Full year results to 30 April 2015
Building a higher quality business

25 June 2015

The Power of Less®

Introduction

01

Key messages – building a higher quality business

- A sustainable performance for all stakeholders
  - Continued success with customers
- Volume momentum throughout the year
  - Outperforming the market
  - Building share and market position
- Substantial growth in profits, returns and dividend, despite FX headwinds
  - Increased medium term margin target by 100 basis points
- Active management of business portfolio
  - Ongoing programme of investment, acquisitions and disposals to improve the quality and scale of the business
- Positive start to the year

Another year of out-performance

Volume growth	Return on sales	Return on average capital employed	Free cash flow	Earnings per share
+3.1%	+130 bps	+160 bps	+146%	+24%

Note – all figures on a constant currency basis, before exceptional items and amortisation

Financial review

02

Sustainable delivery against medium term targets

Metric	Medium-term target	2014/15		Progress
Volume growth(1)	GDP(2) + 1% = 2.3%	3.1%	✓	Growing ahead of the market
Return on sales(3)	7% - 9%	8.8%	✓	+130bps
ROACE(3)	12% - 15%	14.6%	✓	+160bps
Cash conversion(4)	≥120%	127%	✓	In target range
Net debt / EBITDA(5)	≤2.0x	1.49x	✓	In target range

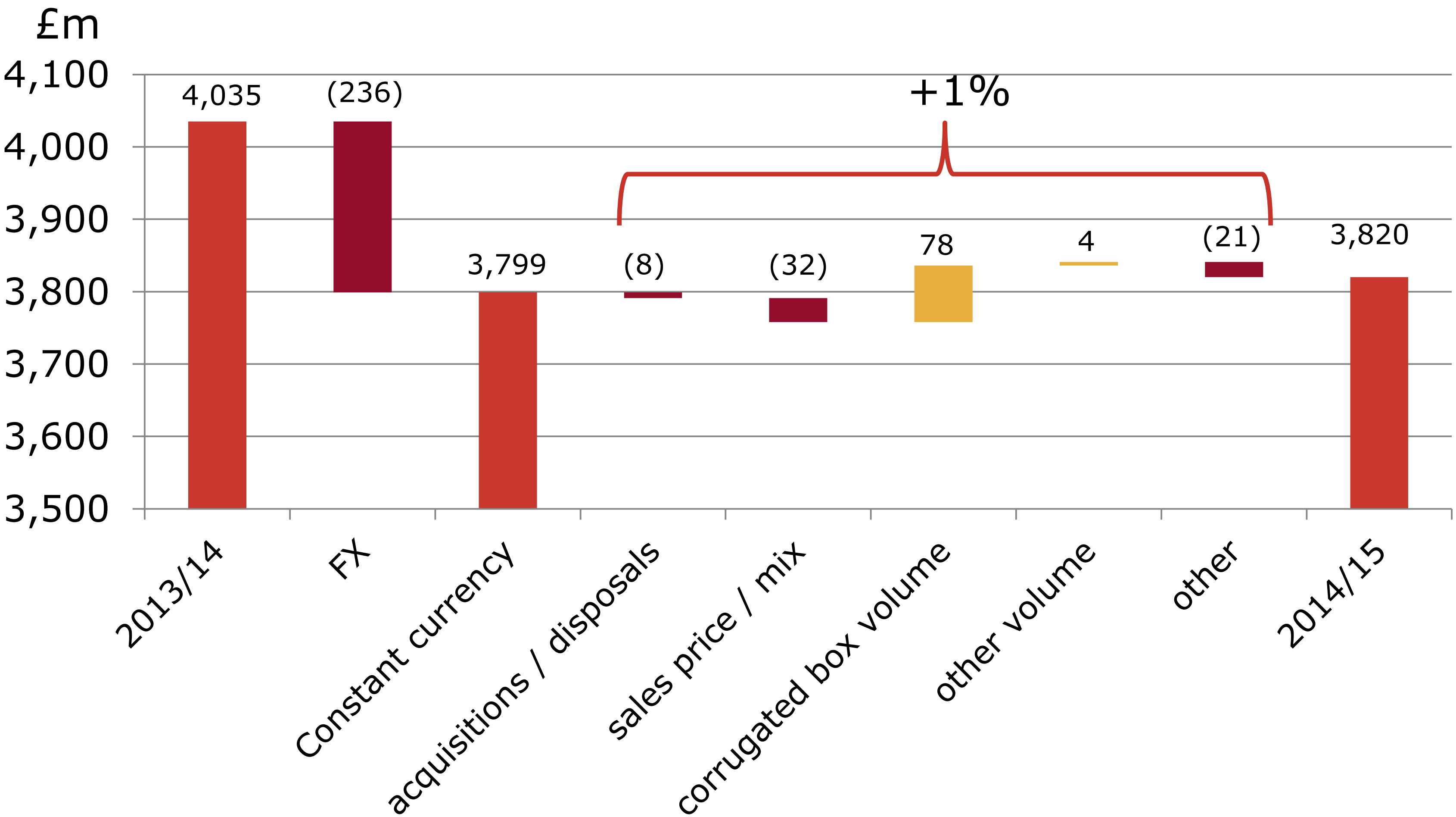
(1) Corrugated box volumes, adjusted for working days
(2) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country for the period April 2014– March 2015 = 1.3%. Source: Eurostat (15 May 2015)
(3) Calculated on operating profit before amortisation and exceptional items (on a constant currency basis)
(4) Free cash flow before tax, net interest, growth capital expenditure, pension payments and exceptional cash flows as a percentage of earnings before interest, tax, amortisation and exceptional items
(5) Calculation as defined by the Group’s banking covenants

Financial highlights

Continuing operations	2014/15	Change *constant currency*
Revenue (£m)	3,820	+1%
Operating profit[(1)] (£m)	335	+17%
Return on sales	8.8%	+130bps
Adjusted EPS[(1)]	24.5p	+24%
Dividend per share	11.4	+14%
Asset turnover[(2)]	1.7x	0bps
Return on average capital employed[(1)]	14.6%	+160bps

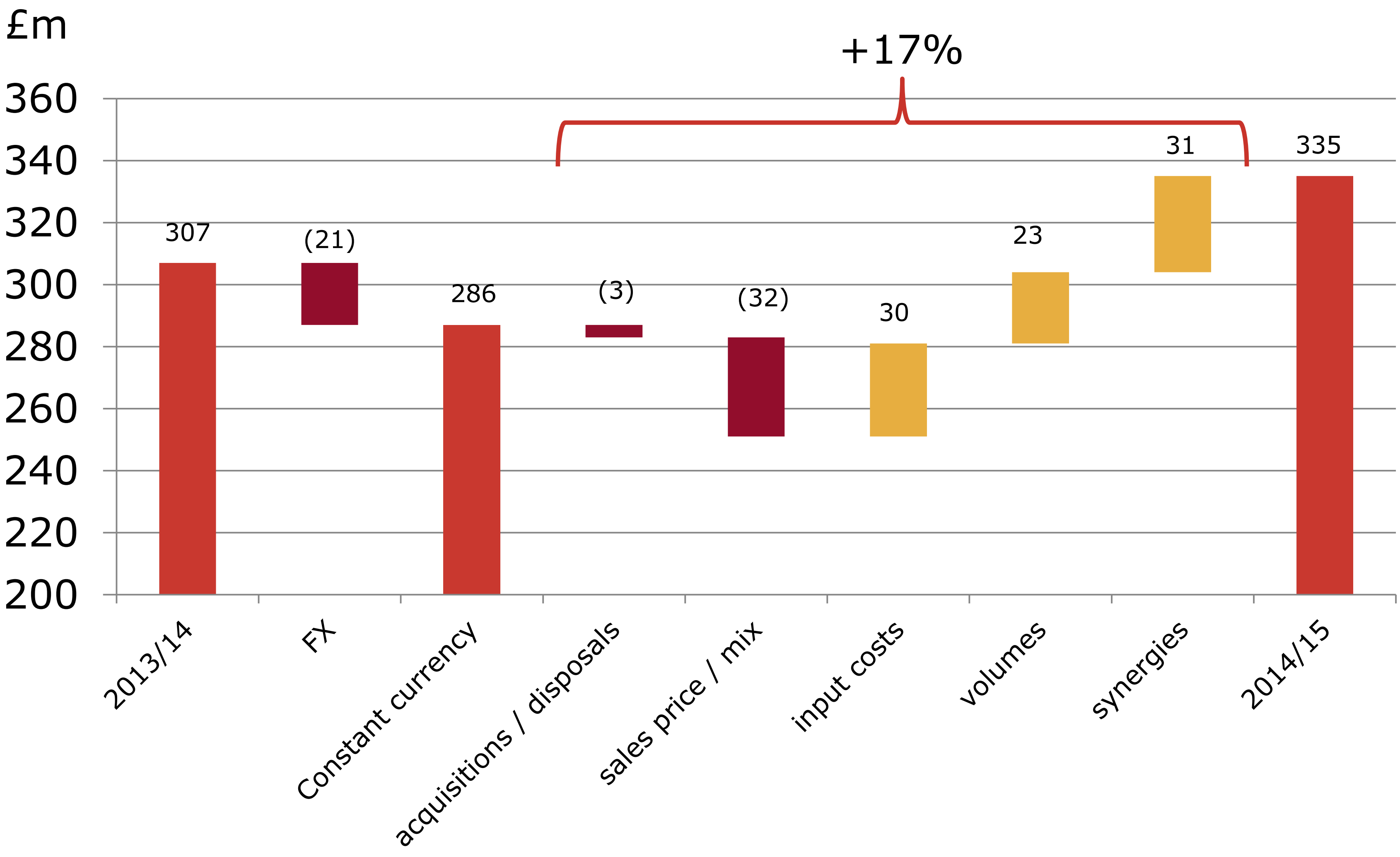
(1) Before amortisation, exceptional items and share of associates
(2) Revenue divided by average capital employed for the year

Underlying growth from strong box volumes



Note: Other volume includes paper, corrugated sheet and recycling

Profit growth driven by volumes and synergies



Continued margin improvements in all regions

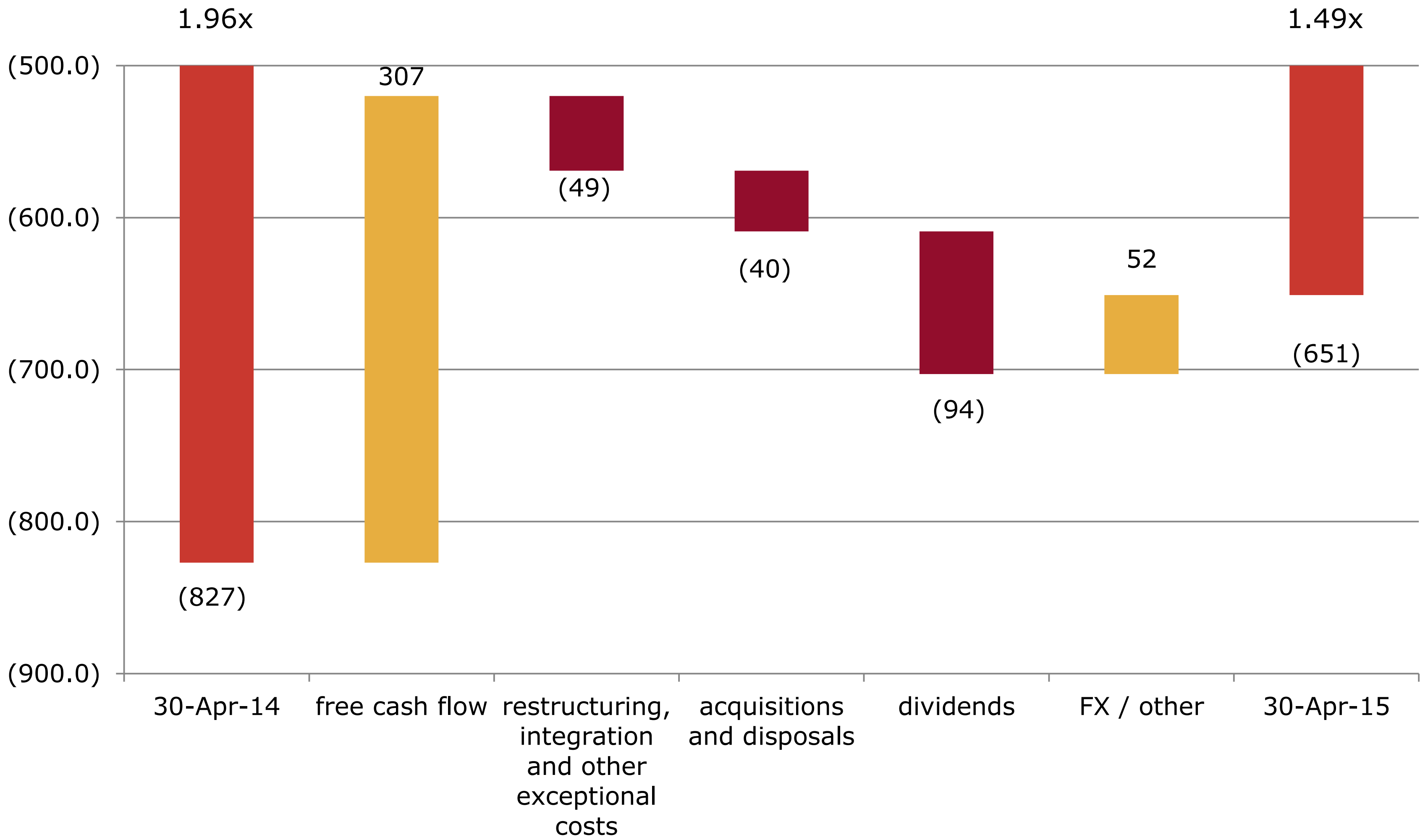
Return on sales	2014/15	2013/14	Change *Constant currency*
UK	9.0%	6.9%	+210bps
Western Europe	6.9%	6.6%	+40bps
DACH & Northern Europe	10.4%	9.3%	+120bps
Central Europe & Italy	8.7%	7.2%	+150bps
Plastics	9.3%	8.4%	+90bps

Substantial improvement in cash flow and working capital

£m	2014/15	2013/14
EBITDA	**452**	**430**
Working capital	101	3
Pension payments/other	(35)	(39)
Capex (net of proceeds)	(149)	(156)
Tax and interest	(62)	(98)
Free cash flow	**307**	**140**
FCF per share	**32.6p**	**15.0p**

	2014/15	2013/14
Average monthly working capital/sales	2.7%	3.4%

Free cash flow driving net debt reduction



Technical guidance

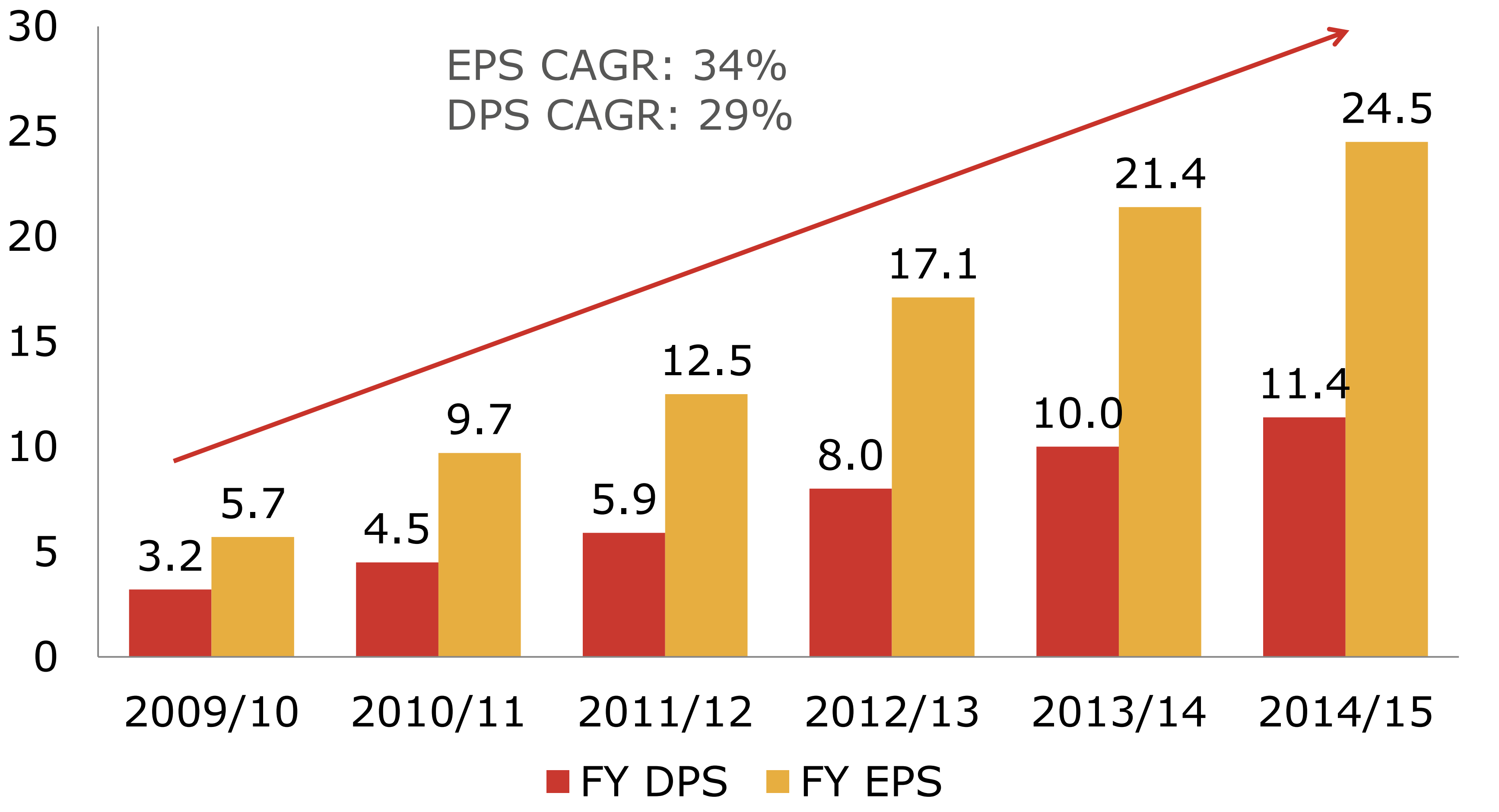
For the financial year 2015/16:

- Capex c. £170m
- Depreciation c. £130m
- Tax rate c. 23%
- Amortisation charge c. £45m
- Interest, inclusive of pension interest c. £50m
- IAS 19 pension interest charge £6m
- Pension deficit reduction cash contribution c. £16m
- Expected exceptional costs 2015/16: c. £40m
  - In addition, exceptional costs on Lantero c. £7m
- FX: €1c move impacts EBITA by c. £1.6m

NB. The above guidance is on the basis of the business, including Duropack, and assuming completion of Lantero during calendar Q3

Sustainable shareholder returns

Pence per share



Chief Executive's review

03

A sustainable model

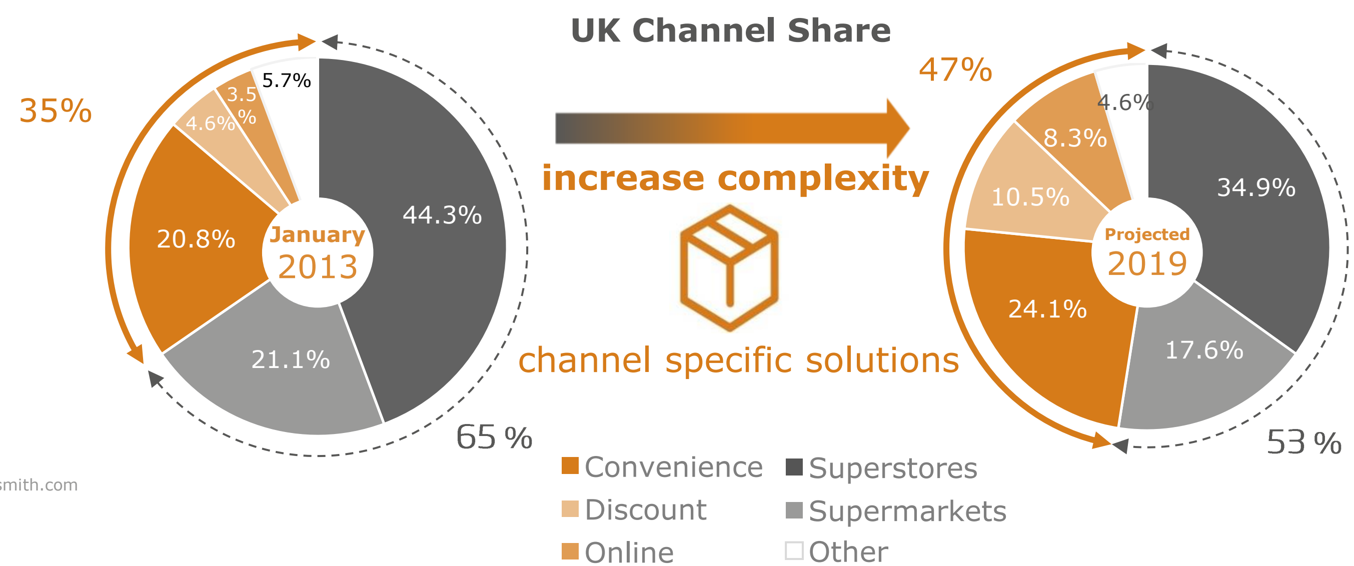
- **Customers**
  - Consistently outperforming the market
  - Expanding our global reach
  - Rolling out our innovation and design capability
- **Employees**
  - 15% reduction in lost-time accidents
  - Award winning share-save scheme
- **Environment**
  - 2% reduction in CO_2(equivalent) emissions, by production
  - On track to deliver our 20% by 2020 commitments
  - Involvement with Alliance 4 Youth in collaboration with Nestle
- **Shareholders**
  - Delivering against all our financial KPIs
  - Raising our margin target range by 100 basis points
  - 34% EPS CAGR 2010 – 2015
  - 29% DPS CAGR 2010 - 2015

Packaging solutions for a changing market

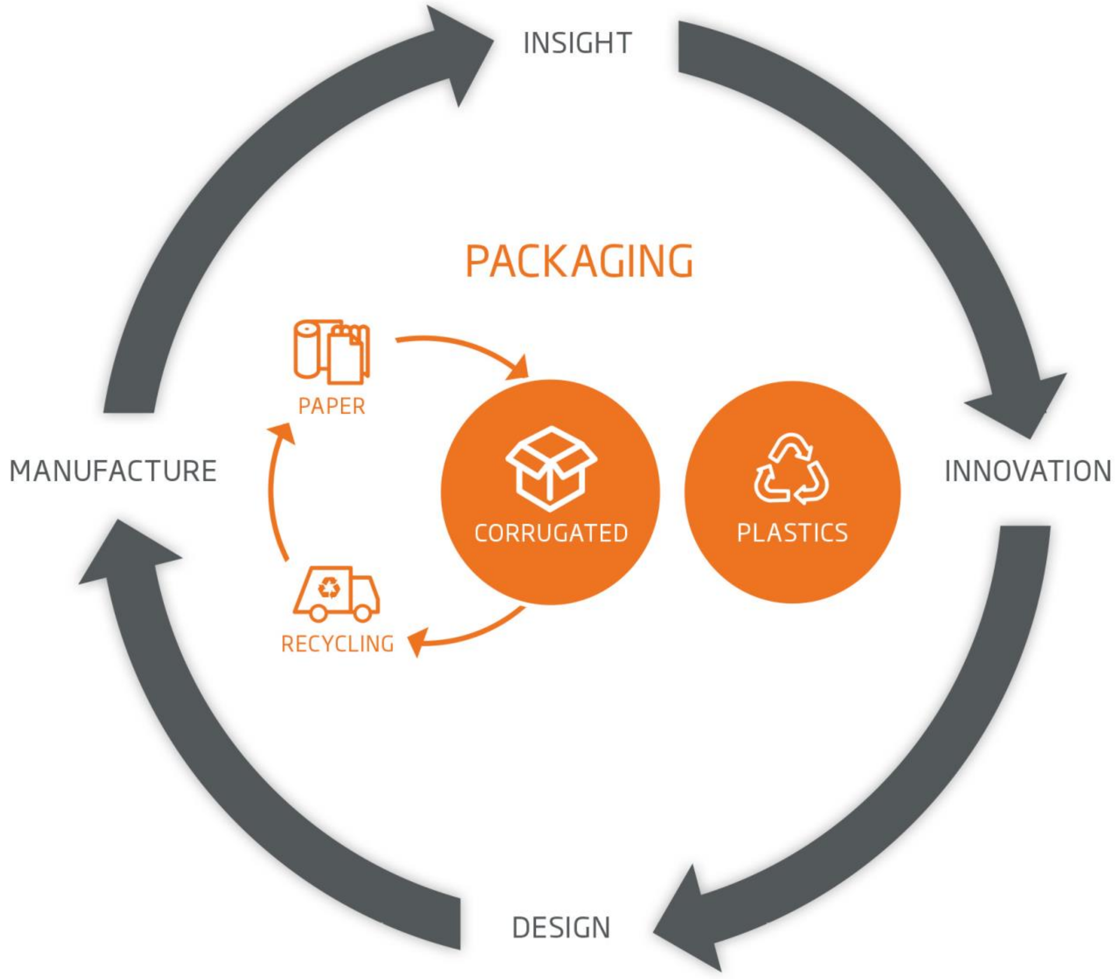
- Last 5 years have seen major changes in the overall consumer market
    - Economic challenges and demographic changes driving changes in behaviour
    - Technology facilitating on-line

- Opportunity to change packaging from commodity driven to value-add

- Further changes anticipated over the coming years
    - Increased consolidation of suppliers
    - Further fragmentation of retail channels
    - More expected from packaging



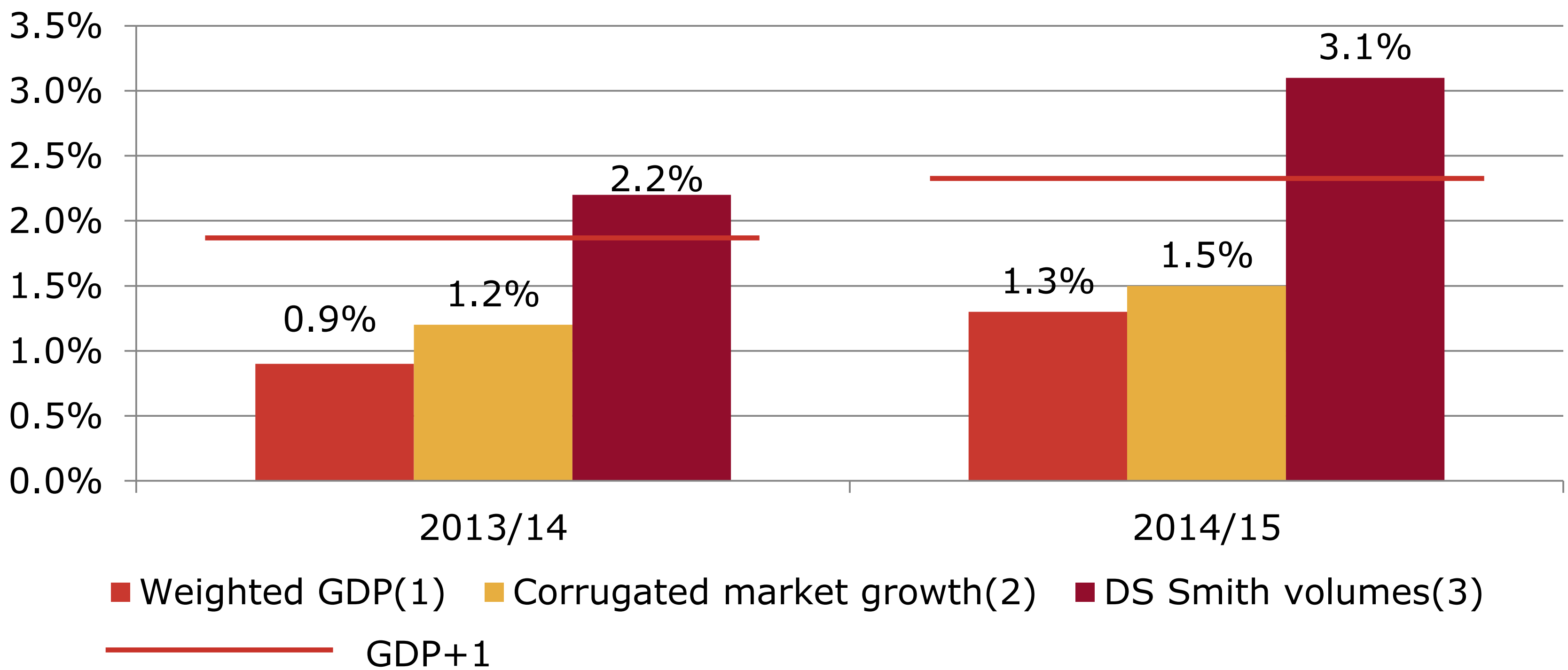
Insight, innovation, design and manufacturing



Ritter Sport – combining our skills

- Very high quality display unit, supporting the brand
- Modular unit that can be built in different sizes to suit retail space available
- Increased automation for stacking of the product and construction of modules

Consistently gaining market share



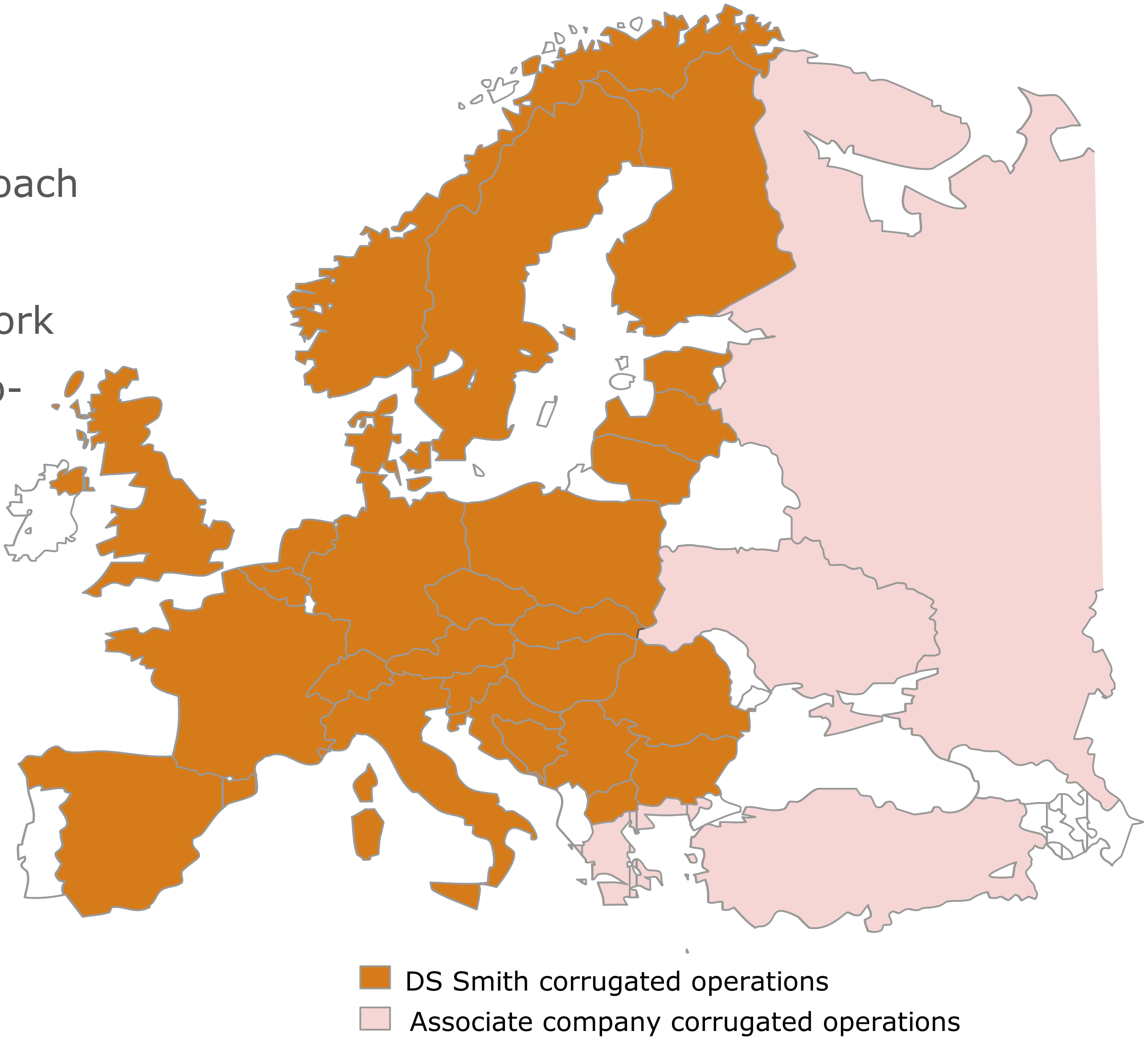
- Consistently out–performing the market, momentum through the year
- Particularly strong in Italy and central Europe

(1) GDP from Eurostat (15 May 2015) average Y-o-Y calendar (May 2014 – April 2015)
(2) FEFCO YTD growth from May 2014 to April 2015, adjusted for working days
(3) DS Smith corrugated box volumes, adjusted for working days

Significantly expanded pan-European capability

2010 - 2015

- Pan-European approach
- Group procurement
- Design centre network
- Strengthened group-wide platform



Customer-driven expansion in Europe in past year

Acquisitions

- Duropack – corrugated packaging
  - Market leader across south eastern Europe
  - Highly complementary geographic fit
  - Compelling financial rationale
  - Access to higher growth market
  - Positive reaction from existing and new customers
- Andopack - corrugated packaging in Spain
  - Entry into 4th largest market in Europe
  - Double-digit volume growth since acquisition
- Italmaceri – 500kt recycling business in Italy
- Kaplast – injection moulded plastic packaging

Disposals

- Scandinavian Foams
- Nantes paper mill
- StePac
  - Modified atmosphere plastic packaging

Proposed acquisition of Lantero corrugated business

Proposed acquisition of high quality corrugated business in Spain

Further significant step in delivery of strategy

Highly complementary fit
- Transforms position in Iberia
- Delivers c.10% market share in Spain
- 4th largest market in Europe
- FMCG focussed business
- Reinforces pan-European position for customers

Attractive financial metrics
- Enterprise value c.€190m, funded from existing debt
- Return on capital greater than our cost of capital during year two
- Consistent with Group’s medium term financial targets

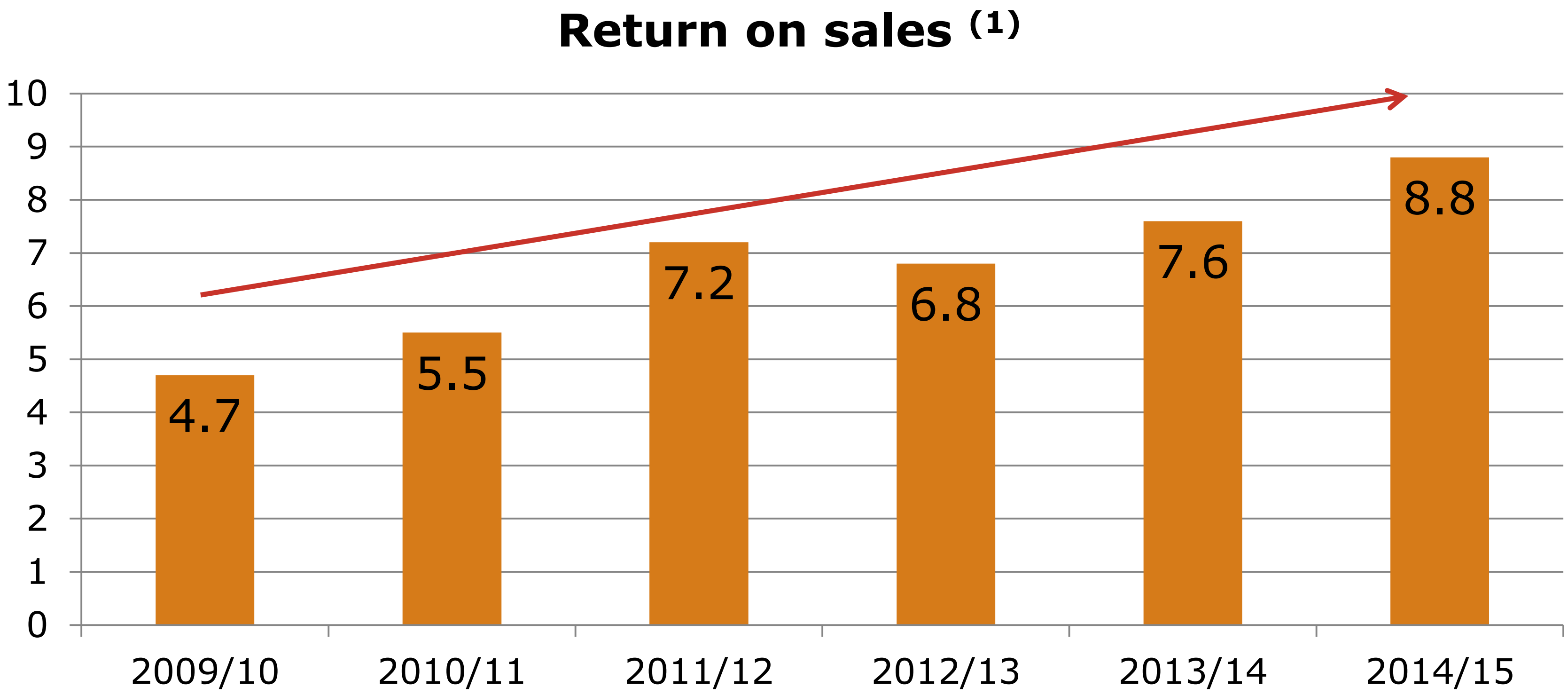
Completion expected in calendar Q3 2015

Supporting customers with global solutions

Increased demand for global solutions

- Licensing IP-protected solutions for more efficient packaging
- Acquired packaging consultancy business
  - Serving global customers in Europe, US and Asia
- Investing in our own global network
  - Increasing our capability in packaging consultancy, design and procurement in the US
  - Integrated with our European innovation network
- Customer driven expansion
  - Positive reaction

Increased margin target reflects quality and scale



- Upgrading medium term margin target by 100 basis points
  - Quality of business
  - Benefit of scale
  - Resilience

(1) Reported RoS, before exceptional items and amortisation

Key messages – building a higher quality business

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- Volume momentum throughout the year
- Substantial growth in profits, returns and dividend, despite FX headwinds
- Active management of business portfolio
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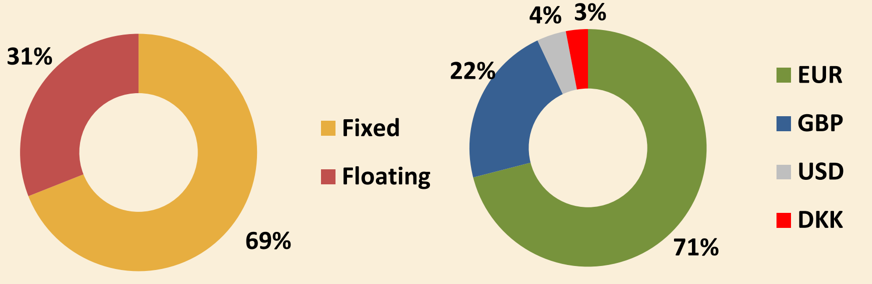
Appendix

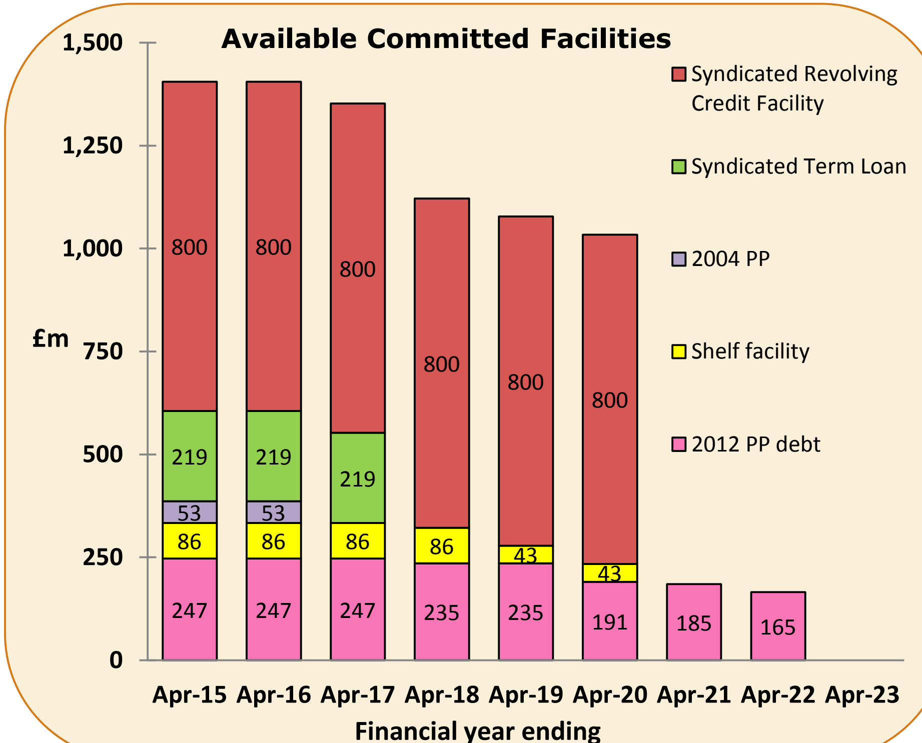
Foreign exchange exposure

2014/15	Revenue (%)	EBITA (%)	Average rate FY 2014/15	Closing rate 30 April 2015
GBP	25%	17%		
EUR	59%	63%	1.2895	1.3676
Polish zloty	3%	4%	5.3814	5.5273
SEK	3%	4%	11.9456	12.7885
DEK	3%	2%	9.6096	10.2120
USD	2%	6%	1.5976	1.5351
Other	5%	4%		

- Note that the difference in the % of GBP at EBITA versus revenue is due to a significant proportion of central costs being in GBP

Debt analysis





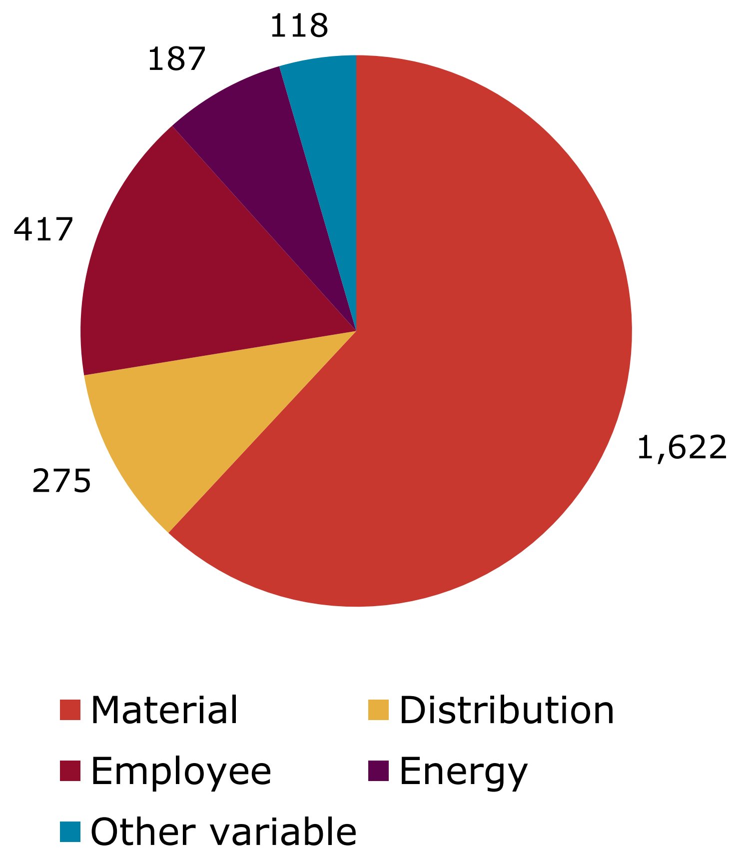
Net Debt	£ 651m
Net Debt/ EBITDA ratio	1.49x
EBITDA/ Net Interest ratio	14.1x

As at 30 April 2015, the weighted average remaining life of the Group's committed borrowing facilities was 4.6 years.

Ratios as defined in the Group's banking agreements.

Cost analysis

Variable costs:
Total £2,619m



Fixed costs:
Total £866m