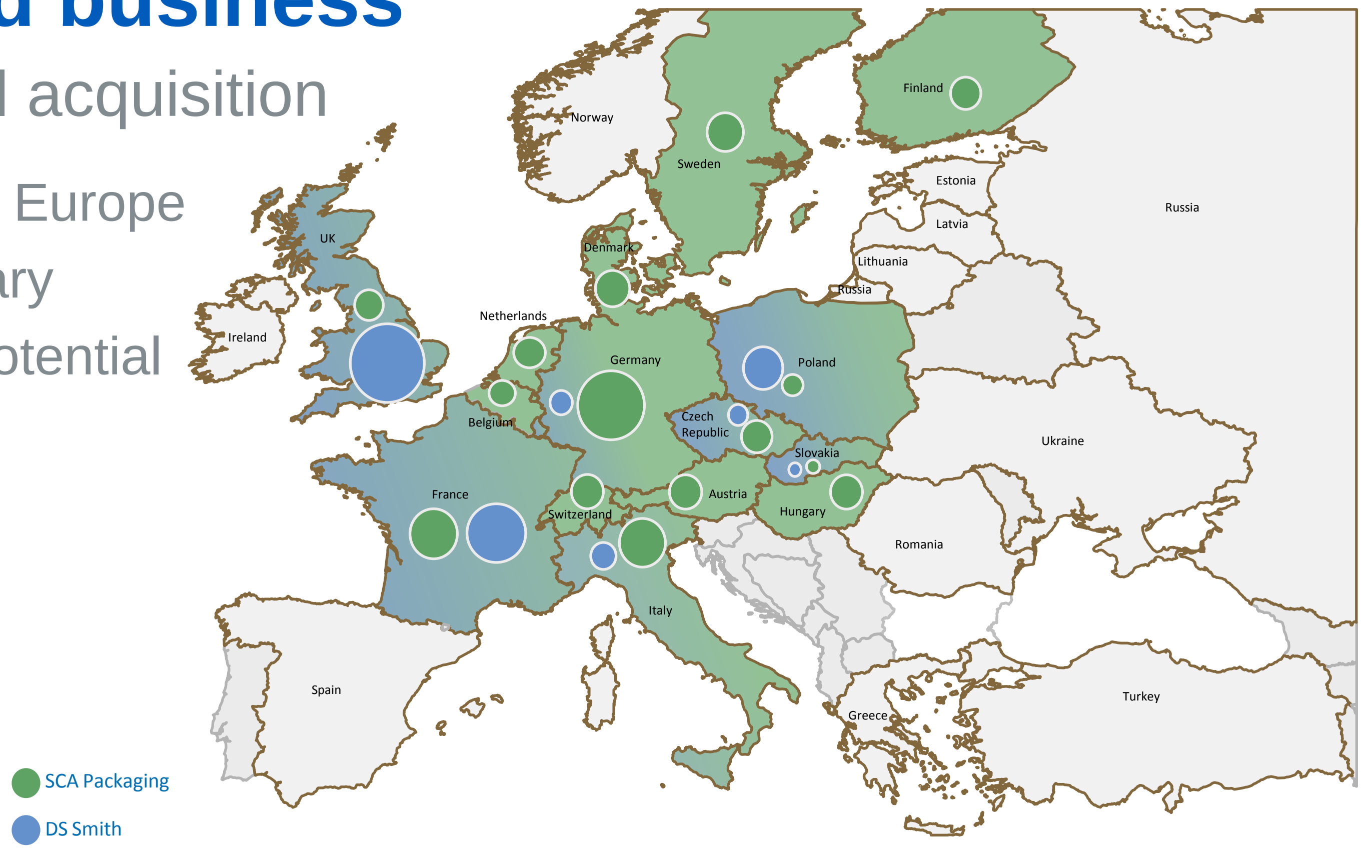
United under the banner "Own It!"

- Common culture across the DS Smith business
  - Started over 12 months ago
  - Rolled out across the existing organisation this year
- Defined corporate values communicated to all
- Drive for continuous improvement
- Performance management system aligned with competencies

The combined business

A transformational acquisition

- Focused in northern Europe
- Highly complementary
- Significant growth potential



Note: Bubbles represent size of revenues from the respective countries; Spain, Turkey, Ukraine and Russia limited to JVs. Countries shaded represent countries with substantial revenue. All other named countries represent locations with limited operations

We will own SCA Packaging from 30 June 2012

Creating a pan-European business

- Profiled and interviewed 80 senior managers from SCA Packaging
- Unified management structure and key processes from day one
- Specific plans for customer communications
- Employee communication roll-out ready
- Integration team fully resourced
- Proven process

The first three months

- First 30 days
  - Allocate the €75m cost synergies
  - Implement new business structure and embed new reporting structures
  - Communication to staff and customers
- First 60 days
  - Establish potential additional synergies in local businesses
  - Customer and management action plans
- First 90 days
  - Update business plan with local plans
  - Update synergy plan
- 100 days – update shareholders – 11 October 2012

Miles Roberts, Group Chief Executive

OUTLOOK

Current trading and outlook

“Since the start of this new financial year, the good trading performance reported for the year 2011/12 has continued, with good performance from packaging and, as expected, a more challenging market for our modest paper business.”

“The economic conditions across Europe remain challenging. DS Smith is positioned to perform well in this environment, due to our resilient customer base, the opportunity for substantial cost and cash synergies as previously announced, and our track record of delivering sustainable returns in challenging market conditions. Accordingly, the Board views the prospects for the enlarged Group in the coming year with confidence and expects to make continued progress.”

Significant opportunities ahead

Transformed pan-European market position

- Clear sustainable strategy to maximise returns
- Resilient customer base
- Strengthened market positions with a pan-European footprint
- Substantial synergies through the integration process
- Momentum in our operations

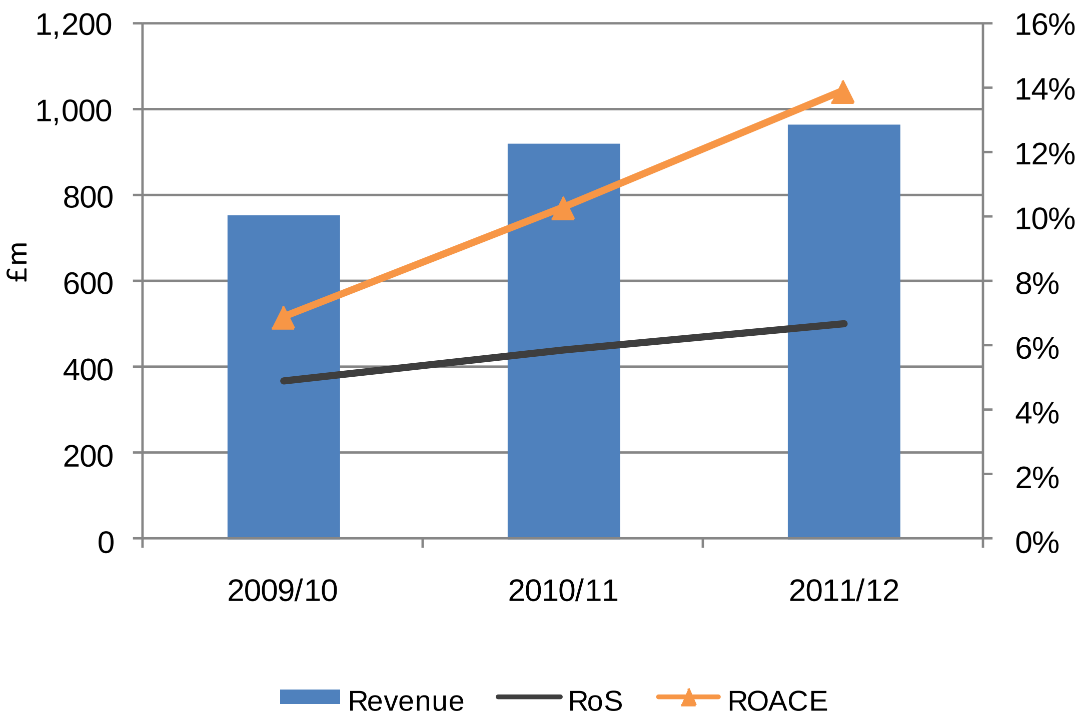
QUESTIONS AND ANSWERS

APPENDIX

Next events

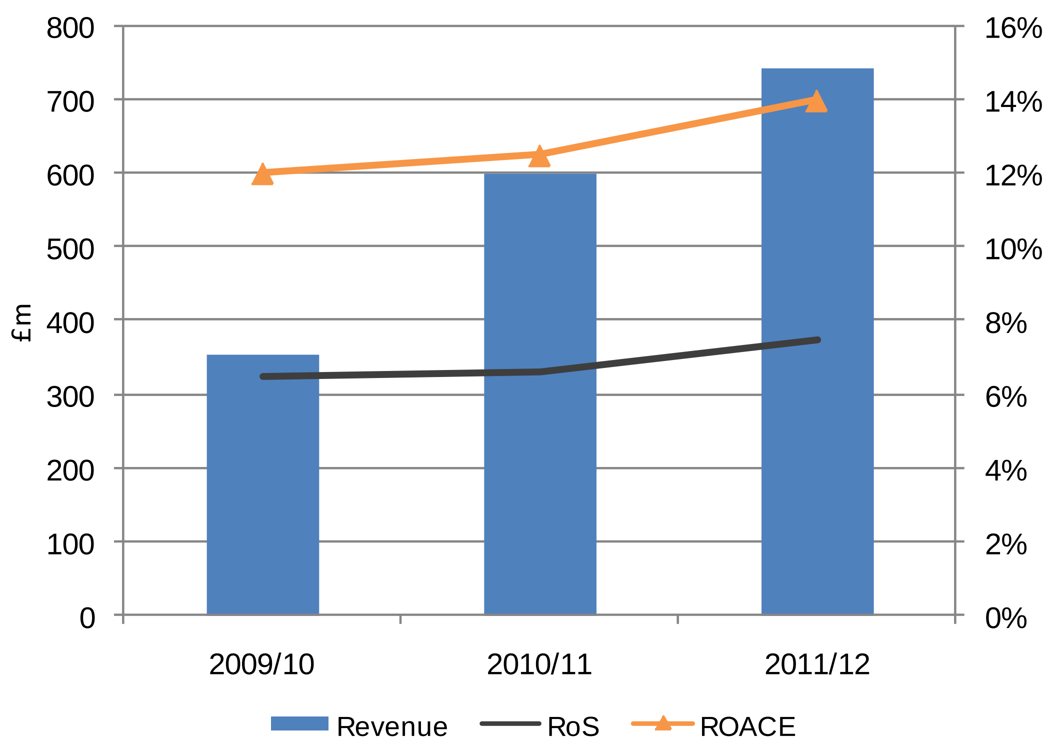
• Completion of the SCA Packaging acquisition	30 June 2012
• Q1 IMS	4 September 2012
• 100-day update	11 October 2012
• Half-year results	6 December 2012

UK Packaging



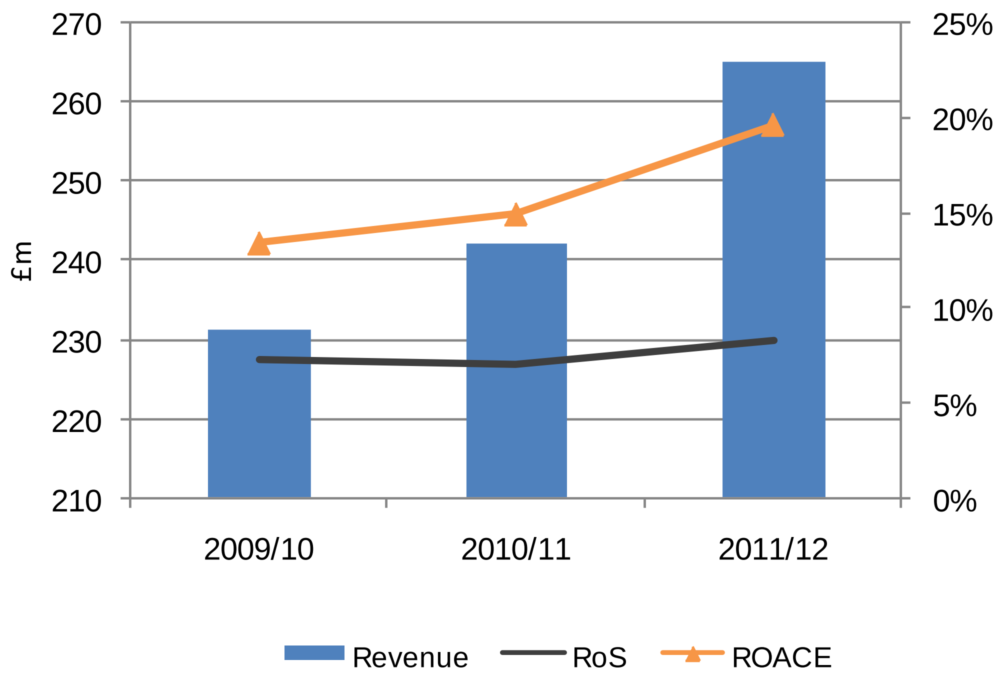
- Strong top-line performance, despite a highly competitive market and volatile paper prices, driven by consistent demand from our FMCG customer base
- Self-help: continued focus on costs and working capital has driven up both RoS and ROACE
- UK business has been restructured to further improve our competitive position

Continental European Corrugated Packaging



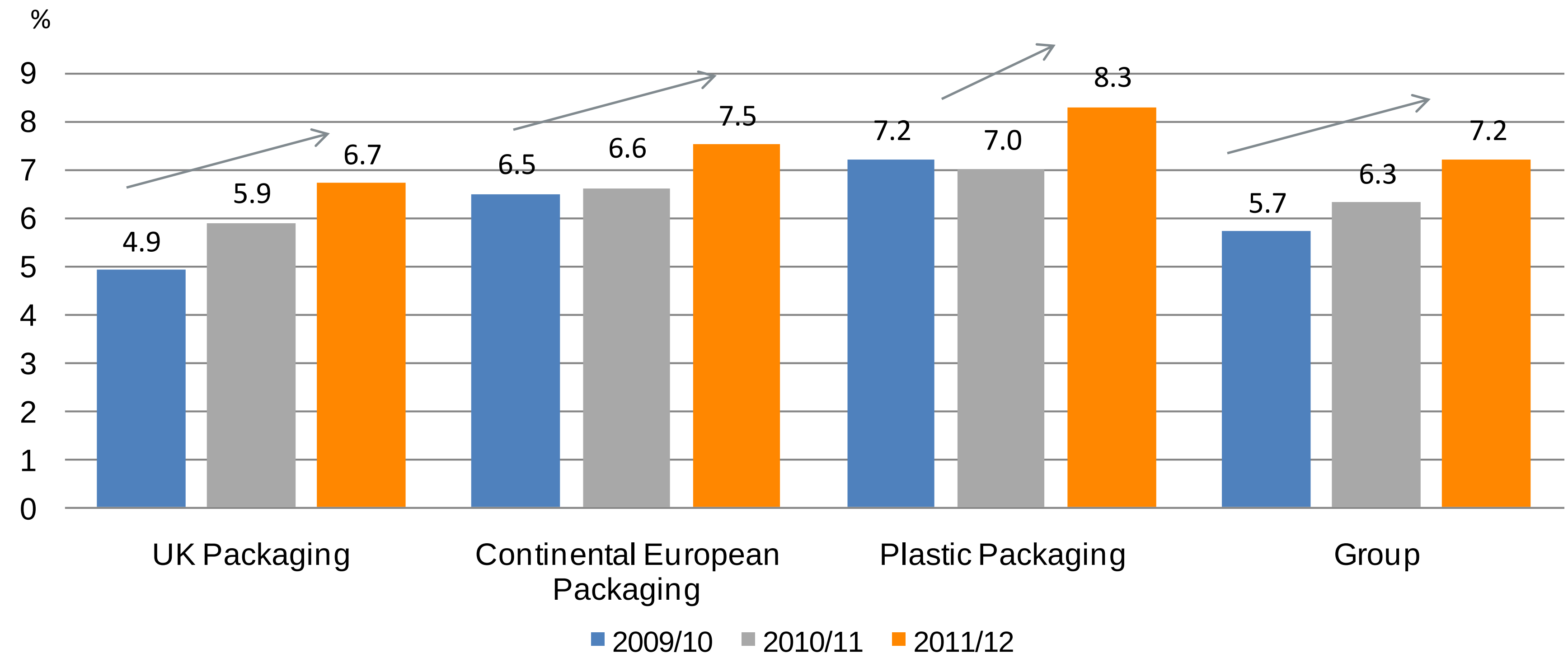
- 2011/12 figures include full year impact of Otor acquisition (purchased on 1 September 2010)
- Like-for-like revenue growth for the division is 10%, driven by strong volume growth ahead of the market
- Winning market share with our range of packaging solutions
- Significant synergies realised from Otor integration

Plastic Packaging



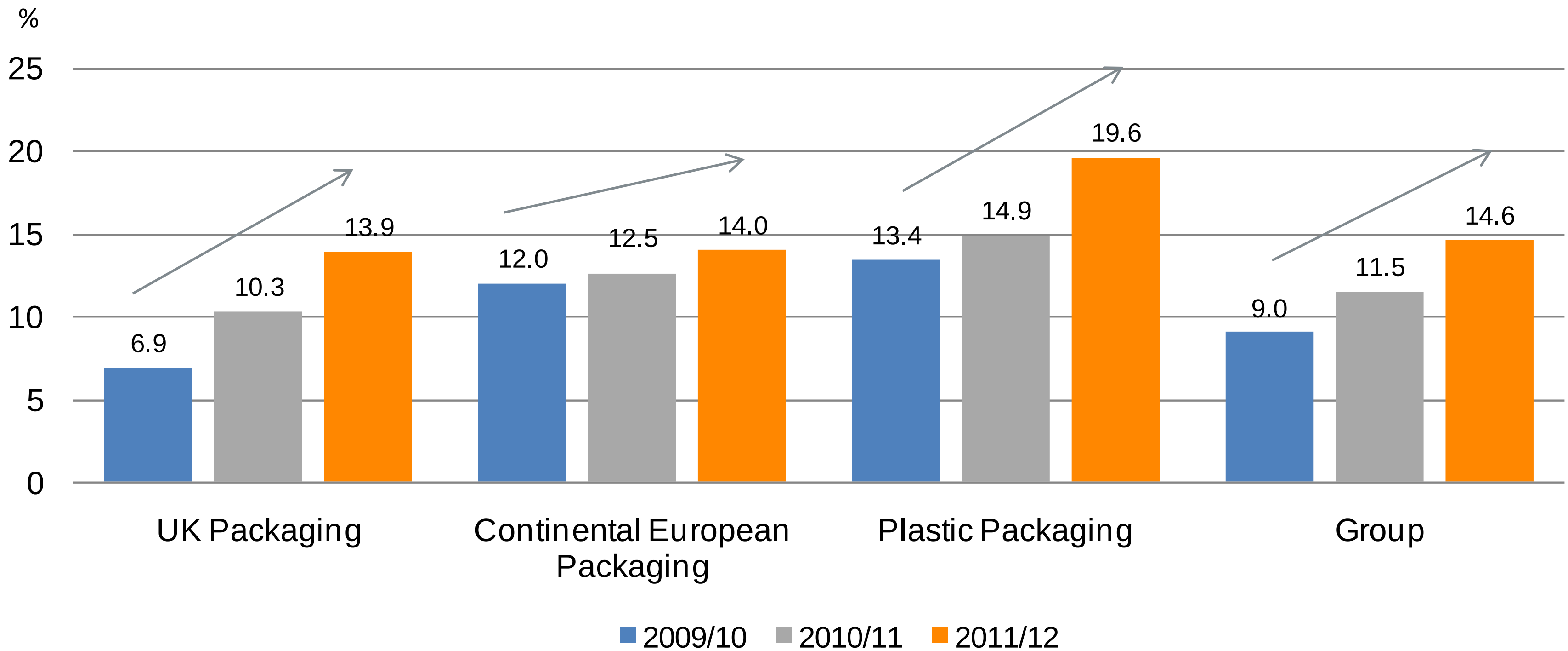
- Division has enjoyed strong growth in both Liquid Packaging and Dispensing ("LP&D") and in Returnable Transit Packaging ("RTP")
- Continued growth in the US LP&D business driven by beverage dispensing units for tea, coffee and smoothies
- RTP business has performed strongly in difficult market conditions
- Firm cost control has driven profit and return on capital growth

Return on sales* – continued progress



* Continuing operations, excluding amortisation and exceptional items

Return on average capital employed* – substantial improvement



* Continuing operations, excluding amortisation and exceptional items

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Office Products Wholesaling

- Disposal completed on 30 December 2011
- Gross consideration of £200m
- 8 months to 30 December 2011:
  - Revenue £455.8m
  - EBITA £14.2m
  - RoS 3.1%
  - ROACE 14.7%

Profit and Loss* – continued progress in H2

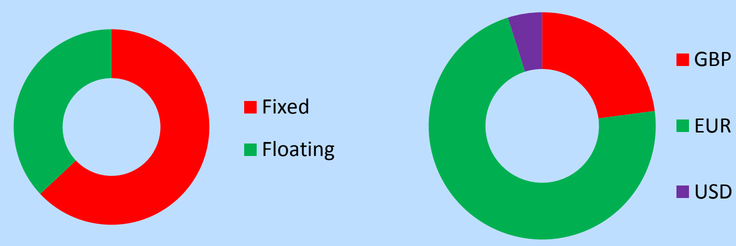
	H1 2010/11	H1 2011/12	*Variance %*	H2 2010/11	H2 2011/12	*Variance %*
External revenue (£m)						
UK Packaging	450.3	514.4	14%	467.4	445.8	-5%
Continental Packaging	247.5	386.2	56%	351.9	357.7	2%
Plastics	124.4	133.9	8%	117.8	131.4	12%
	822.2	**1,034.5**	26%	**937.1**	**934.9**	0%
EBITA (£m)						
UK Packaging	32.0	39.9	25%	22.2	24.5	10%
Continental Packaging	14.1	28.0	99%	25.7	27.6	7%
Plastics	9.4	10.4	11%	7.5	11.6	55%
	55.5	**78.3**	41%	**55.4**	**63.7**	15%
Return on sales (%)						
UK Packaging	7.1%	7.8%	*70bps*	4.7%	5.5%	*70bps*
Continental Packaging	5.7%	7.3%	*160bps*	7.3%	7.7%	*40bps*
Plastics	7.6%	7.8%	*20bps*	6.4%	8.8%	*250bps*
	6.8%	**7.6%**	***80bps***	**5.9%**	**6.8%**	***90bps***

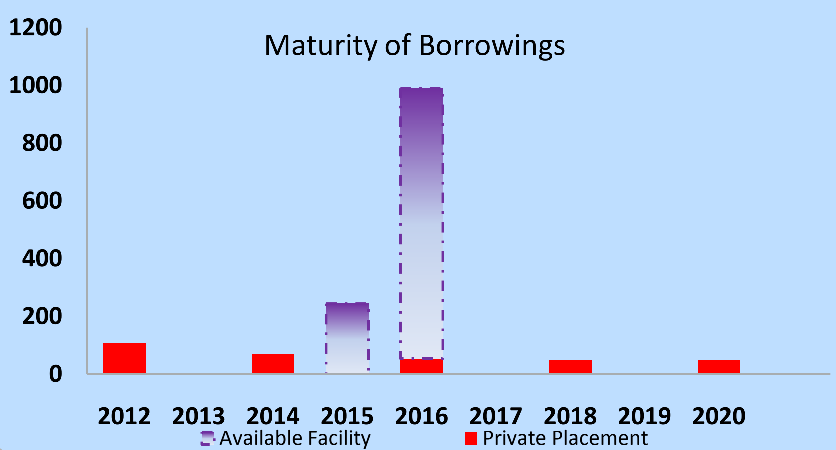
* Continuing operations

Technical details – 2012/13 view (including SCA Packaging from 30 June 2012)

Input cost/recovery	• Targeting full recovery
Finance cost	• 4.5% – previously announced 4.6%
Capital expenditure / depreciation	• £160m – no change from previous guidance
Amortisation	• To be confirmed following fair value analysis, at HY results
Tax rate	• 27.6% – no change from previous guidance
WACC	• c. 9.5% – reduced from c. 10%
Average shares in issue	• 920m (prior to any new share issues from option exercise)
Pension finance charge	• c. £6.0m in 2012/13, increasing to c. £9.0m in 2013/14 (due to revised IAS 19 requirements)

Debt analysis





Weighted average life of borrowing facilities is 4 years 8 months

Net debt	£m
Borrowings	321.0
Derivative financial instruments	10.5
Less net cash	(653.2)
*Net cash	**(321.7)**

*Consolidated Net Assets	£1,139m
*EBITDA/Net Debt ratio	n/a
*EBITDA/ Net Interest Payable	11.1x

* As defined by the Group's banking covenants

Substantial covenant headroom

Covenant	April 2012	Headroom
Consolidated net assets* > £360m	£1,139.4m	£779.4m
Net debt/EBITDA ratio* < 3.25x	n/a**	n/a**
EBITDA/Net interest payable* > 4.5x	11.1	EBITDA £122.1m

Next material refinancing in 2016

* As defined by the Group banking covenants

** The Group is temporarily in a net cash position

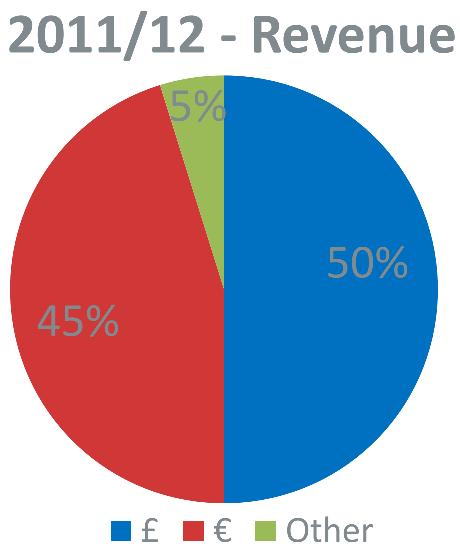
Pensions

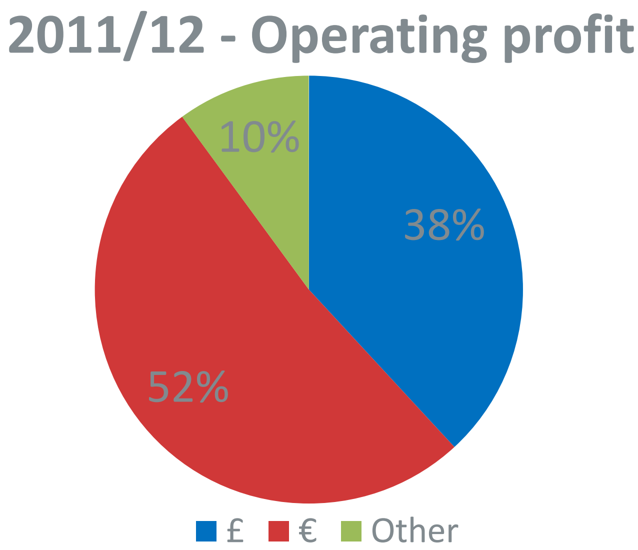
£m	2011/12	2010/11
Equities	442.1	435.9
Bonds, gilts and cash	323.0	295.6
Market value of assets	**765.1**	**731.5**
Value of liabilities	(869.3)	(879.0)
Deficit	**(104.2)**	**(147.5)**
Deferred tax	27.1	35.7
Net pension liability	**(77.1)**	**(111.8)**
Discount rate	5.0%	5.3%
Employee benefit net finance charge	(4.8)	(7.4)

FX rates

Year ended 30 April 2012	Average	Closing
Euro € / £	1.17	1.23

Year ended 30 April 2011	Average	Closing
Euro € / £	1.18	1.12





Cost analysis