

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Prospectus or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

This document comprises a prospectus relating to DS Smith and the Rights Issue prepared in accordance with the Prospectus Rules of the FCA made under section 73A of the FSMA. This Prospectus has been approved by the FCA in accordance with section 85 of the FSMA, has been filed with the FCA and has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules. The Company has requested that the FCA provide a certificate of approval and a copy of this document to the relevant competent authorities in Spain. This document can also be obtained on request from the Company's Receiving Agent, Equiniti Limited, or from [www.dssmith.com](http://www.dssmith.com).

Subject to the restrictions set out below, if you sell or transfer, or have sold or transferred, all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 10 July 2018, please send this document, together with any Provisional Allotment Letter, duly renounced, if and when received, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. This document and/or the Provisional Allotment Letter should not, however, be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions), the United States and any of the other Excluded Territories. Please refer to section 7 of Part VII (*Terms of the Rights Issue*) of this document if you propose to send this document and/or the Provisional Allotment Letter outside the United Kingdom. If you sell or have sold or transferred Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the ex-rights date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or transferred part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the ex-rights date, please contact the stockbroker, bank or other agent through whom the sale or transfer was effected immediately. Instructions regarding split applications are set out in Part VII (*Terms of the Rights Issue*) of this document and the Provisional Allotment Letter.

The distribution of this document, any other offering or public material relating to the Rights Issue and/or the Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this document (and/or any accompanying documents) comes should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, this document should not be distributed, forwarded to or transmitted in or into the United States or any of the other Excluded Territories or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdictions. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. In addition, subject to certain exceptions, this document and/or the Provisional Allotment Letter should not be distributed, forwarded to or transmitted in or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law.

The Existing Ordinary Shares have been admitted to the premium listing segment of the Official List, and to trading on the London Stock Exchange's Main Market for listed securities. Application will be made to the UK Listing Authority for the New Ordinary Shares (nil and fully paid) to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's Main Market for listed securities (together, "**Admission**"). It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil and fully paid) will commence on the London Stock Exchange at 8.00 a.m. on 10 July 2018.

The Company and the Directors, whose names appear on page 46 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.



# DS Smith Plc

(a public company incorporated in England and Wales with registered number 01377658)

**Rights Issue of 293,064,829 New Ordinary Shares at 350 pence each**

**Citi**  
(Joint Underwriter)

**Goldman Sachs International**  
(Lead Financial Adviser and  
Joint Underwriter)

**J.P Morgan Cazenove**  
(Financial Adviser, Sponsor and  
Joint Underwriter)

**The whole of the text of this Prospectus should be read in its entirety. Your attention is drawn to Part II (Risk Factors) of this Prospectus which sets out certain risks and other factors relating to the Enlarged Group's business, the Proposed Offer, the Rights Issue and the New Ordinary Shares which should be taken into account when considering whether to take up rights under the Rights Issue.**

Citi, Goldman Sachs and JPM, each of which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, are acting solely for the Company and no one else in connection with this Prospectus, the Proposed Offer and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Citi, Goldman Sachs and JPM, respectively, nor for providing advice in relation to this Prospectus, the Proposed Offer and Admission. None of Citi, Goldman Sachs or JPM, or any of their respective subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Citi, Goldman Sachs or JPM, respectively, in connection with this Prospectus, the Proposed Offer, Admission, the contents of this Prospectus or any other transaction, arrangement or other matter referred to in this Prospectus.

Save for the responsibilities and liabilities, if any, of Citi, Goldman Sachs and/or JPM under FSMA or the regulatory regime established under FSMA, none of Citi, Goldman Sachs or JPM or any of their respective affiliates, directors, officers, employees and advisers assumes any responsibility whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this Prospectus, including its accuracy, completeness, verification, fairness or sufficiency or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights, or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by Citi, Goldman Sachs and/or JPM, or on their behalf, and nothing contained in this Prospectus is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with the Company or the Proposed Offer. Each of Citi, Goldman Sachs and JPM and each of their respective affiliates disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement.

The Rights Issue has been fully underwritten by the Joint Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Joint Underwriters' obligations under the Underwriting Agreement are conditional upon certain matters being satisfied or not breached prior to Admission. If these conditions are not satisfied or (where permitted) waived by Admission, the Underwriting Agreement will terminate. After Admission, the Joint Underwriters have no right to unilaterally terminate the Underwriting Agreement.

In connection with the Rights Issue, each of the Joint Underwriters and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any related or other securities and may engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights and New Ordinary Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to any of the Joint Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Joint Underwriters or their affiliates may enter into financing arrangements with investors in connection with which such Joint Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. Except as required by applicable law or regulation, the Joint Underwriters do not propose to make any public disclosure in relation to such transactions.

#### **Information to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of investors who meet the criteria of retail and professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights may decline and investors could lose all or part of their investment, the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluation the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Underwriters will only procure investors who meet the selling restrictions as set out in the Underwriting Agreement.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights and determining appropriate distribution channels.

#### **Notice to overseas Shareholders**

The distribution of this Prospectus and any accompanying documents (including any Provisional Allotment Letter if and when received) and the transfer of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this Prospectus and any other accompanying documents comes should inform themselves about, and observe, any such restrictions, including those in the paragraphs that follow. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, subject to certain exceptions, this Prospectus should not be distributed, forwarded, transmitted or published in or into the United States or any other Restricted Territory. Failure to comply with these restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. Except in the United Kingdom, no action has been taken or will be taken in any jurisdiction that would permit possession or distribution of this Prospectus in any country or jurisdiction where action for that purpose is required. Accordingly, this Prospectus may not be distributed or published in any Restricted Territory or any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter and the New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Restricted Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Restricted Territories except pursuant to an applicable exemption from registration or qualification requirements. This Prospectus is not and does not constitute or form part of any invitation or offer to sell or issue, or any solicitation of any offer to buy or subscribe for Nil Paid Rights, the Fully Paid Rights and New Ordinary Shares or any other securities in any jurisdiction.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter and the New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States and offers in the United States are being made only to a limited number of Qualified Institutional Buyers as defined in Rule 144A under the Securities Act ("QIBs").

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Joint Underwriters may arrange for the offer in the United States of New Ordinary Shares not taken up in the Rights Issue only to persons reasonably believed to be QIBs, in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act provided by Rule 144A thereunder.

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

#### **Offering restrictions relating to Canada**

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be offered pursuant to a prospectus filed with the securities commissions or similar regulatory authorities in Canada and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered in Canada except pursuant to an exemption from, or in a transaction not subject to, the prospectus filing requirements of Canadian securities legislation. There will be no public offering in Canada. Further, the Company is not relying on the exemption from the prospectus filing requirement in section 2.1.2 of National Instrument 45-106 *Prospectus Exemptions (Rights offering – issuer with a minimal connection to Canada)*.

Subject to certain limited exceptions, any person who acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in Canada.

**Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by a person with a registered address in, or who is resident in, a province of Canada who is notified in writing by the Company or a Joint Underwriter that it is entitled to participate in the Rights Issue.** Any such person must be an accredited investor, as defined in National Instrument 45-106 *Prospectus Exemptions ("NI 45-106")* or subsection 73.3(1) of the *Securities Act* (Ontario), and a permitted client, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. In order for the Company to be able to satisfy its reporting obligations under NI 45-106, any such person who wishes to acquire New Ordinary Shares by exercising Nil Paid Rights or applying for Fully Paid Rights must inform the Company of the number of such rights or the number of New Ordinary Shares being acquired in the Rights Issue, together with its address and telephone number.

**Notwithstanding the foregoing, New Ordinary Shares may be offered and sold by the Joint Underwriters (or their respective affiliates) to a person in a province of Canada purchasing, or deemed to be purchasing, as principal that is an accredited investor and permitted client, defined as above.**

By acquiring New Ordinary Shares in the Rights Issue or from a Joint Underwriter, a person with a registered address in, or who is resident in, a province of Canada will be deemed to have represented that it is an accredited investor and permitted client, defined as above.

Any sale or resale of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

**The offering restrictions relating to Canada set forth above do not apply to a person outside Canada who acts on behalf of a fully managed account of a client in Canada and is authorized to so act under the legislation of a non-Canadian jurisdiction.**

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Joint Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of New Ordinary Shares.

#### **Notice to all investors**

Any reproduction or distribution of this Prospectus in whole or in part, and any disclosure of its contents or use of any information in this Prospectus for any purpose other than considering an investment in the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters is prohibited, except to the extent such information is available publicly. By accepting delivery of, or accessing, this Prospectus, each offeree of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares agrees to the foregoing.

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

The contents of this document are not to be construed as legal, business, financial or tax advice. None of the Company, the Joint Underwriters nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice in connection with the purchase of the New Ordinary Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

Investors also acknowledge that: (i) they have not relied on any of the Joint Underwriters (or any of their respective affiliates) in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this document in making their relevant decision; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or Nil Paid Rights, Fully Paid Rights or New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Joint Underwriters (or any of their respective affiliates).

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this document nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time after this date.

This Prospectus is dated 19 June 2018.

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## PART I

### SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Section A – E (A.1 – E.7).

The summary contains all the Elements required to be included in a summary for this type of issuer and securities. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of issuer and securities, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

<b>Section A – Introduction and warnings</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>A.1</b>	Warning	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
<b>A.2</b>	Any consents to and conditions regarding use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to use this Prospectus for subsequent sale or final placement of securities by financial intermediaries.

<b>Section B – Issuer</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>B.1</b>	Legal and commercial name	DS Smith Plc ( <b>DS Smith</b> or the <b>Company</b> and, together with its subsidiaries, <b>DS Smith Group</b> or the <b>Group</b> ).
<b>B.2</b>	Domicile and legal form, legislation and country of incorporation	DS Smith was incorporated and registered in England and Wales on 7 July 1978 under the Companies Acts 1948 to 1976 as a private company limited by shares with the name David S. Smith (Packaging) Limited and registered number 01377658. Its name was changed to David S. Smith (Holdings) Limited on 11 August 1978. On 28 June 1982, the Company re-registered as a public company limited by shares with the name David S. Smith (Holdings) Public Limited Company. Its name was subsequently changed to DS Smith Plc on 17 September 2001.  DS Smith's registered and head office is at 350 Euston Road, London NW1 3AX.
<b>B.3</b>	Current operations and principal activities	<i>DS Smith</i> DS Smith is a leading, vertically integrated international supplier of corrugated packaging for consumer goods through its recycling, packaging, paper and plastics operations. As at 30 April 2018, DS Smith employed approximately 28,500 people across its approximately 200 manufacturing locations and 42 Impact and PackRight Centres, in 37 countries. DS Smith operates six core

		<p>divisions: UK, Western Europe, DCH and Northern Europe, Central Europe and Italy, North American Paper and Packaging and Plastics. For the 2018 Financial Year, the Group's customer base for its corrugated box products was made up of approximately 68 per cent. FMCG and food, with no customer accounting for more than three per cent. of Group revenues.</p> <p><i>Europac</i></p> <p>Founded in 1995, Europac is a leading Western European, integrated packaging business. Europac's core business is the manufacture and sale of paper and corrugated board for packaging, and the manufacture of corrugated board packaging. The Europac Group has its headquarters in Spain alongside four paper mills and 14 packaging sites, and five waste management sites across Spain, Portugal and France.</p>
<p><b>B.4a</b></p>	<p>Significant recent trends affecting DS Smith and the industries in which it operates</p>	<p><i>The DS Smith Group</i></p> <p>Packaging is integral to the efficient supply chains of the DS Smith Group's customers. Those customers are responding to changes in the consumer environment, which means that those supply chains, and the packaging used, needs to be designed to work optimally at every stage of the new supply chain, from the point that the product is packaged, to when it is in the customers' hands.</p> <p>The main trends affecting the business are those of pressure from customers for more efficient supply chains, changes in the retail environment, changes to the dominance of brands and pressure for reduced packaging.</p> <p>Customers, such as large brand owners, are focusing on their end consumer and seeking fewer, long term supply partners to drive efficiencies in their supply chains, for example, optimising how packaging interacts with the filling and logistics processes. This is important as it then drives their own cost saving requirements. The impact is that packaging businesses need to be able to work within complex supply chains to evaluate the most efficient packaging required and to manufacture consistently and to a high standard to achieve that. This is driving the rise of larger multinational firms such as the DS Smith Group.</p> <p>In retail, there is high growth in e-commerce, while traditional retail must respond to large format stores being in decline and discount and convenience stores rising. The impact is that packaging is starting to become designed for e-commerce fulfilment at the outset, including being suitable for all elements of the supply chain and presentation to consumers as the packaging that is delivered to the home. Packaging also needs to be adaptable to different store formats and there is increased importance of the quality of product presentation in the retail environment, which requires higher quality packaging. The quality of the product presentation, including how it is displayed in its secondary packaging, is of increased relevance as marketing budgets move from traditional mass marketing to in-store displays and promotions.</p> <p>Large brands, while clearly still significant, are being challenged by micro-brands, for example those sold direct to customers on subscription. This challenge means greater competition for the consumer. This is driving an increased focus on packaging, which can potentially help to differentiate brands, large and small, offer personalisation or provide links to information about the product, both enhancing the product and providing details about its provenance.</p> <p>Social and political campaigns mean that packaging in general is still widely perceived as a problem, for example overpackaging, voids in e-commerce, and unrecyclable materials that are badged as recyclable, for example disposable take-away coffee cups.</p> <p>These trends represent a significant opportunity for the DS Smith Group as its customers are focused on packaging that is better designed to minimise void space and deliver value across the whole supply chain, including in a variety of retail settings and through packaging that communicates the brand. A higher value is attributed to recycled and recyclable packaging, such as corrugated packaging, so long as this can be demonstrated and communicated to end customers.</p> <p><i>The Europac Group</i></p> <p>If the Acquisition is completed, the Enlarged Group will pursue the significant packaging opportunity which the Board sees within the Europac customer base to drive sales by leveraging DS Smith's insight into lightweight, fibre-based packaging (and in particular in a retail-ready and e-commerce setting).</p>

<b>B.5</b>	Group structure	DS Smith is the parent company of the DS Smith Group. Following Completion, DS Smith will be the parent company of the Enlarged Group.																											
<b>B.6</b>	Major interests	<p>As at the Latest Practicable Date, in so far as it is known to the Company by virtue of the notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise, the name of each person, other than a Director, who, directly or indirectly, is interested in voting rights representing three per cent. or more of the total voting rights in respect of the Company's issued share capital, and the amount of such person's holding, was as follows:</p> <table data-bbox="566 443 1394 884"> <thead> <tr> <th data-bbox="566 611 707 638"><i>Shareholders</i></th> <th data-bbox="1134 555 1249 638"><i>Number of Ordinary Shares</i></th> <th data-bbox="1177 443 1394 638"><i>At the Latest Practicable Date Approximate percentage of issued share capital</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="566 656 730 683">BlackRock, Inc.</td> <td data-bbox="1126 656 1249 683">76,566,473</td> <td data-bbox="1342 656 1394 683">7.13</td> </tr> <tr> <td data-bbox="566 685 660 712">Aviva plc</td> <td data-bbox="1126 685 1249 712">74,169,049</td> <td data-bbox="1342 685 1394 712">6.90</td> </tr> <tr> <td data-bbox="566 714 922 741">Standard Life Investments Limited</td> <td data-bbox="1126 714 1249 741">61,676,725</td> <td data-bbox="1342 714 1394 741">5.73</td> </tr> <tr> <td data-bbox="566 743 970 770">Ameriprise Financial, Inc. and its group</td> <td data-bbox="1126 743 1249 770">61,705,042</td> <td data-bbox="1342 743 1394 770">5.74</td> </tr> <tr> <td data-bbox="566 772 751 799">Merpas Co SARL</td> <td data-bbox="1126 772 1249 799">52,474,156</td> <td data-bbox="1342 772 1394 799">4.88</td> </tr> <tr> <td data-bbox="566 801 970 828">Norges Bank Investment Management</td> <td data-bbox="1126 801 1249 828">49,528,475</td> <td data-bbox="1342 801 1394 828">4.61</td> </tr> <tr> <td data-bbox="566 831 719 857">Old Mutual plc</td> <td data-bbox="1126 831 1249 857">40,259,254</td> <td data-bbox="1342 831 1394 857">3.75</td> </tr> <tr> <td data-bbox="566 860 963 887">Royal London Asset Management Ltd</td> <td data-bbox="1126 860 1249 887">36,431,235</td> <td data-bbox="1342 860 1394 887">3.39</td> </tr> </tbody> </table> <p data-bbox="566 909 632 936">Notes:</p> <p data-bbox="566 943 1394 994">(1) On the basis that the entire share capital of the Company as at the Latest Practicable Date was 1,074,571,043.</p> <p data-bbox="566 1010 1394 1149">Save as disclosed above, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) by persons which will represent three per cent. or more of the total voting rights in respect of the issued ordinary share capital of the Company as at the Latest Practicable Date.</p> <p data-bbox="566 1164 1394 1303">Insofar as is known to the Company, the Company is not, as at the Latest Practicable Date, directly or indirectly owned or controlled by another corporate, any foreign government or any other natural or legal person, severally or jointly. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.</p> <p data-bbox="566 1319 1353 1346">All Ordinary Shares (other than treasury shares) have the same voting rights.</p>	<i>Shareholders</i>	<i>Number of Ordinary Shares</i>	<i>At the Latest Practicable Date Approximate percentage of issued share capital</i>	BlackRock, Inc.	76,566,473	7.13	Aviva plc	74,169,049	6.90	Standard Life Investments Limited	61,676,725	5.73	Ameriprise Financial, Inc. and its group	61,705,042	5.74	Merpas Co SARL	52,474,156	4.88	Norges Bank Investment Management	49,528,475	4.61	Old Mutual plc	40,259,254	3.75	Royal London Asset Management Ltd	36,431,235	3.39
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<b>B.7</b>	Historical key financial information for the Company and significant change	The selected financial information set out below has been extracted without material adjustment from the financial statements contained in the 2016 Financial Statements, the 2017 Financial Statements and the 2018 Financial Statements, which have been prepared in accordance with IFRS.		
		<i>2018</i>	<i>2017</i>	<i>2016</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>
		<b>Continuing operations</b>		
		<b>Revenue</b>	5,765	4,781
		Operating costs <sup>(1)</sup>	(5,235)	(4,338)
		<b>Adjusted operating profit<sup>(1)(2)</sup></b>	<u>530</u>	<u>443</u>
		Adjusting items	(47)	(57)
		<b>Operating profit before amortisation, acquisitions and disposals</b>	<u>483</u>	<u>386</u>
		Amortisation of intangible assets; acquisitions and disposals <sup>(3)</sup>	(122)	(70)
		<b>Operating profit</b>	<u>361</u>	<u>316</u>
		Finance income	2	1
		Finance costs	(72)	(51)
		Employment benefit net finance expense	(4)	(5)
		<b>Net financing costs</b>	<u>(74)</u>	<u>(55)</u>
		<b>Profit after financing costs</b>	<u>287</u>	<u>261</u>
		Share of profit of equity-accounted investments, net of tax	5	3
		<b>Profit before income tax</b>	<u>292</u>	<u>264</u>
		Income tax expense	(33)	(56)
		<b>Profit for the year</b>	<u><u>259</u></u>	<u><u>208</u></u>
			<u><u>167</u></u>	
		<p>(1) Reflects the DS Smith Group's operating costs and operating profit before adjusting items from the Consolidated Income Statements, which have been adjusted for adjusting costs of £47 million, primarily related to integration, restructuring and other costs, for the 2018 Financial Year, of £57 million, primarily related to restructuring and integration costs, for the 2017 Financial Year, and for adjusting costs of £92 million, primarily related to restructuring costs, for the 2016 Financial Year.</p> <p>(2) Calculated before amortisation of intangible assets, acquisitions and disposals.</p> <p>(3) Reflects the DS Smith Group's amortisation from the Consolidated Income Statements, in addition to costs of £29 million related to acquisitions and divestments for the 2018 Financial Year, costs of £5 million related to acquisitions and divestments for the 2017 Financial Year and gains of £14 million related to acquisitions for the 2016 Financial Year.</p>		



Consolidated Statement of Financial Position for the years ended 30 April 2018, 2017 and 2016

	2018 £m	2017 £m	2016 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	2,043	1,178	1,089
Biological assets	3	–	–
Property, plant and equipment	2,396	1,866	1,678
Equity accounted investment	24	9	4
Other investments	11	3	3
Deferred tax assets	64	79	58
Other receivables	7	3	3
Derivative financial instruments	15	19	17
<b>Total non-current assets</b>	<u>4,563</u>	<u>3,157</u>	<u>2,852</u>
<b>Current assets</b>			
Inventories	543	406	338
Biological assets	4	–	–
Income tax receivable	15	10	11
Trade and other receivables	863	766	696
Cash and cash equivalents	297	139	134
Derivative financial instruments	44	13	40
Assets held for sale	–	2	7
<b>Total current assets</b>	<u>1,766</u>	<u>1,336</u>	<u>1,226</u>
<b>Total assets</b>	<u>6,329</u>	<u>4,493</u>	<u>4,078</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	(1,811)	(1,144)	(1,073)
Employee benefits	(106)	(181)	(188)
Other payables	(14)	(14)	(8)
Provisions	(4)	(5)	(5)
Deferred tax liabilities	(195)	(133)	(141)
Derivative financial instruments	(35)	(11)	(9)
<b>Total non-current liabilities</b>	<u>(2,165)</u>	<u>(1,488)</u>	<u>(1,424)</u>
<b>Current liabilities</b>			
Bank overdrafts	(29)	(16)	(19)
Borrowings	(162)	(119)	(185)
Trade and other payables	(1,705)	(1,358)	(1,118)
Income tax liabilities	(118)	(120)	(109)
Provisions	(16)	(24)	(36)
Derivative financial instruments	(24)	(13)	(47)
<b>Total current liabilities</b>	<u>(2,054)</u>	<u>(1,650)</u>	<u>(1,514)</u>
<b>Total liabilities</b>	<u>(4,219)</u>	<u>(3,138)</u>	<u>(2,938)</u>
<b>Net assets</b>	<u>2,110</u>	<u>1,355</u>	<u>1,140</u>

Certain significant changes to the DS Smith Group's financial condition and operating results occurred during the years ended 30 April 2016, 2017 and 2018. These changes are set out below.

The DS Smith Group generated revenue of £5,765 million in the 2018 Financial Year, a 21 per cent. year-on-year increase compared to revenue of £4,781 million in the 2017 Financial Year. The increase primarily resulted from the acquisition of 80 percent of Interstate Resources Inc., 100 per cent. of EcoPack and EcoPaper and smaller acquisitions during the 2018 Financial Year, and organic growth. The DS Smith Group generated revenue of £4,781 million in the 2017 Financial Year, an 18 per cent. year-on-year increase compared to revenue of £4,066 million in the 2016 Financial Year, reflecting organic growth and the acquisitions of Creo, Deku-Pack, Gopaca, P&I Display and Parish during the 2017 Financial Year.

The DS Smith Group generated adjusted operating profit of £530 million in the 2018 Financial Year, a 20 per cent. year-on-year increase compared to adjusted operating profit of £443 million in the 2017 Financial Year. The increase reflects organic growth, the acquisitions in the 2018 Financial Year as noted above, and the focus on driving additional value from the acquisitions through efficiencies and economies of scale, in particular in the area of procurement. The DS Smith

		<p>Group generated adjusted operating profit of £443 million in the 2017 Financial Year, a 17 per cent. year-on-year increase compared to adjusted operating profit of £379 million in the 2016 Financial Year, reflecting organic growth, in the 2017 Financial Year as noted above and a positive currency impact.</p> <p>Other than those matters set out above there has been no significant change in the financial condition and operating results of the DS Smith Group during or after the period covered by the historical key financial information on the DS Smith Group set out in this section.</p>																																																																																																												
<b>B.8</b>	Key pro forma financial information	<p>Selected key unaudited pro forma financial information illustrating the effect of the Acquisition on the income statement of the DS Smith Group for the 2018 financial year as if the Acquisition had taken place on 1 May 2017 and the effect on the net assets of the DS Smith Group as if the Acquisition had taken place on 30 April 2018 is set out below. The key unaudited pro forma income statement also shows the impact of DS Smith's acquisition of 80 per cent. of Interstate Resources Inc. as if it had taken place on 1 May 2017, instead of 25 August 2017.</p> <p>The unaudited pro forma financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the Enlarged Group's actual financial position or results. The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Annex II of the Prospectus Directive Regulation.</p> <p>The unaudited financial information does not take into account trading of the DS Smith Group subsequent to 30 April 2018, or of the Europac Group subsequent to 31 December 2017.</p> <p><i>Unaudited pro forma income statement</i></p> <table border="1"> <thead> <tr> <th></th> <th colspan="4"><i>Adjustments</i></th> <th><i>Unaudited pro forma of the Enlarged Group for the year ended 30 April 2018</i></th> </tr> <tr> <th></th> <th><i>DS Smith for the year ended 30 April 2018 (Note 1)</i></th> <th><i>Interstate for the four months ended 31 August 2017 (Note 2)</i></th> <th><i>Europac Group for the year ended 31 December 2017 (Note 3)</i></th> <th><i>Acquisition Adjustments (Note 4)</i></th> <th><i>30 April 2018</i></th> </tr> <tr> <th></th> <th><i>£m</i></th> <th><i>£m</i></th> <th><i>£m</i></th> <th><i>£m</i></th> <th><i>£m</i></th> </tr> </thead> <tbody> <tr> <td><i>Continuing operations</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Revenue</b></td> <td>5,765</td> <td>191</td> <td>761</td> <td>–</td> <td>6,717</td> </tr> <tr> <td>Operating costs</td> <td>(5,282)</td> <td>(164)</td> <td>(663)</td> <td>(19)</td> <td>(6,128)</td> </tr> <tr> <td><b>Operating profit before amortisation, acquisitions and disposals</b></td> <td><u>483</u></td> <td><u>27</u></td> <td><u>98</u></td> <td><u>(19)</u></td> <td><u>589</u></td> </tr> <tr> <td>Amortisation of intangible assets; acquisitions and disposals</td> <td>(122)</td> <td>(1)</td> <td>(1)</td> <td>(9)</td> <td>(133)</td> </tr> <tr> <td><b>Operating profit</b></td> <td><u>361</u></td> <td><u>26</u></td> <td><u>97</u></td> <td><u>(28)</u></td> <td><u>456</u></td> </tr> <tr> <td>Finance income</td> <td>2</td> <td>6</td> <td>1</td> <td>–</td> <td>9</td> </tr> <tr> <td>Finance costs</td> <td>(72)</td> <td>(6)</td> <td>(8)</td> <td>(7)</td> <td>(93)</td> </tr> <tr> <td>Employment benefit net finance expense</td> <td>(4)</td> <td>–</td> <td>(1)</td> <td>–</td> <td>(5)</td> </tr> <tr> <td><b>Net financing costs</b></td> <td><u>(74)</u></td> <td><u>–</u></td> <td><u>(8)</u></td> <td><u>(7)</u></td> <td><u>(89)</u></td> </tr> <tr> <td><b>Profit after financing costs</b></td> <td><u>287</u></td> <td><u>26</u></td> <td><u>89</u></td> <td><u>(35)</u></td> <td><u>367</u></td> </tr> <tr> <td>Share of profit of equity-accounted investments, net of tax</td> <td>5</td> <td>–</td> <td>–</td> <td>–</td> <td>5</td> </tr> <tr> <td><b>Profit before income tax</b></td> <td><u>292</u></td> <td><u>26</u></td> <td><u>89</u></td> <td><u>(35)</u></td> <td><u>372</u></td> </tr> <tr> <td>Income tax (expense)/ credit</td> <td>(33)</td> <td>(10)</td> <td>(20)</td> <td>6</td> <td>(57)</td> </tr> <tr> <td><b>Profit for the year</b></td> <td><u>259</u></td> <td><u>16</u></td> <td><u>69</u></td> <td><u>(29)</u></td> <td><u>315</u></td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) The financial information of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which are incorporated by</p>		<i>Adjustments</i>				<i>Unaudited pro forma of the Enlarged Group for the year ended 30 April 2018</i>		<i>DS Smith for the year ended 30 April 2018 (Note 1)</i>	<i>Interstate for the four months ended 31 August 2017 (Note 2)</i>	<i>Europac Group for the year ended 31 December 2017 (Note 3)</i>	<i>Acquisition Adjustments (Note 4)</i>	<i>30 April 2018</i>		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>Continuing operations</i>						<b>Revenue</b>	5,765	191	761	–	6,717	Operating costs	(5,282)	(164)	(663)	(19)	(6,128)	<b>Operating profit before amortisation, acquisitions and disposals</b>	<u>483</u>	<u>27</u>	<u>98</u>	<u>(19)</u>	<u>589</u>	Amortisation of intangible assets; acquisitions and disposals	(122)	(1)	(1)	(9)	(133)	<b>Operating profit</b>	<u>361</u>	<u>26</u>	<u>97</u>	<u>(28)</u>	<u>456</u>	Finance income	2	6	1	–	9	Finance costs	(72)	(6)	(8)	(7)	(93)	Employment benefit net finance expense	(4)	–	(1)	–	(5)	<b>Net financing costs</b>	<u>(74)</u>	<u>–</u>	<u>(8)</u>	<u>(7)</u>	<u>(89)</u>	<b>Profit after financing costs</b>	<u>287</u>	<u>26</u>	<u>89</u>	<u>(35)</u>	<u>367</u>	Share of profit of equity-accounted investments, net of tax	5	–	–	–	5	<b>Profit before income tax</b>	<u>292</u>	<u>26</u>	<u>89</u>	<u>(35)</u>	<u>372</u>	Income tax (expense)/ credit	(33)	(10)	(20)	6	(57)	<b>Profit for the year</b>	<u>259</u>	<u>16</u>	<u>69</u>	<u>(29)</u>	<u>315</u>
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Income tax (expense)/ credit	(33)	(10)	(20)	6	(57)																																																																																																									
<b>Profit for the year</b>	<u>259</u>	<u>16</u>	<u>69</u>	<u>(29)</u>	<u>315</u>																																																																																																									

		<p>reference in this document. The financial information is inclusive of amounts which are disclosed in the 2018 Annual Report and Accounts as adjusting.</p> <p>(2) The Interstate financial information has been extracted, without material adjustment, from the unaudited pre-acquisition financial information migrated from the Interstate Resources Inc. financial reporting systems and converted into pounds sterling using the average exchange rate for the period of \$1:£0.7740.</p> <p>(3) The financial information of the Europac Group has been extracted, without material adjustment, from the audited consolidated income statement included within the consolidated financial statements of Europac for the year ended 31 December 2017, which is set out in Part XIV (<i>Historical Financial Information Relating to the Europac Group</i>) of this Prospectus and converted into pounds sterling using the average exchange rate for the year ended 31 December 2017 of €1:£0.8758. This information has been adjusted to conform to the presentation adopted by the DS Smith Group. The presentational adjustments made were as follows:</p> <p>(a) Amortisation of £1 million was reclassified from Depreciation and Amortisation to Amortisation of intangible assets; acquisitions and disposals to reflect amortisation expense in the line item Amortisation of intangible assets, acquisitions and disposals, as presented by DS Smith.</p> <p>(b) Employment benefit net finance expense of £1 million was reclassified from Employee benefits expense to reflect DS Smith's presentation of employment benefit finance expense costs as a separate line item.</p> <p>(4) This adjustment includes:</p> <p>(a) The estimated one-off transaction expenses of £19 million which are required by IFRS 3 to be charged to the income statement. One-off transaction costs of £23m relating to the Rights Issue have been netted against equity as required by IAS 32.</p> <p>(b) An additional £9 million has been recognised in amortisation in order to reflect the pro-rata increase in amortisation of acquired intangibles as a result of the Interstate acquisition.</p> <p>(c) A charge of £1 million has been recognised in "Finance costs" to reflect the estimated annual interest charges calculated under the effective interest method and payable under the additional amounts drawn down from existing facilities to finance part of the Acquisition. This is expected to be an ongoing annual cost.</p> <p>(d) A further £1 million charge has been recognised in "Finance costs" to reflect the pro-rata increase in interest relating to the debt drawn down as part of the Interstate acquisition.</p> <p>(e) One-off debt issuance costs of £5 million have been recorded within "Finance costs" for the standby facility.</p> <p>(f) Tax impacts of the above, based on an effective tax rate of 22.5 per cent. Only the £1 million tax credit related to the annual interest charged (notes (c) and (d)) is expected to be an ongoing annual benefit.</p> <p>(5) In preparing the unaudited pro forma statement income statement of the Enlarged Group, no account has been taken of the trading activity or other transactions of the DS Smith Group since 30 April 2018 and no account has been taken of the trading activity or other transactions of the Europac Group since 31 December 2017.</p> <p>(6) In preparing the unaudited pro forma income statement of the Enlarged Group, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, on the basis that the actual amortisation charges will not be known until completion of the fair value exercise. Similarly, no adjustment has been made as a result of the Acquisition to reflect any synergies that may arise after the Acquisition as these are dependent upon future actions of management.</p> <p>(7) The unaudited pro-forma income statement does not reflect the effect of any fair value adjustments which may be recorded to acquired assets and liabilities. Upon completion of the purchase price allocation, which will be finalised after completion of the acquisition, additional depreciation of property, plant and equipment and amortisation of intangible assets, amongst other things, may be required in the Enlarged Group's financial statements.</p>
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<i>Unaudited pro forma statement of net assets</i>					
	<i>Adjustments</i>				<i>Unaudited pro forma of the Enlarged Group as at 30 April 2018</i>
	<i>DS Smith Group as at 30 April 2018 (Note 1) £m</i>	<i>Europac Group as at 31 December 2017 (Note 2) £m</i>	<i>Transaction Funding (Note 3) £m</i>	<i>Acquisition Adjustments (Note 4) £m</i>	<i>£m</i>
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill and intangible assets	2,043	87	–	1,058	3,188
Biological assets	3	6	–	–	9
Property, plant and equipment	2,396	599	–	–	2,995
Investment Property	–	2	–	–	2
Equity accounted investments	24	2	–	–	26
Other investments	11	–	–	–	11
Deferred tax assets	64	40	–	–	104
Non-current Financial Assets	–	3	–	–	3
Other receivables	7	–	–	–	7
Derivative financial instruments	15	–	–	–	15
<b>Total non-current assets</b>	<b>4,563</b>	<b>739</b>	<b>–</b>	<b>1,058</b>	<b>6,360</b>
<b>Current assets</b>					
Inventories	543	78	–	–	621
Biological assets	4	–	–	–	4
Income tax receivable	15	3	–	–	18
Trade and other receivables	863	66	–	–	929
Cash and cash equivalents	297	75	1,421	(1,421)	372
Other Current Financial Assets	–	1	–	–	1
Derivative financial instruments	44	–	–	–	44
<b>Total current assets</b>	<b>1,766</b>	<b>223</b>	<b>1,421</b>	<b>(1,421)</b>	<b>1,989</b>
<b>Total assets</b>	<b>6,329</b>	<b>962</b>	<b>1,421</b>	<b>(363)</b>	<b>8,349</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	(1,811)	(267)	(421)	–	(2,499)
Employee benefits	(106)	(13)	–	–	(119)
Other payables	(14)	(5)	–	–	(19)
Provisions	(4)	(1)	–	–	(5)
Deferred tax liabilities	(195)	(53)	–	–	(248)
Derivative financial instruments	(35)	(1)	–	–	(36)
Other long term liabilities	–	(12)	–	–	(12)
<b>Total non-current liabilities</b>	<b>(2,165)</b>	<b>(352)</b>	<b>(421)</b>	<b>–</b>	<b>(2,938)</b>
<b>Current liabilities</b>					
Bank overdrafts	(29)	–	–	–	(29)
Borrowings	(162)	(15)	–	–	(177)
Trade and other payables	(1,705)	(199)	–	(42)	(1,946)
Income tax liabilities	(118)	(7)	–	–	(125)
Provisions	(16)	(3)	–	–	(19)
Other financial liabilities	–	(23)	–	–	(23)
Derivative financial instruments	(24)	–	–	–	(24)
<b>Total current liabilities</b>	<b>(2,054)</b>	<b>(247)</b>	<b>–</b>	<b>(42)</b>	<b>(2,343)</b>
<b>Total liabilities</b>	<b>(4,219)</b>	<b>(599)</b>	<b>(421)</b>	<b>(42)</b>	<b>(5,281)</b>
<b>Net assets</b>	<b>2,110</b>	<b>363</b>	<b>1,000</b>	<b>(405)</b>	<b>3,068</b>

Notes:

(1) The financial information of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which are incorporated by reference in this document.

(2) The consolidated Statement of Financial Position of the Europac Group as at 31 December 2017 has been extracted, without material adjustment, from the audited consolidated financial statements of Europac for the year ended 31 December 2017, which is set out in Part XIV (*Historical Financial Information Relating to the Europac Group*) of this Prospectus and converted into pounds sterling using the December 2017 exchange rate of €1:£0.8828. This information has been adjusted to conform to the presentation adopted by the DS Smith Group. The presentational adjustments made were as follows:

(a) Derivative financial liabilities of £1m were reclassified from other financial liabilities to reflect DS Smith's disclosure of derivative liabilities as a separate line item.

(b) Employee benefits of £13m were reclassified from Non-current provisions to reflect DS Smith's disclosure of Employee benefits as a separate line item.

(3) The Acquisition will be financed using a mixture of sources:

	<i>£m</i>
Rights Issue proceeds, net of underwriting costs	1,000
Draw-down from existing facilities	<u>426</u>
Estimated cash raised	1,426
Debt issuance costs for additional standby facility	<u>(5)</u>
Net increase in cash held	<u><u>1,421</u></u>

The £421 million increase in interest-bearing liabilities includes £426 million drawn down from existing debt facilities, less £5 million of debt issuance costs which have been netted against the liability.

(4) The consideration on the Acquisition will be payable as cash. A portion of the amounts paid is for treasury shares held by Europac and therefore will be deducted from the overall consideration. The Acquisition consideration is set out below:

	<i>€m</i>
Cash	1,667
Cash consideration relating to treasury shares	<u>(49)</u>
Acquisition net cash paid	<u><u>1,618</u></u>
Converted to GBP at an indicative exchange rate of €1: £0.8785 based on DS Smith forecasts	<u><u>£1,421m</u></u>

The Acquisition has been accounted for using the acquisition method of accounting. Any excess consideration above the book value of the net assets acquired has been reflected as goodwill. A fair value exercise will be completed post-Acquisition, therefore no account has been taken of any fair value adjustments that may arise on the Acquisition and no intangible assets and tax consequences have been valued at this stage. The adjustment to goodwill has been calculated as follows:

	<i>£m</i>
Acquisition net cash paid	1,421
Book value of net assets acquired	<u>(363)</u>
Pro forma goodwill adjustment	<u><u>1,058</u></u>

An adjustment of £42 million has been made to "trade and other payables" to reflect a payable for one-off transaction costs. This is made up of £19 million of transaction costs and £23 million of costs related to the Rights Issue.

(5) In preparing the unaudited statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of the DS Smith Group since 30 April 2018 and no account has been taken of the trading activity or other transactions of the Europac Group since 31 December 2017.

		<p>(6) The table below sets out the net debt of the Enlarged Group as if the acquisition had occurred on 30 April 2018:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;"><i>£m</i></td> </tr> <tr> <td>DS Smith Group</td> <td style="text-align: right;">(1,680)</td> </tr> <tr> <td>Europac Group</td> <td style="text-align: right;">(206)</td> </tr> <tr> <td>Estimated cash raised (Note 3)</td> <td style="text-align: right;">1,421</td> </tr> <tr> <td>Cash consideration on Acquisition (Note 4)</td> <td style="text-align: right;">(1,421)</td> </tr> <tr> <td>Draw-down from existing facility, net of issuance costs for standby facility</td> <td style="text-align: right;"><u>(421)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u><u>(2,307)</u></u></td> </tr> </table> <p>The net debt of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which have been incorporated by reference in this document.</p> <p>The net debt of the Europac Group has been calculated based on the reconciliation below. Line items have been extracted, without material adjustment, from the Statement of Financial Position of the Europac Group for the year ended 31 December 2017 included in Part XIV (<i>Historical Financial Information Relating to the Europac Group</i>) of this Prospectus.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;"><i>€m</i></td> </tr> <tr> <td>Non-current Bank borrowings and bonds or other negotiable securities</td> <td style="text-align: right;">(302)</td> </tr> <tr> <td>Current Bank borrowings and bonds or other negotiable securities</td> <td style="text-align: right;">(17)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>86</u></td> </tr> <tr> <td>Europac Group net debt</td> <td style="text-align: right;"><u>(233)</u></td> </tr> </table> <p>Converted to GBP at the December 2017 exchange rate of €1:£0.8828    £(206)m</p> <p>Refer to notes 3 and 4 above for details on the net debt created by the transaction funding.</p> <p>(7) In preparing the unaudited pro forma statement of net assets, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, on the basis that the actual amortisation charges will not be known until completion of the fair value exercise. Similarly, no adjustment has been made as a result of the Acquisition to reflect any synergies that may arise after the Acquisition as these are dependent upon future actions of management.</p>		<i>£m</i>	DS Smith Group	(1,680)	Europac Group	(206)	Estimated cash raised (Note 3)	1,421	Cash consideration on Acquisition (Note 4)	(1,421)	Draw-down from existing facility, net of issuance costs for standby facility	<u>(421)</u>		<u><u>(2,307)</u></u>		<i>€m</i>	Non-current Bank borrowings and bonds or other negotiable securities	(302)	Current Bank borrowings and bonds or other negotiable securities	(17)	Cash and cash equivalents	<u>86</u>	Europac Group net debt	<u>(233)</u>
	<i>£m</i>																									
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Cash and cash equivalents	<u>86</u>																									
Europac Group net debt	<u>(233)</u>																									
<b>B.9</b>	Profit forecast or estimate	Not applicable. No profit forecast or estimate.																								
<b>B.10</b>	Qualifications in the audit reports on the historical financial information	Not applicable. There are no qualifications in the auditors' reports on the historical financial information of the DS Smith Group incorporated by reference into this Prospectus. There are no qualifications in the auditors' report on the historical financial information of the Europac Group.																								
<b>B.11</b>	Working capital explanation	Not applicable. The Company is of the opinion that the working capital available to the DS Smith Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this Prospectus.																								

### Section C – Securities

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>C.1</b>	Type and class of securities	<p>The Company intends to issue 293,064,829 New Ordinary Shares as part of the Rights Issue. The New Ordinary Shares will represent approximately 21.4 per cent. of the expected issued ordinary share capital of the Company immediately following Admission.</p> <p>When admitted to trading, the New Ordinary Shares will be registered with ISIN GB0008220112 and SEDOL number 0822011.</p>
<b>C.2</b>	Currency of the securities	Pounds sterling.
<b>C.3</b>	Number of shares issued and value per share	As at the Latest Practicable Date the Company had in issue 1,074,571,043 fully paid Ordinary Shares of 10 pence each. Immediately following Admission, the Company expects to have in issue 1,367,635,872 fully paid Ordinary Shares of 10 pence each.

<b>C.4</b>	Rights attached to the securities	The New Ordinary Shares, when issued and fully paid, will be identical to, and rank <i>pari passu</i> with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission.
<b>C.5</b>	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares.
<b>C.6</b>	Admission/ regulated markets where the securities are traded	Applications have been made to the FCA for all of the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List, and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market. Subject to certain conditions being satisfied, it is expected that Admission will become effective on 10 July 2018 and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on the same day.
<b>C.7</b>	Dividend policy	<p>The Board considers the dividend to be an important component of shareholder returns and, as such, has a policy to deliver a progressive dividend, where dividend cover is between 2.0 and 2.5 times, through the cycle.</p> <p>The New Ordinary Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive dividends, which includes the final dividend for the financial year ended 30 April 2018.</p>

<b>Section D – Risks</b>		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>D.1</b>	Key information on the risks relating to the Enlarged Group's business	<ul style="list-style-type: none"> <li>● The Enlarged Group will be dependent on economic and political conditions in the markets in which it operates, and these factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.</li> <li>● Fluctuations in cost and availability of raw materials could have a material adverse effect on the Enlarged Group's profitability and any inability to recover input cost increases could have a material adverse effect on the Enlarged Group's business, financial condition, future growth prospects and results of operations.</li> <li>● Price fluctuations in energy costs could adversely affect the Enlarged Group's manufacturing costs and volatile and increasing energy prices or a failure in its hedging approach could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.</li> <li>● The Enlarged Group is exposed to intense competition in the packaging industry, as well as downward pressure on pricing due to the commoditisation of corrugated case material. Pricing pressure could arise from, among other things, limited demand growth and existing overcapacity in a market, price reductions by competitors, the ability of competitors to capitalise on their existing economies of scale and create excess product supply, the consolidation of competitors or customers, the ability of competitors to operate or successfully relocate or open production facilities in countries where production costs are lower than those in which the Enlarged Group operates and the access of competitors to new technology which the Enlarged Group does not possess. In circumstances where the Enlarged Group is unable to adjust its cost base comparable to its competition in these markets or sufficiently differentiate its products, pricing pressure could have a material adverse effect on the Enlarged Group's margins and the profitability of the relevant business and its market share.</li> <li>● The cyclical nature of the paper industry could result in overcapacity and consequently threaten the Enlarged Group's pricing structure.</li> <li>● The Enlarged Group may be unable to implement its growth strategy successfully. Any difficulties or delays in achieving successful integration of Europac or other new acquisitions could prevent the Enlarged Group from successfully implementing its growth strategy, as well as failure to invest in the right platforms, product ranges, geographic markets or licensing opportunities to deliver robust innovation and a service pipeline could have a material adverse effect on the Enlarged Group's growth plans.</li> </ul>

		<ul style="list-style-type: none"> <li>● The DS Smith Group's estimates, assumptions and judgments underlying its medium-term targets and the assumptions upon which these medium-term targets are based, including estimated synergies, may prove inaccurate, and as a result the DS Smith Group may be unable to successfully meet its objectives or achieve desired financial results.</li> <li>● The Enlarged Group is exposed to the risk of changes in customer preferences, customer demand and product substitution. Any delay or failure of the Enlarged Group to adequately or effectively respond to changing demand, consumer tastes, preferences and shopping patterns could negatively affect the Enlarged Group's relationship with its customers, the demand for the products it sells and the Enlarged Group's market share and overall growth.</li> <li>● The Enlarged Group is subject to risk resulting from movements in foreign exchange rates. Adverse movements in foreign exchange rates relating to foreign currency-denominated assets and liabilities and transactions could have a material impact on the Enlarged Group's business, financial condition, results of operations or prospects.</li> <li>● The Enlarged Group is subject to risk resulting from movements in interest rates due to the Enlarged Group's borrowings with floating-rates. Furthermore, a downgrade of the DS Smith Group's ratings below investment grade could adversely affect its cost of borrowing, limit its access to the capital markets or result in more restrictive covenants in agreements governing the terms of any future indebtedness that the DS Smith Group may incur.</li> </ul>
<b>D.2</b>	Key information on the risks associated with the Acquisition	<ul style="list-style-type: none"> <li>● The Enlarged Group may not realise the targeted synergies and other benefits from the Acquisition. The DS Smith Group is targeting cost synergies from procurement and operational efficiencies resulting from the Acquisition, and the Enlarged Group's financial planning and funding strategies are based in part on realising these synergies. In addition, the cost of funding these synergies may exceed expectations.</li> <li>● The Europac Group may not perform in line with DS Smith's expectations and may result in a write-down or impairment of the investment by DS Smith. Upon Completion, a significant portion of the difference between the purchase price, Europac's net assets at that date and the allocation of costs of the combination to the assets acquired and the liabilities assumed, will be recorded as goodwill. If Europac proves to be worth less than the consideration paid by DS Smith, accounting rules would require that the DS Smith Group reduce the carrying value of the investment and recognise an impairment charge.</li> </ul>
<b>D.3</b>	Key information on the key risks that are specific to the securities	<ul style="list-style-type: none"> <li>● The value of an investment in New Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value. The market price of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities.</li> <li>● Overseas Shareholders may not be able to acquire New Ordinary Shares in the Rights Issue or subscribe for future issues of Ordinary Shares as securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in any future issue of Ordinary Shares.</li> <li>● Any future issue of Ordinary Shares will further dilute the holdings of current Shareholders and could adversely affect the market price of Ordinary Shares.</li> </ul>

### Section E – Offer

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
<b>E.1</b>	Total net proceeds and costs of the issue	<p>The total net proceeds of the Rights Issue are expected to be £1,000 million.</p> <p>The aggregate costs, charges and expenses that are expected to be directly associated with the Rights Issue (including the listing fees of the FCA, professional fees and expenses and the costs of printing and distributing this Prospectus) payable by DS Smith are estimated to be £25 million (excluding any amounts in respect of VAT).</p>



<b>E.2</b>	Reasons for offer and use of proceeds	DS Smith intends to use the proceeds of the Rights Issue to partially fund the Acquisition.
<b>E.3</b>	Terms and conditions of the offer	<p>The Company proposes to raise net proceeds of approximately £1,000 million through the Rights Issue at a price of 350p per New Ordinary Share. The New Ordinary Shares are offered by way of rights to all Qualifying Shareholders (other than (subject to certain exceptions) Qualifying Shareholders with a registered address in the Excluded Territories) on the basis of 3 New Ordinary Shares at 350p per New Ordinary Share for every 11 Ordinary Shares held and registered in their name at the close of business on the Record Date.</p> <p>Qualifying Shareholders with fewer than 4 Ordinary Shares at the close of business on the Record Date will not receive rights to purchase any New Ordinary Shares. The Issue Price of 350p per New Ordinary Share represents a 36.3 per cent. discount to the Closing Price of an Existing Ordinary Share of 550p on 18 June 2018 (being the last business day prior to the announcement of the launch of the Rights Issue) and a 30.9 per cent. discount to the theoretical ex-rights price based on that Closing Price.</p> <p>The New Ordinary Shares will be identical to, and rank <i>pari passu</i> with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission. Applications have been made to the FCA for all of the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List, and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market.</p> <p>Fractions of the New Ordinary Shares will not be allotted to any Qualifying Shareholders, but will be aggregated and sold in the market for the benefit of the Company.</p> <p>Qualifying Shareholders who have a registered address in or who are resident in countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents, or need to observe any other formalities to enable them to take up their Nil Paid Rights or acquire New Ordinary Shares. The Rights Issue is not being made in the Excluded Territories, subject to certain exceptions.</p> <p>The Rights Issue has been fully underwritten by the Joint Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. After Admission, the Joint Underwriters have no right to unilaterally terminate the Underwriting Agreement.</p> <p>The Rights Issue is conditional on, amongst other things, (i) Admission becoming effective by not later than 8.00 a.m. on 10 July 2018 (or such later time and/or date as the parties to the Underwriting Agreement may agree); and (ii) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission.</p>
<b>E.4</b>	Interests that are material to the issue/conflicting interests	Not applicable. There are no interests (including conflicts of interest) known to the Company which are material to the Rights Issue or the Acquisition.
<b>E.5</b>	Name of the offeror/lock-up agreements	<i>DS Smith Group plc</i> Except as detailed in paragraph 11 Part XVIII ( <i>Additional Information</i> ) of this Prospectus ( <i>Material Contracts</i> ) in respect of the Acquisition Agreement and the SPA, there are no lock-up agreements in place in respect of the sale of shares in the Company.
<b>E.6</b>	Dilution	If Shareholders do not, or are not permitted under the terms of the Rights Issue to, take up the offer of New Ordinary Shares under the Rights Issue, their proportionate ownership and voting interests in DS Smith will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly.
<b>E.7</b>	Expenses charged to the investor	Not applicable. Investors will not be charged commissions, fees or expenses by the Company in connection with the Rights Issue.

## PART II

### RISK FACTORS

*Any investment in the New Ordinary Shares carries a significant degree of risk. If any or a combination of the following risks actually materialise, the business, reputation, financial condition, operating results or prospects of DS Smith, the DS Smith Group and the Enlarged Group could be materially and adversely affected. In such cases, the market price of the New Ordinary Shares may decline and investors may lose all or part of their investment.*

*The risks below are all those of which the Directors are aware as at the date of this Prospectus and which they currently believe may materially affect DS Smith or the DS Smith Group or which may, if Completion occurs, affect the Enlarged Group. However, further risks and uncertainties which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have a material adverse effect on DS Smith, the DS Smith Group, the Enlarged Group or the Shareholders should they materialise.*

*References in this Part II (Risk Factors) to: (i) the acquisition of a company or a business, or an acquired company or business, shall include references to the acquisition of an interest in such business or company; (ii) the Europac Group shall be construed as relevant to the Enlarged Group subject to the Completion; and (iii) the Enlarged Group shall be construed as the DS Smith Group and the Europac Group together if the Acquisition is completed or the DS Smith Group if the Acquisition is not completed, as applicable.*

#### **1. RISKS RELATING TO THE ACQUISITION**

##### **1.1 Completion is subject to conditions which may not be satisfied**

Completion is conditional upon the satisfaction of certain conditions, being: (i) approval of the Acquisition by the Shareholders at a general meeting of the Company; (ii) clearance of the Acquisition under applicable EU competition laws (or to the extent that the EU Commission refers the Acquisition to the competent authorities of one or more Member States, the competition laws of those competent authorities' jurisdictions); and (iii) the tendering in acceptance of the Proposed Offer Europac Shares representing more than 50 per cent. of Europac's entire issued share capital. There can be no assurance that these conditions will be satisfied or waived, if applicable. To the extent that the Acquisition is cleared by the EU Commission (or following referral to the competent authorities of one or more Member States, such competent authorities), there can be no assurance that if a remedy is required in support of that clearance, any such remedy would not have a material adverse effect on the Enlarged Group. Even if all of the conditions to Completion are satisfied, the CNMV authorisation process in relation to the Proposed Offer may take a lengthy period to complete, which could delay the making of the Proposed Offer.

If these conditions are not satisfied or waived, the Acquisition will not take effect, either at all or in the manner currently envisaged. If Completion does not occur, DS Smith would nonetheless be required to pay significant fees and other costs incurred in connection with the Acquisition (which would include financing, financial advisory, legal and accounting fees and expenses). If Completion fails to occur as a result of the Shareholders not approving the Resolution at the General Meeting, DS Smith will be required to pay a fee of EUR 69.357 million under the terms of the Break Fee Agreement (except in certain limited circumstances).

##### **1.2 The DS Smith Group has incurred and will incur substantial transaction and offer-related costs in connection with the Acquisition**

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

### **1.3 The Enlarged Group may not realise the targeted cost synergies and other benefits from the Acquisition**

The DS Smith Group is targeting cost synergies of approximately €50 million to be achieved by 30 April 2021 from procurement and operational efficiencies resulting from the Acquisition, and the Enlarged Group's financial planning and funding strategies are based in part on realising these synergies. Achieving the advantages of the Acquisition will depend partly on the rapid and efficient management and co-ordination of the activities of the DS Smith Group and the Europac Group, two businesses of considerable size that have functioned independently, with geographically dispersed operations, and with different business cultures and compensation structures. In addition, following the Acquisition, the loss of, or reduction in orders from, any of the Europac Group's largest customer accounts or other significant customer accounts or significant customer disputes regarding shipments, price, quality, or other matters may have a material adverse effect on the expected advantages and other benefits of the Acquisition.

Furthermore, the Acquisition and any uncertainty regarding the effect of the Acquisition could cause disruptions to the businesses of the Enlarged Group. These uncertainties may have a material adverse effect on the Enlarged Group's business and its operations and could cause customers, distributors, other business partners and other parties that have business relationships with the Enlarged Group to defer the consummation of other transactions or other decisions concerning the Enlarged Group's business, or to seek to change existing business relationships with these companies. Any of these factors could prevent the synergy benefits from the Acquisition from materialising, or they may be materially lower than estimated, or may materialise over a longer timeframe. In addition, the costs of funding these synergies may exceed expectations. Such eventualities may have a material adverse effect on the financial position of the Enlarged Group, and, ultimately, the trading price of the Enlarged Group's Ordinary Shares.

### **1.4 The Europac Group may not perform in line with expectations and may result in a write-down or impairment**

Upon Completion, a significant portion of the difference between the purchase price, Europac's net assets at that date and the allocation of costs of the combination to the assets acquired and the liabilities assumed, will be recorded as goodwill. In addition, other intangible assets will be recorded as a result of the purchase price allocation. While the DS Smith Group believes the combination of Europac with DS Smith is strategically and financially compelling, economic, regulatory, competitive, contractual or other factors may result in the Enlarged Group meeting with unexpected difficulties. Furthermore, the business of the Enlarged Group or the synergies expected from the Acquisition may not develop as expected. If any of these factors result in the value of Europac proving to be less than the consideration paid by DS Smith, accounting rules would require that the DS Smith Group reduce the carrying value of that investment and recognise an impairment charge, which would reduce the DS Smith Group's reported assets and statutory earnings, possibly materially, in the year that the impairment charge is recognised.

### **1.5 The Enlarged Group may need to rely on certain key management for the successful operation of the Enlarged Group**

The future success of the Enlarged Group will in part be dependent upon the successful retention and motivation of key members of the Europac Group's management and staff. Prior to Completion there will be no contractual relationship between DS Smith and Europac management in their role as management. Failure to retain certain individuals may affect the Enlarged Group's ability successfully to manage the Enlarged Group. Any failure to retain certain individuals may have a detrimental effect on the future performance of the Enlarged Group.

### **1.6 DS Smith will have foreign exchange risk related to the purchase price for the Acquisition**

The Acquisition will be funded by a combination of the net proceeds of the Rights Issue, the utilisation of the New Debt Facility and existing cash resources. The proceeds of the Rights Issue are denominated in pounds sterling. However, the DS Smith Group may decide to enter into currency hedges in order to limit its total exposure in respect of the Acquisition to adverse currency movements. There could be a period of several months between the date of the Offer and DS Smith's

obligation to acquire shares in Europac for which the payment will be made in Euro. During this time, the DS Smith Group will be exposed to foreign exchange risk.

**1.7 Management attention may be diverted from the DS Smith Group's existing business by the Acquisition and the process of integrating the Europac Group following Completion**

The Acquisition has required, and will continue to require, substantial amounts of both time and focus from the DS Smith Group's management teams, which could divert the attention of those teams from maintaining standards of operation in their respective businesses in the existing DS Smith Group. If the Acquisition is approved, following the Acquisition, the Enlarged Group's management team will also be required to devote significant attention and resources to integrating the Europac Group. There is a risk that the challenges associated with managing the Acquisition will result in the attention of the management teams of the Enlarged Group being diverted to deal with those challenges and that consequently the underlying businesses will not perform in line with expectations.

**1.8 The financial results of the Enlarged Group will, as a result of the Acquisition and the resulting increased portion of assets, liabilities and earnings denominated in Euros, be more exposed to fluctuations in the exchange rate between the pound sterling and the Euro**

The Enlarged Group will present its financial statements in pounds sterling and will have a significant portion of Euro-denominated assets, liabilities and earnings as a result of the significant assets and revenues and activities of the Europac Group in the EU. The operational and financial results, as well as the equity of the Enlarged Group, will therefore be more sensitive to fluctuations in the exchange rate of the pound sterling against the Euro than they are currently. There has been a high degree of volatility in exchange rates with the pound sterling since June 2016 when there was a vote to leave the EU in a national referendum, with continued volatility following the UK general election in June 2017. A depreciation of the Euro relative to the pound sterling could have an adverse impact on the consolidated financial condition and results of operations of the Enlarged Group.

**2. RISKS RELATING TO THE ENLARGED GROUP WHICH RESULT FROM OR ARE IMPACTED BY THE ACQUISITION**

**2.1 The Enlarged Group will be dependent on economic and political conditions in the markets in which it operates**

The DS Smith Group's and the Europac Group's packaging products are generally sold to manufacturers and other intermediaries in both the consumer goods and industrial sectors. Since the markets for packaging products in many industrialised countries are generally mature, there is a significant degree of correlation between economic growth and demand for packaging products, especially with respect to customers outside the FMCG sector. As a result, the DS Smith Group's and the Europac Group's performance depends to a significant extent on a number of macroeconomic factors which impact consumer and commercial spending, all of which are outside their control and difficult to predict. Factors which impact on disposable consumer income and the level of industrial activity include, among other things, GDP growth, unemployment rates, consumer and business confidence, political, social and industrial unrest, the availability and cost of credit, interest rates, taxation, regulatory changes, commodity (including oil and gas) and utility prices and terrorist attacks. These factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

The economic and political environment in the EU has contributed to on-going market uncertainty and a sustained period of low economic growth in Europe, with real GDP growth within the EU staying below 2.5 per cent. since 2008. The economic conditions in the Enlarged Group's markets are difficult to predict and there can be no assurance as to the level of future economic growth, which is a factor affecting the demand for certain of the DS Smith Group's and the Europac Group's products. Accordingly, the demand for certain of the Enlarged Group's products is likely to be adversely affected by a period of slow economic growth, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

Uncertainties and instability in global market conditions have also been further affected by the UK's intended departure from the EU. On 29 March 2017, the UK triggered Article 50 of the Lisbon Treaty, formally beginning the negotiations between the UK and the EU with respect to the UK's exit from the EU, currently expected to occur by 29 March 2019. Until these negotiations have concluded however, and possibly for some time after, the impact of the UK's exit from the EU on the UK and the rest of the EU will be unclear. Political and economic uncertainty in the UK and the EU has and may continue to impact the Enlarged Group's operations. The DS Smith Group has significant operations in the UK and throughout the EU. For the 2018 Financial Year, the DS Smith Group's corrugated packaging activities in the UK and in the rest of Europe represented approximately 19 per cent. and 69 per cent., respectively, of the DS Smith Group's revenue. The majority of the Europac Group's activities are in Europe and its functional accounting currency is the euro, as a majority of its revenue is denominated in euros. The Enlarged Group's operations may be negatively impacted in the event that the UK's exit from the EU does not maintain parity rights for the UK and EU companies or the current regulatory framework in one or both of those markets is modified. The referendum in the UK has also given rise to calls for the governments of other EU member states to consider withdrawal, which creates further uncertainty as to the regulatory framework existing between European markets.

Recent social and political movements calling for the secession of Catalonia from Spain have impacted, and may continue to impact, the DS Smith Group's and the Enlarged Group's operations. The DS Smith Group has a significant presence within Spain, including six locations within Catalonia. The Europac Group is headquartered in Madrid, with six facilities, being over a quarter of the Europac Group's total facilities, situated in Spain. In particular, Europac operates a packaging factory in Torrelavit, Catalonia. As a result, following the Acquisition, the Enlarged Group would be more exposed to continued economic and political disturbance in the region. Considerable uncertainty exists regarding the outcome of the secession movement in Catalonia, which could result in changes to legislation, policies, and other factors, and such uncertainty remains following the results of the regional elections that took place in Catalonia on December 21, 2017. Continued political uncertainty relating to the secession movement could also affect economic growth in Catalonia, or across Spain more broadly, and this could have a material adverse effect on the Enlarged Group's profitability.

There is continuing uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of a number of the world's economies, including those of the UK and of the EU. Certain developments may occur from this policy, such as businesses becoming over-leveraged due to the availability of cheaper financing, or the perception that these developments could occur, which may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets.

## **2.2 Fluctuations in cost and availability of raw materials could have a material adverse effect on the Enlarged Group's profitability**

In the 2018 Financial Year, the DS Smith Group's cost of sales amounted to £2,992 million, the largest component of which was paper, plastics and other raw materials. During the financial year ended 31 December 2017, the Europac Group consumed €427.8 million of raw materials and consumables recognised as cost of goods sold. The Enlarged Group's raw material costs will be subject to variations in supply and demand which result in volatility in their pricing.

The Enlarged Group will continue to be exposed to fluctuations in the cost and availability of raw materials despite their expanded paper manufacturing operations (including those acquired in the Acquisition), since the Enlarged Group will remain a net purchaser of CCM from third-party suppliers. An important driver of recovered paper prices, a raw material used to produce CCM, is the balance of supply and demand for paper products in general. The price of recovered paper is also influenced by overseas demand, principally from China, which is largely driven by economic growth in China, as well as the relative strength of the Euro and the U.S. dollar (which impacts demand from continental Europe and the United States, respectively). This exposure could be increased if there was disruption to the Enlarged Group's recycling operations, which collect and trade waste paper to supply certain of its paper mills. The DS Smith Group achieves this through contracts with major suppliers of waste paper and the collection of waste paper from smaller suppliers through its network of collection depots. Any significant increase in costs or disruption to the Enlarged Group's recycling operations

could have a material adverse effect on the operation of the Enlarged Group's paper mills and lead to a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

In 2017, the Chinese government banned the import of certain recovered paper qualities, as well as limiting import licences for paper manufacturers. As a result, recovered paper supplies across Europe have increased, leading to a corresponding drop in prices within Europe. The impact of this change, which amounts to a structural change in the raw material market, continues to be felt throughout 2018.

A proportion of the DS Smith Group's customer contracts contain price adjustment clauses allowing the DS Smith Group to pass increased raw material costs on to its customers. However, not all of the DS Smith Group's agreements contain these clauses and these clauses may not in all cases be effective in offsetting the DS Smith Group's increased costs. In addition, where the DS Smith Group is able to raise prices there is generally a lag between the time the DS Smith Group's raw material costs increase and the time it realises increased pricing from customers. As a result, margins may be reduced for a period of time until price increases are achieved to recover input cost increases. Any inability to recover input cost increases could have a material adverse effect on the Enlarged Group's business, financial condition, future growth prospects and results of operations.

### **2.3 Price fluctuations in energy costs could adversely affect the Enlarged Group's manufacturing costs**

Each of the DS Smith Group and the Europac Group has significant exposure to the cost of energy. The DS Smith Group's total energy costs were approximately £207 million in the 2018 Financial Year, or approximately 4 per cent. of the DS Smith Group's total operating costs for the period. The Europac Group's energy costs are a component of the Europac Group's other operating expenses for the financial year ended 31 December 2017, which rose 10.1 per cent. against the financial year ended 31 December 2016. The DS Smith Group's and the Europac Group's transportation costs are also impacted by energy costs since a key component of transportation costs relates to the cost of petrol.

The Enlarged Group's energy costs could increase as a result of regulatory changes relating to its compliance with the EU Emission Trading Scheme Directive (the ETS). The DS Smith Group and Europac Group's European paper mills are subject to the ETS. The paper industry has been granted status as a so-called "carbon leakage" sector, and the DS Smith Group's European mills therefore receive a portion of CO<sub>2</sub> emission certificates for free. Even with these certificates, there is considerable risk that in the future the Enlarged Group's costs will significantly increase and will not be recovered through higher prices for the Enlarged Group's end products.

The DS Smith Group seeks to manage the risk of increasing energy costs through its energy procurement group, which aims to reduce the volatility of energy costs and to provide the DS Smith Group with a degree of certainty over future energy costs by hedging energy costs with suppliers and financial institutions. If the Acquisition is completed, the DS Smith Group intends to procure the hedging of energy costs for the Europac Group. However, there can be no certainty that the Enlarged Group's energy cost hedging strategy will continue to manage the impact of energy prices in the future. Volatile and increasing energy prices or a failure in its hedging approach could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

### **2.4 The Enlarged Group is exposed to intense competition in the packaging industry, as well as downward pressure on pricing due to the commoditisation of CCM**

The packaging industry is characterised by commoditisation of products, a high level of price competition and cyclicity, as well as other competitive factors including innovation, design, quality and service. In addition, the packaging industry is also highly fragmented. To the extent that any of the Enlarged Group's competitors are more successful with respect to any key competitive factor either generally or in a particular region, the Enlarged Group's business, results of operations and financial position could be adversely affected. Furthermore, the Group has recently seen competitors

in both Europe and the United States convert graphic and newsprint machines into CCM machines, which can reduce the lead time it may take the Group's competitors to increase their production capacity. Such increases in production capacity can also lead to downward pricing pressure. Pricing pressure could also arise from, among other things, limited demand growth and existing overcapacity in a market, price reductions by competitors, the ability of competitors to capitalise on their existing economies of scale and create excess product supply, the consolidation of competitors or customers, the ability of competitors to operate or successfully relocate or open production facilities in countries where production costs are lower than those in which the Enlarged Group operates and the access of competitors to new technology which the Enlarged Group does not possess.

Competition could be intensified due to a major development or breakthrough in packaging technology or materials which would create a substitute for one or more of the Enlarged Group's key product lines, due to companies developing new cost structures (including through consolidation or relocation to countries with lower material and processing costs), due to competitors establishing co-operative relationships or alliances among themselves or with third parties to increase the competitiveness of their products, or through advances in existing fibre technologies or the development of new fibre technologies. To the extent the Enlarged Group's competitors patent any such technologies, the Enlarged Group may be less able to effectively compete with them. With respect to fibre technologies, the packaging and paper industries have traditionally used wood and recycled fibres in its products, but these industries are increasingly exploring alternative fibres to use in packaging and paper products. The Enlarged Group may be unable to anticipate new fibre technology trends or develop improvements to its current fibre technologies and/or offer new fibre technology substitutes to support changes to customer products and services. Furthermore, the success of the Enlarged Group's ability to keep up with fibre technology developments may be affected by the development efforts of its competitors, which may have more financial and other resources to better ascertain technology trends, customer preferences, and changing business expectations or models. These and other competitive pressures may prevent the Enlarged Group from competing successfully against current or future competitors. Such competitive pressures could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

Furthermore, CCM cannot generally be differentiated by producer, and this standardisation has led to intense price competition resulting in the cyclical nature historically observed in the market for CCM. This could in turn lead to a reduction in the Enlarged Group's market share as well as lower product prices for its packaging products for which CCM is the principal production input, both of which could reduce the Enlarged Group's revenue and have a material adverse effect on the Enlarged Group. Although the DS Smith Group and the Europac Group have sought to differentiate a number of their products, the DS Smith Group and the Europac Group still face significant pressure to reduce its per unit cost to achieve commercially acceptable returns, including through achieving economies of scale, lower input costs (including raw materials, energy, transport and labour) and increasing efficiency. In circumstances where the Enlarged Group is unable to adjust its cost base comparable to its competition in these markets or sufficiently differentiate its products, pricing pressure could have a material adverse effect on the Enlarged Group's margins and the profitability of the relevant business and its market share.

## **2.5 The cyclical nature of the paper industry could result in overcapacity and have a material adverse impact on the Enlarged Group's pricing structure**

The paper industry has historically been characterised by a cyclical pattern with periodic overcapacity and resulting pressure on the pricing of packaging products. This cyclical nature arises, in part, from the capital intensity of facilities such as paper mills (which generally results in continued production by paper mills as long as paper prices are sufficient to cover their marginal costs), the long lead time between the planning and completion of a new mill and the fact that additions of CCM manufacturing capacity, either by manufacturing sites located within CCM markets or imported into CCM markets by competitors, can be large relative to the overall demand for the product. Consequently, the paper industry has from time to time experienced periods of substantial overcapacity and there can be no assurance that this will not recur. In the absence of sufficient economic growth to generate increased demand or the closure of facilities (either temporarily or permanently) to mitigate the effect, new capacity can cause a period of regional overcapacity which may lead to downward pricing pressure.

In periods of overcapacity, industry participants may stop operating certain of their production facilities periodically to reduce inventory levels. The Europac Group's business model is based on vertical integration across each of its businesses – including its paper business. The Enlarged Group would be more sensitive to overcapacity within the paper industry as a result, and in the event that the Enlarged Group reduces or stops production at its mills for any significant length of time whilst its competitors continue production at high levels, the Enlarged Group's sales volumes could be adversely affected without any significant offsetting benefit of improved prices in the market.

These adverse effects could be further exacerbated in the event that producers in certain markets experience overcapacity within their own local and regional markets and seek to increase their level of exports or sales into those markets within which the Enlarged Group operates and do so at pricing levels which are uneconomical for the Enlarged Group. Any of the foregoing could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

## **2.6 The Enlarged Group may be unable to implement its growth strategy successfully**

The DS Smith Group's vision is to be the leading supplier of sustainable packaging solutions on a broader geographic basis. The Enlarged Group may not be able to implement its growth strategy if its acquisition plans are unsuccessful and it fails to support its Pan-European and multi-national FMCG customers as these companies seek to expand and become more global in their supply chain. Furthermore, the DS Smith Group's Pan-European and multi-national FMCG customers may not increase their purchase of the DS Smith Group's products as the DS Smith Group expands into new geographic markets. A key element of the DS Smith Group's growth strategy is to integrate acquired operations, and the Enlarged Group's ability to realise the expected benefits from future acquisitions depends in large part on its ability to integrate the new operations in a timely and effective manner. There can be no assurance that the Enlarged Group will be successful in implementing its growth strategy, including integrating newly acquired businesses, including the Europac Group.

Furthermore, the Enlarged Group's strategy depends on its ability to identify and acquire suitable assets at desirable prices and in suitable locations. Furthermore, consolidation in certain geographic markets targeted by the Enlarged Group could hinder further growth through acquisitions due to anti-trust or other regulatory restrictions. There can be no assurance that it will be successful in identifying or purchasing suitable assets in the future. If the Enlarged Group fails to make further acquisitions, it may not be able to continue to grow in the long term at the same pace as its Pan-European and multi-national FMCG customers or adequately support those customer's needs if they do seek to integrate, expand and become more global in their supply chain. There can be no assurance that it will successfully manage its strategy to grow both organically and by acquisition if there is a sustained material reduction in the demand for the Enlarged Group's products. Additionally, acquisitions and similar arrangements involve a number of risks, including potential disruptions to the DS Smith Group's on-going business and internal environment, potential customer overlap or loss of customers, additional financial costs associated with financing such transactions, potential assumption of liabilities of the acquired business, potential difficulties in recovering any sums from debtors and unexpected tax or litigation liabilities or regulatory requirements. Any difficulties or delays in achieving successful integration of new acquisitions could prevent the Enlarged Group from successfully implementing its growth strategy and could have a material adverse effect on its business, financial condition, results of operations or prospects.

General economic or industry-wide conditions may adversely affect both FMCG and industrial sector growth rates and productive capacities resulting in an increase in raw material and production costs or a decline in volumes or prices. Operational difficulties, key personnel turnover, competition and delays in implementing initiatives or inadequacy of management forecasts in guiding initiatives could also have a materially adverse effect on the Enlarged Group's ability to implement its growth strategy. Underpinning the Enlarged Group's growth strategy is its focus on service and product innovation to capture market share. The Enlarged Group's growth potential depends in large part on its ability to identify and develop new products or new services or uses for existing products that address its customers' unmet needs. However, balancing current growth and investment for the future remains a challenge given the markets in which the DS Smith Group operates. The Enlarged Group's on-going investments in new product introductions and innovations may also exceed corresponding revenue growth. Additionally, the Enlarged Group's research and development investment plans and resources



may not be correctly matched between the consumer preferences of its Pan-European and multi-national FMCG customers and the markets in which it operates. Failure to invest in the right platforms, product ranges, geographic markets or licensing opportunities to deliver robust innovation and a service pipeline could have a material adverse effect on the Enlarged Group's innovation growth strategy. It is not possible to predict the timing or impact of the introduction of products and innovations from competitors or their possible effect on the Enlarged Group's growth plans.

The inability of the Enlarged Group to implement its growth strategy successfully could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

**2.7 The DS Smith Group's estimates, assumptions and judgments underlying its medium-term targets and the assumptions upon which these medium-term targets are based may prove inaccurate, and as a result the Enlarged Group may be unable to successfully meet its objectives or achieve desired financial results**

The DS Smith Group has established certain medium-term targets relating to its consolidated results of operations in the next few years. These medium-term targets relate to the DS Smith Group's organic corrugated box volume growth, return on sales, return on average capital employed, ratio of net debt to EBITDA and cash conversion. See Part IX (*Information on the DS Smith Group–Business strategy–To double its size and profitability*). These targets assume, among other things, resilience and sustainability in the DS Smith Group's business model and the DS Smith Group winning market share in its existing markets and expanding into new markets. The DS Smith Group's ability to achieve its targets will depend upon whether these assumptions are accurate, as well as upon a number of factors outside of its control. These include significant business, economic and competitive uncertainties and contingencies, as well as actions taken by counterparties. These targets have been developed based upon assumptions with respect to future business decisions and conditions that are subject to change, including the DS Smith Group's ability to successfully execute its strategy and product development plan, as well as growth in the markets in which the DS Smith Group operates. As a result, the Enlarged Group's actual results may vary significantly from the targets set out in this Prospectus, and those variations may have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects.

**2.8 The Enlarged Group is exposed to the risk of changes in customer preferences, customer demand and product substitution**

Changes in customer preferences affect the demand for packaging and paper products in general, and in particular demand for specific grades of packaging and paper products. Some of the most significant changes in customer preferences relating to paper usage have included interest in environmentally friendly products such as recycled packaging. An inability to continue to offer innovative and environmentally friendly products to meet customer needs and a failure to anticipate and satisfy new customer preferences, including those that may develop as a result of advances in fibre technologies, may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

In recent years, online shopping and e-commerce have been a significant growth opportunity for the DS Smith Group's business. Online shopping and e-commerce have increased the demand for packaging due to the requirement for packaging that suitably protects the product through the supply chain and can be re-used for returns, and at the same time markets the product or brand. To the extent that demand in this area decreases or the Enlarged Group does not identify or effectively respond to consumers' trends or preferences in this area, this could have a material adverse effect on the Enlarged Group's investments and/or initiatives aimed at developing the range of packaging products and services that it offers customers to support sales through the full retail spectrum. Any delay or failure of the Enlarged Group to adequately or effectively respond to changing demand, consumer tastes, preferences and shopping patterns could negatively affect the Enlarged Group's relationship with its customers, the demand for the products it sells and the Enlarged Group's market share and overall growth.

The DS Smith Group's main products, including corrugated containers and solid board packaging, and the Europac Group's products compete with other forms of packaging. There can be no assurance that further substitution will not occur in this sector, other sectors or other regions in which the Enlarged Group operates, nor can there be any assurance that future packaging developments and trends will not drive further substitution. Any significant substitution away from paper-based packaging products may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

## **2.9 The Enlarged Group is subject to risk resulting from movements in foreign exchange rates**

The Enlarged Group will continue to be exposed to the translation of the results of overseas subsidiaries into its reporting currency, pounds sterling, as well as the impact of currency fluctuations on its commercial transactions denominated in foreign currencies. For the 2018 Financial Year, the impact of foreign exchange translation increased reported revenue by £143 million or 3 per cent. over the year as a whole due to the weakening of the pound sterling against the Euro. Similarly for the 2017 Financial Year, the impact of foreign exchange translation was £432 million, or 11 per cent. over the year as a whole. The Europac Group's reporting currency is the Euros and its commercial transactions are also primarily in Euros. As a result, if the Acquisition is completed, the Enlarged Group will face increased translation exposure as well as a significant increase in its exposure to the EUR as a result of commercial transactions. Adverse movements in foreign exchange rates relating to foreign currency-denominated assets and liabilities and transactions could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

## **2.10 The Enlarged Group may not be able to recruit or retain management, key personnel or suitably qualified employees**

The success of the DS Smith Group depends, and of the Enlarged Group will continue to depend, on the efforts, abilities, experience and expertise of its executive leadership and senior management teams, and on recruiting, retaining, motivating, effectively communicating with and developing highly skilled and competent people at all levels of the organisation. This includes retaining certain key employees of the Europac Group following the Acquisition (see also "*The Enlarged Group may need to rely on certain key management for the successful operation of the Enlarged Group*"). There can be strong competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at all levels within the Enlarged Group. While the DS Smith Group has employment or service contracts with its key executives and technical personnel, and has in place schemes which provide for share grants (or equivalent cash-based awards) to incentivise key executives and technical personnel and intends to enter into suitable arrangements with key employees of the Europac Group in connection with the Acquisition, it cannot guarantee the retention of such key executives and technical personnel. The failure to retain or recruit additional or substitute senior managers or other key employees for the Enlarged Group could hurt the Enlarged Group's business, financial conditions, operating results or prospects.

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

## **2.11 The Enlarged Group's level of indebtedness could subject the Enlarged Group to restrictions on its operations and limit its ability to pursue business opportunities and activities**

As at 30 April 2018, as adjusted to give effect to the Acquisition, the Enlarged Group would have had net debt of approximately £2.31 billion as per Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*) of this Prospectus.

The Enlarged Group's debt service obligations could have a material adverse effect on the Enlarged Group's operations, including for example:

- requiring the Enlarged Group to dedicate a substantial portion of its cash flow from operations to payments on its debt;

- increasing the Enlarged Group's vulnerability to both general and industry-specific adverse economic conditions; and
- limiting the Enlarged Group's ability to borrow additional funds.

The Enlarged Group's financing arrangements contain financial and other restrictive covenants that limit the way in which the DS Smith Group operates its business, including, for example, restrictions on, among other things, the DS Smith Group's ability to:

- borrow money;
- create certain liens or grant certain types of security;
- make certain asset dispositions;
- issue certain guarantees;
- enter into transactions with affiliates; and
- in the case of the Company, enter into any amalgamations, demergers, mergers or corporate reorganisations.

Any of the above may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

#### **2.12 The occurrence of major operational problems or natural disasters at certain of the DS Smith Group's or the Europac Group's facilities could have a material adverse effect on the Enlarged Group**

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

If the DS Smith Group or the Europac Group is unable to obtain timely replacements for damaged inventory or equipment, or if it is unable to find an acceptable third-party manufacturer as a substitute for the DS Smith Group's or the Europac Group's production facilities damaged by a catastrophic event, then major disruptions to production could result which would have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects. If certain equipment were to fail, the Enlarged Group may need to rely on sourcing products or materials from the open market that it would typically produce, which could increase costs significantly if the repair or replacements took some time to address. The DS Smith Group and the Europac Group carry both property insurance and business interruption insurance, but these may not be sufficient to cover certain damages or lost profits as a result of the disruption to production.

Whilst the manufacturing of certain products can be transferred to other sites or replaced with open market purchases, any disruption of the manufacturing processes could result in delivery delays, interrupt the production or even lead to a full cessation of production. The resulting loss of revenue and the impact on the Enlarged Group's relationships with its customers could be significant and may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

#### **2.13 Capital investment projects may not be implemented on time or to budget and carry risks which might have a material adverse effect on the Enlarged Group**

The DS Smith Group's and the Europac Group's businesses require on-going capital investment to expand, maintain and upgrade existing facilities, to develop new facilities and to ensure compliance with new regulatory requirements. For the 2018 Financial Year, the DS Smith Group's gross capital expenditure was £347 million and the DS Smith Group had commitments to incur £56 million of capital expenditures. For the financial year ended 31 December 2017, the Europac Group's capital expenditure was €61.2 million and the Europac Group had commitments to incur €25.5 million of

capital expenditures. Capital investment projects carry risks including: failure to complete a project within the prescribed project timetable; failure to complete a project to budget, failure of the project to perform according to prescribed operating specifications following its completion; and unforeseen changes in input costs may mean the business case for any such project is no longer justifiable. The DS Smith Group takes into account and will continue to take into account its working capital requirements in the planning of its current and future capital investment projects and the DS Smith Group is of the opinion that the working capital available to the DS Smith Group, the New Debt Facility, is sufficient for the short-term. If project challenges arise that could impact the availability of funds for capital investment projects, the DS Smith Group's medium-term capital investment projects could be delayed or postponed in order for the DS Smith Group to manage sufficient working capital for its requirements. Such delays or postponement could decrease the growth capital investments undertaken by the DS Smith Group in the medium-term, including to projects aimed at enhancing operational efficiencies, any of which could have a material adverse effect on the Enlarged Group's growth and on its business, financial condition, results of operations or prospects.

**2.14 The DS Smith Group and the Europac Group are subject to a number of environmental, health and safety and tax laws and regulations, and the cost of compliance with, and any liabilities under, current and future laws and regulations may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects**

The DS Smith Group and the Europac Group are, and the Enlarged Group is expected to continue to be, subject to a wide range of environmental, tax and health and safety laws and regulations in all the jurisdictions in which it operates, including international, national, state and local laws and regulations. These requirements are complex, subject to frequent changes and have tended to become more stringent over time. There can be no assurance that the requirements of such laws and regulations will not change in the future or that the associated cost of compliance will not increase. Such cost increases could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

The DS Smith Group and the Europac Group use, handle, store and dispose of hazardous materials in the course of their operations and production processes and may be subject to fines or clean-up liabilities for contamination at past and present operating sites under statutory regimes. Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for the clean-up of contamination at, or arising from, such facilities, without regard to causation or knowledge of contamination. Investigations in the future may lead to discoveries of contamination that the Enlarged Group is required to remedy or damage that may subject the Enlarged Group to claims. Closure of facilities may trigger compliance requirements that are not applicable to facilities that are operating.

Managing health and safety compliance are key priorities of the DS Smith Group and the Europac Group. In particular, due to the nature of the paper manufacturing process, paper mills tend to be inherently hazardous relative to the other types of facilities that the DS Smith Group and the Europac Group operates. The DS Smith Group currently operates twelve paper mills and if the Acquisition is completed, the Enlarged Group will operate 17 paper mills. The increase in the number of paper mills that the Enlarged Group operates as a result of the Acquisition could increase the degree of health and safety risk.

While the DS Smith Group has procedures to comply with applicable environmental and health and safety requirements, there can be no assurance that Enlarged Group will be at all times in compliance with such requirements, that the Enlarged Group will not incur material costs or liabilities in connection with such requirements in the future (which costs and liabilities could increase as a result of the Acquisition) or that the Enlarged Group will be able to obtain and maintain all licences, consents or other permits necessary to operate the Enlarged Group's business. Similarly, there can be no assurance that the Enlarged Group will not experience an environmental spill or accident or discover or otherwise become liable for environmental contamination in the future (including such liability for contamination resulting from historical activities relating to properties or businesses that they have sold). Depending on the nature of the spill or accident, its location and the period during which it occurred, such incidents may not be covered by the Enlarged Group's insurance policies, since certain contaminants are typically excluded from insurance coverage available to Enlarged Group in most of its markets and the Enlarged Group's insurance is subject to certain time limits. The Enlarged

Group may incur significant expenditure in connection with the required remediation of past environmental conditions at both facilities that are currently owned and formerly owned including at the additional facilities of the Europac Group to be acquired under the Acquisition, and facilities previously owned by the Europac Group or its predecessors. The Enlarged Group's control mechanisms, on-going programmes and systems, and special initiatives in place for monitoring health and safety compliance may not always be successful in achieving their objectives of requiring all employees to comply with all relevant laws and regulations in the countries in which they operate. The Enlarged Group cannot be certain that employees always adhere to such policies and values. Furthermore, the Enlarged Group cannot completely prevent injury to employees or others, or other harms related to the use, handling, storage and disposal of hazardous material. In the event of future incidents, the Enlarged Group could be liable for any damages that may result, including potentially significant monetary damages for any civil litigation or government proceedings related to a personal injury claim. Failure to comply with environmental or health and safety laws may also damage the Enlarged Group's reputation.

Tax laws and tax rates in the markets in which the DS Smith Group or the Europac Group operates are subject to frequent changes and the Enlarged Group is exposed to the risk of changes in tax legislation, and its interpretation and increases in the rate of corporate and other taxes in the jurisdictions in which the Enlarged Group operates. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations or changes to existing laws and regulations (including the imposition of higher taxes) could require the Enlarged Group to incur additional expenses or capital expenditures or result in restrictions on or suspensions of the Enlarged Group's operations. Any such cost increases could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

The cost of compliance with, and any liabilities under, current and future laws and regulations relating to the environment, health and safety or tax laws could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

#### **2.15 The Enlarged Group is subject to risk resulting from movements in interest rates and credit rating downgrades**

Interest rate risk is the risk that the Enlarged Group will sustain losses from adverse movements in interest bearing assets and liabilities. As at 30 April 2018, the DS Smith Group had £1.97 billion in interest bearing loans and borrowings of which £106 million of such borrowings had floating-rates, representing 5 per cent. of total interest bearing loans and borrowings. As a result, the DS Smith Group is subject to the effects of interest rate fluctuations on certain of their financing arrangements. Such fluctuations could lead to an increase in the Enlarged Group's cost of funding.

Additionally, certain of the DS Smith Group's debt agreements provide for an interest rate increase in case of a credit rating downgrade. Maintaining an investment grade credit rating is an important element of the DS Smith Group's financial strategy, and a downgrade of the DS Smith Group's ratings below investment grade could adversely affect its cost of borrowing, limit its access to the capital markets or result in more restrictive covenants in agreements governing the terms of any future indebtedness that the DS Smith Group may incur. There is a risk that increase in the DS Smith Group's indebtedness or working capital requirements could result in the DS Smith Group's credit rating being downgraded.

#### **2.16 The Enlarged Group's operations will be subject to anti-corruption laws and regulations and economic sanctions programmes**

The DS Smith Group and the Europac Group sell and market their products in a number of different jurisdictions. Doing business worldwide requires the DS Smith Group and the Europac Group to comply with the laws and regulations of various jurisdictions, including, without limitation, the United States and the UK. The DS Smith Group's and the Europac Group's international operations are subject to, and the Enlarged Group's international operations will be subject to, anti-corruption laws and regulations and to economic sanctions programmes, including those administered by the United Nations, the EU, the UK and the United States. Anti-bribery laws such as the UK Bribery Act 2010 and similar worldwide anti-corruption laws generally prohibit companies and their intermediaries from

making improper payments to public officials for the purpose of obtaining or retaining business. The DS Smith Group's recent expansion, including in developing countries and emerging markets, could increase the risk of such violations in the future. The DS Smith Group relies on its management structure, regulatory and legal resources and effective operation of its compliance programme to direct, manage and monitor the activities of these employees. Despite the DS Smith Group's oversight and compliance programmes, there is a risk that its internal control policies and procedures will not always protect it from deliberate, reckless or inadvertent acts of the Enlarged Group's employees or agents that contravene its compliance policies or violate applicable laws. Violations of anti-corruption laws and regulations or economic sanctions programmes, or allegations of such violations, could disrupt the Enlarged Group's business and result in a material adverse effect on its results of operations or financial condition. Violations of such regulations or programmes or allegations of such violations could also cause reputational harm to the Enlarged Group.

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

The DS Smith Group and the Europac Group are subject to a variety of anti-trust and similar legislation in the jurisdictions in which they operate. The DS Smith Group may have market positions which may make future significant acquisitions more difficult and may limit their ability to expand by acquisition or merger, if the Enlarged Group wished to do so. See also "*The Enlarged Group may be unable to implement its growth strategy successfully*".

In addition, the DS Smith Group and the Europac Group are subject to legislation in many of the jurisdictions in which they operate relating to unfair competitive practices and similar behaviour. The Enlarged Group is and may in the future be subject to allegations of, or regulatory investigations or proceedings into, such practices. In the event that such allegations are made or investigations or proceedings initiated (irrespective of merit), the Enlarged Group may be required to devote significant management resources to defend itself against such allegations. In the event that such allegations are proved, the Enlarged Group may be subject to significant fines, any relevant agreements being declared unenforceable, damages awards and other expenses, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

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

The DS Smith Group and the Europac Group maintain business insurance that they consider to be adequate and appropriate for their business and activities. Certain types of risks, such as losses due to natural disasters, riots, acts of war or terrorism are, however, either uninsurable or not economically insurable. In addition, even if a loss is insured, the Enlarged Group may be required to pay a significant deductible on any claim for recovery of such loss prior to the insurer being obliged to reimburse the Enlarged Group for the loss, or the amount of the loss may exceed the Enlarged Group's coverage for the loss. Any uninsured losses could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

**2.19 Failure to maintain product quality controls leading to the production of defective goods could lead to an increase in product liability claims against the Enlarged Group or damage to the Enlarged Group's reputation**

The DS Smith Group's and the Europac Group's packaging products, many of which are supplied to the food and beverage industries, may give rise to potentially substantial product liability claims in the event of a failure of the packaging to perform its function when in use or from contamination of the product by its packaging. Further, if any of its products are defective as a result of a failure in the Enlarged Group's quality controls, the Enlarged Group may be subject to product liability claims or may have to engage in a product recall. Any significant damage to the Enlarged Group's reputation and any material claims that arise in these areas could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

## 2.20 **The DS Smith Group is and, following the Acquisition will be, subject to liabilities relating to its pension arrangements**

The DS Smith Group operates a number of defined benefit pension plans for its employees around the world. The total net deficit of these plans valued under International Accounting Standard 19 was £106 million as at 30 April 2018. As at 30 April 2018 approximately 87 per cent. of the Group's post-retirement obligations related to plans in the UK.

The DS Smith Group operates a defined benefit scheme in the UK (the "**DS Smith Group Pension Scheme**"). The DS Smith Group Pension Scheme was closed to future accrual with effect from 30 April 2011. The most recent actuarial funding valuation was carried out as at 30 April 2016, showing a deficit on the "technical provisions" basis (as defined in the applicable UK legislation) of £184 million. A deficit recovery plan was agreed with the Trustee Board on 28 April 2017. The deficit recovery plan takes into account subsequent experience of the DS Smith Group Pension Scheme's technical provisions against its assets based on updated calculations as at 31 January 2017 which estimated that the shortfall had increased to £205 million. Under the deficit recovery plan the DS Smith Group has agreed to make a contribution of £19.9 million to the DS Smith Group Pension Scheme in the financial year ended 30 April 2018, £18.7 million in the year ended 30 April 2019, £19 million in the year ended 30 April 2020, £19.4 million in the year ended 30 April 2021, £19.8 million in the year ended 30 April 2022, £20.2 million in the year ended 30 April 2023, £20.6 million in the year ended 30 April 2024, £21 million in the year ended 30 April 2025 and £12.5 million in the year ended 30 April 2026 (in respect of May to November 2025).

The deficit of the DS Smith Group Pension Scheme is dependent on the market value of the assets of that plan and on the value placed on its liabilities. If the market value of the assets declines or the value of the liabilities increases, as at the date of an actuarial funding valuation of the DS Smith Group Pension Scheme, the DS Smith Group may be required to increase its contributions to the DS Smith Group Pension Scheme. A variety of factors, including factors outside the DS Smith Group's control, may adversely affect the value of the DS Smith Group Pension Scheme's assets or liabilities, including interest rates, inflation rates, investment performance, exchange rates, life expectancy assumptions, actuarial data and adjustments and regulatory changes. If these or other internal and external factors were to become unfavourable, or more unfavourable than they currently are, the DS Smith Group's required contributions to the DS Smith Group Pension Scheme and the costs and net liabilities associated with the DS Smith Group Pension Scheme could increase substantially. This may have an adverse effect on the DS Smith Group's operational results and cash flow.

The DS Smith Group also operates various local post-retirement and other employee benefit arrangements for overseas operations, as well as a small UK unfunded scheme. The countries where the DS Smith Group operates the most significant defined benefit post-retirement arrangements are France, Belgium, Switzerland, Italy and Germany.

The Europac Group operates defined benefit pension funds in Portugal and defined benefit retirement and long-service bonus schemes in France. As at 31 December 2017, the Portuguese defined benefit pension funds had a total deficit of c. €6.16 million on an International Accounting Standard 19 basis. The French defined benefit retirement and long-service bonus schemes are unfunded and, as at 31 December 2017, represented a total liability of c. €8.85 million.

Overseas defined benefit schemes expose the Enlarged Group to risks such as currency risk, inflation risk, interest rate risk, investment risk and life expectancy risk. Actions taken by the local regulator (where relevant powers exist), or changes to legislation, could result in stronger local funding requirements for pension schemes, which could have a material adverse effect on the Enlarged Group's future cash flow.

## 2.21 **The Pensions Regulator in the UK has the power to intervene in scheme valuations and to issue contribution notices or financial support directions which, if issued, could result in the Group being subject to significant liabilities**

If certain statutory requirements are met, the Pensions Regulator has the power to issue contribution notices or financial support directions to the DS Smith Group and/or any associated company. This could potentially extend to any major Shareholders of the DS Smith Group (and, following the

Acquisition, the Enlarged Group), subject to the size of their shareholdings and the satisfaction of reasonableness requirements. The Pensions Regulator may require additional contributions to be paid into a pension scheme or additional financial support to be made available in respect of such scheme.

Pensions Regulator enforcement action could have a material adverse impact on the operating results, business prospects or financial condition of the DS Smith Group (and, following the Acquisition, the Enlarged Group). The Pensions Regulator also has powers to set assumptions and contribution levels if the DS Smith Group and the Pension Trustees cannot agree the deficit or contributions following the triennial funding valuation (although this is extremely rare in practice). In cases where the deficit and funding levels are agreed, the Pensions Regulator can still intervene, should it disagree.

#### **2.22 The Enlarged Group may be adversely affected by increasing costs in maintaining its required level of workforce**

As at 30 April 2018, the DS Smith Group had approximately 28,500 employees, and if the Acquisition occurs, the Enlarged Group is expected to have approximately 30,500 employees. Inflationary pressures, changes in applicable laws and regulations or other factors resulting in increased labour costs could have a material adverse effect on the Enlarged Group's business, operating results or financial condition, or prospects.

#### **2.23 Failure to maintain good employee relations may affect the Enlarged Group's operations**

Future developments in relation to the Enlarged Group's business could adversely affect relations with employees. The DS Smith Group and the Europac Group both have collective agreements in place with national works councils and trade unions. The DS Smith Group also has a collective agreement in place with a European Works Council. If the terms of any collective bargaining agreements entered into change substantially or an acceptable agreement to the Enlarged Group cannot be reached at all when the collective agreements are renewed, the Enlarged Group could face increased labour costs or disruptions as a result of labour union activity in the future. Labour disputes or other problems could lead to a substantial interruption to the Enlarged Group's business and have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

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

The DS Smith Group operates and will continue to operate in many different countries. As a result, the Enlarged Group will be vulnerable to risks related to its international operations, including:

- (A) imposition of tariffs, quotas, import duties, additional taxes or other market barriers;
- (B) increased difficulty in the collection of accounts receivable, including longer collection periods;
- (C) inconsistent regulations and unexpected changes in legislation or regulatory requirements and increased difficulty and expense in hiring and dismissing employees;
- (D) imposition of quotas relating to the composition of the employee base or the local sourcing of raw materials or other similar quotas;
- (E) political and economic instability (including financial crises, civil unrest, wars, international conflicts, greater and tighter government regulation on cross-border trading, production, pricing and the environment), disruptions and government intervention in national economies and social structures, including the threat of terrorism;
- (F) work stoppages, transport interruptions and difficulties in managing international operations;
- (G) government expropriation of private sector assets;
- (H) adverse tax consequences and inability to repatriate cash; and
- (I) adverse currency fluctuations.



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

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

The DS Smith Group and the Europac Group rely on intellectual property laws to protect their rights to certain aspects of their systems, products and processes including product designs, proprietary technologies, research and concepts. In particular, the DS Smith Group's packaging and plastic business owns hundreds of patents covering the DS Smith Group's designs and products. Furthermore, trademarks and licences and their effective management also play an important role in protecting the DS Smith Group's intellectual property rights. The actions that the Enlarged Group takes to protect its intellectual property and proprietary rights may be inadequate to prevent imitation or unauthorised use. The laws of various countries offer different levels of protection for the DS Smith Group's and the Europac Group's intellectual proprietary rights and there can be no assurance that the Enlarged Group's intellectual property rights will not be challenged, invalidated, misappropriated or circumvented by third parties. Any of these possibilities could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

**2.26 The DS Smith Group and the Europac Group face cyber-security threats that could result in operational disruptions or data breaches to critical IT infrastructure or third-party IT infrastructure which could have a material adverse effect on the Enlarged Group's operations, supply cycle or reputation**

The DS Smith Group's and the Europac Group's operations rely upon secure information technology systems for data capture, processing, storage and reporting. Despite continuing investment in the DS Smith Group's and the Europac Group's information technology ("IT") security efforts and on-going controls, there can be no assurance that the Enlarged Group's IT systems and the systems of its third-party providers will not be subject to cyber-attacks due to the increasing sophistication of cyber-crime, the continuing development of the technology environment and the difficulties in detecting and defending against cyber-attacks in a timely fashion. Network, system, application and data breaches may result in operational disruptions or information misuse including, but not limited to, interruption to systems availability, denial of access and the compromise or failure of applications that are required by the Enlarged Group to conduct its business with both suppliers and customers. Access to internal applications required to plan the Enlarged Group's operations, source materials, manufacture and transport goods and account for orders could be denied or stolen. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company, employee, customer or supplier information, could arise from such incidents. Any such disruptions or failure to maintain the integrity of information may result in lost sales, business delays, product development delays or compromised confidential or technical business information, which may harm the Enlarged Group's competitive position and cause reputational damage. This could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations or prospects.

**2.27 Changes to accounting standards or to the Enlarged Group's accounting policies could have a material adverse effect on the Enlarged Group's financial condition, results of operations and cash flows**

The International Accounting Standards Board and the EU may change the accounting standards that govern the preparation of the Enlarged Group's financial statements. This could materially affect how the Enlarged Group reports its financial condition, results of operations and cash flows. A revised accounting standard may be required to apply retrospectively, resulting in the restatement of prior financial results.

**2.28 The Enlarged Group will enter into arrangements with third parties in the normal course of its business, and failure by such parties to meet their obligations or to continue to participate in such arrangements could have a material adverse effect on its financial condition, results of operations and cash flows**

The DS Smith Group and the Europac Group enter into arrangements with third parties, including outsourcing contracts, distribution arrangements and joint ventures with third parties in the normal course of its business and are reliant upon those third parties performing their obligations in accordance with the terms and conditions of the contracts and continuing to participate in such arrangements. These third parties may not fulfil the Enlarged Group's expectations and any failure by such a third party to fulfil these expectations, including as a result of fraud or withdrawal of the relevant service, could cause disruption and result in significant costs associated with sourcing alternative arrangements, among other things, which could have a material adverse effect on the Enlarged Group's financial condition, results of operations and cash flows.

**3. RISKS RELATING TO THE RIGHTS ISSUE AND THE NEW ORDINARY SHARES**

**3.1 The value of an investment in New Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value**

The market price of the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The fluctuations could result from national and global economic and financial conditions, market perceptions of DS Smith, Europac, the Acquisition and various other factors and events, including but not limited to regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors and the liquidity of the financial markets. Furthermore, the Group's financial results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

**3.2 The market price for Ordinary Shares may decline below the Issue Price**

The public trading market price of the Ordinary Shares may decline below the Issue Price. Should that occur prior to the latest time and date for acceptance under the Rights Issue, Shareholders who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares. Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them. If the public trading market price of the Ordinary Shares declines below the Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will likely suffer a loss as a result.

**3.3 Any future issue of Ordinary Shares will further dilute the holdings of current Shareholders and could adversely affect the market price of Ordinary Shares**

Other than pursuant to the Rights Issue, DS Smith has no current plans for an offering of Ordinary Shares. However, it is possible that DS Smith may decide to offer additional Ordinary Shares in the future either to raise capital or for other purposes. If Shareholders did not take up their *pro rata* share of such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in DS Smith would be reduced. An additional offering, or significant sales of Ordinary Shares by major Shareholders, could have a material adverse effect on the market price of Ordinary Shares.

**3.4 The Rights Issue is not conditional upon Completion and Shareholders may be exposed to lower earnings per Ordinary Share in the Rights Issue completes but the Acquisition does not**

If the Rights Issue completes but the Acquisition does not, there will be an immediate increase in the number of Ordinary Shares in issue but without any associated increase in earnings from the Acquisition. In such circumstances, Shareholders will be exposed to lower earnings per Ordinary Share until DS Smith is able to return substantially all the net proceeds of the Rights Issue to Shareholders. In such circumstances, although DS Smith will endeavour to return such proceeds to

Shareholders in a timely and efficient manner, there can be no assurance or guarantee as to either the manner in which it would do so or the time such process would take. DS Smith will also be obliged to pay certain fees and costs in connection with the Rights Issue and the Acquisition.

### **3.5 An active trading market in the Nil Paid Rights may not develop**

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

### **3.6 Admission of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not occur when expected**

Application for Admission of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares is subject to the approval (subject to satisfaction of any conditions which such approval is expressed) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, respectively, will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice. See the '*Expected Timetable of Principal Events*' for further information on the expected dates of these events.

### **3.7 The Company's ability to pay dividends is not guaranteed**

Under UK company law, a company can only make distributions (including cash dividends) to the extent that it has distributable reserves available for this purpose. As a holding company, whose only principal assets are its shares in and loans due by its subsidiaries, DS Smith's ability to make such distributions to Shareholders in the future is affected by a number of factors and is essentially dependent on its ability to generate distributable reserves and to receive sufficient cash dividends, loan repayments, interest and other cash flows from its subsidiaries. The payment of dividends or any cash amounts to DS Smith by its subsidiaries is, in turn, subject to restrictions, including applicable local law, local regulatory requirements and other restrictions including, but not limited to, applicable tax laws and the existence of sufficient distributable reserves and cash in the Group's subsidiaries.

The Company's loan and subordinated bond terms may in certain circumstances restrict the ability of the Company to pay dividends. Such laws and restrictions could limit the payment of dividends and distributions to DS Smith by its subsidiaries and restrict DS Smith's ability to fund other operations or to pay a dividend to holders of the Existing Ordinary Shares or the New Ordinary Shares. Moreover, the Group may elect to reduce or forgo dividend payments as a means of enhancing its capital position.

### **3.8 Shareholders who do not (or are not permitted to) acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of DS Smith and the Enlarged Group and may not receive compensation for this**

If Shareholders including Shareholders in the United States and other jurisdictions where their participation is restricted for legal, regulatory or other reasons, or is otherwise not permitted under the terms of the Rights Issue, do not take up in full their entitlements under the Rights Issue by the latest time and date for acceptance and payment, such Shareholders' Nil Paid Rights to subscribe for New Ordinary Shares will lapse. DS Smith has made arrangements such that within two business days following the latest time and date for acceptance and payment the Joint Underwriters will use reasonable endeavours to find subscribers for those New Ordinary Shares not taken up.

If, however, the Joint Underwriters are unable to find subscribers for such New Ordinary Shares, or are unable to achieve a price at least equal to the Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up. Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to

subscribe for New Ordinary Shares, their proportionate ownership and voting interest in the DS Smith Group and, subject to Completion, the Enlarged Group, will be reduced and the percentage that the Ordinary Shares of that Shareholder would represent of the total share capital of DS Smith and the Enlarged Group will also be reduced accordingly. Any consideration received may not be sufficient to compensate that Shareholder fully for the dilution of their percentage ownership of DS Smith's and, subject to Completion, the Enlarged Group's, share capital that may be caused as a result of the Rights Issue.

**3.9 Overseas Shareholders may not be able to acquire New Ordinary Shares in the Rights Issue or subscribe for future issues of Ordinary Shares**

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in any future issue of Ordinary Shares. In particular, Shareholders who are located in the United States will not be able to exercise their rights in the Rights Issue or on a future issue of Ordinary Shares, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The New Ordinary Shares are not and will not be registered under the Securities Act and the Company does not expect to file any such registration statements for future share issues, and an exemption to the registration requirements of the Securities Act may not be available in any case. In such an event, Shareholders with a registered address, or who are located, in the United States would be unable to participate in such an issue.

Qualifying Shareholders who have a registered address in or who are resident in countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents, or need to observe any other formalities to enable them to take up their Nil Paid Rights or acquire New Ordinary Shares. Any Shareholder who is not entitled to participate in the Rights Issue or any future issue of Ordinary Shares carried out by the Company will suffer dilution, as described above.

**3.10 The ability of overseas Shareholders to bring actions or enforce judgments against DS Smith, or the directors or officers may be limited**

The ability of an overseas Shareholder to bring an action against DS Smith may be limited under law. DS Smith is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an overseas Shareholder to effect service of process upon the Directors and the executive officers within the overseas Shareholder's country of residence or to enforce against the Directors and the executive officers judgments in courts of the overseas Shareholder's country of residence based on civil liability provisions under that country's securities laws. An overseas Shareholder may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or the executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or the executive officers in any original action based solely on foreign securities laws brought against the Group or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

**3.11 A Shareholder or an investor whose principal currency is not pounds sterling is exposed to foreign currency risk.**

The New Ordinary Shares are, and any future dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in New Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency risk. Any depreciation of pounds sterling in relation to such foreign currency would reduce the value of the investment in the New Ordinary Shares or any dividends in foreign currency terms, and any appreciation of pounds sterling against such other currency would increase the value in foreign currency terms.

## PART III

### IMPORTANT INFORMATION

#### 1. General

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

Only the information in this Prospectus should be relied upon. Any investor making an investment decision should make such decision on his or her own examination and assessment of the Company. No person has been authorised to give any information or make any representation other than those contained in or incorporated by reference into this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Company, the Directors, Citi, Goldman Sachs and/or JPM. Subject to the requirements of the FSMA, the Prospectus Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, the delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company or of the Company and its subsidiaries taken as a whole since the date of this Prospectus or that the information in or incorporated by reference into this Prospectus is correct as of any time subsequent to the date of this Prospectus.

Save for the responsibilities and liabilities, if any, of Citi, Goldman Sachs and/or JPM under FSMA or the regulatory regime established under FSMA, none of Citi, Goldman Sachs or JPM nor any of their respective affiliates, directors, officers, employees and advisers assumes any responsibility whatsoever and makes no representations or warranties, express or implied, in relation to the contents of this Prospectus, including its accuracy, completeness, verification or sufficiency or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by Citi, Goldman Sachs and/or JPM, or on its behalf, and nothing contained in this Prospectus is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with the Company or the Proposed Offer. Each of Citi, Goldman Sachs and JPM and each of their respective affiliates disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement.

Investors acknowledge that they have not relied on Citi, Goldman Sachs or JPM or any person affiliated with Citi, Goldman Sachs or JPM in connection with the investigation of the accuracy of any of the information contained in this Prospectus.

Citi, Goldman Sachs, JPM and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and members of the DS Smith Group for which they would have received customary fees. Citi, Goldman Sachs, JPM and their respective affiliates may provide such services to the Company, members of the DS Smith Group and the Shareholders and any of their respective affiliates in the future.

Any information that is incorporated by reference into documents, which in turn are incorporated into this Prospectus, is not incorporated by reference into and does not form part of this Prospectus.

#### 2. Forward-looking statements

Certain statements contained in this Prospectus or incorporated by reference into it constitute, or may be deemed to constitute, "forward-looking statements" with respect to the financial condition, results of operations and business of the DS Smith Group and, upon Completion, the Enlarged Group and certain plans and objectives of the Directors with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use forward-looking terminology including words such as "anticipate", "target", "expect", "estimate", "intend", "aim", "plan", "predict", "projects", "continue", "assume", "goal", "believe", "will", "may", "should", "would", "could" or, in each case, their negative, or other variations thereon or words of similar meaning, which identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. In particular, the statements under the headings

“Summary”, “Risk Factors,” “Information on the DS Smith Group”, “Information on the Europac Group” and “Operating and Financial Review of the DS Smith Group” regarding the Company’s strategy, plans, objectives, goals and other future events or prospects are forward-looking statements.

An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company’s control. Forward-looking statements are based on assumptions and assessments made by the Directors in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty, including the principal risks and uncertainties facing the business as described in Part II (*Risk Factors*) of this Prospectus, because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Prospectus could cause actual results and developments to differ materially from those expressed in or implied by such forward- looking statements.

The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus and/or information incorporated by reference into it. Factors that may cause the Company’s actual results to differ materially from those expressed or implied by the forward-looking statements in this Prospectus include but are not limited to the risks described in Part II (*Risk Factors*) of this Prospectus.

Each forward-looking statement speaks only as of the date it was made and is not intended to give any assurances as to future results. Furthermore, forward-looking statements contained in this Prospectus that are based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the FSMA, the Listing Rules, the Disclosure Guidance and Transparency Rules and/or the Prospectus Rules, none of the Company, Citi, Goldman Sachs, JPM or any of Citi, Goldman Sachs or JPM’s respective affiliates undertakes any obligation to update or revise these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from new information, events or circumstances arising after the date of this Prospectus. The Company will comply with its obligations to publish updated information as required by the FSMA, the Listing Rules, the Disclosure Guidance and Transparency Rules and/or the Prospectus Rules or otherwise by law and/or by any regulatory authority, but assumes no further obligation to publish additional information.

For the avoidance of doubt, nothing in this paragraph 2 of this Part III (*Important Information*) is intended to qualify the working capital statements set out in paragraph 16 (*Working Capital*) of Part XVIII (*Additional Information*).

### **3. Currency and exchange rate information**

Unless otherwise indicated, references to **pounds sterling, sterling, pounds, GBP, pence, p** or **£** are to the lawful currency of the United Kingdom, reference to **US dollars, USD** or **\$** are to the lawful currency of the United States and references to **€, EUR or Euros** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Unless otherwise specified, the financial information contained in this Prospectus has been expressed in sterling.

The basis of translation of foreign currency transactions and amounts in the financial information set out in Note 1 of the Audited Financial Statements incorporated by reference into Part XIII (*Historical Financial Information Relating to the DS Smith Group*) and Note 2.7 of the Historical Financial Information relating to the Europac Group incorporated by reference into Part XIV (*Historical Financial Information Relating to the Europac Group*) is described in each of those Parts. Unless otherwise stated, information derived from this financial information set out elsewhere in this Prospectus has been translated on the same basis.

For current EUR amounts, a rate of £1 to EUR 1.148 has been used, and for current USD amounts, a rate of £1 to USD 1.327 has been used, unless otherwise stated in this Prospectus.

#### **4. Market, economic and industry data**

This Prospectus contains information regarding DS Smith's, Europac's and the Enlarged Group's business and the market in which they operate and compete, which DS Smith has obtained from various third party sources. Where information has been sourced from a third party it has been accurately reproduced and, so far as DS Smith is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been audited or independently verified. Where third party information has been used in this Prospectus, the source of such information has been identified.

#### **5. Rounding**

Certain data in this Prospectus, including financial, statistical and operating information, has been rounded. As a result of rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages have also been rounded and accordingly may not add to 100 per cent.

#### **6. Presentation of financial information**

Unless otherwise stated:

- (A) financial information relating to the DS Smith Group has been extracted without material adjustment from the Audited Financial Statements incorporated by reference into Part XIII (*Historical Financial Information Relating to the DS Smith Group*) of this Prospectus;
- (B) financial information relating to Europac has been extracted without material adjustment from the historical financial information relating to the Europac Group incorporated by reference into Part XIV (*Historical Financial Information Relating to the Europac Group*) of this Prospectus;
- (C) any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial set out in Section A of Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*) of this Prospectus; and
- (D) all prices quoted for the Ordinary Shares are the Closing Prices in pounds sterling.

Unless otherwise indicated, financial information in this Prospectus relating to DS Smith and Europac has been prepared in accordance with IFRS and in accordance with the accounting policies adopted by DS Smith in preparing its 2018 Financial Statements.

#### **7. Non-IFRS financial information**

##### **7.1 DS Smith Group**

###### *Introduction*

In the reporting of financial information, the DS Smith Group has adopted various non-IFRS measures of historical or future financial performance, position or cash flows other than those defined or specified under IFRS.

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' non-IFRS measures, including those in the DS Smith Group's industry.

Non-IFRS measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

###### *Purpose*

The DS Smith Group presents reported and adjusted financial information in order to help shareholders better understand the DS Smith Group's operational performance and financial position.

Total reported financial information represents the DS Smith Group's overall performance and financial position, but can contain significant unusual or non-operational items or involve calculations that may obscure understanding of the key trends and position.

Certain non-IFRS 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 twelve month balances or average exchange rates.

#### *DS Smith Group's Alternative Performance Measures (non-IFRS metrics)*

The key non-IFRS financial measures used in this Prospectus include adjusted operating profit, return on sales, adjusted earnings per share and adjusted diluted earnings per share, return on average capital employed, adjusted EBITDA, net debt/EBITDA, cash generated from operations before exceptional cash items, free cash flow, net cash flow, cash conversion, adjusted effective tax rate, dividend cover before amortisation and exceptional items and average working capital to revenue. Further information regarding these measures, including certain reconciliations, can be found at Note 32 on pages 134 to 136 of DS Smith's 2018 Annual Reports and Accounts, which are incorporated by reference into this Prospectus.

## 7.2 **Europac Group**

The non-IFRS performance measures of the Europac Group used in this Prospectus and their calculation methods are as follows:

#### *Consolidated EBITDA*

Consolidated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is an indicator that is calculated as the Operating Profit (Loss) before depreciation and amortisation charges.

EBITDA is calculated as the Operating Profit (Loss) before depreciation and amortisation charges.

It provides an analysis of the operating profit (loss) excluding depreciation and amortisation as these variables do not represent cash flows and may vary substantially from company to company depending on accounting policies and the value of the assets.

It is used by management to assess earnings over time, allowing comparison with other companies in the sector. Finally, it is an indicator that is widely used by investors and analysts and by financial institutions.

Consolidated EBITDA for 2017, 2016 and 2015 appears in the Notes to Part IV of the Circular (*Historical Financial Information Relating to the Europac Group*) – Note 4 (Segment reporting).

#### *Recurring EBITDA*

Recurring EBITDA is an indicator that measures the company's operating margin deducting interest, taxes, depreciation and amortisation, but without taking into account non-recurring items that by their nature are not assigned to the operations, such as termination payments or gains and (losses) on mergers and acquisitions.

Europac's management uses this indicator as the best reflection of the company's business and one which allows comparison over several years as it is not distorted by one-off, extraordinary or recurring effects.

Recurring EBITDA for 2017, 2016 and 2015 appears in the Notes to Part IV of the Circular (*Historical Financial Information Relating to the Europac Group*) – Note 4 (Segment reporting) and is named "Operating profit before depreciation/amortisation for the segment".



Consolidated EBITDA for Q1 2018 and Q1 2017

Consolidated EBITDA for Q1 2018 and Q1 2017 is shown below:

	€'000s			
	<i>Paper</i>	<i>Corrugated Board</i>	<i>Eliminations</i>	<i>Consolidated</i>
<b>First quarter 2018</b>				
Net segment revenue				
external customers	135,524	99,836	–	235,360
other segments	31,035	1,813	(32,849)	–
<b>Total</b>	166,560	101,649	(32,849)	235,360
<b>Operating profit before depreciation/ amortisation for the segment</b>	53,035	(2,898)	–	50,137
unassigned profit or loss				(783)
<b>Consolidated EBITDA</b>				49,354
Depreciation and amortisation				(12,179)
<b>Operating profit</b>				37,174
Net financial expense				(2,063)
Share of profit of equity-accounted investees				–
<b>Profit before tax from continuing operations</b>				35,112
Corporate income tax				(9,908)
<b>Profit for the year from continuing operations</b>				25,203

	€'000s			
	<i>Paper</i>	<i>Corrugated Board</i>	<i>Eliminations</i>	<i>Consolidated</i>
<b>First quarter 2017</b>				
Net segment revenue				
external customers	117,575	92,496	–	210,071
other segments	21,772	2,222	(23,993)	–
<b>Total</b>	139,347	94,717	(23,993)	210,071
<b>Operating profit before depreciation/ amortisation for the segment</b>	25,672	3,849	–	29,521
unassigned profit or loss				1,509
<b>Consolidated EBITDA</b>				31,030
Depreciation and amortisation				(12,411)
<b>Operating profit</b>				18,620
Net financial expense				(2,175)
Share of profit of equity-accounted investees				44
<b>Profit before tax from continuing operations</b>				16,489
Corporate income tax				(5,312)
<b>Profit for the year from continuing operations</b>				11,176

## 8. No profit forecast

No statement in this Prospectus is intended as a profit forecast or profit estimate and no statement in this Prospectus should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

## **9. Available information**

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares that are “restricted” subsidiaries within the meaning of Rule 144(a)(3) under the Securities Act or any prospective purchaser designated by any holder or beneficial holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

## **10. Enforcement of civil liabilities**

The ability of a Shareholder outside of the United Kingdom to bring an action against the Company may be limited under law. The Company is a public company incorporated in England. The rights of the Shareholders are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

An overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an overseas Shareholder to effect service of process upon the Directors and executive officers within the overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an overseas Shareholder will be able to enforce any judgments made in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

## **11. Notice to investors in Australia**

This document is not a prospectus, product disclosure document or other type of disclosure document required to be lodged with the Australian Securities and Investments Commission (“ASIC”) under Chapter 6D or Chapter 7 of the Australian Corporations Act 2001 (Cth) (“Corporations Act”) and it has not been, and will not be, lodged with ASIC. Accordingly, this document does not contain the information which would be contained in a prospectus, product disclosure document or other type of disclosure document prepared under the Corporations Act, and does not purport to contain all of the information that may be necessary or desirable to enable a potential investor in Australia to properly evaluate and consider an investment in the New Ordinary Shares.

The offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares under this document to investors in Australia will only be made to the extent that such offers of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares for issue do not need disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act. In particular, any person who receives an offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares under this document in Australia represents and warrants to the Company and the Sponsor that they are a person who falls within an exemption from disclosure to investors in Australia under the Corporations Act, including a “sophisticated investor” within the meaning of section 708(8) of the Corporations Act or a “professional investor” within the meaning of section 708(11) of the Corporations Act, or a “wholesale client” within the meaning of section 761G of the Corporations Act. Any offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. Any person to whom Nil Paid Rights, Fully Paid Rights or New Ordinary Shares are issued pursuant to an exemption from the disclosure requirements provided by the Corporations Act must not, within 12 months after the issue, offer those Nil Paid Rights, Fully Paid Rights or New Ordinary Shares for sale in Australia unless that offer is itself made pursuant to a disclosure document under Part 6D.2 or Chapter 7 of the Corporations Act or is itself made in reliance on an exemption from the disclosure requirements provided by the Corporations Act.

## **12. No incorporation of website information**

Without prejudice to the information incorporated by reference into this Prospectus, which will be made available on DS Smith’s website ([www.dssmith.com](http://www.dssmith.com)), neither the contents of DS Smith’s website nor of any website accessible via hyperlinks from DS Smith’s website are incorporated into, or form part of, this Prospectus and Shareholders and prospective investors should not rely on them.

**13. Defined terms**

Defined terms, including all capitalised terms, are defined and explained in Part XX (*Definitions and Glossary*) of this Prospectus.

**14. Times**

All references to time in this Prospectus are, unless otherwise stated, references to time in London, United Kingdom.

## PART IV

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND ADMISSION STATISTICS

#### Expected timetable of principal events

Each of the times and dates in the table below is indicative only and may be subject to change.<sup>(1)</sup>

		<i>2018</i>
Record Date for entitlements under the Rights Issue	4.30 p.m.	6 July
Provisional Allotment Letters despatched (to Qualifying Non-CREST Shareholders only)		9 July
Admission	8.00 a.m.	10 July
<b>Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange</b>	8.00 a.m.	10 July
Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m.	10 July
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	8.00 a.m.	10 July
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m.	10 July
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m.	18 July
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account	3.00 p.m.	19 July
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m.	20 July
<b>Latest time and date for acceptance, payment in full and registration of renounced Provisional Allotment Letters</b>	11.00 a.m.	24 July
Result of Rights Issue to be announced	by 8.00 a.m.	25 July
<b>Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange and New Ordinary Shares credited to CREST stock accounts (uncertificated holders only)</b>	8.00 a.m.	25 July
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	no later than	3 August

Notes:

- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus are indicative only and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders via a Regulatory Information Service and will be available on [www.dssmith.com](http://www.dssmith.com).

## ADMISSION STATISTICS

Number of Ordinary Shares in issue at the Latest Practicable Date	1,074,571,043
Number of New Ordinary Shares to be issued under the Rights Issue <sup>(1)</sup>	293,064,829
Number of Ordinary Shares (including New Ordinary Shares) in issue immediately following Admission <sup>(1)</sup>	1,367,635,872
New Ordinary Shares as a percentage of the share capital of DS Smith in issue immediately following Admission <sup>(1)</sup>	21.4 per cent.

Notes:

(1) On the assumption that no further Ordinary Shares are issued from the date of this Prospectus until Admission.

## PART V

### DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Gareth Davis ( <i>Non-executive Chairman</i> ) Miles Roberts ( <i>Group Chief Executive</i> ) Adrian Marsh ( <i>Group Finance Director</i> ) Jonathan Nicholls ( <i>Senior Independent Director</i> ) Christopher Britton ( <i>Independent Non-executive Director</i> ) Ian Griffiths ( <i>Independent Non-executive Director</i> ) Kathleen O'Donovan ( <i>Independent Non-executive Director</i> ) Louise Smalley ( <i>Independent Non-executive Director</i> )
<b>Company Secretary</b>	Iain Simm
<b>Registered Office</b>	DS Smith Plc 350 Euston Road London NW1 3AX
<b>Financial Adviser, Sponsor and Joint Underwriter</b>	J. P. Morgan Securities plc 25 Bank Street Canary Wharf London E14 5JP
<b>Lead Financial Adviser and Joint Underwriter</b>	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB
<b>Joint Underwriter</b>	Citigroup Global Markets Limited Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
<b>Legal Adviser to the Company as to English law</b>	Slaughter and May One Bunhill Row London EC1Y 8YY
<b>Legal Advisers to the Company as to US law</b>	Sullivan & Cromwell LLP 1 New Fetter Lane London EC4A 1AN
<b>Legal Advisers to the Company as to Spanish law</b>	Pérez-Lorca Paseo de la Castellana, 50 28046 Madrid
<b>Legal Advisers to the Joint Underwriters as to English and US law</b>	Linklaters LLP One Silk Street London EC2Y 8HQ

**Auditors and Reporting  
Accountants to DS Smith**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**Receiving Agent and Registrar**

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

## **PART VI**

### **INFORMATION ON THE PROPOSED OFFER**

The information regarding the principal terms and conditions of the Proposed Offer contained in Part III (*Principal Terms and Conditions of the Proposed Offer*) of the Circular is incorporated by reference into this Prospectus.



## PART VII

### TERMS OF THE RIGHTS ISSUE

#### 1. Summary of the Rights Issue

The Company is proposing to raise net proceeds of approximately £1,000 million by way of a Rights Issue of New Ordinary Shares at a price of 350 pence per New Ordinary Share. The Company intends to use the proceeds raised by the Rights Issue to partially fund the Acquisition.

The Issue Price of 350 pence per New Ordinary Share represents a discount of approximately 36.3 per cent. to the Closing Price for an Existing Ordinary Share of 550 pence on 18 June 2018 (being the latest business day prior to the announcement of the Rights Issue) and a 30.9 per cent. discount to the theoretical ex-rights price based on that Closing Price.

The ISIN code for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB0008220112. The ISIN code for the Nil Paid Rights is GB00BFML1915 and for the Fully Paid Rights is GB00BFML5W21.

#### 2. Terms and conditions of the Rights Issue

Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Ordinary Shares are being offered for acquisition by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the Excluded Territories) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter if they receive one):

#### **3 New Ordinary Shares at 350 pence each for every 11 Existing Ordinary Shares**

held and registered in their name at the close of business on the Record Date and so in proportion for any other numbers of Ordinary Shares then held.

Qualifying Shareholders who do not, or who are not permitted to, take up any rights (for example because they are Qualifying Shareholders with registered addresses in the Excluded Territories) will have their proportionate shareholdings in the Company diluted by approximately 21.4 per cent. Those Qualifying Shareholders who are permitted to, and do, take up all of their rights to the New Ordinary Shares provisionally allotted to them will, subject to the rounding down of fractions (which are then aggregated and sold for the benefit of the Company), have the same proportionate voting and distribution rights as held by them at the Record Date.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings to calculate entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Such fractions will be aggregated and, if possible, sold in the market by the Joint Underwriters (by way of an issue of New Ordinary Shares to acquirers procured by the Joint Underwriters) or otherwise acquired by the Joint Underwriters as principals (or sub-underwriters or placees procured by the Joint Underwriters) pursuant to the Underwriting Agreement. The net proceeds of such sales (after deduction of expenses) will be aggregated and an equivalent amount will accrue for the ultimate benefit of the Company. Qualifying Shareholders with fewer than 4 Ordinary Shares at the close of business on the Record Date are not entitled to any New Ordinary Shares.

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

Application has been made to the UK Listing Authority for the New Ordinary Shares (nil paid and fully paid) to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 10 July 2018, with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 10 July 2018. The Nil Paid Rights will not be admitted to trading on any other exchange. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated form or uncertificated form (by means of CREST).

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to acquire the New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Ordinary Shares for which payment of the Issue Price has already been made.

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

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

The Company reserves the right to decide not to proceed with the Rights Issue at any time prior to Admission and commencement of dealings in the Nil Paid Rights on the London Stock Exchange.

It is expected that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the Excluded Territories) on 9 July 2018;
- (ii) Admission of the New Ordinary Shares, nil paid, to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities will become effective at 8.00 a.m. on 10 July 2018;
- (iii) the Registrar will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 10 July 2018;
- (iv) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 10 July 2018, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (v) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights by 8.00 a.m. on 25 July 2018; and
- (vi) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights by 3 August 2018.

The offer will be made to Qualifying Non-CREST Shareholders other than to Shareholders with a registered address, or located, in, subject to certain exceptions, the Excluded Territories, by way of the Provisional Allotment Letter (as described in step (i) above) and to Qualifying CREST Shareholders other than to Shareholders with a registered address, or located, in, subject to certain exceptions, the Excluded Territories, by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (iv) above) (such Shareholders' stock accounts having been credited as described in step (iii) above).

Qualifying Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM Instruction to Euroclear will be deemed to have given the representations and warranties set out in Section 8 of Part VII, unless such requirement is waived by the Company and the Joint Global Coordinators.

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

The Joint Underwriters have agreed to underwrite fully, severally and in their Due Proportions, the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached, and it may be terminated by the Joint Underwriters prior to Admission upon the occurrence of certain specified events (in which case the Rights Issue will not proceed). The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Joint Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained at page 148 of this document.

The Joint Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). None of the Joint Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Joint Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Joint Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

All documents, certificates and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

### **3. Action to be taken by Shareholders**

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

If you are a Qualifying Non-CREST Shareholder (unless you have a registered address in the United States or any other of the Excluded Territories, subject to certain limited exceptions), please refer to Section 4 of this Part VII.

If you are a Qualifying CREST Shareholder (unless you have a registered address in the United States or any other of the Excluded Territories, subject to certain limited exceptions), please refer to Section 5 of this Part VII and to the CREST Manual for further information on the CREST procedures referred to below.

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

If you have any questions relating to the Provisional Allotment Letter, please telephone the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6376 (from within the UK) or +44 121 415 0949 (if calling from outside the UK). Calls to the Shareholder Helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue or give any financial, legal, tax or investment advice.

#### **4. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters**

##### **(a) General**

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the Excluded Territories) on 9 July 2018. The Provisional Allotment Letter sets out:

- (i) the holding of Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (ii) the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;
- (iii) the amount payable on acceptance of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder at the Issue Price;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to sell all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (v) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

**The latest time and date for acceptance and payment in full will be 11.00 a.m. on 24 July 2018.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 9 July 2018, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part VII should be read as being subject to such adjustment.

##### **(b) Procedure for acceptance and payment**

###### *(i) Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights should complete the Provisional Allotment Letter in accordance with its instructions. The Provisional Allotment Letter must be returned, together with the cheque or banker's draft in pounds sterling, made payable to "Equiniti Ltd re DS Smith – Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 24 July 2018. A prepaid business reply envelope is enclosed with the Provisional Allotment Letter (for use within the UK only). If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the UK). Payments via CHAPs, BACS or electronic transfer will not be accepted. Once your Provisional Allotment Letter has been duly completed and payment has been received by the Receiving Agent in accordance with the above, you will have accepted the offer to subscribe for the number of New Ordinary Shares specified on your Provisional Allotment Letter.

###### *(ii) Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to Section 4(f) of this Part VII.

###### *(iii) Qualifying Non-CREST Shareholders who wish to dispose of some or all of their Nil Paid Rights*

Any Qualifying Non-CREST Shareholder who is permitted to, and wishes to, sell all or part of his Nil Paid Rights should contact his or her stockbroker or bank or other appropriate authorised independent financial adviser to arrange the sale of those Nil Paid Rights in the market. The stockbroker, bank or other authorised independent financial adviser will require the Provisional Allotment Letter to arrange such sale and you will need to make arrangements with the

stockbroker, bank or other authorised independent financial adviser for the completion of the Provisional Allotment Letter and its despatch to the stockbroker, bank or other authorised independent financial adviser. Further information about such sales by Qualifying Non-CREST Shareholders is set out in Section 4(f) of this Part VII.

Nil Paid Rights may only be transferred in compliance with applicable securities laws and regulations of all relevant jurisdictions.

(iv) *Discretion as to validity of acceptances*

If payment as set out in this sub-section 4(b) of this Part VII is not received in full by 11.00 a.m. on 24 July 2018, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and the Joint Underwriters may, but shall not be obliged to, treat as valid acceptances in respect of which remittances for the full amount are received prior to 11.00 a.m. on 24 July 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, by a time and date which are satisfactory to the Company and the Joint Underwriters in their sole discretion.

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

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Ordinary Shares in an Excluded Territory.

Qualifying Non-CREST Shareholders who make a valid acceptance and payment in accordance with this paragraph are deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter and subject to the Articles.

(v) *Payments*

All payments made by Qualifying Non-CREST Shareholders must be made in pounds sterling by cheque or banker's draft made payable to "Equiniti Ltd re DS Smith – Rights Issue" and crossed "A/C payee only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the PAL. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be paid on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of the Company. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company and the Joint Global Coordinators may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been allotted to Non-CREST

Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholder acceptances being treated as invalid, the Joint Global Coordinators may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Non-CREST Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part VII in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Joint Global Coordinators or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying Non-CREST Shareholders as a result.

(c) **Money Laundering Regulations**

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment (the "**applicant**"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and agree for Equiniti to make a search using a credit reference agency for the purpose of confirming such identity; where deemed necessary a record of the search will be retained. Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Joint Global Coordinators will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations.

The verification of identity requirements will not usually apply if:

- (a) the applicant is an organisation required to comply with the EU Money Laundering Directive (2015/849);
- (b) the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (c) the applicant (not being an applicant who delivers his/her/its application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (d) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

In other cases, the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if the Provisional Allotment Letter(s) is/are lodged with payment by an agent which is an organisation of the kind referred to in sub-section (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, Korea, Malaysia, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide with the Provisional Allotment Letter(s) written confirmation that it has that status and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority.

**In order to confirm the acceptability of any written assurance referred to in this paragraph (ii), or in any other case, the applicant should contact the Receiving Agent between 8.30 a.m. and 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). The telephone number of the Receiving Agent is 0333 207 6376 or +44 121 415 0949 (if calling from overseas). Calls from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be randomly monitored for security and training purposes; or**

- (iii) if the Provisional Allotment Letter(s) is/are lodged by hand by the applicant in person, or if the Provisional Allotment Letter(s) in respect of New Ordinary Shares is/are lodged by hand by the applicant in person and the accompanying payment is not the applicant's own cheque, the applicant should ensure that they have evidence of identity bearing their photograph (for example, the applicant's passport) and separate evidence of their address.

(d) ***Dealings in Nil Paid Rights***

Dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 10 July 2018. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee.

(e) ***Dealings in Fully Paid Rights***

After acceptance by a Qualifying Non-CREST Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the resultant Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only), with Equiniti so as to be received not later than 3.00 p.m. on 19 July 2018. To do this, a Qualifying Non-CREST Shareholder will need to have his fully paid Provisional Allotment Letter returned to him

after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box of the Provisional Allotment Letter.

After 25 July 2018, the New Ordinary Shares will be in registered form and transferable in the usual way.

(f) ***Renunciation and splitting of Provisional Allotment Letters***

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights represented by a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 24 July 2018.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights represented by that Provisional Allotment Letter but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by not later than 3.00 p.m. on 20 July 2018, to be cancelled and exchanged for the new (split) Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be represented by each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The Provisional Allotment Letter will then be cancelled and exchanged for new (split) Provisional Allotment Letters. The split Provisional Allotment Letter representing the New Ordinary Shares they wish to accept should be delivered together with the cheque or banker's draft in pounds sterling for the appropriate amount, made payable to "Equiniti Ltd re DS Smith – Rights Issue" and crossed "A/C payee only" by 11.00 a.m. on 24 July 2018, the last date and time for acceptance. Once the holder's split Provisional Allotment Letter duly completed and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on that split Provisional Allotment Letter. The second Provisional Allotment Letter (representing the New Ordinary Shares they do not wish to take up) will be required in order to sell those rights.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete the boxes at the bottom on page 1 of the Provisional Allotment Letter and Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque for the appropriate amount made payable to "Equiniti Ltd re DS Smith – Rights Issue" and crossed "A/C payee only" only and with the Allotment Number which appears on page 1 of the Provisional Allotment Letter, written on the reverse of the cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by the Receiving Agent by 3.00 p.m. on 20 July 2018, being the last date and time for splitting Nil Paid Rights. Once the holder's Provisional Allotment Letter duly completed and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on their Provisional Allotment Letter.

The Company and/or the Joint Global Coordinators reserve the right to refuse to register any renunciation in favour of any person in respect of whom the Company and/or the Joint Global Coordinators believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.



(g) **Registration in names of Qualifying Shareholders**

A Qualifying Shareholder who wishes to have all the New Ordinary Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and (in the case of Qualifying Non-CREST Shareholders) the Provisional Allotment Letter.

(h) **Registration in names of persons other than Qualifying Shareholders originally entitled**

To register the New Ordinary Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed (see sub-section 4(i) of this Part VII) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by not later than 11.00 a.m. on 24 July 2018). Registration cannot be effected unless and until the New Ordinary Shares represented by a Provisional Allotment Letter are fully paid for.

The New Ordinary Shares represented by two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y on page 4 of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number (as shown on page 1 of the Provisional Allotment Letter), the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

(i) **Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

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

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

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in

connection with taking up the entitlement prior to 11.00 a.m. on 24 July 2018. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 July 2018) is 3.00 p.m. on 19 July 2018.

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and for the avoidance of doubt any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

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

(i) ***Issue of New Ordinary Shares in definitive form***

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 3 August 2018, at the risk of persons entitled thereto, to Qualifying Non-CREST Shareholders or to persons entitled thereto at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

**5. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST**

(a) ***General***

Subject as provided in Sections 7 and 8 of Part VII in relation to certain Restricted Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 10 July 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

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

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

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

(b) ***Procedure for acceptance and payment***

(i) *MTM Instructions*

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

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-section (a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-section (a) above.

(ii) *Contents of MTM Instructions*

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

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA73;
- the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA292501;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date (which must be on or before 11.00 a.m. on 24 July 2018);
- the Nil Paid ISIN Number which is GB00BFML1915;
- the Fully Paid ISIN Number which is GB00BFML5W21;
- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;

- a contact name and telephone number (in the free format shared note field); and
- a priority of at least 80.

(iii) *Valid acceptance*

An MTM Instruction complying with each of the requirements as to authentication and contents set out in sub-section (ii) of this Section 5 of Part VII will constitute a valid acceptance where either:

- the MTM Instruction settles by not later than 11.00 a.m. on 24 July 2018; or
- at the discretion of the Company and the Joint Global Coordinators: (i) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 24 July 2018; (ii) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM Instruction at 11.00 a.m. on 24 July 2018; and (iii) the relevant MTM Instruction settles by 2.00 p.m. on 24 July 2018 (or such later date as the Company has determined).

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

(iv) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this Section 5 of Part VII represents, warrants and undertakes to the Company and the Joint Global Coordinators that he/she/it has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her/it or by his/her/its CREST sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 a.m. on 24 July 2018 and remains capable of settlement at all times after that until 2.00 p.m. on 24 July 2018 (or until such later time and date as the Company and the Joint Global Coordinators may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 24 July 2018 and at all times thereafter that until 2.00 p.m. on 24 July 2018 (or until such later time and date as the Company and the Joint Global Coordinators may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. In addition, such CREST sponsored member taking up entitlements makes the representations and gives the warranties set out in Section 8(b) of this Part VII.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Joint Global Coordinators may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VII in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Joint Global Coordinators nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(v) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 24 July 2018. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in this Section 5 of Part VII: (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Receiving Agent the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Joint Global Coordinators may (in their absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VII in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, neither the Joint Global Coordinators nor the Company shall be responsible for, or have any liability for, any loss, expenses or damage arising as a result.

(vii) *Discretion as to rejection and validity of acceptances*

The Company and the Joint Global Coordinators may agree in their absolute discretion to:

- (a) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this Section 5 of Part VII (and, to the extent applicable, pursuant to Section 8(b) of this Part VII). Where an acceptance is made as described in this Section 5 of Part VII which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 p.m. on 24 July 2018 (or by such later time and date as the Company and the Joint Global Coordinators may determine), the Company and the Joint Global Coordinators shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this Section 5 of Part VII, that there has been a breach of the representations, warranties and undertakings set out or referred to in this Section 5 of Part VII;

- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this Section 5;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as the Company and the Joint Global Coordinators may determine;
- (d) treat a properly authenticated dematerialised instruction (in this sub-section the “**first instruction**”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the Uncertificated Securities Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; or
- (e) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

(c) **Money Laundering Regulations**

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

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

(d) **Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 10 July 2018. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 24 July 2018.

(e) ***Dealings in Fully Paid Rights***

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 24 July 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 24 July 2018.

After 24 July 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them (including those holding Fully Paid Rights at the close of business on 24 July 2018) in the Company's register of members and will be transferable in the usual way.

(f) ***Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST***

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

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 18 July 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 July 2018. It is recommended that reference is made to the CREST Manual for details of such procedures.

(g) ***Issue of New Ordinary Shares in CREST***

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 24 July 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from 8.00 a.m. on the next business day (expected to be 25 July 2018).

(h) ***Right to allot/issue in certificated form***

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

## **6. Procedure in respect of New Ordinary Shares not taken up and withdrawal rights**

(a) ***Procedure in respect of New Ordinary Shares not taken up***

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. If an entitlement to New Ordinary Shares is not validly taken up by 7.30 a.m. on 25 July 2018 in accordance with the procedure laid down for acceptance and payment, then the Joint Global Coordinators will use reasonable endeavours to procure, by not later than 5.00 p.m. on 25 July 2018, acquirers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Issue Price and the expenses of procuring such acquirers (including any related commissions and amounts in respect of VAT which are not recoverable) can be obtained.

Notwithstanding the above, the Joint Global Coordinators may cease to endeavour to procure any such acquirers if, in the opinion of the Joint Global Coordinators, it is unlikely that any such acquirers can be so procured at such a price by such time. If and to the extent that acquirers cannot be procured on the basis outlined above, or if procurement of acquirers would give rise to a breach of

law, the relevant New Ordinary Shares will be acquired by the Joint Underwriters as principals pursuant to the Underwriting Agreement or by sub-underwriters procured by the Joint Global Coordinators, in each case, at the Issue Price and in the Due Proportions.

New Ordinary Shares for which acquirers are procured on this basis will be re-allotted to such acquirers and the aggregate of any premiums (being the amount paid by such acquirers after deducting the Issue Price and the expenses of procuring such acquirers including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments on the basis set out below:

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where a Restricted Shareholder received neither a Provisional Allotment Letter nor a credit to his, her or its CREST account, to that Restricted Shareholder,

save that no payment will be made of amounts of less than £5.00 (five pounds sterling), which amounts will be aggregated and will ultimately accrue to the benefit of the Company.

Any transactions undertaken pursuant to this Section 6 of Part VII shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Joint Global Coordinators or any other person procuring acquirers shall be responsible or have any liability whatsoever for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, the market on which such transaction is carried out, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above. The Joint Underwriters will be entitled to retain any brokerage fees, commission or other benefits realised in connection with these arrangements. Cheques for the amounts due will be sent in pounds sterling, by post, at the risk of the person(s) entitled, to their registered addresses (in the case of joint holders, to the registered address of the first named), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

There is no procedure for Shareholders to apply for New Ordinary Shares in excess of their entitlement.

(b) **Withdrawal rights**

Persons wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document must do so by sending a written notice of withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, in writing to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (for further details, Shareholders should contact Equiniti on 0333 207 6376 (from inside the UK) or +44 121 415 0949 (from outside the UK)), no later than two business days after the date on which the supplementary prospectus is published. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be randomly monitored for security and training purposes.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Ordinary Shares taken up and the allotment of those New Ordinary Shares to



such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of Section 6(a) of this Part VII as if the entitlement had not been validly taken up.

## **7. Restricted Shareholders**

This document has been approved by the FCA, being the competent authority in the UK. It is expected that Qualifying Shareholders in each Member State of the European Economic Area will be able to participate in the Rights Issue.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this Section 7 are intended as a general guide only and any overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

### **(a) General**

**The allocation of Nil Paid Rights and/or offer of Fully Paid Rights and/or New Ordinary Shares to persons resident or located in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

This Section 7 of Part VII sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Restricted Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Restricted Shareholders with registered addresses in the Excluded Territories except where the Company and the Joint Global Coordinators are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of Shareholders in the United States and the other Excluded Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this document and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may (i) treat the same as constituting an invitation or offer to him/her, nor (ii) should he/she in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless (in the case of (i) or (ii)) such an invitation or offer could lawfully be made to him/her or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

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

Subject to sub-sections (b) and (e) of this Section 7 of Part VII, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this Section 7 of Part VII are intended as a general guide only and any Qualifying Shareholder who is in any doubt as to his/her position should consult his/her professional advisers without delay.**

The Company and the Joint Global Coordinators may treat as invalid any exercise or purported exercise of Nil Paid Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights or New Ordinary Shares and will not be bound to issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares which appears to the Company or the Joint Global Coordinators or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST member or CREST sponsored member whose registered address is in any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit or if the Company or the Joint Global Coordinators believe or their respective agents believe that the same may violate applicable legal or regulatory requirements. The attention of US persons and Qualifying Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to sub-section (b) of this Section 7 of this Part VII. The attention of Qualifying Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to sub-section (e) of this Section 7 of Part VII.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company and the Joint Global Coordinators reserve the right to permit any Qualifying Shareholder to take up his/her rights if the Company and the Joint Global Coordinators in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company and the Joint Global Coordinators are so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he/she is a Qualifying Non-CREST Shareholder or, if he/she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in sub-sections 4(b) and 5(b) of this Part VII.

The provisions of Section 6 of this Part VII will apply to all Restricted Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them. Accordingly, such Restricted Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Joint Global Coordinators will endeavour to procure, on behalf of such Restricted Shareholders, acquirers for the New Ordinary Shares.

Specific restrictions relating to certain jurisdictions are set out below.

(b) **Offering restrictions relating to the United States**

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

Accordingly, subject to certain limited exceptions, no offering is being made in the United States and neither this document nor the Provisional Allotment Letters constitute or will constitute an offer, or an invitation to apply for, or an offer or invitation to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the United States. Subject to certain limited exceptions, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in the United States.

Subject to certain limited exceptions, envelopes containing Provisional Allotment Letters should not be postmarked in the United States or otherwise despatched from the United States, and all persons acquiring New Ordinary Shares and wishing to hold such shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain limited exceptions, any person who acquires New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter and delivery of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, that it is not, and that at the time of acquiring the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights it will not be, in the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter: (i) that appears to the Company or its agents to have been executed in or despatched from the United States; (ii) that does not include the relevant warranty set out in the Provisional Allotment Letter headed "Restricted Shareholders" to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address (and is not otherwise located) in the United States and is not acquiring rights to Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States; or (iii) where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements, and the Company shall not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in respect of any such Provisional Allotment Letter. In addition, the Company and the Joint Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of Nil Paid Rights.

Notwithstanding the foregoing, the Nil Paid Rights may be offered and delivered to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of persons in the United States reasonably believed to be Qualified Institutional Buyers or QIBs in offerings exempt from registration under the Securities Act. Any person reasonably believed to be a QIB to whom New Ordinary Shares are offered and by whom New Ordinary Shares are acquired will be required to execute and deliver an investor letter substantially in the form described under "US transfer restrictions" in Section 8(c) of this Part VII and may be required to make certain certifications in the Provisional Allotment Letters for the Nil Paid Rights and the Fully Paid Rights.

Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

Until 40 days after the commencement of the Rights Issue an offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The provisions of section 6 of this Part VII will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as unexercising holders and the Joint Underwriters will endeavour to procure, on behalf of such unexercising holders, subscribers for the New Ordinary Shares relating to such rights.

(c) **US transfer restrictions**

The offering and delivery of the Nil Paid Rights to, and the offering and acquisition of the Fully Paid Rights or New Ordinary Shares in the United States to and by, a limited number of persons reasonably believed to be QIBs is being made in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. None of the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or the Provisional Allotment Letters have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act.

Each acquirer of Fully Paid Rights or New Ordinary Shares in the United States will be required to execute and deliver to the Company and/or one or more of its designees an investor letter in the appropriate form setting out certain restrictions and procedures regarding the New Ordinary Shares, which will contain the following representations:

- (i) it is an institution which has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Fully Paid Rights and the New Ordinary Shares and it, and any accounts for which it is acting, is each able to bear the economic risk of such investment, and is able to sustain a complete loss of any investment in the Fully Paid Rights and the New Ordinary Shares;
- (ii) its purchase will be made pursuant to an investor letter and the terms and conditions of the Rights Issue which is governed by English law as described in this document prior to exercising the Nil Paid Rights, receiving the Fully Paid Rights or taking up the New Ordinary Shares, it received and read a copy of this document. If the acquirer has had any queries regarding the acquisition of the Fully Paid Rights, the New Ordinary Shares, the Company and its affairs or the terms of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, it has had the opportunity to ask and has asked those questions of and received answers satisfactory to it from the representatives of the Company. In making any acquisition of the Fully Paid Rights or the New Ordinary Shares, it is relying on this document and not any other information or representation concerning the Company. It agrees that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted this document, any Provisional Allotment Letter or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and agrees that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its investment in the Fully Paid Rights and the New Ordinary Shares;
- (iii) it acknowledges that the Ordinary Shares are listed on the premium listing segment of the Official List of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange, that the Company is therefore required to publish certain business and financial information in accordance with the rules and practices of the UK Listing Authority and the London Stock Exchange, and that the acquirer is able to access such information without undue difficulty; and it acknowledges that neither the Company nor any of its affiliates has made any representation to the acquirer with respect to the Company, other than the information contained in this document; and it further acknowledges that neither the Joint Underwriters nor any of their affiliates has made any representation with respect to the Company, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, and that the Joint Underwriters are acting solely for the Company and no-one else and, in particular, none of the Joint Underwriters nor any of their affiliates are providing any service, recommendation or advice regarding the suitability of any transactions it may enter into to subscribe or buy any Fully Paid Rights or New Ordinary Shares or providing advice to it in relation to the Rights Issue of the Fully Paid Rights, New Ordinary Shares or Nil Paid Rights or the Company. To the extent it deems necessary, it will make its own independent investigation and appraisal of, and satisfy itself with, the business,

results, financial condition, prospects, creditworthiness, status and affairs of the Company and will make its own investment decision to exercise its Nil Paid Rights and/or to acquire the Fully Paid Rights or New Ordinary Shares. It understands that this document has been prepared in accordance with UK format, style and content, which differs from US format, style and content;

- (iv) it is, and at the time of the acquisition of the securities will be, a QIB, that if it is acquiring the Fully Paid Rights or New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each such account is, and at the time of the acquisition of the securities will be, a QIB, it has investment discretion with respect to each such account, and has full power and authority to make the acknowledgements, representations and agreements herein on behalf of each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well);
- (v) it is acquiring the Fully Paid Rights or New Ordinary Shares for its own account (or the account of a QIB as to which it has full investment discretion) for investment purposes, and not with a view to distribution within the meaning of the US securities laws;
- (vi) it understands and acknowledges that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act or any state securities laws. It agrees that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be re-offered, sold, pledged or otherwise transferred, and that it will not, directly or indirectly, re-offer, sell, pledge or otherwise transfer the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares except (a) in an offshore transaction in accordance with Rules 903 or 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the United States), (b) to another QIB in accordance with Rule 144A under the Securities Act, (c) with respect to the New Ordinary Shares only pursuant to Rule 144 under the Securities Act (if available), or (d) in a transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States and that, in each case, such offer, pledge or transfer must and will be made in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (vii) it understands that no representation has been made as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the re-offer, pledge or transfer of the New Ordinary Shares;
- (viii) it understands that the New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain “restricted securities”, they may not be deposited into any unrestricted depository facility established or maintained by a depository bank, and that such shares will not trade or settle through the facilities of DTCC or any other US clearing system;
- (ix) it acknowledges and agrees that if the New Ordinary Shares are in certificated form, the certificates representing the New Ordinary Shares will contain substantially the following legend:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE RE-OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT (I) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S, (II) TO A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN ACCORDANCE WITH RULE 144A, (III) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (IV) IN A TRANSACTION PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THAT, IN EACH CASE, SUCH OFFER, PLEDGE OR TRANSFER MUST AND WILL BE MADE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE

AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE SECURITIES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SECURITIES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”

- (x) it has not acquired the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television or as a result of any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and
- (xi) it understands that the foregoing acknowledgements, representations and agreements are required in connection with US securities laws and that the Company, the Joint Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and it irrevocably authorises the Company and the Joint Underwriters to produce the investor letter, the Provisional Allotment Letter and this document to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein.

(d) ***Procedures for the exercise of the Nil Paid Rights and application for Fully Paid Rights by QIBs in the United States***

QIBs in the United States that are participating in the Rights Issue in the United States may exercise the Nil Paid Rights and apply for the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in this Section 7 of Part VII.

If such a person holds his Ordinary Shares through a bank, a broker or another financial intermediary, his financial intermediary should submit the Provisional Allotment Letter on his behalf.

Shareholders in the United States must complete and return to the Company an investor letter in the appropriate form as described in this Section 7 of Part VII, with a copy to the Joint Underwriters. If such a person holds his Ordinary Shares through a bank, a broker or another financial intermediary, his financial intermediary should submit his investor letter on his behalf.

The Company and the Receiving Agent have the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed investor letter or any other required additional documentation.

The Company and the Receiving Agent have the discretion to refuse to accept any orders for Fully Paid Rights or New Ordinary Shares that are not accompanied by an executed investor letter or any other required additional documentation.

(e) ***Other overseas territories***

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). No offer of or invitation to take up New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories. Qualifying Shareholders in jurisdictions other than, (subject to certain exceptions), the Excluded Territories, may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights (Shareholders only) or New Ordinary Shares.

(f) **Member States of the European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive Regulation (each, a “relevant member state”) (except for the United Kingdom), with effect from and including the date on which the Prospectus Directive Regulation was implemented in that relevant member state (the “relevant implementation date”) no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive Regulation, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

- (a) to any legal entity which is a “qualified investor”, as defined in the Prospectus Directive Regulation;
- (b) to fewer than 100 or, if the relevant member state has implemented provisions of the relevant amending directive (2010/73/EU), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive Regulation); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive Regulation, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or any Joint Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive Regulation.

For this purpose, the expression “an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to acquire any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive Regulation in that relevant member state.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.**

**8. Representations and warranties relating to Restricted Shareholders**

(a) **Qualifying Non-CREST Shareholders**

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Joint Global Coordinators that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States or is otherwise a US person, (ii) such person is not in any of the other Excluded Territories or in any territory in which it is not otherwise unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the Excluded Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United

States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and either (y) has investment discretion over such account or (z) is an investment company that is acquiring the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S, and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any territory referred to in (ii) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement, (b) provides an address in the United States or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, or (c) purports to exclude the warranty required by this Section.

(b) **Qualifying CREST Shareholders**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part VII represents and warrants to the Company and the Joint Global Coordinators that, except where proof has been provided to the Company’s satisfaction that such person’s acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not within the United States, (ii) such person is not in any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire Fully Paid Rights or New Ordinary Shares, (iii) such person is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States, or any of the other Excluded Territories, or any of the other territories referred to in (ii) above at the time the instruction to accept was given, and (iv) such person is not acquiring Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Fully Paid Rights or New Ordinary Shares into the United States or any territory referred to in (ii) above.

The Company may treat as invalid any MTM Instruction which appears to the Company to have been despatched from the United States, the Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Fully Paid Rights or New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believes the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this Section.

**9. Waiver**

The provisions of Sections 7 and 8 of Part VII and of any other terms of the Rights Issue relating to Restricted Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of Sections 7 and 8 of this Part VII supersede any terms of the Rights Issue inconsistent herewith. References in Sections 7 and 8 of this Part VII to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this Section 9 of this Part VII shall apply to them jointly and to each of them.

**10. Taxation**

Information on taxation in the United Kingdom in relation to the Rights Issue is set out in Part XVII (*Taxation*) of this document. Information on taxation in the United States in relation to the Rights Issue is set out in Part XVII (*Taxation*). The information contained in Part XVII (*Taxation*) of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States. Qualifying Shareholders in the United Kingdom and the United States should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. **Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.**



## **11. Times and dates**

The Company shall, in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Joint Global Coordinators), be entitled to amend the date that dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority, and a Regulatory Information Service and, if appropriate, Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two days or fewer prior to the date specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Joint Global Coordinators), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Dealing Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **12. Employee Share Plans**

In accordance with the rules of the applicable Employee Share Plans, outstanding options and awards, and any applicable performance conditions, may be adjusted to take account of the Rights Issue in such manner as the Board or the Remuneration Committee (depending on the scheme in question) may consider appropriate. This is subject to the prior approval (where required) of the relevant tax authorities. Participants in the applicable Employee Share Plans will be notified of any adjustment in due course.

Any adjustment as envisaged above will compensate for the reduction in economic value of outstanding options and awards which may otherwise result on the basis that the New Ordinary Shares are being offered at a discount. The intention in respect of any adjustment to be carried out pursuant to the rules of the applicable Employee Share Plans is to ensure that participants are neither advantaged nor disadvantaged as a result of the Rights Issue. Any adjustment of performance conditions will be done on such basis with the intention that the performance condition will be neither more difficult nor easier to meet.

## **13. Governing law and jurisdiction**

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter (where appropriate) and any non-contractual obligation arising out of or related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (where appropriate) (including any dispute relating to any non-contractual obligations arising out of or in connection with them). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART VIII

### INFORMATION CONCERNING THE NEW ORDINARY SHARES

#### 1. Description of the type and class of securities being admitted

The New Ordinary Shares will be Ordinary Shares with a nominal value of 10 pence each. The ISIN code for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB0008220112.

The New Ordinary Shares will be created under the Companies Act 2006 and the Articles of the Company. Following the Rights Issue, the Company will continue to have one class of Ordinary Shares.

The New Ordinary Shares will, when issued and fully paid, be credited as fully paid and will be issued free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends or other distributions on the ordinary share capital of the Company declared, made or paid after the date of allotment and issue of the New Ordinary Shares.

#### 2. Listing

Application has been made to the UK Listing Authority for the New Ordinary Shares (nil paid and fully paid) to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. The ISIN of the Nil Paid Rights will be GB00BFML1915. The ISIN of the Fully Paid Rights will be GB00BFML5W21.

Admission is expected to become effective and dealings to commence on the London Stock Exchange in the New Ordinary Shares, nil paid, at 8.00 a.m. on 10 July 2018 with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 10 July 2018. Listing of the New Ordinary Shares will not be sought on any stock exchange in connection with the Rights Issue other than the London Stock Exchange.

#### 3. Form and currency of the New Ordinary Shares

The New Ordinary Shares resulting from the Rights Issue will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). The Registrar of the Company is Equiniti.

For any New Ordinary Shares which are to be held in certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in GBP.

#### 4. Rights attached to the New Ordinary Shares

Each New Ordinary Share will rank *pari passu* in all respects with each Existing Ordinary Share, and will have the same rights and restrictions as each Existing Ordinary Share. There are no restrictions on the free transferability in relation to the Existing Ordinary Shares or the New Ordinary Shares. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in paragraph 7 (*Articles*) of Part XVIII (*Additional Information*) of this Prospectus.

## 5. Dividends

It is the Board's policy to review the profits available for distribution, and the level of dividend (if any) payable, on a regular basis (acting in accordance with the Companies Act 2006, the Articles and relevant regulatory requirements).

Subject to the provisions of the Companies Act 2006, the Articles and regulatory requirements, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act 2006, the Articles and regulatory requirements, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

Dividends are payable to persons registered as Shareholders on the record date relating to the relevant dividend.

All dividends will be divided and paid in proportions based on the amounts paid up on the Ordinary Shares during any period for which the dividend is paid.

If a Shareholder owes the Company any money for calls on shares or money in any other way relating to his/her shares, the Directors can deduct any of this money from any dividend or other money payable to the Shareholder on or in respect of any share held by him/her. Money deducted in this way can be used to pay amounts owed to the Company.

The Company may pay any dividend or other monies payable in cash in respect of shares by direct debit, bank or other funds transfer system (subject always, in the case of uncertificated shares, to the facilities and requirements of the relevant system concerned, where payment is to be made by means of such system). The Company may also pay by cheque, dividend warrant or money order and may remit the same by post directed to the registered address of the holder or person entitled thereto (or, in the case of joint holders or of two or more persons entitled thereto, to the registered address of the person whose name stands first in the register of members), or to such person and to such address as the holder or joint holders or person or persons may in writing direct. The Company will not be responsible for any loss of any such cheque, warrant or order nor for any loss in the course of any such transfer or where it has acted on any such directions. Any one of two or more joint holders of any share, or any one of two or more persons entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, may give effectual receipts for any dividends or other monies payable or property distributable on or in respect of the share.

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other monies payable on or in respect of a share will bear interest against the Company.

If a dividend or other money has not been claimed for 12 years after being declared or becoming due for payment, it will be forfeited and go back to the Company.

## 6. Resolutions, authorisations and approvals relating to the Ordinary Shares

By an ordinary resolution passed at the DS Smith annual general meeting held on 5 September 2017, the Directors were authorised, pursuant to section 551 of the Companies Act 2006, to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company: (a) in accordance with Article 7, up to a maximum nominal amount of £33,815,793.15 (such amount to be reduced by the nominal amount of any equity securities (as defined in Article 8) allotted under paragraph (b) below in excess of £67,631,586.30); and (b) comprising equity securities (as defined in Article 8) up to a maximum nominal amount of £67,631,586.30 such amount to be reduced by any shares allotted or rights granted under paragraph (a) above) in connection with an offer by way of a rights issue (as defined in Article 8), such authorities to expire at the conclusion of DS Smith's next annual general meeting or, if earlier, at the close of business on 1 November 2018 (the "**Allotment Authority**").

By special resolution passed at the 2017 AGM, in accordance with Article 8, the Directors were given power, under sections 570 and 573 of the Companies Act 2006, to allot equity securities for cash pursuant

to the Allotment Authority as if section 561 of the Companies Act 2006 did not apply to the allotment, such power (other than in connection with a rights issue, as defined in Article 8) to be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £5,072,867.26 and such authority to expire at the conclusion of DS Smith's next annual general meeting or, if earlier, at the close of business on 1 November 2018 (the "**Pre-Emption Authority**"). By further special resolution passed at the 2017 AGM, in addition to the Pre-Emption Authority, the Directors were given power to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the Allotment Authority and to allot equity securities as defined in section 560(3) of the Companies Act 2006 (sale of treasury shares) for cash, in either case as if section 561 of the Companies Act 2006 did not apply to the allotment or sale, such power to be limited to the allotment of equity securities up to a maximum nominal amount of £5,072,867.26 and used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group before the date of the 2017 AGM.

Accordingly, the New Ordinary Shares to be issued in connection with the Rights Issue will be created, allotted and issued pursuant to the above authorities granted at the 2017 AGM.

## **7. Dates of issue and settlement**

The New Ordinary Shares will be provisionally allotted on 25 July 2018. The provisional allotment is expected to be confirmed on 25 July 2018 and those entitled to New Ordinary Shares are expected to be entered on the Company's register of members on 25 July 2018.

## **8. Description of restrictions on free transferability**

Save as set out below, the New Ordinary Shares are freely transferable. The Company may, under the Companies Act 2006, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of the shares which are the subject of the statutory notice is void. The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

## **9. Mandatory takeover bids, squeeze-out and sell-out rules**

The Company is subject to the Takeover Code. Other than as provided by the Takeover Code and Chapter 3 of Part 28 of the Companies Act 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Ordinary Shares.

## **10. Public takeover bids in the last and current financial years**

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

## **11. Taxation**

The taxation consequences of the Rights Issue and taking up the New Ordinary Shares are set out in detail at Part XVII (*Taxation*).

## PART IX

### INFORMATION ON THE DS SMITH GROUP

*Unless otherwise stated, the financial information relating to the Company and the DS Smith Group set out in this Part IX (Information on the DS Smith Group) has been extracted without material amendment from the consolidated financial information incorporated by reference in this Prospectus (see Part XIX (Information Incorporated by Reference) of this Prospectus).*

#### 1. Group overview

DS Smith is a leading, vertically integrated international supplier of corrugated packaging. As at 30 April 2018, DS Smith employed approximately 28,500 people across its approximately 200 manufacturing locations and 42 Impact and PackRight Centres, in 37 countries. DS Smith operates six core divisions covering geographical regions with integrated packaging and paper operations, and our Plastics division, which is not geographically defined: UK; Western Europe; DCH and Northern Europe; Central Europe and Italy; North America; and Plastics. For the 2018 Financial Year, the Group's customer base for its corrugated box products was made up of approximately 68 per cent. FMCG and food, with no customer accounting for more than three per cent. of Group revenues.

For the 2018 Financial Year, DS Smith reported revenue of £5,765 million, adjusted operating profit of £530 million, operating profit after adjusting items of £483 million and profit before income tax and adjusting items of £380 million.

DS Smith is listed on the Main Market of the London Stock Exchange and is a member of the FTSE 100 index. As at 1 June 2018, being the latest practicable date prior to the date of the DS Smith Announcement. DS Smith had a market capitalisation of approximately £6.0 billion. In the 2018 Financial Year, DS Smith's sales volumes included 2.9 million tonnes of CCM, 8.0 billion square metres of corrugated board and 5.0 million tonnes of recycled fibre.

The DS Smith Group's principal operations are designing and manufacturing corrugated packaging. In order to support its packaging operations, the DS Smith Group has recycling operations that collect used paper and corrugated cardboard, from which the DS Smith Group's paper manufacturing facilities make the CCM used in corrugated packaging. The DS Smith Group also designs and manufactures certain types of plastic packaging, in particular, the plastic bags and taps for bag-in-box packaging and rigid crates for bottled liquids.

Since 2010, DS Smith has transformed both its geographic footprint and customer offering capability. Its major acquisitions during the period comprise Otor (€247 million), SCA Packaging (€1.6 billion), Duropack (€305 million); Lantero (€190 million); Interstate (\$920 million) and EcoPack and EcoPaper (€208 million). Consistent with its strategic goal of increasing size and profitability, DS Smith is continuously seeking further opportunities to expand its scale and improve the quality of its businesses through strategic acquisitions.

#### 2. Business strategy

The DS Smith Group's vision is to be the leading supplier of sustainable packaging solutions. Its goal is to deliver growth through offering a comprehensive consumer service, high quality products and innovative and sustainable solutions to its customers. To build a successful and sustainable business model that consistently delivers returns above its cost of capital, the DS Smith Group focuses on the following strategic priorities:

- **To delight its customers** by delivering outstanding results to them as it increases their sales, reduces their costs and manages their risk.
- **To realise the potential of its people** by creating a safe environment where every colleague can use and develop their skills and ideas.
- **To double its size and profitability** by driving operational excellence, growing market share and expanding into new markets.

- **To lead the way in sustainability** by championing sustainable supply cycle solutions and using materials responsibly throughout its production processes and beyond.

Over the last eight years, DS Smith has built a leading position in its core European markets, through acquisitions and growing its existing operations organically. In 2017, with the acquisition of 80 per cent. of Interstate Resources Inc., DS Smith expanded its paper and packaging operations into North America for the first time, to address a significant growth opportunity in the largest single global paper and packaging market and to provide broader coverage for its multi-national customer base as well as global customers based within the US market.

DS Smith has maintained a close commercial relationship and built a strong dialogue with Europac over many years and the Board now believes that the acquisition of Europac represents an important next step in strengthening its paper and packaging positions in the Iberian peninsula and France, in support of its multi-national customers' requirements.

In order to achieve this DS Smith intends to continue to focus on leveraging its innovative packaging solutions strategy across the Enlarged Group's multi-national FMCG and e-commerce orientated customer base.

Since 2010, DS Smith has targeted five medium-term financial criteria that underpin its strategy. The Board believes that the Acquisition is consistent with these medium-term financial criteria and that, following the Acquisition, the Enlarged Group will continue to target these criteria, which are:

- organic corrugated box volume growth (organic volume of corrugated box products sold measured by area) from packaging at least GDP plus 1 per cent.;
- a return on sales (adjusted EBITDA (earnings before interest, tax, amortisation and adjusting items) as a percentage of revenue) target of between 8 and 10 per cent. This metric was upgraded from between 6 and 8 per cent. for the financial year ended 30 April 2011 and between 7 and 9 per cent. for the financial years ended 30 April 2012 to 30 April 2015;
- a return on average capital employed (adjusted EBITDA (earnings before interest, tax, amortisation and adjusting items) as a percentage of average capital employed over the financial year) of between 12 and 15 per cent.;
- a net debt/EBITDA ratio (net debt at the period end (at average rates), over adjusted EBITDA – banking covenant basis (earnings before interest, tax, depreciation, amortisation and adjusting items)) of less than or equal to 2.0 times; and
- cash conversion (free cash flow before tax, net interest, growth capital expenditure, pension payments and adjusting cash flows as a percentage of earnings before interest, tax, amortisation and adjusting items) of greater or equal to 100 per cent. of operating profit.

The acquisition of Europac is consistent with DS Smith's acquisition strategy which has been predominantly focussed on expanding its corrugated paper and packaging footprint and capability in those geographic areas where it was under represented.

In addition to the acquisition-led strategy, DS Smith has also taken other significant strategic actions, including:

- focussing capital investment on areas and products that support recycled packaging for multi-national FMCG customers and global brands;
- strengthening the business portfolio of the DS Smith Group through the expansion of its e-commerce, point of sale and display capabilities;
- strengthening the DS Smith Group's operational structure, adding additional resources in key commercial and operational functions of the business, with the objective of improving key processes for managing a growing business with global customers, operations and supply chains; and
- recycling of capital into its core business areas through selectively disposing of non-core assets, such as the office products business Spicers in December 2011. Consistent with this longstanding approach, DS Smith announced on 4 June 2018 that it would commence a strategic review of DS Smith's Plastics division, reflecting the continuing focus on corrugated packaging.

The Board remains committed to owning certain strategic paper manufacturing assets, as in the case of DS Smith Group's 2017 acquisition of an 80 per cent. interest in Interstate Resources, Inc. in the United States and the Romanian paper mill at Zărnești as part of the acquisition of EcoPack and EcoPaper. DS Smith will continue to evaluate the Enlarged Group's paper requirements on a commercial basis and the Acquisition will also provide an opportunity for DS Smith to assess the Enlarged Group's paper asset base.

DS Smith plans to build upon Europac Group's well-invested operational asset base, technology and distribution network in Iberia and France to support the Europac Group's existing customers and DS Smith's multinational customers. DS Smith will draw upon its experience in previous integrations to realise the combined strength of DS Smith and Europac Group.

### **3. Business activities**

DS Smith is a leading provider of corrugated packaging in Europe and of specialist plastic packaging worldwide. Our packaging customers include many of the largest fast-moving consumer goods companies and leading industrial businesses, while our recycling business serves major retail customers.

In our packaging operations, we supply packaging for a broad range of products across a range of industries, including retail, consumer electronics and pharmaceuticals.

Our recycling operations involve fibre recycling, waste management and paper recycling. We harvest quality paper and cardboard for recycling from a range of sectors and this material provides the most efficient raw material for the DS Smith Group's paper making processes, as well as providing material which we sell to third parties globally.

The DS Smith Group also has an independent consultancy business to help its customers make their designs work harder for their brands by enhancing product utility and reducing environmental impact. Its consultants offer a global solution from offices based in the UK, Belgium, the US, India and China. The DS Smith Group also offers global sourcing support through its Total Marketing Support operations for customers who seek a consistent approach from their display packaging sourced in regions beyond DS Smith's current manufacturing footprint.

### **4. Business divisions**

Our business is divided across six different divisions, covering geographical regions with integrated packaging and paper operations, and our Plastics division, which is not geographically defined: UK; Western Europe; DCH and Northern Europe; Central Europe and Italy; North America; and Plastics.

### **5. Recent developments**

Since 2010, DS Smith has transformed both its geographic footprint and customer offering capability. Its major acquisitions during the period comprise:

- 2010—Otor (€247 million), a leading French corrugated packaging producer, provided DS Smith with an established business in this large market, broader international customers, more technical innovation capability and greater exposure to the large, and more resilient, FMCG market segment.
- 2012—SCA Packaging (€1.6 billion), the second largest corrugated packaging business in Europe, taking DS Smith's reach from five to twenty countries across Europe, better matching the location and scale of the Group's key pan-European FMCG customers.
- 2015—Duropack (€305 million), a leading recycled corrugated packaging business with operations across South Eastern Europe which, combined with DS Smith's existing operations in Hungary, Slovakia and Austria, enabled DS Smith to develop a strong position in the region.
- 2015—The corrugated activities of Grupo Lantero (€190 million), a well-invested Spanish corrugated producer with a strong focus in the FMCG sector, operating across the Iberian peninsula. This acquisition significantly strengthened DS Smith's operations in Spain, the fourth largest market for corrugated packaging within Europe, facilitating the serving of pan-European customers.
- 2017—80 per cent. of Interstate Resources, Inc. (\$920 million), providing a well-balanced and invested platform for the Company to build its position in the North American market. This acquisition addressed

a significant customer pull for DS Smith's innovative fibre-based packaging solutions in one of the world's largest packaging markets and also strengthened the Group's global supply chain particularly in relation to kraftliner production.

- 2018 – EcoPack and EcoPaper (€208 million), a leading integrated packaging and paper group in Romania. The acquisition significantly increased DS Smith's capacity to serve customers in the high-growth region of Eastern Europe, particularly with respect to EcoPack's and EcoPaper's high-quality packaging assets and light-weight papermaking capability, both of which are strongly aligned to DS Smith's existing product offering.

In addition, DS Smith has acquired smaller corrugated packaging businesses in Spain, Portugal, Greece, the US, and the UK, and display businesses in Portugal, Denmark, Turkey and the UK. Together, the acquisitions have created a group which has a leading position across Europe and is increasingly well positioned to serve the growing requirement from large multi-national customers for a limited number of strategic suppliers together with additional innovation and capability to benefit from changing dynamics within the retail environment.

As a result of the acquisitions, DS Smith has driven further value through efficiencies and economies of scale, in particular in the area of procurement. DS Smith has also leveraged the impact of innovation through the roll-out of Impact and PackRight Centres and has been able to roll out programmes for the more efficient and effective manufacture of corrugated packaging.

## **6. Dividend policy**

The Board considers the dividend to be an important component of shareholder returns and, as such, has a policy to deliver a progressive dividend, where dividend cover is between 2.0 and 2.5 times through the cycle.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends, which includes the final dividend for the financial year ended 30 April 2018.

Further details on DS Smith's dividend policy can be found in paragraph 14 of Part XVIII (*Additional Information*) of this Prospectus.

## **7. Properties, plant and equipment**

DS Smith operates over 200 packaging manufacturing sites around the world, and these are the primary properties of the business, which contain the majority of DS Smith's plant and equipment. DS Smith also operates paper mills, recycling depots, Impact centres, PackRight centres and offices worldwide. Given the importance of properties, plant and equipment to the DS Smith Group's business, there are frequent acquisitions and disposals as DS Smith seeks to ensure that its facilities are adequate for its business.

## **8. Regulatory and environment**

The DS Smith Group actively manages and monitors compliance with the environmental permits, licences and consents required to operate its business units (including environmental permits for control of air and noise pollution). Given the large number of sites subject to regulation, no individual licence, consent or permit is material to the continuity of the DS Smith Group's operations as a whole.

The DS Smith Group actively manages the safety and working conditions of all employees, contractors and visitors to its premises. Larger production sites have formal, accredited safety management systems which are externally audited, and all sites are subject to rigorous internal controls to monitor the safety performance of the DS Smith Group's business.

## **9. Current trading, prospects and trend information**

### ***DS Smith***

On 18 June 2018, the Company published its 2018 Annual Report and Accounts for the year ended 30 April 2018. The Company has continued to trade in line with management's expectations since 30 April 2018.



### *Management and employees*

No changes will be made to the DS Smith Board as a result of the Acquisition, and the DS Smith Board will continue to comprise the Chairman, two Executive Directors (the Group Chief Executive and the Group Finance Director) and an expected six independent Non-Executive Directors. The Board will continue to adhere to the UK Corporate Governance Code.

A side letter has been entered into between DS Smith and Mr. José Miguel Isidro Rincón, Mr. Enrique Isidro Rincón and Mr. Fernando Isidro Rincón, the executive directors of Europac. Subject to the terms of the side letter, the service agreements of the executive directors shall be terminated on completion of the Acquisition.

It is expected that all of the directors of Europac will resign from their offices on completion of the Acquisition.

The Europac Group has high-quality employees and an experienced management team which is expected to contribute further to the success of the Enlarged Group following Completion. The Board intends to respect the existing rights of Europac Group employees.

The organisational structure of the Enlarged Group will be established with the intention of maximising available synergies and benefits.

### *Financial effects of the Proposed Offer on DS Smith*

The Directors believe that the Acquisition should be accretive immediately to EPS in the first full financial year following Completion<sup>1</sup>, excluding any benefit other than cost synergies.

The Directors also believe that the Acquisition will offer an expected pre-tax return on invested capital above DS Smith's pre-tax weighted average cost of capital in the first full financial year following Completion, using only cost synergies and before exceptional costs. The Directors believe the Enlarged Group will also benefit from increased scale and diversity that will enable it to further reduce its weighted average cost of capital.

The DS Smith Directors are confident in the outlook for the Europac Group in 2018 in light of their knowledge of the market and due diligence conducted.

The Board remains committed to DS Smith's medium-term financial criteria of a net debt/EBITDA ratio of less than or equal to 2.0 times and to sustaining DS Smith's existing investment grade rating. This targeted leverage profile is intended to give DS Smith significant headroom against its current banking covenants and is consistent with the Group's aim to maintain a strong balance sheet, and to provide continuity of financing by having a range of maturities, and borrowings from a variety of sources, supported by a sustainable investment grade rating.

The Group has for many years sold without recourse certain trade receivables and on realisation the receivable is de-recognised and proceeds are presented within operating cash flows. Undrawn committed borrowing facilities are held to provide protection against any refinancing risk on maturing facilities or deterioration in working capital balances. These arrangements have systematically reduced early payment discounts and have thus provided the Group with more economic alternatives. The facilities available are committed for three years and are not relied upon by the Group for liquidity. Balances have increased in the year ended 30 April 2018 to £559 million in line with the increase in turnover devised from higher prices for products and the increase in size of the Group. Similarly, inventories and trade payables grew during the year ended 30 April 2018 for similar reasons.

The Directors believe that, following the Acquisition, the Enlarged Group will be well-positioned to achieve DS Smith's stated medium-term financial return criteria.

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<sup>1</sup> This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cashflows of the DS Smith Group will necessarily be greater than the historic published figures.

## PART X

### INFORMATION ON THE EUROPAC GROUP

The information informing the content of this Part X of the Prospectus (*Information on the Europac Group*), has been retrieved from publically available documents published by the Europac Group.

#### 1. Group overview

Europac is a leading Western European integrated packaging manufacturer. Europac's core business is the manufacture and sale of paper and corrugated board for packaging, and the manufacture of corrugated board packaging. The Europac Group has its headquarters in Spain alongside a number of paper and corrugated board, packaging and waste management sites. Europac also has a number of sites throughout Portugal and France.

Europac is a public limited company (*sociedad anónima*), incorporated on 31 December 1995 by means of a public deed granted before the Notary Public of Madrid, Mr. Luis Sanz Rodero, duly registered in the Commercial Registry of Palencia under Volume 227, Sheet 208, Page P-2350. Europac is a listed company in the Spanish secondary market on both the Madrid Stock Exchange and the Barcelona Stock Exchange, and is a constituent of the IBEX Small Cap Index.

#### 2. History of the Europac Group

##### **Early history and development**

Europac was established in 1995, and listed on the Madrid and Barcelona Stock Exchanges three years later in 1998, when Europac also started expanding internationally.

Europac first made a move into the Portuguese market, with operations commencing in 2000. Following this expansion, Europac now has three end-to-end waste management centres, approximately 700 hectares of forest land, a manufacturing plant for kraftliner paper with its own power facility and five cardboard sheet and box production facilities there.

Europac's next international move was entering into the French market in 2008. It is now one of the leading paper and packaging players in the French market and has a recycled paper plant and four corrugated cardboard sheet and box manufacturing plants in France.

##### **Geographical spread**

The Europac Group currently has its head office in Alcobendas (Madrid) and has production centres in the following locations:

###### *Spain:*

- Waste management: Valladolid and Madrid.
- Paper: Dueñas (Palencia), Alcolea del Cinca (Huesca).
- Corrugated board: Dueñas (Palencia), Torrelavit (Barcelona), Lucena (Cordoba).

###### *Portugal:*

- Waste management: Sintra (Lisbon), Gondomar (Porto) and Figueira da Foz.
- Paper: Viana do Castelo.
- Corrugated board: Guilhabreu (Vila do Conde), Albarraque (Sintra), Leiria, Ovar and Madeira.

###### *France:*

- Paper: Saint-Étienne-du-Rouvray (Rouen).
- Corrugated board: Saint-Étienne-du-Rouvray (Rouen), Durtal, La Rochette, Gasny and Caradec.

### **Recent Developments**

In 2008, Europac purchased Otor Papeterie de Rouen S.A.

In 2009, the Europac Group carried out the following corporate operations:

- In February 2009, the Europac Group purchased 93.5 per cent. of the shares of the Fundo Especial de Investimento Imobiliario Fechado (the Iberian Forest fund).
- In June 2009, the Europac Group purchased Mondi Packaging Atlantique SAS and Mondi Packaging Savoie SAS.

In 2013, the Europac Group purchased a corrugated board factory from DS Smith in Caradec, France, and incorporated it into the Europac Group as Europac Cartonnerie de Bretagne.

In 2016, the Europac Group recorded the merger of Harpalus, S.L. in the Companies Registry, with effect from 1 July 2016.

In 2017, the Europac Group carried out the following corporate operations:

- In March 2017, Europac acquired 100 per cent. of the Spanish companies Ondulados Andaluces S.A e Industrias Cartones Ondulados Andaluces, S.L., which mainly manufacture corrugated board. Subsequently, these two companies were merged to create the new company Europac Packaging Lucena S.L.
- In April 2017, 100 per cent. of the shares of the companies Europac Logistica, SA and Vianaport LDA were sold by the Europac Group.
- In May 2017, the subsidiary Europac Recicla S.A. acquired 100 per cent. of the Spanish company Transcon Valladolid S.A. which is mainly engaged in waste management. On 7 November 2017, these two companies were merged, whereby Europac Recicla S.A. took over Transcon Valladolid S.A.
- In June 2017, the Europac Group sold 100 per cent. of the shares in the company MED Packaging, S.A.R.L.A.U, which owns the corrugated board factory in Tangiers (Morocco) which was formerly part of the Europac Group.

### **3. Business activities**

The Europac Group is active across all sectors of the paper and cardboard packaging industry, and is engaged throughout the value chain, from end-to-end waste management and forestry operations as the source of raw materials for manufacturing recycled and kraftliner paper, through to the production of corrugated cardboard sheets and packaging solutions as final products. This vertical integration allows the Europac Group to reduce exposure to raw material price volatility and to respond quickly and efficiently to market demand.

Europac's packaging division is its primary business activity and has 14 facilities for the production and distribution of cardboard sheets and packaging solutions. Europac's packaging division is predominantly focused on the agri-food, FMCG and e-commerce sectors. However within the division a wide variety of packaging solutions are provided, including retail-ready, heavy-duty and online packaging.

Europac's paper division is an important part of its business and manufactures a wide range of papers and weights.

### **4. Business divisions**

Operationally, the Europac Group's operations are split across two divisions: Paper, and Packaging.

#### **Paper Division**

The Europac Group has five paper production lines spread across its four factories: Dueñas and Alcolea de Cinca in Spain; Viana do Castela in Portugal; and Rouen in France. The Europac Group is one of the largest European producers of packaging paper, with production in the year ended 31 December 2017 of approximately 940,000 tonnes of kraftliner and recycled papers. Kraftliner is characterised by its excellent physical-mechanical properties and good performance in humid environments, making it particularly well

suited for use within agricultural and heavy industry sectors, as well as for use where humidity-resistant paper is necessary. Beyond kraftliner, the company produces a wide range of papers and weights.

(a) *Integral waste management*

The Europac Group's internal waste management activities are managed by Europac Recicla, an Europac Group subsidiary which specialises in integral waste management of hazardous, non-hazardous and organic waste, and the destruction of confidential information in any form, including paper, digital files or textile.

Currently, the Europac Group has five facilities servicing its customers integral waste management needs: two in Spain and three in Portugal, as well as an extensive network of collaborating companies that allow it to guarantee geographical coverage across both countries.

(b) *Forest assets*

In accordance with the vertical integration policy of Europac's business, the Europac Group manages some 8,000 hectares of forestry assets, allowing it to partially guarantee the self-supply of wood. Wood represents the raw feedstock which sustains the entire industrial process of the Europac Group's products, as recycled fibre deteriorates and it is necessary to continuously introduce virgin fibre into the production cycle.

### **Packaging Division**

The Europac Group's packaging division is supported by 14 industrial facilities engaged in the production and distribution of corrugated cardboard sheets and packaging. The packaging division produces a broad scope of products, from shelf-ready packaging to display cases and e-commerce packaging.

In particular the Europac Group has seen a significant increase in demand for high-quality printed packaging, as customers increasingly see packaging as an opportunity for community and marketing. To support this trend, the packaging division also contains within it 12 design centres, designed to allow the Europac Group to support its customers in developing bespoke packaging solutions. These design centres are particularly complementary to the high-quality printing operations which the Europac Group continues to invest in.

## **5. Current trading and prospects**

Consolidated EBITDA grew to EUR 158 million in the 2017 financial year from EUR 127 million in the 2016 financial year. At Q1 2018, Consolidated EBITDA was at EUR 49 million, up from EUR 31 million at Q1 2017. Net profits improved to EUR 78 million in the 2017 financial year against their previous level of EUR 49 million in the 2016 financial year and this improvement has continued in Q1 2018 with net profit standing at EUR 25 million (Q1 2017: EUR 11 million). An interim dividend of EUR 0.125 per share taken from 2017 profits was paid out on 26 February 2018, representing a 31 per cent. increase against the interim dividend paid out in the previous financial year.

Growth in 2017 was largely driven by the paper division, where an increase in sales prices, and segmentation towards higher added value papers (such as kraftliner) offset increases in the price of the recovered paper which is a raw material for the paper division's products and scheduled maintenance periods in two paper factories. This growth in the paper division has continued into 2018, with a significant increase in Consolidated EBITDA compared to the same period in 2017.

The packaging division suffered a significant fall in Consolidated EBITDA in the 2017 financial year from the 2016 financial year, and was heavily impacted by raw materials price rises. However despite this, sales rose within the division by 6.5 per cent. in the 2017 financial year, and there has been continued revenue growth in Q1 2018, although Consolidated EBITDA has continued to see a downturn.

In 2017 the Chinese government banned the import of certain recovered paper qualities, as well as limiting import licences for paper manufacturers. As a result, recovered paper supplies across Europe have increased, leading to a corresponding drop in prices within Europe. The impact of this change, which amounts to a structural change in the raw material market, continues to be felt in 2018, with the average price of recovered paper now down EUR 21 per tonne compared with Q1 2017.

In the 2017 financial year, the Europac Group acquired an integrated packaging factory in Lucena (Corboda) and a waste management plant in Laguna de Duero (Valladolid). The Europac Group's packaging factory in Tangier, and the logistics operator at the port of Viana do Castelo were sold.

## **6. Properties**

Europac has 24 sites across Spain, Portugal and France, with no single country containing a majority of these sites. There are eight Europac sites in Spain, nine Europac sites in Portugal and six Europac sites in France. The Group has its head office in Alcobendas (Madrid) and has production centres in the following locations:

### ***Spain:***

- Waste management: Valladolid and Madrid.
- Paper: Dueñas (Palencia), Alcolea del Cinca (Huesca).
- Corrugated board: Dueñas (Palencia), Torrelavit (Barcelona), Lucena (Cordoba).

### ***Portugal:***

- Waste management: Sintra (Lisbon), Gondomar (Porto) and Figueira da Foz
- Paper: Viana do Castelo
- Corrugated board: Guilhabreu (Vila do Conde), Albarraque (Sintra), Leiria, Ovar and Madeira

### ***France:***

- Paper: Saint-Étienne-du-Rouvray (Rouen)
- Corrugated board: Saint-Étienne-du-Rouvray (Rouen), Durtal, La Rochette, Gasny and Caradec.

## **7. Employees and employee benefits**

As at 31 December 2017 the Europac Group employed approximately 2,270 employees, of whom approximately 63 per cent. are aligned with the Packaging Division and 37 per cent. are aligned with the Paper Division.

The Europac Group operates defined benefit retirement and long-service bonus schemes in France. These schemes are unfunded and, as at 31 December 2017, represented a total liability of c. €8.85 million.

The Europac Group has liabilities in respect of Portuguese defined benefit pension funds. These funds were previously maintained for Europac's Portuguese employees, but all members except pensioners and directors transferred to defined contribution funds in 2007. As at 31 December 2017, the Portuguese defined benefit pension funds had a total deficit of c. €6.16 million on an International Accounting Standard 19 basis. Europac's Portuguese defined contribution funds cover all persons employed by certain of Europac's Portuguese subsidiaries at 13 July 2007 and persons employed later if they satisfy the terms of subscription.

## PART XI

### OPERATING AND FINANCIAL REVIEW OF THE DS SMITH GROUP

*The operating and financial review should be read in conjunction with the DS Smith Group's audited historical consolidated financial information for the 2018 Financial Statements, the 2017 Financial Statements and the 2016 Financial Statements which are incorporated into this document by reference as explained in Part XIII (Historical Financial Information relating to the DS Smith Group) and paragraph 25 of Part XIX (Information Incorporated by Reference) of this document and are available for inspection in accordance with paragraph 24 of Part XVIII (Additional Information) of this document.*

*The following documents, which have been filed with, or notified to, the FCA and are available for inspection in accordance with paragraph 24 of Part XVIII (Additional Information) of this document, contain financial information about the DS Smith Group which is relevant to the Rights Issue:*

- 2018 Annual Report and Accounts;
- 2017 Annual Report and Accounts; and
- 2016 Annual Report and Accounts.

*The table below sets out the sections of these documents which are incorporated by reference into, and form part of, this Part XI (Operating and Financial Review of the DS Smith Group), and only the parts of the documents identified in the table below are incorporated into, and form part of, this Part XI (Operating and Financial Review of the DS Smith Group). The parts of these documents which are not incorporated by reference either are not relevant for investors or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.*

2018 Annual Report and Accounts	Operating Review	31-33
	Financial Review	35-39
	Table headed, "Single total figure of remuneration for each Director (audited)"	73
	Independent Auditor's report	81-84
	Consolidated Income Statement	85
	Consolidated Statement of Comprehensive Income	86
	Consolidated Statement of Financial Position	87
	Consolidated Statement of Changes in Equity	88
	Consolidated Statement of Cash Flows	89
	Notes to the Consolidated Financial Statements	90-133
	Five-year financial summary	140
2017 Annual Report and Accounts	Financial Review	32-35
	Our people	24-27
	Sustainability review	36-38
	Table headed, "Single total figure of remuneration for each Director (audited)"	71
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2016 Annual Report and Accounts	Employees	31-34
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	Table headed, "Single total figure of remuneration for each Director (audited)"	92
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	Consolidated Income Statement	102
	Consolidated Statement of Comprehensive Income	103
	Consolidated Statement of Financial Position	104
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	Notes to the Consolidated Financial Statements, including list of subsidiary undertakings of the DS Smith Group	107-148

## Operating review – 2018

### UK

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>	<i>Change – reported</i>
Revenue	£1,078m	£962m	+12%
Adjusted operating profit*	£109m	£94m	+16%
Return on sales*	10.1%	9.8%	+30bps

\*Adjusted to exclude amortisation and adjusting items

Our UK corrugated packaging business has performed well despite the uncertain economic backdrop. E-commerce volumes have been particularly good, and we recently launched an online e-commerce supply platform for small businesses in addition to our focus on large e-commerce customers. We have made very good progress on input cost recovery and continue to drive operational efficiencies. The UK business is long paper and recycling, which has benefited from the rising paper price environment over the past 12 months.

### Western Europe

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>	<i>Change – reported</i>
Revenue	£1,450m	£1,264m	+15%
Adjusted operating profit*	£102m	£104m	(2%)
Return on sales*	7.0%	8.2%	(120bps)

\*Adjusted to exclude amortisation and adjusting items

Like-for-like corrugated packaging volumes in the region have been strong, with both France and Iberia gaining market share with pan-European and e-commerce customers, offsetting continued flat market conditions in Benelux. Revenues have grown by 15 per cent., principally from good organic growth and a small contribution from the full year benefit of the acquisitions of GoPaca and P&I Display in Iberia in 2016/17.

There has been good recovery of paper cost rises to date in the region, with a short-term lag. Adjusted operating profit fell slightly reflecting input costs not yet fully recovered in absolute terms although this is expected to be completed in the new financial year. Return on sales has fallen by 120 basis points reflecting the short-term lag in input cost recovery described above and are expected to be restored in the new financial year.

### DCH and Northern Europe

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>	<i>Change – reported</i>
Revenue	£1,083m	£989m	+10%
Adjusted operating profit*	£90m	£82m	+10%
Return on sales*	8.3%	8.3%	–

\*Adjusted to exclude amortisation and adjusting items

Volumes in this region have continued to be very positive, with very good volume growth in Northern Europe and excellent growth in the DCH (Germany and Switzerland) region. Revenues grew by 10 per cent., reflecting the benefit of positive corrugated box volumes throughout the region.

Adjusted operating profit increased by 10 per cent., in line with revenue growth, reflecting the benefit of the drop through of profit from volume growth and the benefit of the contribution from our paper manufacturing operations in the region. Consequently, return on sales was stable at 8.3 per cent.

### **Central Europe and Italy**

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>	<i>Change – reported</i>
Revenue	£1,429m	£1,239m	+15%
Adjusted operating profit*	£129m	£125m	+3%
Return on sales*	9.0%	10.1%	(110bps)

\* Adjusted to exclude amortisation and adjusting items

Volumes in this region have again been very good, particularly in Poland and the Baltic region, and also in South Eastern Europe. Revenue growth of 15 per cent. reflects the strong organic volume growth, sales price increases implemented to recover input costs, and a modest early contribution from the EcoPaper and EcoPack business acquired on 6 March 2018.

Adjusted operating profit is marginally lower, reflecting a small contribution from the acquired businesses and the benefit of drop-through from volume and sales price increases, offset by the increases in paper and other input costs, as described earlier. As a result, return on sales reduced by 110 basis points which as with other regions should be fully restored in the new financial year.

### **North America**

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>
Revenue	£379m	–
Adjusted operating profit*	£62m	–
Return on sales*	16.4%	–

\* Adjusted for amortisation and adjusting items

The performance of the North America Packaging and Paper division has been excellent, with corrugated box volume growth compared to the comparative period (prior to DS Smith ownership) ahead of the Group average. The return for the period on a run-rate basis is above our weighted average cost of capital, well ahead of our initial expectations. Both the paper and packaging assets have performed very well in a rising paper price environment. Synergies of \$10 million (c. £8 million) have been realised, principally from global supply chain benefits versus our target of \$35 million (upgraded from \$25 million at the time of announcement of the acquisition), the remainder of which we expect to realise over the coming two financial years, broadly evenly split.

### **Plastics**

	<i>Year ended 30 April 2018</i>	<i>Year ended 30 April 2017</i>	<i>Change – reported</i>
Revenue	£346m	£327m	+6%
Adjusted operating profit*	£38m	£38m	-
Return on sales*	11.0%	11.6%	(60bps)

\* Adjusted for amortisation and adjusting items

Revenue increased 6 per cent., the majority of which was driven from volume and pricing increases, and also with a contribution from the acquisition of Parish, a small but highly complementary bag-in-box business in north America acquired in January 2017. Adjusted operating profit was stable at £38 million,



principally reflecting the impact of rising raw material and other costs, which, as expected, were only partially recovered in the year with the remainder to be recovered early on the next year.

## OPERATING REVIEW – 2017

### UK

	<i>Year ended 30 April 2017</i>	<i>Year ended 30 April 2016</i>	<i>Change – reported</i>
Revenue	£962m	£864m	+11%
Adjusting operating profit*	£94m	£85m	+11%
Return on sales*	9.8%	9.8%	0bps

\* Adjusted for amortisation and exceptional items

The UK has seen strong volume growth in a competitive market environment, driven by success in the area of e-commerce as well as a good operating performance by our major sites. The results include TRM, a corrugated manufacturing site acquired in March 2016, and Creo, the specialist display packaging business, acquired in June 2016, which together contributed a significant proportion of the revenue growth.

The increase in profitability in the region has come from both underlying trading and the benefit of profits from the acquired businesses. The acquired businesses have performed well with a very positive reaction from customers. For example, following the acquisition of Creo, we were able to offer a comprehensive solution to a large FMCG customer, who were tendering their display requirements in the second half of calendar 2016. We won a significant proportion of this work due to the combination of expertise from Creo and our existing geographic reach.

### DCH and Northern Europe

	<i>Year ended 30 April 2017</i>	<i>Year ended 30 April 2016</i>	<i>Change – reported</i>
Revenue	£989m	£853m	+16%
Adjusting operating profit*	£82m	£93m	(12%)
Return on sales*	8.3%	10.9%	(260bps)

\* Adjusted for amortisation and exceptional items

Volumes in this region have been positive, with good growth in Northern Europe and continued challenging market conditions in the DCH (Germany and Switzerland) region.

Revenues grew by 16 per cent., reflecting both the benefit of positive volumes from existing customers and the contribution from the Danish display business acquired in the year, Deku-Pack.

Adjusted operating profit decreased by 12 per cent., despite a modest contribution from the acquired business, reflecting the impact of input cost pressures on the paper manufacturing operations in the region. Consequently, return on sales fell 260 basis points to 8.3 per cent.

### Western Europe

	<i>Year ended 30 April 2017</i>	<i>Year ended 30 April 2016</i>	<i>Change – reported</i>
Revenue	£1,264m	£1,044m	+21%
Adjusting operating profit*	£104m	£77m	+35%
Return on sales*	8.2%	7.4%	+80bps

\* Adjusted for amortisation and exceptional items

Like-for-like volumes in the region have been good, with Iberia performing particularly well with increased demand from pan-European customers and e-commerce customers. France also performed well, driven

by growth from existing FMCG customers, offsetting continued flat market conditions in Benelux. Revenues have grown by 21 per cent., principally from good organic growth and the acquisitions in Iberia.

Adjusted operating profit increased by 35 per cent., again driven by both organic growth and acquisitions. Return on sales has improved by 80 basis points following a number of profit improvement initiatives.

### **Central Europe and Italy**

	<i>Year ended 30 April 2017</i>	<i>Year ended 30 April 2016</i>	<i>Change – reported</i>
Revenue	£1,239m	£1,022m	+21%
Adjusting operating profit*	£125m	£92m	+36%
Return on sales*	10.1%	9.0%	+110bps

\* Adjusted for amortisation and exceptional items

Volumes in this region have again been very good, particularly in Poland and the Baltic region, but also in south eastern Europe and in Italy. Revenue growth of 21 per cent. reflects good organic growth and a small incremental contribution from the Duropack business, acquired near the start of the prior year, and the other smaller acquisitions in the region (Milas Ambalaj in Turkey and Cartonpack in Greece).

Adjusted operating profit grew by 36 per cent., with the majority due to organic growth across the region plus a smaller contribution from the acquired businesses. As a result of the profit growth, return on sales increased by 110 basis points.

### **Plastics**

	<i>Year ended 30 April 2017</i>	<i>Year ended 30 April 2016</i>	<i>Change – reported</i>
Revenue	£327m	£283m	+16%
Adjusting operating profit*	£38m	£32m	+19%
Return on sales*	11.6%	11.3%	+30bps

\* Adjusted for amortisation and exceptional items

Revenue increased 16 per cent., reflecting good organic growth plus a modest contribution from the acquisition of Parish, a small but highly complementary bag-in-box business in North America. Adjusted operating profit also grew by 19 per cent., reflecting the benefits of organic growth, the prior restructuring in Europe and a contribution from the acquired business.

## PART XII

### CAPITALISATION AND INDEBTEDNESS

#### 1. CAPITALISATION

The following tables show the capitalisation and indebtedness of the DS Smith Group as at 30 April 2018, which have been extracted without material adjustment from the 2018 Financial Statements of the DS Smith Group incorporated by reference in Part XIII (*Historical Financial Information Relating to the DS Smith Group*).

	<i>As at 30 April 2018 £ millions</i>
<b>Current debt interest-bearing loans and borrowings</b>	
Guaranteed	–
Secured	(4)
Unguaranteed/unsecured	(158)
<b>Total</b>	<u>(162)</u>
<b>Non-current debt interest-bearing loans and borrowings</b>	
Guaranteed	–
Secured	(9)
Unguaranteed/unsecured	(1,802)
Total	<u>(1,811)</u>
<b>Total indebtedness</b>	<u><u>(1,973)</u></u>
	<i>As at 30 April 2018 £ millions</i>
Issued capital	107
Share premium	1,260
Reserves	742
Non-controlling interests	1
<b>Total equity</b>	<u><u>2,110</u></u>

#### 2. NET INDEBTEDNESS

The net indebtedness figures have been extracted without material adjustment from the 2018 Financial Accounts.

The following table sets out the net indebtedness of the DS Smith Group as at 30 April 2018:

	<i>As at 30 April 2018 £ millions</i>
Cash and cash equivalents	297
Overdrafts	(29)
Net cash and cash equivalents	<u>268</u>
Other investments – restricted cash	3
Other deposits	45
Borrowings due – after one year	(1,802)
Borrowings due – within one year	(158)
Finance leases	(13)
Derivative financial instruments	
– assets	12
– liabilities	(35)
	<u>(1,948)</u>
Total indebtedness	<u><u>(1,680)</u></u>

As at 30 April 2018, the DS Smith Group does not have indirect or contingent indebtedness.

There has been no material change in the capitalisation or indebtedness of the DS Smith Group since 30 April 2018, being the date of each of the statements above.

## **PART XIII**

### **HISTORICAL FINANCIAL INFORMATION RELATING TO THE DS SMITH GROUP**

The consolidated historical financial information relating to the DS Smith Group for the financial years ended 30 April 2018, 30 April 2017 and 30 April 2016 and the audit reports on such consolidated historical financial information are incorporated by reference into this Prospectus (see Part XIX (*Information Incorporated by Reference*)).

Deloitte has issued unqualified audit opinions on the consolidated historical financial information relating to the DS Smith Group referenced above.

The historical financial information for the Group was prepared in accordance with IFRS and the historical financial information for the Company was prepared in accordance with UK GAAP.

The consolidated financial information of the DS Smith Group should also be read in conjunction with Part XI (*Operating and Financial Review of the DS Smith Group*) and Part III (*Important Information*) of this Prospectus.

## **PART XIV**

### **HISTORICAL FINANCIAL INFORMATION RELATING TO THE EUROPAC GROUP**

#### **SECTION A**

##### **HISTORICAL FINANCIAL INFORMATION RELATING TO THE EUROPAC GROUP**

The historical financial information relating to the Europac Group for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 as set out within the Europac Group's consolidated financial statements of those financial years is incorporated by reference into this Prospectus from Part IV (*Historical Financial Information Relating to the Europac Group*) of the Circular (see Part XIX (*Information Incorporated by Reference*)).

The historical financial information of the Europac Group should also be read in conjunction with Part III (*Important Information*) of this Prospectus.

#### **SECTION B**

##### **RECONCILIATION OF THE EUROPAC GROUP'S FINANCIAL INFORMATION TO THE DS SMITH GROUP'S ACCOUNTING POLICIES**

Following an analysis of the accounting policies of the Europac Group for each of the financial years ended 31 December 2015, 31 December 2016, and 31 December 2017, DS Smith concluded that there were no material differences between the accounting policies adopted by the DS Smith Group and the accounting policies adopted by the Europac Group, in each case for the period covered by the historical financial information. Consequently, no material adjustment needs to be made to the historical financial information for the Europac Group in order to achieve consistency with the accounting policies of the DS Smith Group.

## **PART XV**

### **UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP**

#### **SECTION A**

##### **UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP**

The unaudited pro forma financial information for the Enlarged Group and related notes in this Section A of this Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*) have been prepared to illustrate the effect of the Acquisition on the income statement of the DS Smith Group for the 2018 financial year as if the Acquisition had taken place on 1 May 2017 and the effect on the net assets of the DS Smith Group as if the Acquisition had occurred on 30 April 2018. The unaudited pro forma income statement for the Enlarged Group also illustrates the impact of DS Smith's acquisition of 80 per cent. of Interstate Resources Inc. as if that acquisition had taken place on 1 May 2017, instead of 25 August 2017.

The following unaudited pro forma financial information is based on the consolidated financial information of the DS Smith Group for the 2018 Financial Year, the historical financial information of the Europac Group for the year ended 31 December 2017 and the financial information of Interstate Resources Inc. for the period from 1 May 2017 to 25 August 2017 and compiled on the basis set out in the notes to the unaudited pro forma financial information. The unaudited pro forma financial information has been prepared in a manner consistent with the accounting policies adopted for the DS Smith Group for the 2018 financial year.

The unaudited pro forma financial information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. The unaudited pro forma financial information of the Group has been prepared in accordance with Annex II to the Prospectus Directive Regulation.

The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

The unaudited pro forma financial information does not take into account trading of the DS Smith Group and/or the Europac Group subsequent to 30 April 2018 (in the case of the DS Smith Group) or 31 December 2017 (in the case of the Europac Group).

Investors should read the whole of this Prospectus and not rely solely on the unaudited financial information in this Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*). Deloitte's report on the unaudited pro forma financial information is set out in Section B of this Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*).

## Unaudited pro forma income statement

	Adjustments				Unaudited pro forma of the Enlarged Group for the year ended 30 April 2018 £m
	DS Smith for the year ended 30 April 2018 (Note 1) £m	Interstate for the four months ended 31 August 2017 (Note 2) £m	Europac Group for the year ended 31 December 2017 (Note 3) £m	Acquisition Adjustments (Note 4) £m	
<b>Continuing operations</b>					
<b>Revenue</b>	5,765	191	761	–	6,717
Operating costs	(5,282)	(164)	(663)	(19)	(6,128)
<b>Operating profit before amortisation, acquisitions and disposals</b>	483	27	98	(19)	589
Amortisation of intangible assets; acquisitions and disposals	(122)	(1)	(1)	(9)	(133)
<b>Operating profit</b>	361	26	97	(28)	456
Finance income	2	6	1	–	9
Finance costs	(72)	(6)	(8)	(7)	(93)
Employment benefit net finance expense	(4)	–	(1)	–	(5)
<b>Net financing costs</b>	(74)	–	(8)	(7)	(89)
<b>Profit after financing costs</b>	287	26	89	(35)	367
Share of profit of equity-accounted investments, net of tax	5	–	–	–	5
<b>Profit before income tax</b>	292	26	89	(35)	372
Income tax (expense)/credit	(33)	(10)	(20)	6	(57)
<b>Profit for the year</b>	259	16	69	(29)	315

Notes:

- (1) The financial information of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which are incorporated by reference in this document. The financial information is inclusive of amounts which are disclosed in the 2018 Annual Report and Accounts as adjusting.
- (2) The Interstate financial information has been extracted, without material adjustment, from the unaudited pre-acquisition financial information migrated from the Interstate Resources, Inc. financial reporting systems and converted into pounds sterling using the average exchange rate for the period of \$1:£0.7740.
- (3) The financial information of the Europac Group has been extracted, without material adjustment, from the audited consolidated income statement included within the consolidated financial statements of Europac for the year ended 31 December 2017, which is set out in Part XIV (*Historical Financial Information Relating to the Europac Group*) of this Prospectus and converted into pounds sterling using the average exchange rate for the year ended 31 December 2017 of €1:£0.8758. This information has been adjusted to conform to the presentation adopted by the DS Smith Group. The presentational adjustments made were as follows:
  - (a) Amortisation of £1m was reclassified from Depreciation and Amortisation to Amortisation of intangible assets; acquisitions and disposals to reflect amortisation expense in the line item Amortisation of intangible assets, acquisitions and disposals, as presented by DS Smith.
  - (b) Employment benefit net finance expense of £1m was reclassified from Employee benefits expense to reflect DS Smith's presentation of employment benefit finance expense costs as a separate line item.
- (4) This adjustment includes:
  - (a) The estimated one-off transaction expenses of £19m which are required by IFRS 3 to be charged to the income statement. One-off transaction costs of £23m relating to the Rights Issue have been netted against equity as required by IAS 32.



- (b) An additional £9m has been recognised in amortisation in order to reflect the pro-rata increase in amortisation of acquired intangibles as a result of the Interstate acquisition.
  - (c) A charge of £1m has been recognised in "Finance costs" to reflect the estimated annual interest charges calculated under the effective interest method and payable under the additional amounts drawn down from existing facilities to finance part of the Acquisition. This is expected to be an ongoing annual cost.
  - (d) A further £1m charge has been recognised in "Finance costs" to reflect the pro-rata increase in interest relating to the debt drawn down as part of the Interstate acquisition.
  - (e) One-off debt issuance costs of £5m have been recorded within "Finance costs" for the standby facility.
  - (f) Tax impacts of the above, based on an effective tax rate of 22.5%. Only the £1m tax credit related to the annual interest charged (notes (c) and (d)) is expected to be an ongoing annual benefit.
- (5) In preparing the unaudited pro forma income statement of the Enlarged Group, no account has been taken of the trading activity or other transactions of the DS Smith Group since 30 April 2018 and no account has been taken of the trading activity or other transactions of the Europac Group since 31 December 2017.
- (6) In preparing the unaudited pro forma income statement of the Enlarged Group, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, on the basis that the actual amortisation charges will not be known until completion of the fair value exercise. Similarly no adjustment has been made as a result of the Acquisition to reflect any synergies that may arise after the Acquisition as these are dependent upon future actions of management.
- (7) The unaudited pro-forma income statement does not reflect the effect of any fair value adjustments which may be recorded to acquired assets and liabilities. Upon completion of the purchase price allocation, which will be finalised after completion of the acquisition, additional depreciation of property, plant and equipment and amortisation of intangible assets, amongst other things, may be required in the Enlarged Group's financial statements.

## Unaudited pro forma statement of net assets

	<i>Adjustments</i>				<i>Unaudited pro forma of the Enlarged Group as at 30 April 2018</i>
	<i>DS Smith Group as at 30 April 2018 (Note 1) £m</i>	<i>Europac Group as at 31 December 2017 (Note 2) £m</i>	<i>Transaction Funding (Note 3) £m</i>	<i>Acquisition Adjustments (Note 4) £m</i>	
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill and intangible assets	2,043	87	–	1,058	3,188
Biological assets	3	6	–	–	9
Property, plant and equipment	2,396	599	–	–	2,995
Investment Property	–	2	–	–	2
Equity accounted investments	24	2	–	–	26
Other investments	11	–	–	–	11
Deferred tax assets	64	40	–	–	104
Non-current Financial Assets	–	3	–	–	3
Other receivables	7	–	–	–	7
Derivative financial instruments	15	–	–	–	15
<b>Total non-current assets</b>	<b>4,563</b>	<b>739</b>	<b>–</b>	<b>1,058</b>	<b>6,360</b>
<b>Current assets</b>					
Inventories	543	78	–	–	621
Biological assets	4	–	–	–	4
Income tax receivable	15	3	–	–	18
Trade and other receivables	863	66	–	–	929
Cash and cash equivalents	297	75	1,421	(1,421)	372
Other Current Financial Assets	–	1	–	–	1
Derivative financial instruments	44	–	–	–	44
<b>Total current assets</b>	<b>1,766</b>	<b>223</b>	<b>1,421</b>	<b>(1,421)</b>	<b>1,989</b>
<b>Total assets</b>	<b>6,329</b>	<b>962</b>	<b>1,421</b>	<b>(363)</b>	<b>8,349</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	(1,811)	(267)	(421)	–	(2,499)
Employee benefits	(106)	(13)	–	–	(119)
Other payables	(14)	(5)	–	–	(19)
Provisions	(4)	(1)	–	–	(5)
Deferred tax liabilities	(195)	(53)	–	–	(248)
Derivative financial instruments	(35)	(1)	–	–	(36)
Other long term liabilities	–	(12)	–	–	(12)
<b>Total non-current liabilities</b>	<b>(2,165)</b>	<b>(352)</b>	<b>(421)</b>	<b>–</b>	<b>(2,938)</b>
<b>Current liabilities</b>					
Bank overdrafts	(29)	–	–	–	(29)
Borrowings	(162)	(15)	–	–	(177)
Trade and other payables	(1,705)	(199)	–	(42)	(1,946)
Income tax liabilities	(118)	(7)	–	–	(125)
Provisions	(16)	(3)	–	–	(19)
Other financial liabilities	–	(23)	–	–	(23)
Derivative financial instruments	(24)	–	–	–	(24)
<b>Total current liabilities</b>	<b>(2,054)</b>	<b>(247)</b>	<b>–</b>	<b>(42)</b>	<b>(2,343)</b>
<b>Total liabilities</b>	<b>(4,219)</b>	<b>(599)</b>	<b>(421)</b>	<b>(42)</b>	<b>(5,281)</b>
<b>Net assets</b>	<b>2,110</b>	<b>363</b>	<b>1,000</b>	<b>(405)</b>	<b>3,068</b>

Notes:

- (1) The financial information of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which are incorporated by reference in this document.
- (2) The consolidated Statement of Financial Position of the Europac Group as at 31 December 2017 has been extracted, without material adjustment, from the audited consolidated financial statements of Europac for the year ended 31 December 2017, which is set out in Part XIV (*Historical Financial Information Relating to the Europac Group*) of this Prospectus and converted into pounds sterling using the December 2017 exchange rate €1:£0.8828. This information has been adjusted to conform to the presentation adopted by the DS Smith Group. The presentational adjustments made were as follows:
- (a) Derivative financial liabilities of £1m were reclassified from other financial liabilities to reflect DS Smith's disclosure of derivative liabilities as a separate line item.
- (b) Employee benefits of £13m were reclassified from Non-current provisions to reflect DS Smith's disclosure of Employee benefits as a separate line item.

- (3) The Acquisition will be financed using a mixture of sources:

	<i>£m</i>
Rights Issue proceeds, net of underwriting costs	1,000
Draw-down from existing facilities	426
	<hr/>
Estimated cash raised	1,426
Debt issuance costs for additional standby facility	(5)
	<hr/>
Net increase in cash held	1,421
	<hr/> <hr/>

The £421m increase in interest-bearing liabilities includes £426m drawn down from existing debt facilities, less £5m of debt issuance costs which have been netted against the liability.

- (4) The consideration on the Acquisition will be payable as cash. A portion of the amounts paid is for treasury shares held by Europac and therefore will be deducted from the overall consideration. The Acquisition consideration is set out below:

	<i>€m</i>
Cash	1,667
Cash consideration relating to treasury shares	(49)
	<hr/>
Acquisition net cash paid	1,618
	<hr/> <hr/>
Converted to GBP at an indicative exchange rate of €1:£0.8785 based on DS Smith forecasts	£1,421m
	<hr/> <hr/>

The Acquisition has been accounted for using the acquisition method of accounting. Any excess consideration above the book value of the net assets acquired has been reflected as goodwill. A fair value exercise will be completed post Acquisition, therefore no account has been taken of any fair value adjustments that may arise on the Acquisition and no intangible assets and tax consequences have been valued at this stage. The adjustment to goodwill has been calculated as follows:

	<i>£m</i>
Acquisition net cash paid	1,421
Book value of net assets acquired	(363)
	<hr/>
Pro forma goodwill adjustment	1,058
	<hr/> <hr/>

An adjustment of £42m has been made to "trade and other payables" to reflect a payable for one-off transaction costs. This is made up of £19m of transaction costs and £23m of costs related to the Rights Issue.

- (5) In preparing the unaudited statement of net assets of the Enlarged Group, no account has been taken of the trading activity or other transactions of the DS Smith Group since 30 April 2018 and no account has been taken of the trading activity or other transactions of the Europac Group since 31 December 2017.
- (6) The table below sets out the net debt of the Enlarged Group as if the acquisition had occurred on 30 April 2018:

	<i>£m</i>
DS Smith Group	(1,680)
Europac Group	(206)
Estimated cash raised (Note 3)	1,421
Cash consideration on Acquisition (Note 4)	(1,421)
Draw-down from existing facility, net of issuance costs for standby facility	(421)
	<hr/>
	(2,307)
	<hr/> <hr/>

The net debt of the DS Smith Group has been extracted, without material adjustment, from the 2018 Annual Report and Accounts which have been incorporated by reference in this document.

The net debt of the Europac Group has been calculated based on the reconciliation below. Line items have been extracted, without material adjustment, from the Statement of Financial Position of the Europac Group for the year ended 31 December 2017 included in Part XIV (*Historical Financial Information Relating to the Europac Group*) of this Prospectus.

	£m
Non-current Bank borrowings and bonds or other negotiable securities	(302)
Current Bank borrowings and bonds or other negotiable securities	(17)
Cash and cash equivalents	86
Europac Group net debt	<u>(233)</u>
Converted to GBP at the December 2017 exchange rate of €1:£0.8828	£(206)m

Refer to notes 3 and 4 above for details on the net debt created by the transaction funding.

- (7) In preparing the unaudited pro forma statement of net assets, no account has been taken of the amortisation of other intangibles or items subject to fair value acquisition accounting, on the basis that the actual amortisation charges will not be known until completion of the fair value exercise. Similarly, no adjustment has been made as a result of the Acquisition to reflect any synergies that may arise after the Acquisition as these are dependent upon future actions of management.

## **SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP**

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The Board of Directors  
on behalf of DS Smith Plc  
350 Euston Road  
Regent's Place  
London  
NW1 3AX

J.P. Morgan Securities plc  
25 Bank Street  
London  
E14 5JP

19 June 2018

Dear Sirs,

### **DS Smith Plc (the "Company")**

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part XV of the prospectus dated 19 June 2018 (the "**Prospectus**"), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how:

- (a) The proposed acquisition (the "Acquisition") of Papeles y Cartones de Europa SA (the "Transaction"); and
- (b) Inclusion of the Income Statement of Indevco Management Resources Inc. for the period 1 May 2017 to 25 August 2017,

might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 April 2018. This report is required by the Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have as a result of the inclusion of this report in the Prospectus, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 23.1 of the Prospective Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept

responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including Spain, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

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## PART XVI

### DIRECTORS AND CORPORATE GOVERNANCE

#### 1. Directors

##### 1.1 Current Directors

The current Directors of the Company and their functions are as follows:

<i>Name</i>	<i>Position</i>	<i>Date appointed to the Board</i>
Gareth Davis	<i>(Group Chairman)</i>	1 June 2010
Miles Roberts	<i>(Group Chief Executive)</i>	4 May 2010
Adrian Marsh	<i>(Group Finance Director)</i>	24 September 2013
Jonathan Nicholls	<i>(Senior Independent Director)</i>	1 December 2009
Christopher Britton	<i>(Independent Non-Executive Director)</i>	6 March 2013
Ian Griffiths	<i>(Independent Non-Executive Director)</i>	23 June 2014
Kathleen O'Donovan	<i>(Independent Non-Executive Director)</i>	5 December 2012
Louise Smalley	<i>(Independent Non-Executive Director)</i>	23 June 2014

The business address of each of the Directors (in such capacity) is 350 Euston Road, Regent's Place, London NW1 3AX.

##### 1.2 Profiles of the Directors

The business experience and principal business activities (both for and outside of DS Smith) of each of the Directors are as follows:

(a) *Gareth Davis, Chairman*

Gareth Davis was appointed to the Board on 1 June 2010 as a Non-Executive Director. He became Chairman of the Board on 4 January 2012 and is Chairman of the Nomination Committee. Gareth is also Chairman of Ferguson plc (formerly Wolseley plc) and was previously Chairman of William Hill PLC until 2 April 2018. He also was previously Chief Executive of Imperial Tobacco Group PLC following its demerger from Hanson in 1996 until May 2010.

(b) *Miles Roberts, Group Chief Executive*

Miles Roberts was appointed to the Board on 4 May 2010 as Group Chief Executive. Miles was a non-Executive Director and Senior Independent Director of Poundland Group plc until 15 September 2016. He was appointed a non-Executive Director of Aggreko plc on 7 March 2017. Miles was previously Chief Executive of McBride plc, having originally joined as its Group Finance Director. In his earlier years he gained an engineering degree at Bristol University, before training as an accountant.

(c) *Adrian Marsh, Group Finance Director*

Adrian Marsh was appointed to the Board on 24 September 2013 as Group Finance Director. Adrian was formerly head of Tax, Treasury and Corporate Finance at Tesco PLC. Previously, Adrian was European CFO at AstraZeneca plc and CFO of Global Building Products at Pilkington plc. He is a qualified accountant.

(d) *Christopher Britton, Non-Executive Director*

Christopher Britton was appointed to the Board on 6 March 2013 as a Non-Executive Director and is a member of the Audit, Nomination and Remuneration Committees. Chris is Chairman of Graze and currently serves on the Board of Aromatherapy Associates and PhD Nutrition. He co-founded B&B Investment Partners, a specialist investment fund, in 2013. He was previously a non-Executive Director for Alliance Boots GmbH. He has additionally held executive board positions, including as Chief Executive Officer of the Findus Group, and was President of the Baby Division of Royal Numico until its acquisition by Danone in November 2007. Before that he

worked for Diageo for 20 years in various marketing and general management positions, latterly as Global Marketing Director.

(e) *Ian Griffiths, Non-Executive Director*

Ian Griffiths was appointed to the Board on 23 June 2014 as a Non-Executive Director. On 12 March 2018 Ian announced his intention to step down from the DS Smith Board on 28 June 2018. Ian is a member of the Audit, Nomination and Remuneration Committees. He is also Chief Operating Officer and Group Finance Director of ITV plc. Before his current role with ITV, Ian was at Emap plc from 1994 to 2008 where he held a number of senior finance roles, including the position of Group Finance Director from 2005 to 2008. Before that, he was at EY where he worked in the corporate finance team.

(f) *Jonathan Nicholls, Senior Independent Director*

Jonathan Nicholls was appointed to the Board on 1 December 2009 as a Non-Executive Director. In July 2012 he was appointed as the Senior Independent Director, Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committees. He is also non-Executive Chairman of Shaftesbury PLC and Istock PLC. Jonathan is a member of the Institute of Chartered Accountants in England and Wales and a Fellowship member of the Association of Corporate Treasurers. He was previously Senior Independent Director and Chairman of the Audit Committees at Great Portland Estates plc, Group Finance Director of Hanson Plc, Group Finance Director of Old Mutual Plc and, most recently, non-Executive Director and Chairman of the Audit Committee at SIG plc.

(g) *Kathleen O'Donovan, Non-Executive Director*

Kathleen O'Donovan was appointed to the Board as a Non-Executive Director on 5 December 2012. Kathleen was appointed Chairman of the Remuneration Committee in September 2013 and is a member of the Audit and Nomination Committees. She was Senior Independent Director for ARM Holdings plc until December 2015 and chaired their Audit Committee. Kathleen was also previously a non-Executive Director of Trinity Mirror plc, Prudential plc, EMI Group plc, O2 plc and Senior Independent Director of Great Portland Estates plc. She served as a Director on the Court of the Bank of England from 1998 to 2004 and was Chief Financial Officer of BTR plc (subsequently renamed Invensys plc) from 1991 to 2002.

(h) *Louise Smalley, Non-Executive Director*

Louise Smalley was appointed to the Board on 23 June 2014 as a Non-Executive Director and is a member of the Nomination, Remuneration and Audit Committees. Louise is also Group Human Resources Director and an Executive Director of Whitbread PLC. She brings strong HR experience to the Board having held a number of key HR roles across Whitbread including HR Director of David Lloyd Leisure and Whitbread Hotels & Restaurants. She previously worked as an HR professional in the oil industry, with BP and Esso Petroleum.

A list of the companies and partnerships (other than DS Smith and its subsidiaries) of which the DS Smith Directors are or have been a director or partner within the past five years is set out in paragraph 5.1 of this Part XVI (*Directors and Corporate Governance*).

## 2. Corporate governance

The UK Corporate Governance Code, published by the Financial Reporting Council (the “**Corporate Governance Code**”), recommends that the directors of a company with a premium listing should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors), with independent non-executive directors (excluding the Chairman) comprising at least one half of the board.

The Company is committed to maintaining high standards of corporate governance. The Company is currently in compliance with the Corporate Governance Code.



The Board comprises eight individuals, being the Chairman, two Executive Directors and five Non-Executive Directors. All Non-Executive Directors are considered to be independent.

The Board has overall responsibility for the strategy, effective control and management of the Company. The Board reviews the performance of the DS Smith Group and undertakes a strategic review on an annual basis. There is a formal schedule of matters reserved for consideration and approval by the Board. These include the annual budget, substantial acquisitions and disposals, the approval of the full-year and half-year results and a review of the overall system of internal control and risk management. In addition to formal Board meetings, the Chairman and Group Chief Executive maintain regular contact with all Directors and hold informal meetings with Non-Executive Directors to discuss issues affecting the Company. Individual Directors are encouraged to make site visits during the year.

The Company has a programme of regular meetings, site visits and results briefings with its major institutional Shareholders, which provides opportunities to discuss the progress of the business. Presentations are conducted in accordance with the Disclosure Guidance and Transparency Rules on the dissemination of inside information and the Market Abuse Regulation to ensure the protection of such information that has not already been made available generally to the Company's shareholders.

The annual general meeting is used as an opportunity to communicate with private Shareholders, including a short presentation on the business and current trading position as well as an opportunity for questions from investors to the Chairman of the Board and the chairmen of the Audit and Remuneration Committees. All Directors who attend the annual general meeting make themselves available to meet Shareholders after the formal business of the meeting. To ensure compliance with the Corporate Governance Code, separate resolutions are proposed on each discrete subject.

Regular communication with Shareholders also takes place through the full-year and half-year reports and via the Company's website, [www.dssmith.com](http://www.dssmith.com). In addition, the Company provides trading updates.

## 2.1 **Board of Directors**

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board's role is to provide leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance.

In addition, the Board sets the Company's values and standards and ensures that its obligations to its Shareholders and others are understood and met.

The Board currently comprises the Chairman, the Group Chief Executive, the Group Financial Director, a Senior Independent Director and four Non-Executive Directors. The offices of Chairman and Group Chief Executive are held separately. During the year, each Non-Executive Director has at all times acted independently of management and has no relationships which would materially interfere with the exercise of their independent judgement and decision making.

All Board members attend all Board and relevant Committee meetings unless exceptional circumstances prevent them from attending. The Board meets a minimum of seven times per financial year. In the 2018 Financial Year, it met nine times, constituting seven scheduled meetings and two ad hoc meetings to discuss specific issues.

## 2.2 **Board Committees**

As envisaged by the Corporate Governance Code, the Board has established Audit, Remuneration and Nomination Committees. All Committees have written terms of reference agreed by the Board. These are available on the Company's website at [www.dssmith.com](http://www.dssmith.com) or are available on request to the Company Secretary.

(a) *Audit Committee*

The Audit Committee is made up of Jonathan Nicholls (Committee Chairman), Christopher Britton, Ian Griffiths, Kathleen O'Donovan and Louise Smalley.

The Audit Committee met four times during the 2018 Financial Year.

The terms of reference of the Audit Committee include all the matters indicated by DTR 7.1 of the Disclosure Guidance and Transparency Rules and the Corporate Governance Code. The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to:

- (i) the accounting principles, policies and practices adopted in the DS Smith Group's accounts;
- (ii) external financial reporting and associated announcements;
- (iii) the appointment, independence, effectiveness and remuneration of the DS Smith Group's Auditors;
- (iv) the resourcing, plans and effectiveness of the internal audit performed on behalf of the Company by a major accountancy firm, independent from the DS Smith Group's Auditors;
- (v) the adequacy and effectiveness of the financial control environment; and
- (vi) the DS Smith Group's compliance with the Corporate Governance Code.

The Audit Committee receives and reviews regular reports from the external auditors, internal audit and the Group Finance Director.

(b) *Remuneration Committee*

The Remuneration Committee is made up of Kathleen O'Donovan (Committee Chairman), Gareth Davis, Christopher Britton, Ian Griffiths, Jonathan Nicholls and Louise Smalley. The Remuneration Committee consults with the DS Smith Group's Chief Executive, who may attend meetings of the Remuneration Committee, although he is not involved in deciding his own remuneration. The Remuneration Committee is also assisted by the DS Smith Group's General Counsel and Company Secretary and the DS Smith Group's Human Resources Director.

The Remuneration Committee met five times during the 2018 Financial Year.

The Remuneration Committee reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Group Chief Executive's executive management committees. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors. The Committee takes into account the business strategy of the DS Smith Group and how the remuneration policy reflects and supports that strategy.

(c) *Nomination Committee*

The Nomination Committee comprises: Gareth Davis (Committee Chairman), Miles Roberts, Christopher Britton, Ian Griffiths, Jonathan Nicholls, Kathleen O'Donovan and Louise Smalley.

The Nomination Committee met three times during the 2018 Financial Year.

The Nomination Committee regularly reviews the structure, size and composition of the Board and its Committees. It identifies and nominates suitable candidates to be appointed to the Board (subject to Board approval) and considers talent and succession generally.

(d) *Other Committees*

The Disclosure Committee members are the Group Chief Executive, the Group Finance Director, the Chairman and the Company Secretary. Other Directors, representatives from the Company's brokers, members of the Company's management and other external advisors may attend meetings in whole or in part if invited. The Committee meets regularly during the year to consider the Group's disclosure obligations and to review results announcements before release.

The US Sub Committee oversees the strategic direction of business in the US together with any associated risks or opportunities in the business. The Chief Executive of Indevco Group, Neemat Frem, the Chairman, the Group Chief Executive, the Chair of the Audit Committee and the Group Finance Director are the members. Other Directors, representatives from the internal Auditors and external Auditors, members of the Company's management and other external advisers may attend meetings in whole or in part, if invited.

The Board has delegated certain powers, mainly of a routine nature, to the General Purposes Committee, which comprises the Group Chief Executive and the Group Finance Director under the chairmanship of the Group Chief Executive.

The Group Operating Committee is chaired by Miles Roberts and meets monthly. It considers group-wide initiatives and priorities, reviews the implementation of strategy and operational plans, reviews changes to policies and procedures and discusses the development of new projects.

The Strategy Committee is chaired by Miles Roberts and meets monthly. It plans the business strategy implementation through the annual corporate plan process. The corporate plan process is used to develop the DS Smith Group's strategy, based on the set strategic direction. The corporate plan's focus is primarily on strategic actions, supported by high level financials. It covers a three year horizon and is reviewed annually with the Board.

The Group Health and Safety and Sustainability Committee is chaired by Miles Roberts and meets monthly. The Group Finance Director, divisional Chief Executives, the Group Human Resources Director, the Group Communications Director, the Group Health and Safety Director, the Sustainability Director and the Group General Counsel and Company Secretary are the other members.

The Committee oversees the management processes, targets and strategies designed to manage health & safety and environmental and social risks and opportunities, and to ensure compliance with the Group's health & safety and environmental and social responsibilities and commitments.

The Compliance Committee is chaired by Miles Roberts and meets quarterly. The Group Finance Director, the Group Risk Officer, the Group Financial Controller and the Group General Counsel and Company Secretary are the other members. The committee oversees compliance with all legal, regulatory and organisational requirements including the effective interface between the financial, legal, risk and internal audit functions.

### **3. Takeover Regulation**

The Takeover Code is issued and administered by the Takeover Panel. The Company is subject to the Takeover Code and therefore its Shareholders are entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code when (a) a person acquires an interest in shares which (taken together with shares he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights, unless the Company has obtained the approval of over 50 per cent. of its independent Shareholders.

#### 4. Share Dealing Code

The Company has adopted a code on dealings in relation to the Company's securities to ensure that, amongst other things, the Directors and certain employees of the Company comply with the requirements of MAR. The Company requires the Directors and other persons discharging managerial responsibilities ("PDMRs") within the Group to comply with the Company's securities dealing code, and takes all proper and reasonable steps to secure their compliance, such as monitoring the relevant individuals' compliance with the code. In addition, the dealing policy requires all employees, including PDMRs, not to deal in any of the Company's securities if the individual is in possession of inside information about the Group.

Under the dealing code, the Directors and certain employees must not deal for themselves or for anyone else, directly or indirectly, in the Company's securities without obtaining prior written clearance from the Company. A Director or relevant employee must submit a written request for permission to the Company Secretary before dealing in shares of the Company, stating amongst other things whether the trade is to buy or sell shares and how many shares they wish to trade. Applications for clearance may not be submitted if the Director or employee is in possession of inside information.

Dealing will be prohibited during closed periods, for example for the period of sixty days before the preliminary announcement of the Company's annual results. If clearance to deal is given, the dealing must take place as soon as possible and in any event within 48 hours of receiving clearance. Clearance to deal may be given subject to conditions.

A PDMR must take reasonable steps to prevent dealings by or on behalf of persons who are closely associated with them at any time during which the PDMR is prohibited from dealing, and the PDMR is under an obligation to inform their closely associated persons of their obligations under MAR.

PDMRs and their closely associated persons must notify DS Smith and the FCA within two business days of any transaction in Group securities.

#### 5. Other Directorships

5.1 In addition to their directorships of DS Smith (in the case of the DS Smith Directors), the DS Smith Directors hold or have held the following directorships (other than directorships of subsidiaries of the Company), and are or were members of the following partnerships, within the past five years.

<i>Name</i>	<i>Current directorship/partnership</i>	<i>Previous directorship/partnership</i>
Gareth Davis	Ferguson plc (formerly Wolseley plc)	William Hill PLC
Miles Roberts	Aggreko plc	Poundland Group plc
Adrian Marsh	Kriggle Limited	Adminstore Limited Beehythe Estates Limited Country Market Limited (The) Cullen's Holdings Limited Cullen's Stores Limited Food & Wine Lovers Limited Greenergy Fuels Holdings Limited Harts The Grocer (Gloucester Road) Limited Harts The Grocers (Fulham Road) Limited Harts The Grocers (TCR) Limited Harts The Grocers Limited Kiwilight Limited La Boucherie Limited London and Home Counties Superstores Limited Salecastle Limited Speedhalt Limited Tesco Atrato (GP) Limited Tesco Blue (GP) Limited Tesco Corporate Treasury Services Plc Tesco Dorney (GP) Limited

<i>Name</i>	<i>Current directorship/partnership</i>	<i>Previous directorship/partnership</i>
		Tesco Employees' Share Scheme Trustees Limited Tesco Food Sourcing Limited Tesco Fuchsia (GP) Limited Tesco Gateshead Property Limited Tesco Grey (GP) Limited Tesco Indigo (GP) Limited Tesco Navona (GP) Limited Tesco Navona PL Propco Limited Tesco Passaic (GP) Limited Tesco Passaic PL Propco Limited Tesco Pink (GP) Limited Tesco Property Finance 1 Holdco Limited Tesco Purple (GP) Limited Tesco Sarum (GP) Limited Tesco Services Limited Tesco Treasury Services PLC Tesco Violet (GP) Limited We Connect Students Limited
Jonathan Nicholls	Ibstock Plc Shaftesbury PLC	Great Portland Estates Ltd SIG PLC
Christopher Britton	Bounce Foods Limited Green Park Snacks Limited ND1T Limited (Graze) Park Grange Associates Limited Ugly Brands Limited Amplify Life Ltd	Anchor Seafoods Limited Arctic Seafare Limited Aromatherapy Associates Holdings Ltd Aromatherapy Investments Holdings Ltd Aromatherapy Investments Ltd B&B Investment Partners LLP B G Fish One Limited B Midgley Seafoods Limited Bennachie Fine Foods Limited Bluecrest Foods Limited Bluecrest Freebooter Limited English Seafoods Limited Findus EBT Trustees Limited Findus Group Limited Findus Holdings Limited Findus Limited Findus Management and Services Limited Findus Treasury Limited Findus UK Group Limited Fraserburgh Smokehouse Limited Kilron Seafoods Limited Lighthouse UKCO 1 Limited Lighthouse UKCO 2 Limited Lighthouse UKCO 3 Limited Macrae Edinburgh Limited Macrae Food Group Limited Macrae Foods Limited Macrae Fraserburgh Limited Macrae Holdings Limited Macrae Seafoods Limited Marr Foods Limited Merson & Gerry Limited Neptune Holdings UK Limited

<i>Name</i>	<i>Current directorship/partnership</i>	<i>Previous directorship/partnership</i>
		PhD Acquisition Bidco Ltd PhD Acquisition Midco Ltd Pinneys of Scotland Limited Polarfrost Seafoods Limited Scottish Seafoods Limited SportsPlatform MidCo Ltd SportsPlatform Holdco Limited Strathaird Limited Strathaird Salmon Limited The Cromer Crab Co Limited The Salmon Poachers Limited The Seafood Company Limited The Spey Valey Smokehouse Limited TPW Acquisition Bidco Ltd TPW Acquisition Midco Ltd Youngs Seafood Limited Ella's Kitchen (Brands) Limited Ella's Kitchen Group Limited Ella's Kitchen Foundation Aromatherapy Associates Holdings Limited Aromatherapy Investments Holdings Limited Aromatherapy Investments Limited B&B Investment Partners LLP PHD Acquisition Bidco Limited PHD Acquisition Midco Limited Sportsplatform Midco Limited TPW Acquisition Midco Limited TPW Acquisition Midco Limited
Ian Griffiths	ITV PLC	–
Kathleen O'Donovan	Bird & Co Boardroom Mentoring Limited Invensys Pension Trustee Limited	ARM Holdings Plc International Rescue Committee, U.K. IRC-UK Trading Limited
Louise Smalley	Whitbread Group Plc	Whitbread Plc

## **6. Directors' Confirmations**

As at the Latest Practicable Date, none of the Directors have, during the five years before the date of this Prospectus:

- (a) save as disclosed in paragraph 5 (*Other Directorships*) of this Part XVI (*Directors and Corporate Governance*), been a director or partner of any company or partnership;
- (b) been convicted in relation to a fraudulent offence;
- (c) been adjudged bankrupt or entered into an individual voluntary arrangement;
- (d) been a director or member of the administrative, management or supervisory bodies or a senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (e) been a partner in a partnership or at the time of, or within 12 months preceding, any compulsory liquidation, administration or voluntary arrangement of such partnership;
- (f) had his assets form the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership;

- (g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or
- (h) been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

The Board does not presently consider there are to be any potential conflicts of interests between any of the Directors' duties to DS Smith or the DS Smith Group and their private interests and/or other duties that have not been disclosed to the Board and authorised. Louise Smalley is an executive director of Whitbread plc. Whitbread plc's wholly-owned subsidiary, Costa Limited, has in place an agreement for the recycling of coffee cups with DS Smith plc. This potential conflict of interest has been disclosed to, and authorised by, the DS Smith Board.

There are no outstanding loans granted by DS Smith or any member of the DS Smith Group to any of the Directors, nor has any guarantee been provided by DS Smith or any member of the DS Smith Group for their benefit, save that each of the Directors has, and will have, the benefit of a qualifying third party indemnity pursuant to which DS Smith agrees to indemnify the Directors against liabilities that they may incur as a result of their office as director, in terms which are in accordance with the relevant provisions of the Companies Act 2006.

## PART XVII

### TAXATION

#### 1. UK Taxation

The following statements do not constitute advice and are intended to apply only as a general guide to certain UK tax consequences of the Rights Issue for Qualifying Shareholders under current UK tax law and the current practice of HMRC (which may or may not be binding on HMRC), either of which is subject to change at any time, possibly with retrospective effect. They are not intended to be exhaustive. Except where otherwise expressly stated, they apply only to Qualifying Shareholders who are resident and (in the case of individuals) domiciled for tax purposes in the UK to whom split-year treatment does not apply, who hold their Ordinary Shares as an investment and who are the absolute beneficial owners of their Ordinary Shares. They may not apply to certain Qualifying Shareholders, such as dealers in securities, insurance companies, collective investment schemes, Qualifying Shareholders who are exempt from tax, Qualifying Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment and Qualifying Shareholders who are individuals and hold their New Ordinary Shares through an ISA, self-invested pension plan or other regime which exempts capital gains and/or dividends from tax. Such Qualifying Shareholders may be subject to special rules.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom is strongly advised to consult an appropriate professional tax adviser without delay.

##### 1.1 *Taxation of chargeable gains*

###### (a) *Issue of New Ordinary Shares pursuant to the Rights Issue*

For the purposes of UK taxation of chargeable gains, the issue of the New Ordinary Shares by the Company should constitute a reorganisation of the Company's share capital. Accordingly, a Qualifying Shareholder will not be treated as making a disposal of all or any part of his holding of Existing Ordinary Shares by reason of taking up his rights to New Ordinary Shares. No liability to UK taxation on chargeable gains should arise in respect of the issue of New Ordinary Shares to the extent that a Qualifying Shareholder takes up his full entitlement to New Ordinary Shares.

On that basis, for the purposes of the UK taxation of chargeable gains, the New Ordinary Shares, allotted to a Qualifying Shareholder will be treated as the same asset as, and as having been acquired at the time as, that Qualifying Shareholder's Existing Ordinary Shares. The amount paid by a Qualifying Shareholder in consideration for the New Ordinary Shares will be added to the base cost of his existing holding(s) but will not constitute allowable expenditure in respect of which indexation allowance can be claimed (where relevant).

###### (b) *Disposal or lapse of rights to acquire New Ordinary Shares*

If a Qualifying Shareholder disposes of all or some of his rights to acquire New Ordinary Shares, or if he allows or is deemed to have allowed all or some of his rights to acquire New Ordinary Shares to lapse and receives a cash payment in respect of them, he may, depending on his circumstances, incur a liability to UK taxation on any chargeable gains realised.

However, if the proceeds resulting from a lapse or disposal of the rights to acquire New Ordinary Shares are "small" as compared with the market value of the Existing Ordinary Shares in respect of which the rights arose, a Qualifying Shareholder should not be treated as making a disposal for the purposes of UK taxation of chargeable gains. The proceeds will instead be deducted from the acquisition cost of his holding of Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. HMRC will normally treat proceeds as "small" if the amount of the proceeds either does not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the Existing Ordinary Shares in respect of which the rights arose or does not exceed £3,000. This treatment will not apply where such proceeds are greater than the base cost of the Existing Ordinary Shares in respect of which the rights arose.



(c) *Disposal of New Ordinary Shares*

(i) Individual Qualifying Shareholders within the charge to UK capital gains tax

A disposal of New Ordinary Shares by a Qualifying Shareholder who is an individual may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax. Depending on a Qualifying Shareholder's circumstances and any available exemptions, reliefs and deductions (including the annual exempt amount which is £11,700 for the year 2018/19), any chargeable gains resulting from the disposal of New Ordinary Shares are generally subject to capital gains tax at a rate of 10 per cent. or, if and to the extent that the Qualifying Shareholder's total taxable income and gains in a given year (including any gains made on the disposal of his New Ordinary Shares) fall above the threshold for the higher rate of income tax in respect of the tax year, at a rate of 20 per cent.

(ii) Corporate Qualifying Shareholders within the charge to UK corporation tax

A disposal of New Ordinary Shares by a Qualifying Shareholder within the charge to corporation tax may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that Qualifying Shareholder.

## 1.2 **Stamp duty and SDRT**

The comments below relating to stamp duty and SDRT apply whether or not a Qualifying Shareholder is resident in the UK, but it should be noted that certain categories of person, including market makers, brokers, dealers and other specified market intermediaries, are entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances.

(a) *Provisional Allotment Letters, split Provisional Allotment Letters, Nil Paid Rights and Fully Paid Rights*

No stamp duty or SDRT will be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters or on the crediting of Nil Paid Rights or Fully Paid Rights to stock accounts in CREST.

No stamp duty or SDRT will arise on a transfer of Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid) into, or a transfer of Nil Paid Rights or Fully Paid Rights out of, CREST provided that, in the case of SDRT, the transfer is not for money or money's worth.

Persons who, on or before the latest time for registration of renunciation, purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, will not generally be liable to pay stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the amount or value of consideration payable.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters or split Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for, in accordance with the CREST rules, to HMRC by the operator of CREST. No stamp duty or SDRT will be payable on the registration of renunciation of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renounees.

(b) *Clearance service providers and depositary receipt issuers*

Where Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid), Nil Paid Rights, Fully Paid Rights or New Ordinary Shares are transferred to a person whose business is or includes the provision of clearance services (or their nominee) or to a

person whose business is or includes the issuing of depository receipts (or their nominee or agent), stamp duty or SDRT will be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Provisional Allotment Letters or split Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, unless such transfer is integral to the raising of new capital or, in the case of a transfer to a person whose business is or includes the provision of clearance services (or their nominee or agent), that person has made an election under section 97A of the Finance Act 1986 which has effect in relation to such securities.

(c) *New Ordinary Shares*

No stamp duty or SDRT will be payable on the issue of New Ordinary Shares.

Subject to a stamp duty exemption for certain low value transactions and to the special rules relating to clearance services and depository receipts referred to above, the transfer on sale of New Ordinary Shares held outside CREST after the last date for registration of renunciation will generally give rise to a liability to ad valorem stamp duty at the rate of 0.5 per cent. of the amount or value of consideration paid (rounded up to the nearest multiple of £5). An unconditional agreement to transfer such New Ordinary Shares will generally give rise to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, but such liability will be cancelled, or a right to a repayment of the SDRT paid will arise, if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. Stamp duty is normally paid by the purchaser and SDRT is the liability of the purchaser.

No stamp duty or SDRT will arise on a transfer of New Ordinary Shares into or out of CREST provided that, in the case of SDRT, the transfer is not for money or money's worth. A transfer of New Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, which will be collected and accounted for to HMRC by the operator of CREST (such SDRT generally being payable by the transferee or purchaser).

### 1.3 **Taxation of dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

(a) *Individual Qualifying Shareholders within the charge to UK income tax*

(i) *General*

The general tax treatment of dividends paid by the Company to individual Qualifying Shareholders is as follows:

- Dividends paid by the Company do not carry a tax credit.
- All dividends received by an individual Qualifying Shareholder from the Company (or from other sources) will form part of the Qualifying Shareholder's total income for income tax purposes and will represent the highest part of that income.
- A nil rate of income tax applies to the first £2,000 of taxable dividend income received by an individual Qualifying Shareholder in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income.
- Any taxable dividend income received by an individual Qualifying Shareholder in a tax year in excess of the Nil Rate Amount is taxed at a special rate, as set out below.

(ii) *Dividend Income in excess of the Nil Rate Amount*

Where a Qualifying Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to income tax:

- at the rate of 7.5 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;

- at the rate of 32.5 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 38.1 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Qualifying Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Qualifying Shareholder's total income for income tax purposes.

(b) *Corporate Qualifying Shareholders within the charge to UK corporation tax*

Qualifying Shareholders within the charge to corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally be subject to tax on dividends from the Company.

Other Qualifying Shareholders within the charge to corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. Dividends paid on non-redeemable shares that do not carry any present or future preferential rights to dividends or to the relevant company's assets on its winding up, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital), are examples of dividends that should fall within an exempt class.

## **2. Certain US federal income tax considerations**

This section describes the certain US federal income tax consequences to a US holder (as defined below) of the receipt of the Nil Paid Rights pursuant to the Rights Issue and the subsequent disposition of those Nil Paid Rights, the purchase of Fully Paid Rights and the subsequent disposition or exchange of those Fully Paid Rights, the issuance of New Ordinary Shares to the holders of Fully Paid Rights, and the ownership and disposition of the New Ordinary Shares. It applies to you only if you acquire the Nil Paid Rights pursuant to the Rights Issue, acquire the Fully Paid Rights through exercise of such Nil Paid Rights, or acquire the New Ordinary Shares through issuance to the holders of such Fully Paid Rights, and hold those Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as capital assets for US federal income tax purposes. This section does not discuss all of the tax considerations that may be relevant to you if you are a member of a special class of holders subject to special rules, under US federal income tax law, including:

- a dealer in securities;
- a financial institution;
- a regulated investment company or real estate investment trust
- an individual retirement account or other tax-deferred account
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organisation;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10 per cent. or more of the combined voting power of the Company's voting stock or of the total value of the Company's stock;
- a person that holds Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as part of a straddle or a hedging or conversion transaction;
- a person that acquires or sells Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as part of a wash sale for tax purposes;
- a person who is a US expatriate;

- a person who holds Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in connection with a permanent establishment or fixed base outside of the United States; or
- a person whose functional currency is not the US dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and on the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains (the “**Treaty**”) all of which are subject to change, possibly on a retroactive basis.

If a partnership (or an arrangement or entity treated as a partnership for US federal income tax purposes) holds the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, the US federal income tax treatment of a partner in such partnership, will generally depend on the status of the partner and the activities of the partnership. A partnership holding the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares should consult its tax adviser regarding the US federal income tax consequences to it and their partners of an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

You are a US holder if you are a beneficial owner of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and you are, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions;
- an estate whose income is subject to US federal income tax regardless of its source; or
- a trust if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorized to control all substantial decisions of the trust.

*You should consult your own tax adviser regarding the US federal, state and local tax consequences of owning and disposing of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in your particular circumstances.*

This section addresses only US federal income taxation.

## 2.1 **Taxation of the Nil Paid Rights**

### (A) *Distribution of the Nil Paid Rights*

The tax consequences of the distribution of Nil Paid Rights to a US holder pursuant to the Rights Issue are not free from doubt. In particular, it is not clear whether the sale by the Joint Global Coordinators of New Ordinary Shares not taken up in the Rights Issue, and the remittance of any premiums from that sale (“**Unexercised Right Payment**”) to US holders whose Nil Paid Rights were sold should be treated as a sale of New Ordinary Shares and distribution of cash by the Company, or as a distribution of Nil Paid Rights by the Company and a subsequent sale of those rights (or an exercise of those rights and a subsequent sale of New Ordinary Shares) by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Nil Paid Rights would be taxable to US holders as a dividend as described below under “*Taxation of the New Ordinary Shares – Dividends*”. However, based upon the particular facts relating to the Rights Issue, the distribution should be a non-taxable event to a US holder, rather than taxable to the US holder as a dividend to the extent of the Company's current or accumulated earnings and profits, as described below under “*Taxation of the New Ordinary Shares—Dividends*”. It is possible that the US Internal Revenue Service (the “**IRS**”) will take a contrary view and require a US holder to include in income the fair market value of the Nil Paid Rights on the date of their distribution. The remainder of this US federal income tax discussion assumes the distribution of the Nil Paid Rights will not constitute a taxable event to US holders for US federal income tax purposes.

(B) *Basis and holding period of the Nil Paid Rights*

Your basis in the Nil Paid Rights you receive should be zero, unless either: (i) the fair market value of the Nil Paid Rights on the date such Nil Paid Rights are distributed equals 15 per cent. or more of the value of the Existing Ordinary Shares with respect to which you receive the Nil Paid Rights; or (ii) you elect to allocate to the Nil Paid Rights a portion of your basis in the Existing Ordinary Shares with respect to which you will have received the Nil Paid Rights. If either of these situations applies, basis will be allocated in proportion to the relative fair market values of the Existing Ordinary Shares and the Nil Paid Rights distributed thereon on the date the Nil Paid Rights are distributed. If you wish to make the election to allocate a portion of your basis in the Existing Ordinary Shares to the Nil Paid Rights, you must attach a statement to this effect to your US federal income tax return for the tax year in which you receive the Nil Paid Rights. The election will apply to all Nil Paid Rights you receive pursuant to this Rights Issue and, once made, will be irrevocable.

If the value of the Nil Paid Rights is less than 15 per cent. of the value of the Existing Ordinary Shares with respect to which they are distributed, you should consult your own tax advisers regarding the advisability of making such an election.

Your holding period with respect to the Nil Paid Rights will include your holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights are distributed (whether or not basis is allocated to the Nil Paid Rights).

(C) *Sale or other disposition of the Nil Paid Rights*

Subject to the passive foreign investment company (“**PFIC**”) rules discussed below, you will recognise capital gain or loss on the sale or other disposition of Nil Paid Rights in an amount equal to the difference between the amount realised on the disposition and your tax basis, determined in US dollars, in the Nil Paid Rights. This capital gain or loss will be long-term capital gain or loss if your holding period in the Nil Paid Shares is more than one year. If you are a non-corporate US holder, your long-term capital gain is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. The capital gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

The amount realised on a sale or other disposition of the Nil Paid Rights for an amount in a currency other than the US dollar (a “**foreign currency**”) will be the US dollar value of this amount on the date of sale or disposition. To the extent the amount realised differs from the US dollar value of the foreign currency received on the settlement date, you will recognise ordinary gain or loss equal to such difference. If you are a cash basis taxpayer (or an accrual basis taxpayer that so elects) and sell or dispose of Nil Paid Rights that are treated as traded on an established securities market, for US federal income tax purposes, your amount realised will be based on the exchange rate in effect on the settlement date for the sale, or other disposition, and no foreign exchange gain or loss should be recognised at that time. If you are an accrual basis taxpayer and wish to make such election, you must apply it consistently from year to year and cannot revoke it without the consent of the IRS.

(D) *Lapse of the Nil Paid Rights without Payment*

If you allow your Nil Paid Rights to lapse without selling or exercising them and do not receive any proceeds, you will not recognise any loss upon expiration of the Nil Paid Rights. If you had allocated to such Nil Paid Rights a portion of your tax basis in your Existing Ordinary Shares, that basis would be re-allocated to the Existing Ordinary Shares.

(E) *Exercise of the Nil Paid Rights*

You will not recognise gain or loss upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights.

(F) *Proceeds from Sale by the Joint Global Coordinators*

The US federal income tax treatment to you if you receive an Unexercised Rights Payment as a result of the sale by the Joint Global Coordinators of New Ordinary Shares in respect of your Nil Paid Rights is not free from doubt. Generally, you will be treated either as having sold the Nil Paid

Rights (as described above) or as having exercised the Nil Paid Rights and sold the New Ordinary Shares. If you were treated as having sold the New Ordinary Shares, you will recognise a short-term capital gain or loss as described below under “*Taxation of the New Ordinary Shares – Sale or other disposition of the New Ordinary Shares*”, regardless of your holding period in the Nil Paid Rights. You should consult your tax advisor regarding the US federal income tax treatment of your receipt of any Unexercised Rights Payment.

## 2.2 **Taxation of the Fully Paid Rights**

### (A) *Basis and Holding Period of the Fully Paid Rights*

Your basis in the Fully Paid Rights will equal the sum of the US dollar value of the Issue Price determined at the spot rate on the date of exercise and your tax basis, if any in the Nil Paid Rights exercised to obtain the Fully Paid Rights. Subject to the PFIC rules discussed below, your holding period in each Fully Paid Right will begin with and include the date of exercise of the Nil Paid Right.

### (B) *Sale or Other Disposition of the Fully Paid Rights*

Subject to the PFIC rules described below, you will recognise capital gain or loss on the sale or other disposition of the Fully Paid Rights in an amount equal to the difference between the US dollar value of the amount realised on the disposition and your tax basis, determined in US dollars, in the Fully Paid Rights. A US holder’s holding period in Fully Paid Rights will not include the holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed. Accordingly, any gain or loss is expected to be short-term capital gain or loss. The capital gain or loss will generally be income or loss from sources within the United States for foreign tax credit purposes.

The foreign currency rules discussed above under “*Taxation of the Nil Paid Rights—Sale or other disposition of Nil Paid Rights,*” are applicable to a sale or other disposition of the Fully Paid Rights for an amount realised in a foreign currency.

### (C) *Receipt of the New Ordinary Shares*

The receipt of the New Ordinary Shares issued to holders of the Fully Paid Rights should not constitute a taxable event to a US holder for US federal income tax purposes.

## 2.3 **Taxation of the New Ordinary Shares**

### (A) *Basis and Holding Period of the New Ordinary Shares*

Your basis in the New Ordinary Shares acquired upon issuance to you of a Fully Paid Right should equal your tax basis in the Fully Paid Right with respect to which the New Ordinary Shares were issued, and your holding period in the New Ordinary Shares should include your holding period in the underlying Fully Paid Rights. Accordingly, subject to the PFIC rules discussed below, your holding period in each New Ordinary Share acquired should begin with and include the date of exercise of the underlying Nil Paid Right.

### (B) *Distributions*

Under the US federal income tax laws, and subject to the PFIC rules discussed below, the gross amount of any distributions the Company pays out of its current or accumulated earnings and profits (as determined for US federal income tax purposes) is dividend income to a US holder that is subject to US federal income taxation. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the New Ordinary Shares and thereafter as capital gain. However, the Company does not expect to calculate earnings and profits in accordance with US federal income tax principles. Accordingly, you should assume that any distributions by the Company with respect to the New Ordinary Shares will be reported as ordinary dividend income. If you are a non-corporate US holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the New Ordinary Shares for more than 60 days during the

121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. The Company believes that dividends the Company pays with respect to the New Ordinary Shares generally will be qualified dividend income. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

The dividend is taxable to you when you receive the dividend, actually or constructively. The amount of the dividend that you must include in your income as a US holder will be the US dollar value of the pounds sterling payment made, determined at the spot pounds sterling/US dollar rate on the date the dividend is includible in your income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the preferential rates applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit purposes.

Dividends will be income from sources outside the United States and will generally be “passive” income for the purposes of computing the foreign tax credit allowable to you.

(C) *Sale or Other Disposition of the New Ordinary Shares*

Subject to the PFIC rules discussed below, you will recognize capital gain or loss for US federal income tax purposes on the sale or other disposition of your New Ordinary Shares equal to the difference between the amount that you realize and your tax basis, each as determined in US dollars, in your New Ordinary Shares. This capital gain or loss will be long-term capital gain or loss if your holding period in your New Ordinary Shares is more than one year. If you are a non-corporate US holder, your long-term capital gain is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. The capital gain or loss will generally be income or loss from sources within the United States for foreign tax credit purposes.

The foreign currency rules discussed above under “*Taxation of the Nil Paid Rights—Sale or other disposition of Nil Paid Rights*”, are applicable to a sale or other disposition of the New Ordinary Shares for an amount in a foreign currency.

## 2.4 **Passive Foreign Investment Company (“PFIC”) Rules**

In general, a non-US corporation will be a PFIC for any taxable year in which either (i) at least 75 per cent. of the gross income is passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of its assets is attributable to assets that produce or are held for the production of passive income. The Company believes that it should not be treated as a PFIC for US federal income tax purposes for its prior taxable year and does not expect to be treated as a PFIC in its current taxable year or in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. If the Company were to be treated as PFIC, gain realised on the sale or other disposition of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares would in general not be taxed as capital gain. Instead, you would be treated as if you had realised such gain and certain “excess distributions” ratably over your holding period for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (for this purpose, the holding period of a Fully Paid Right or New Ordinary Share acquired through the exercise of a Nil Paid Right will begin with the holding period of the Nil Paid Right) and would generally be taxed at the highest tax rate in effect for the class of US taxpayers for which you are member for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your Nil Paid Rights, Fully Paid Rights or New Ordinary Shares will be treated as stock in a PFIC if the Company were a PFIC at any time during your holding period in your Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. Additionally dividends that you receive from the Company will not be eligible for the preferential rates applicable to qualified dividend income if the Company were a PFIC (or were treated as a PFIC with respect to you) either in the taxable year of the

distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

## 2.5 **Medicare Tax**

A US holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8 per cent. tax on the lesser of: (i) the US holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year; and (ii) the excess of the US holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A US holder's net investment income generally includes its dividend income and its net gains from the disposition of property such as the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a US holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

## 2.6 **Information with respect to Certain Foreign Financial Assets**

Owners of "specified foreign financial assets" with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-US persons; (ii) financial instruments and contracts that have non-US issuers or counterparties; and (iii) interests in foreign entities. You are urged to consult your tax advisers regarding the application of this reporting requirement to your ownership of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

## 2.7 **Backup Withholding and Information Reporting**

If you are a non-corporate US holder, information reporting requirements, on IRS Form 1099, generally will apply to dividend payments or other taxable distributions made to you within the United States, and the payment of proceeds to you from the sale or other disposition of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if you fail to comply with applicable certification requirements or (in the case of dividend payments) are notified by the IRS that you have failed to report all interest and dividends required to be shown on your U.S. federal income tax returns.

Payment of the proceeds from the sale of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if: (i) the broker has certain connections to the United States; (ii) the proceeds or confirmation are sent to the United States; or (iii) the sale has certain other specified connections with the United States.

Backup withholding is not an additional tax. You generally may obtain a credit or refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by filing a claim with the IRS in a timely manner.



## PART XVIII

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 DS Smith and the DS Smith Directors, whose names appear in paragraph 1.1 (*Current Directors*) of Part XVI (*Directors and Corporate Governance*), accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of DS Smith and the DS Smith Directors (who have each taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 For the purposes of Prospectus Rule 5.5.3R(2)(f), Deloitte is responsible for its report set out in Section B of Part XV of (*Unaudited pro forma information relating to the Enlarged Group*) of this Prospectus and declares that it has taken all reasonable care to ensure that the information contained in such report is, to the best of its knowledge, in accordance with the facts and contain no omissions likely to affect its import. This declaration is included in this Prospectus in compliance with Annex I, item 1.2 of the Prospectus Directive Regulation.

#### 2. Incorporation and Registered Office

- 2.1 DS Smith was incorporated and registered in England and Wales on 7 July 1978, under the Companies Acts 1948, to 1976 as a private company limited by shares with the name David S. Smith (Packaging) Limited and registered number 01377658. Its name was changed to David S. Smith (Holdings) Limited on 11 August 1978. On 28 June 1982, the Company re-registered as a public company limited by shares with the name David S. Smith (Holdings) Public Limited Company. The Company listed on the London Stock Exchange on 3 March 1986. Its name was subsequently changed to DS Smith Plc on 17 September 2001.
- 2.2 The registered and head office of DS Smith is at 350 Euston Road, Regent's Place, London NW1 3AX. Its telephone number is +44 (0)20 7756 1800.
- 2.3 The principal legislation under which DS Smith operates is the Companies Act 2006 and the regulations made under the Companies Act 2006.

#### 3. DS Smith's Share Capital

##### 3.1 Issued share capital

The number of Ordinary Shares outstanding as at 1 May 2017, being the first day of the Company's last complete financial year, and as at 30 April 2018, being the last day of the Company's last complete financial year, is as follows:

<i>Date</i>	<i>Nominal value of Ordinary Shares</i>	<i>Number of Ordinary Shares issued, allotted, called up and fully paid</i>
1 May 2017	Ordinary Shares of £0.10	951,298,314
30 April 2018	Ordinary Shares of £0.10	1,074,521,594

Notes:

- (1) No shares were held as treasury shares.

The issued and fully paid share capital of the Company as at the Latest Practicable Date was as follows:

<i>Number of Ordinary Shares</i>	<i>Nominal value of Ordinary Shares issued, allotted, called up and fully paid</i>	<i>Amount of share capital (£)</i>
Ordinary Shares of £0.10	1,074,571,043	107,457,104.30

Notes:

- (1) No shares were held as treasury shares.

The issued and fully paid share capital of the Company immediately following the completion of the Rights Issue is expected to be as follows:

<i>Nominal value of Ordinary Shares</i>	<i>Number of Ordinary Shares issued, allotted, called up and fully paid<sup>(1)</sup></i>	<i>Amount of share capital (£)</i>
Ordinary Shares of £0.10	1,367,635,872	136,763,587.20

Notes:

(1) Assumes that no share options are exercised between the Latest Practicable Date and Admission.

The Ordinary Shares are admitted to the premium segment of the Official List and traded on the Main Market. The ISIN of the Ordinary Shares is GB0008220112 and the SEDOL number is 0822011. The Ordinary Shares are in registered form and are capable of being held in either certificated or uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations).

The New Ordinary Shares will be ordinary shares in registered form and may be held in certificated form or in uncertificated form, and title to such New Ordinary Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where New Ordinary Shares are held in paperless form, the Company's Registrar, Equiniti, will transfer the New Ordinary Shares through the CREST system. Where the registered member is resident overseas the New Ordinary Shares are transferred through the CREST system to the beneficial owner's CREST appointed partner and from there they can be transferred to the beneficial owner's preferred holding vehicle.

### 3.2 **Share capital history**

13,630,002 Ordinary Shares have been issued in connection with the Employee Share Plans since 1 May 2014.

## 4. **Interests of the Directors**

### 4.1 **Interests of the Directors in Ordinary Shares**

As at the Latest Practicable Date, except as disclosed in the table below, neither the Directors nor any of their respective immediate families, will have any interests in the share capital of DS Smith which:

- (a) are required to be notified to DS Smith pursuant to the Market Abuse Regulation and Chapter 3 of the Disclosure Guidance and Transparency Rules; or
- (b) are interests of a connected person (within the meaning of Schedule 11B of FSMA) which would be required to be disclosed under paragraph (a) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, as at the Latest Practicable Date.

The following table sets out the interests of the Directors as at the Latest Practicable Date and immediately following Admission:

<i>Director</i>	<i>As at the Latest Practicable Date</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Approximate percentage of issued share capital<sup>(1)</sup></i>	<i>Number of Ordinary Shares<sup>(2)</sup></i>	<i>Approximate percentage of issued share capital<sup>(1)</sup></i>
Gareth Davis	106,900	0.01	136,054	0.01
Miles Roberts	1,651,589	0.15	2,102,022	0.15
Adrian Marsh	221,893	0.02	282,409	0.02
Jonathan Nicholls	109,307	0.01	139,117	0.01
Christopher Britton	10,550	0.00	13,427	0.00
Ian Griffiths	15,000	0.00	19,090	0.00
Kathleen O'Donovan	10,471	0.00	13,326	0.00
Louise Smalley	14,615	0.00	18,600	0.00

Notes:

- (1) On the basis that the total issued share capital of the Company as at the Latest Practicable Date was 1,074,571,043.
- (2) On the basis that: (i) no further Ordinary Shares are issued between the Latest Practicable Date and completion of the Rights Issue; (ii) 293,064,829 New Ordinary Shares are issued in connection with the Rights Issue; and (iii) that the DS Smith Directors take up their rights to the New Ordinary Shares in full. Note that certain DS Smith Directors may intend to sell a sufficient number of their Nil Paid Rights during the nil dealing period to meet the costs of taking up the balance of their entitlements to New Ordinary Shares.

Taken together, the combined percentage interest of the Directors in the issued share capital expected to subsist immediately following Admission is approximately 0.20 per cent.

Details of other rights over Ordinary Shares held by the DS Smith Directors as at the Latest Practicable Date are set out below. Those rights are not included in the interests of the DS Smith Directors show in the table above.

#### 4.2 **Interests of the Directors in Ordinary Shares pursuant to the Employee Share Plans**

The following tables set out details of the options and awards held by the Directors under the Employee Share Plans as at the Latest Practicable Date. Further details of the Employee Share Plans are set out in paragraph 8 (*Employee Share Plans*) of this Part XVIII (*Additional Information*).

##### (a) *PSP*

As at the Latest Practicable Date, participation by Directors in the PSP was as follows:

<i>Director</i>	<i>Award</i>		<i>Maximum Number of Ordinary Shares under award</i>
	<i>date</i>	<i>Vesting date<sup>(1)</sup></i>	
Miles Roberts	30 July 2014	30 July 2017	375,700
	24 July 2015	24 July 2018	356,214
	01 July 2016	01 July 2019	415,876
	18 July 2017	18 July 2020	335,619
Adrian Marsh	24 July 2015	24 July 2018	191,107
	01 July 2016	01 July 2019	203,199
	18 July 2017	18 July 2020	164,066

Notes:

- (1) If performance conditions are met.
- (2) Dividend equivalents arising over the period between the grant date and the vesting date will be paid in cash or shares.

(b) *DSBP*

As at the Latest Practicable Date, participation by Directors in the DSBP was as follows:

<i>Director</i>	<i>Award date</i>	<i>Vesting date</i>	<i>Maximum Number of Ordinary Shares under award</i>
Miles Roberts	24 July 2015	24 July 2018	156,734
	01 July 2016	01 July 2019	146,018
	18 July 2017	18 July 2020	67,123
Adrian Marsh	24 July 2015	24 July 2018	72,074
	01 July 2016	01 July 2019	68,797
	18 July 2017	18 July 2020	31,629

Notes:

- (1) Dividend equivalents arising over the period between the grant date and the vesting date were paid in cash prior to the 2017 Financial Year, following which they were paid in shares.

(c) *Sharesave*

As at the Latest Practicable Date, participation by Directors in the Sharesave was as follows:

<i>Director</i>	<i>Award date</i>	<i>Vesting date</i>	<i>Maximum Number of Ordinary Shares under award</i>
Miles Roberts	1 April 2017	1 April 2020	2,702
Adrian Marsh	1 April 2017	1 April 2020	2,702

## 5. Remuneration and benefits of Directors

### 5.1 Remuneration and benefits of Directors

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Directors who served during the 2018 Financial Year, in respect of the 2018 Financial Year, were as follows:

<i>Director</i>	<i>Salary or Fee<sup>(1)</sup> (£)</i>	<i>Pension (£)</i>	<i>Benefits<sup>(2)</sup> (£)</i>	<i>Annual bonus (£)</i>	<i>Total (£)</i>
<b>Chairman and Executive Directors</b>					
Gareth Davis	278,400	–	–	–	278,400
Miles Roberts	763,250	220,950	21,639	1,296,240	2,302,079
Adrian Marsh	479,600	92,553	19,139	610,847	1,202,138
<b>Non-Executive Directors</b>					
Jonathan Nicholls	80,000	–	–	–	80,000
Christopher Britton	59,000	–	–	–	59,000
Ian Griffiths	59,000	–	–	–	59,000
Kathleen O'Donovan	72,500	–	–	–	72,500
Louise Smalley	59,000	–	–	–	59,000
<b>Total</b>	<b>1,850,750</b>	<b>313,503</b>	<b>40,779</b>	<b>1,907,087</b>	<b>4,112,118</b>

Notes:

- (1) Includes payment in respect of Senior Independent Director fee of £7,500 per annum and chairmanship of Board Committees at an annual rate of £13,500 in respect of the Remuneration Committee and £13,500 in respect of the Audit Committee.
- (2) Taxable benefits principally include a car allowance of £20,000 per annum for Miles Roberts and £17,500 per annum for Adrian Marsh. Directors, along with other UK senior executives, also receive income protection, insurance, four times life cover, family medical insurance and subsidised gym membership.

- (3) Pursuant to the Company's remuneration policy, the maximum bonus that Miles Roberts is eligible to receive is 200 per cent. of his base salary and the maximum bonus that Adrian Marsh is eligible to receive is 150 per cent. of his base salary. The figures in the table relate to the bonus payable in 2018 in respect of performance during 2017/18.

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Directors who served during the 2017 Financial Year, in respect of the 2017 Financial Year, were as follows:

<i>Director</i>	<i>Salary or Fee<sup>(1)</sup> (£)</i>	<i>Pension (£)</i>	<i>Benefits<sup>(2)</sup> (£)</i>	<i>Annual bonus<sup>(3)</sup> (£)</i>	<i>Long-term incentives<sup>(4)</sup> (£)</i>	<i>Total (£)</i>
<b>Chairman and Executive Directors</b>						
Gareth Davis	261,000	–	–	–	–	261,000
Miles Roberts	718,000	215,000	22,000	651,000	2,974,000	4,580,000
Adrian Marsh	451,000	90,000	19,000	307,000	1,253,000	2,120,000
<b>Non-Executive Directors</b>						
Jonathan Nicholls	73,000	–	–	–	–	73,000
Christopher Britton	55,000	–	–	–	–	55,000
Ian Griffiths	55,000	–	–	–	–	55,000
Kathleen O'Donovan	65,000	–	–	–	–	65,000
Louise Smalley	55,000	–	–	–	–	55,000
<b>Total</b>	<b>1,733,000</b>	<b>305,000</b>	<b>41,000</b>	<b>958,000</b>	<b>4,227,000</b>	<b>7,264,000</b>

Notes:

- (1) Includes payment in respect of Senior Independent Director fee of £7,500 per annum and chairmanship of Board Committees at an annual rate of £10,000 in respect of the Remuneration Committee and £10,000 in respect of the Audit Committee.
- (2) Taxable benefits in 2016/17 principally include a car allowance of £20,000 per annum for Miles Roberts and £17,500 per annum for Adrian Marsh. Both Directors also receive income protection, life and health cover.
- (3) The annual bonus is paid 50 per cent. in cash and 50 per cent. is deferred into shares.
- (4) The value of LTIs for 2015/16 were valued in the 2015/16 annual report using the average share price for the last three months of that financial year. This has now been restated based on the share price on the actual vesting dates now that this share price is known. This also impacts the total figure for the prior year. Note that the SMP was discontinued in 2014.
- (5) Miles Roberts received an annual pension allowance of 30 per cent. of basic salary in lieu of membership of the defined contribution scheme. Adrian Marsh is a member of the defined contribution scheme. He contributes up to his annual allowance and the Company contribution is paid as a cash supplement. The annual pension allowances are not pensionable and are not considered to be salary for the purpose of calculating any bonus payment.

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Directors who served during the 2016 Financial Year, in respect of the 2016 Financial Year, were as follows:

<i>Director</i>	<i>Salary or Fee<sup>(1)</sup> (£)</i>	<i>Pension<sup>(5)</sup> (£)</i>	<i>Benefits<sup>(2)</sup> (£)</i>	<i>Annual bonus<sup>(3)</sup> (£)</i>	<i>Long-term incentives<sup>(4)</sup> (£)</i>	<i>Total (£)</i>
<b>Chairman and Executive Directors</b>						
Gareth Davis	254,000	–	–	–	–	254,000
Miles Roberts	698,000	208,000	22,000	1,109,000	2,410,000	4,447,000
Adrian Marsh	451,000	88,000	19,000	523,000	345,000	1,411,000
<b>Non-Executive Directors</b>						
Jonathan Nicholls	71,000	–	–	–	–	71,000
Christopher Britton	54,000	–	–	–	–	54,000
Ian Griffiths	54,000	–	–	–	–	54,000
Kathleen O'Donovan	64,000	–	–	–	–	64,000
Louise Smalley	54,000	–	–	–	–	54,000
<b>Total</b>	<b>1,685,000</b>	<b>296,000</b>	<b>41,000</b>	<b>1,632,000</b>	<b>2,755,000</b>	<b>6,409,000</b>

Notes:

- (1) Includes payment in respect of Senior Independent Director fee of £7,500 per annum and chairmanship of Board Committees at an annual rate of £10,000 in respect of the Remuneration Committee and £10,000 in respect of the Audit Committee.
- (2) Taxable benefits in 2015/16 principally include a car allowance of £20,000 per annum for Miles Roberts and £17,500 per annum for Adrian Marsh. Both Directors also receive income protection, life and health cover.
- (3) The total annual bonus paid for performance over the financial year ending 30 April 2016 for Miles Roberts was £1,109,160 and for Adrian Marsh was £522,585. 50 per cent. is deferred into shares.
- (4) The value of LTIs for 2015/16 were valued in the 2015/16 annual report using the average share price for the last three months of that financial year. This has now been restated based on the share price on the actual vesting dates now that this share price is known. This also impacts the total figure for the prior year. Note that the SMP was discontinued in 2014.
- (5) Miles Roberts received an annual pension allowance of 30 per cent. of basic salary. Adrian Marsh elected to pay contributions at a level that qualified for a Company contribution of 20 per cent.

## 5.2 **Bonus targets and outcomes**

The Executive Directors' targets for the 2017/18 bonus were based on budgeted financial targets set out in the tables below, with annual bonus payments determined by reference to performance over the 2018 Financial Year. Achievement is calculated on a straight-line basis between threshold and target and between target and maximum. The table below shows the target ranges set, the business outturn and the bonus outcomes achieved:

### **Targets**

<i>Financial measure</i>	<i>Threshold 0% maximum</i>	<i>Target 50% of maximum</i>	<i>Maximum</i>	<i>Achievement</i>
Adjusted EBITDA	£378.2 million	£398.1 million	£418.0 million	£414.2 million
ROACE	14%	14.7%	15.4%	15.2%

### **Outcomes**

% of performance target achieved	Miles Roberts	Adrian Marsh
Adjusted EBITDA	45 / 50	45 / 50
ROACE	43 / 50	43 / 50
Total (as a proportion of the maximum opportunity)	88 / 100	88 / 100
Maximum bonus opportunity as a % of salary	200%	150%
Award level <sup>(2)</sup>	£1,296,240	£610,847

Notes:

- (1) Performance is assessed on a constant currency and consistent basis and therefore the actual results have been restated using budgeted exchange rates and adjusted for the impact of unbudgeted acquisitions. The impact of this is that the reported EBITDA and ROACE of £468.1 million and 14.15 per cent. respectively adjust to £416.0 million and 15.2 per cent. for the purposes of assessing the annual bonus.
- (2) The annual bonus for the financial year 2017/18 will be paid 50 per cent. in cash and 50 per cent. of the annual bonus awarded will be deferred for a period of three years in DS Smith shares and will be due to vest in 2021. The only qualifying condition for the deferred bonus awards to vest is for the Executive Director to remain in the employment of the Company at the vesting date.

## 6. Directors' Service Contracts and Letters of Appointment

### 6.1 Executive Directors

#### (a) General terms

The following Executive Directors have service agreements with DS Smith as follows:

<i>Director</i>	<i>Position</i>	<i>Date of joining the Group</i>
Miles Roberts	Group Chief Executive	4 May 2010
Adrian Marsh	Group Finance Director	24 September 2013

Details of the share options and awards held by the Executive Directors are set out in paragraph 4.2 (*Interests of the Directors in Ordinary Shares pursuant to the Employee Share Plans*) of this Part XVIII (*Additional Information*).

Each Executive Director is eligible to participate in DS Smith's bonus scheme and PSP. Miles Roberts receives an annual pension allowance of 30 per cent. of his base salary and Adrian Marsh receives an annual pension allowance of 20 per cent. of his base salary. The Executive Directors are also entitled under their services contracts to receive a car allowance or company car equivalent, life cover and family medical insurance.

Any reasonable business related expenses may be reimbursed (including tax thereon, if deemed to be a taxable benefit).

#### (b) Termination provisions

Each Executive Director's service contract can be terminated immediately by the Company for cause, or by either party giving 12 months' notice. Each service contract may also be terminated at any time by the Company by paying a sum in lieu of notice equal to 12 months' basic salary. Miles Roberts is entitled to pension allowance for any unexpired period of notice as well as basic salary. Miles Roberts may not compete with DS Smith for a six-month period after termination of employment and Adrian Marsh may not compete with DS Smith for a twelve-month period after termination.

### 6.2 Non-Executive Directors

#### (a) General terms

The dates of initial appointment to the Board and unexpired term of the Non-Executive Directors as at the Latest Practicable Date are as follows:

<i>Director</i>	<i>Position</i>	<i>Date of initial appointment</i>	<i>Date of expiration of current term in office</i>
Gareth Davis	Non-executive Chairman	1 June 2010	31 May 2019
Jonathan Nicholls	Senior Independent Director	1 December 2019	1 December 2018
Christopher Britton	Independent	6 March 2013	6 March 2019
Ian Griffiths	Non-Executive Director Independent	23 June 2014	23 June 2020 <sup>(1)</sup>
Kathleen O'Donovan	Independent Non-Executive Director	5 December 2012	5 December 2018
Louise Smalley	Independent Non-Executive Director	23 June 2014	23 June 2020

<sup>(1)</sup> Ian Griffiths is expected to step down from his role from 28 June 2018 following an announcement of resignation.

Each of the Chairman and the Non-Executive Directors has a letter of appointment. The appointment of a Non-Executive Director or Chairman is for a period of three years. The Non-Executive Directors and the Chairman are required to seek re-election at the annual general meeting of DS Smith and any subsequent annual general meeting as required by DS Smith's

Articles or as the Board resolves. In addition, the Non-Executive Directors and Chairman are entitled to be reimbursed for expenses properly and reasonably incurred arising from the performance of their duties.

(b) *Termination provisions*

The appointment of each Non-Executive Director or the Chairman may be terminated: (a) immediately if not re-elected at any general meeting; (b) by giving DS Smith not less than one month's written notice; or (c) by resolution of a meeting of the Board (which shall include a majority of the Non-Executive Directors voting in favour, excluding the vote of the Non-Executive Director or Chairman to whom the vote relates) giving not less than one month's written notice, and in any event a payment may be given in lieu of such notice.

Save as disclosed in this Part XVIII (*Additional Information*), there are no existing service contracts between any Non-Executive Director and any member of the DS Smith Group which provide for benefits upon termination of employment.

## **7. Articles**

The following is a summary of DS Smith's Articles which were adopted by special resolution passed on 5 September 2017 and contain, among others, provisions as set out below. The Articles are available for inspection as set out in paragraph 23 (*Documents Available for Inspection*) of this Part XVIII (*Additional Information*) of this Prospectus.

### **7.1 Objects**

The objects of the Company, in accordance with section 31(1) of the Companies Act 2006, are unrestricted.

### **7.2 Limited liability**

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

### **7.3 Rights attaching to ordinary shares**

- (a) *Voting rights of members* – subject to disenfranchisement in the event of (i) non-payment of any call or other sum payable in respect of any share or (ii) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present). On a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- (b) *Dividends* – subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.
- (c) *Return of capital* – if the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by any applicable statutory provision: (i) divide among the members in specie the whole or any part of the assets of the Company; or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit



of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

- (d) *Capitalisation of reserves* – the Board may, with the authority of an ordinary resolution of the Company: (i) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (ii) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve, and any sum not available for distribution in accordance with the applicable statutes may only be applied in paying up unissued shares to be allotted credited as fully paid up.

#### 7.4 ***Transfer of shares***

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and from time to time is approved by the Board subject to the restrictions in the Articles. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which the Company has a lien as a result of such share not being fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove title of the intending transferor and it is in the respect of only one class of shares. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument of transfer was lodged or the operator instruction was received, send to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

#### 7.5 ***Alteration of share capital***

The Company may exercise the powers conferred by the applicable statutory provisions to:

- (a) increase its share capital by allotting new shares;
- (b) reduce its share capital, any capital redemption reserve and any share premium account in any way;
- (c) sub-divide or consolidate and divide all or any of its share capital;
- (d) reconvert stock into shares;
- (e) redenominate all or any of its shares and reduce its share capital in connection with such redenomination;
- (f) issue redeemable shares; or
- (g) purchase all or any of its own shares of any class including any redeemable shares (subject to the prior authorisation by a special resolution).

#### **7.6 Authority to allot shares and grant rights and disapplication of pre-emption rights**

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Companies Act 2006, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject, other than in relation to the sale of treasury shares, to the Board being generally authorised to allot shares and grant rights to subscribe for, or to convert any security into, shares in the Company in accordance with section 551 of the Companies Act 2006, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Companies Act 2006 did not apply to the allotment. That power shall be limited to: (A) the allotment of equity securities in connection with a rights issue; and (B) the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

#### **7.7 Variation of rights**

Whenever the share capital of the Company is divided into different classes of shares (which it is not as at the date of this Prospectus), all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound-up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the quorum is two members present in person or proxy holding at least one-third in nominal amount of the issued shares of the class in question. At any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class.

#### **7.8 Disclosure of interests in shares**

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in section 793 of the Companies Act 2006 and, in respect of that share (a default share), has been in default for a period of 28 days (in the case of (A) below) and 14 days (in the case of (B) below) from and including the date of the section 793 notice has been given in supplying to the Company the information required by the section 793 notice, the following restrictions shall apply: (A) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

- (a) to attend or to vote, either personally or by proxy, at any general meeting of the Company;
- (b) to receive any dividend or other distribution; and
- (c) to transfer or agree to transfer any of those shares or any rights to them.

#### **7.9 Uncertificated shares – general powers**

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. The Company may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

## 7.10 **Directors**

The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than two nor more than 20 in number.

A director need not be a member of the Company.

At each annual general meeting any director then in office shall retire from office if he has been appointed by the Board since the previous annual general meeting or it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected; but he shall be eligible for re-election.

The directors, other than any director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company, shall be paid such fees not exceeding in aggregate £1,000,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the directors may decide to be divided among them in such proportion and manner as they may agree, or failing agreement, equally.

The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Such special remuneration may be paid by way of lump sum, salary, commission participation in profits or otherwise as the Board may decide in addition to his ordinary remuneration (if any) as a director.

The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in discharging their duties, including obtaining professional advice in connection with the affairs of the Company and travel expenses for journeys travelling to and from the Board meetings, committee meetings and general meetings.

The Board may exercise all the powers of the Company to:

- (a) pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any body corporate which is or was associated with the Company or of the predecessors in business of the Company or any such associated body corporate or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement or the payment of any insurance premiums;
- (b) establish, maintain, adopt and enable participation in any profit sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of the Company or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and
- (c) support and subscribe to any institution or association which may be for the benefit of the Company or of any associated body corporate or any directors or employees of the Company or associated body corporate or their relatives or dependants or connected with any town or place where the Company or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.

## 7.11 **Directors – interests other than in relation to transactions or arrangements with the Company**

If a situation (a “**Relevant Situation**”) arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company but which does not arise in relation to a transaction or arrangement with the Company, the director must declare the nature and extent of his interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may: (A) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of the Company, resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine; and (B) if the Relevant Situation arises in other circumstances, resolve to authorise the Relevant Situation and

the continuing performance by the director of his duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

- (a) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
- (b) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and
- (c) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

#### **7.12 *Directors – interests in a proposed or an existing transaction or arrangement with the Company***

If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other directors.

Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:

- (a) enter into or be interested in any transaction or arrangement with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise;
- (b) hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director;
- (c) act by himself or his firm in a professional capacity for the Company (except as auditor) and be entitled to remuneration for professional services as if he were not a director;
- (d) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which the Company may be interested; and
- (e) be or become a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.

A director shall not, by reason of his holding office as director (or of the fiduciary relationship established by holding that office), be liable to account to the Company for any remuneration, profit or other benefit resulting from any Relevant Situation or any interest permitted pursuant to the paragraph above.

A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment or the termination of his own appointment.

A director shall not vote (or be counted in the quorum at a meeting) in respect of any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded a likely to give rise to a conflict of interest. Notwithstanding the above, a director may vote (and be counted in the quorum) on:

- (a) any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- (b) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (c) indemnification (including loans made in connection with it) by the Company in relation to the performance of his duties on behalf of the Company or any of its subsidiary undertakings;
- (d) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;
- (e) any transaction or arrangement concerning any other company in which he does not hold, directly or indirectly as shareholder, or through his direct or indirect holdings of financial instruments (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) voting rights representing 1 per cent. or more of any class of shares in the capital of such company;
- (f) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- (g) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

### 7.13 **General meetings**

An annual general meeting shall be held in accordance with the applicable statutory provisions at such place as may be determined by the Board. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Companies Act 2006.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of the Company shall be two qualifying persons, representing different members and entitled to vote on the business to be transacted at the meeting. A qualifying person is an individual who is a member of the Company, a corporate representative, or a proxy.

### 7.14 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as security for any debt, liability or obligations of the Company or any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings of the DS Smith Group (exclusive of any borrowings which are owed by one company of the DS Smith Group to another company of the DS Smith Group) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed the greater of: (i) £5,000,000 and an amount equal to two and a half times adjusted total equity; or (ii) any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

### 7.15 **Change of name**

The Board may change the name of the Company.

### 7.16 **Dividends**

- (a) *Declaration of dividends* – the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.
- (b) *Fixed and interim dividends* – the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.
- (c) *Calculation and currency of dividends* – except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (iii) dividends may be declared or paid in any currency. The Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.
- (d) *Dividends not to bear interest* – no dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.
- (e) *Calls or debts may be deducted from dividends* – the Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.
- (f) *Dividends in specie* – with the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.
- (g) *Scrip dividends* – the Board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive further ordinary shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution, whether or not already declared.
- (h) *Uncashed dividends* – if a payment for a dividend or other sum payable in respect of a share is left uncashed or is returned to the Company after reasonable enquiries, and the Company is unable to establish a new address or, with respect to payment made by funds transfer, a new account for that person, or is returned on two consecutive occasions, the Company shall not be obliged to send any dividends or other sums payable in respect of that share to that person until the person notifies the Company of an address or, where the payment is to be made by a funds transfer system, details of the account, to be used for the purpose.
- (i) *Unclaimed dividends* – any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

#### **7.17 Forfeiture of shares**

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

The notice shall state a further day, being not less than 14 clear days from the date of the notice, on or before which, and the place where, payment is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the share in respect of which the call was made or instalment is payable will be liable to be forfeited. The Board may accept a surrender of any share liable to be forfeited.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

#### **7.18 Communications to the Company**

Subject to any applicable statutory provisions, and except where otherwise expressly stated, any document or information to be sent or supplied to the Company (whether or not such document or information is required or authorised under any applicable statutes) shall be in hard copy form or be sent or supplied in electronic form or by means of a website. The Board may prescribe such procedures as it thinks fit for verifying the authenticity or integrity of any such document or information given to it in electronic form.

#### **7.19 Communications by the Company**

Subject to the applicable statutory provisions, a document or information may be sent or supplied by the Company to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned (by post or other permitted means) of the presence of a document or information on the website. Before communicating with a member by means of its website, the Company must have asked each member, individually, to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or received no response within the period of 28 days beginning with the date on which the Company's request was sent.

#### **7.20 Directors' indemnity, insurance and defence**

As far as the applicable statutory provisions allow, the Company may:

- (a) indemnify any director of the Company (or of an associated body corporate) against any liability;
- (b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against any liability incurred in connection with such company's activities as trustee of the scheme;
- (c) purchase and maintain insurance against any liability for any director referred to in paragraph (a) or (b) above; and
- (d) provide any director referred to in paragraph (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

## 8. Employee Share Plans

The Company operates six employee share plans, namely the PSP, the DSBP, the LTIP, the Sharesave, the International Sharesave, and the US ESPP (together, the “**Employee Share Plans**”). The LTIP has been discontinued and no new awards have been granted since 2016. Outstanding awards under the LTIP will vest in 2019.

The Company previously operated a Share Matching Plan (SMP). The SMP has been discontinued and there are no outstanding awards. Clawback provisions still apply in respect of some of the vested awards.

A description of the principal terms of each of the Employee Share Plans is set out below.

### 8.1 **DS Smith Group Employee Share Plans common terms**

Where not specified, or unless specified otherwise, the following key terms are common to each of the DS Smith Group’s Employee Share Plans.

(a) *General*

The DS Smith Group Employee Share Plans are administered by the Remuneration Committee of the Board.

Awards under the DS Smith Group Employee Share Plans are not pensionable benefits and may not be transferred, assigned, charged or otherwise disposed of except that, on the death of a participant, an award may be transmitted to the participant’s personal representatives.

(b) *Grant of awards*

No awards can be granted under a DS Smith Group Employee Share Plan more than ten years after it is adopted by the Company (except the DSBP in relation to which there is no such limitation).

(c) *Cessation of employment before the vesting date*

If a participant ceases to be employed within the Group before the normal vesting date because of death, injury, illness, disability, redundancy, or retirement, or because of the sale of the participant’s employing company or business out of the Group, the participant’s award will normally vest either on the normal vesting date or on or around the date of cessation. In such circumstances, options will remain exercisable for a period of between three and 12 months after vesting. If the participant has ceased employment before the vesting date in other circumstances an award will normally lapse.

In respect of the PSP and LTIP only, unless the Remuneration Committee determines otherwise, an award may only vest following the cessation of the participant’s employment to the extent that the relevant performance condition (if any) has been satisfied at the time of vesting, and the number of Ordinary Shares in respect of which the award will vest will be pro-rated to take account of the time elapsed between the date of grant and the date of cessation of employment.

(d) *Change of control*

If there is a change of control, a scheme of arrangement sanctioned under section 899 of the Companies Act 2006, or a voluntary winding-up of the Company, awards will vest. Following vesting in such circumstances, Options must normally be exercised within one month of the date of vesting, or such other period as the Remuneration Committee can determine, and will lapse if they are not exercised in that period. Alternatively, with the consent of the acquiring company, awards will in some circumstances be exchanged for equivalent awards over shares in the acquiring company.

(e) *Variation of share capital*

Subject to certain limits, if there is a variation of share capital, or (in the case of the PSP, the DSBP or the LTIP) a demerger, special dividend or other similar event, the number of Ordinary



Shares subject to an award and the exercise price, if any, may be adjusted in the manner the Remuneration Committee determines.

(f) *Amendment*

The Remuneration Committee may not make amendments to the rules of, or the terms of an award granted under, the Employee Share Plans which would be to the disadvantage of participants without the prior approval of the majority of participants.

## 8.2 **DS Smith Group Employee Share Plans specific terms**

Summaries of the principal terms which are specific to each of the Employee Share Plans are set out below.

## 8.3 **The Company's Performance Share Plan**

(a) *Eligibility*

All employees of the Company and its subsidiaries, including executive directors, will be eligible to participate in the PSP. The Remuneration Committee determines which eligible employees will be granted PSP Awards (as defined below) and what type of PSP Awards will be granted.

(b) *Nature of Awards*

The PSP provides for the grant of conditional share awards or options (together referred to as "**PSP Awards**"). Conditional share awards are structured as contingent rights to receive Ordinary Shares. Options are structured as contingent rights to exercise the option and acquire Ordinary Shares. The PSP also provides for the grant of a cash conditional award, which is structured as a contingent right to receive a cash amount equal to the value of notional Ordinary Shares.

(c) *Grant of awards*

Grants will normally occur within six weeks of the day after the announcement of the Company's results for any period. However, awards may also be granted at any other time if the Remuneration Committee determines that there are exceptional circumstances.

(d) *Option Price*

The Option Price may be determined by the Company in its absolute discretion (and may be nil).

(e) *Individual limits*

The maximum value of Ordinary Shares which may normally be subject to a PSP Award granted to an individual in any financial year will not exceed 225 per cent. of the individual's base salary from the Group (excluding benefits in kind) at the date of grant.

(f) *Limits on the use of Ordinary Shares*

An award shall not be granted in any calendar year if (i) when aggregated with all awards in the past 10 calendar years under any other executive share plan adopted by the Company it would exceed such number as represents 5 per cent. of the Ordinary Shares of the Company at that time or (ii) when aggregated with all awards in the past 10 calendar years under any other employee share plan adopted by the Company it would exceed such number as represents 10 per cent. of the Ordinary Shares of the Company at that time.

(g) *Performance condition*

The vesting of PSP Awards may be subject to the satisfaction of a performance condition which will be stated at the date of grant. The Remuneration Committee will determine any performance condition that will apply to a PSP Award and whether and to what extent the relevant performance condition has been satisfied.

(h) *Normal vesting*

PSP Awards will normally vest, subject to the satisfaction of the relevant performance condition, on the third anniversary of their date of grant, provided that the participant is still employed within the Group at that time. The Ordinary Shares in respect of which a conditional share award has vested or an option has been exercised will be delivered to the participant as soon as reasonably practicable from the date of vesting or exercise. Once an option has vested, it will normally remain exercisable until the tenth anniversary of its date of grant. The Remuneration Committee may determine that a participant will receive cash in settlement of the vesting of a conditional share award or the exercise of an option. The cash amount would be equal to the value of the Ordinary Shares they would have received (less any exercise price payable).

(i) *Payment on account of dividends*

Following the vesting of a conditional share award or the exercise of an option, a participant may, if the Remuneration Committee so determines, receive further cash or Ordinary Shares equal in value (so far as possible) to any dividends paid or payable in respect of the Ordinary Shares acquired between the date of grant of the PSP Award and the vesting date or the date of exercise in the case of an option. The Remuneration Committee will decide the basis on which the value of any dividends will be calculated which may assume the reinvestment of dividends in additional Ordinary Shares. The payment on account of dividends may be made in cash rather than Ordinary Shares, at the discretion of the Remuneration Committee.

(j) *Malus and Clawback*

The Remuneration Committee may reduce (including to zero) the number of shares subject to a PSP Award granted to a director of the Company following the grant of the PSP Award but before vesting of the PSP Award (or exercise of an option) in circumstances where the Remuneration Committee forms the view that the number of Ordinary Shares awarded was higher than would have otherwise been the case due to a misstatement or error, or that there are gross misconduct issues in respect of the relevant director.

The Remuneration Committee may at any time within a two year period from the vesting date of the PSP Award, require the director to repay any number of shares (or cash amount) received in respect of the PSP Award in circumstances where the Remuneration Committee forms the view that the number of Ordinary Shares awarded was higher than would have otherwise been the case due to a misstatement or error, or that there are gross misconduct issues in respect of the relevant director.

The Remuneration Committee may also reduce the number of Ordinary Shares subject to a PSP Award to give effect to the clawback terms of any incentive or bonus plan operated by the Group.

(k) *Amendment*

The Remuneration Committee may not make amendments, to the advantage of participants, to provisions relating to who is eligible to be a participant under the PSP; the limits on the number of Ordinary Shares which can be allocated under the PSP; the maximum entitlement for any one participant; rights attaching to PSP Awards and Ordinary Shares; the determination of a participant's entitlement to, and terms of, Shares or cash provided under the PSP; and rights of participants in the event of a variation of capital, without the prior approval of Shareholders in general meeting. However, Shareholder approval is not required where the amendment is minor and made to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

(l) *Country-specific schedules*

In accordance with the rules of the PSP, the Remuneration Committee has established additional schedules of the PSP to operate the PSP in France and the US. The schedules vary the rules of the PSP to take account of any securities, exchange control or taxation laws or regulations in their respective overseas jurisdictions. However, no schedule may increase the

individual limit on the size of a PSP Award and any shares made available under any schedules will count towards the overall limit on the number of shares which may be used under the PSP.

#### 8.4 **The Company's Deferred Share Bonus Plan**

(a) *Eligibility*

An individual is eligible to be granted a DSBP Award (as defined below) if he/she is an employee (including an executive director) of the Company or any of its subsidiaries and is eligible to receive a bonus. The Remuneration Committee determines which eligible employees will be granted DSBP Awards (as defined below) and what type of DSBP Awards will be granted.

(b) *Nature of Awards*

The DSBP provides the grant of conditional share awards or options (together referred to as "**DSBP Awards**"). Conditional share awards are structured as contingent rights to acquire Ordinary Shares. Options are structured as contingent rights to exercise the option and acquire Ordinary Shares with a nil option price. No payment is required to exercise an option.

(c) *Grant of Awards*

Grants will normally occur within six weeks of the day after the announcement of the Company's results for any period. However, awards may also be granted at any other time if the Remuneration Committee determines that there are exceptional circumstances.

(d) *Payment on account of dividends*

Following the vesting of a conditional share award or the exercise of an option, a participant shall be entitled to receive further cash and/or shares of a value determined by reference to any dividends paid or payable in respect of the Ordinary Shares acquired between the date of grant of the DSBP Award and the vesting date. The Remuneration Committee shall decide the basis on which the value of such dividends shall be calculated. The participant will receive the dividend equivalent as soon as practicable after the transfer of vested Shares, subject to deductions (on account of tax or similar liabilities) as may be required by law or as the Board may consider to be necessary or desirable.

(e) *Normal vesting*

DSBP Awards will normally vest on the third anniversary of the date of grant, provided that the participant is still employed within the Group at that time. Once an option has vested, it will normally remain exercisable until the tenth (or, in Ireland, seventh) anniversary of its date of grant.

(f) *Clawback*

The Remuneration Committee may decide at any time within three years of vesting, but no later than the third anniversary of grant to apply clawback to a DSBP Award if the bonus awarded was higher than would have otherwise been the case due to a misstatement or error, or that there are gross misconduct issues in respect of the relevant individual.

The Remuneration Committee has discretion to decide on the amount subject to clawback, which will be all or part of the additional value which the Remuneration Committee considers has been granted to the relevant individual as a result of the circumstances outlined above.

The Remuneration Committee may also reduce the number of Ordinary Shares subject to a DSBP Award to give effect to the clawback terms of another incentive or bonus plan operated by the Group.

#### 8.5 **The Company's Long Term Incentive Plan**

(a) *Eligibility*

No further awards are being granted under the LTIP. Previously, all employees within the Company and its subsidiaries, excluding executive directors of the Company, were eligible to

participate in the LTIP. The Remuneration Committee determined which eligible employees would be granted LTIP Awards (as defined below) and what type of LTIP Awards would be granted.

(b) *Nature of Awards*

The LTIP provides for the grant of conditional share awards or options (together referred to as “**LTIP Awards**”). Conditional share awards are structured as contingent rights to receive Ordinary Shares. Options are structured as contingent rights to exercise the option and acquire Ordinary Shares. A LTIP Award is granted over a maximum value of Ordinary Shares determined by the Remuneration Committee at the grant date. The LTIP also provides for the grant of a cash conditional award, which is structured as a contingent right to receive a cash amount equal to the value of notional Ordinary Shares.

(c) *Grant of awards*

An award may be granted at any time subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code of Takeovers and Mergers, or any other UK or overseas regulation or enactment.

(d) *Performance condition*

The vesting of LTIP Awards may be subject to the satisfaction of a performance condition which will be stated at the date of grant. The Remuneration Committee will determine any performance condition that will apply to an LTIP Award and whether and to what extent any performance condition has been met.

(e) *Normal vesting*

LTIP Awards will normally vest, subject to the satisfaction of the applicable performance condition, on the third anniversary of their date of grant, provided that the participant is still employed by the Group at that time. The Ordinary Shares in respect of which a conditional share award has vested or an option has been exercised will be delivered to the participant as soon as reasonably practicable from the date of vesting or exercise. Once an option has vested, it will normally remain exercisable until the fifth anniversary of its date of grant. The Remuneration Committee may determine that a participant will receive cash in settlement of the vesting of a conditional share award or the exercise of an option. The cash amount would be equal to the value of the Ordinary Shares they would have received (less any exercise price payable).

(f) *Malus and Clawback*

The Remuneration Committee may reduce (including to zero) the number of shares subject to an LTIP Award granted to a director of the Company following the grant of the LTIP Award but before vesting of the LTIP Award (or exercise of an option) in circumstances where the Remuneration Committee forms the view that the award granted was higher than would have otherwise been the case due to a misstatement or error.

The Remuneration Committee may at any time within a two year period from the vesting date of the LTIP Award, require the director to repay any number of shares (or cash amount) received in respect of the LTIP Award in circumstances where the Remuneration Committee forms the view that the award granted was higher than would have otherwise been the case due to a misstatement or error, or where the relevant person ceases to be a director or employee of the Group as a result of gross misconduct.

The Remuneration Committee may also reduce the number of Ordinary Shares subject to an LTIP Award to give effect to the clawback terms of another incentive or bonus plan operated by the Group.

(g) *Country-specific schedules*

In accordance with the rules of LTIP, the Remuneration Committee has established additional schedules of the LTIP to operate the LTIP in Denmark, France and the US. The schedules vary

the rules of the LTIP to take account of any securities, exchange control or taxation laws or regulations in their respective overseas jurisdictions.

## 8.6 **The Company's Sharesave Plan**

### (a) *General*

The Sharesave is an "all-employee" share option scheme administered by the Board under which eligible employees can acquire options over Ordinary Shares on a tax-favoured basis and at a discount of up to 20 per cent. of their market value. To exercise these options, participants must save out of contributions from their salary under a 3 or 5 year HMRC-approved savings contract. Savings contributions are subject to a statutory limit of £500 per month and the Board currently imposes a limit of £250 per month. The Board has discretion to determine whether and if so when the Sharesave will operate.

### (b) *Invitations*

If the Board resolves to operate the Sharesave, invitations must be sent to all eligible employees of a participating company and any director of a participating company who is required to work a minimum of 25 hours per week. Employees are eligible provided they have been employed for any qualifying period determined by the Board which cannot exceed five years, or are otherwise nominated by the Board.

### (c) *Option Price*

The Option Price will normally be determined by reference to Dealing Days falling within the period of six weeks starting on (i) the day after the announcement of the Company's results for any period or (ii) any day for which a new savings contract prospectus is announced or comes into force. However, the Option Price may also be determined by reference to any other period if the Board determines that there are exceptional circumstances.

The Option Price will be determined by the Board and must be: (i) not manifestly less than 80 per cent. of the market value of an Ordinary Share on the day immediately preceding the invitation date or on the date specified in the invitation and (ii) in the case of an option to subscribe for Ordinary Shares, not less than the nominal value of an Ordinary Share.

### (d) *The savings contract*

To participate in the Sharesave, an eligible employee must enter into a savings contract of three years agreeing to make contributions of between £5 and £250 per month (or any other maximum amount as amended by the Board under the terms of the Sharesave subject to any limit permitted by the relevant legislation from time to time).

### (e) *Grant of options*

Employees who enter into savings contracts are granted options to acquire Ordinary Shares at the option price using the amount saved, including any bonus or interest. Options must be granted within 30 days (or 42 days if the applications are scaled back) of the first day by reference to which the option price was set.

A participant is not required to pay for the grant of an option.

### (f) *Exercise of options*

Options must normally be exercised in whole or in part within six months after the completion of the related savings contract, provided the participant remains a director or employee of a participating company, and may be exercised only once. Following the date of exercise, Ordinary Shares must be issued or transferred to the participant within 30 days.

(g) *Limit on the use of Ordinary Shares*

An award shall not be granted in any calendar year if when aggregated with all awards in the past 10 calendar years under any other employee share plan adopted by the Company it would exceed such number as represents 10 per cent. of the Ordinary Shares of the Company at that time.

(h) *Change of control*

Options may normally be exercised early if:

- (i) any person obtains control of the Company as a result of a general offer to acquire Ordinary Shares;
- (ii) a person (or a group of persons acting in concert) becomes bound or entitled to acquire Ordinary Shares by serving a notice under sections 979-982 or 983-985 of the Companies Act 2006; or
- (iii) a scheme of arrangement in connection with the acquisition of Ordinary Shares is sanctioned.

Options may be exercised: in respect of (i) within one month (or such longer period as determined by the Board but not exceeding six months) of the event; in respect of (ii) at any time during which the person remains bound or entitled; or in respect of (iii), within six months of the event, after which time the options will lapse, unless the Board determines otherwise. Alternatively, with the consent of the acquiring company, options may be exchanged for equivalent rights to acquire Ordinary Shares in the acquiring company.

(i) *Amendments*

The Board may not make amendments, to the advantage of participants, to provisions concerning eligibility; the individual limits on participation; the overall limits on the number of Ordinary Shares which may be issued or transferred out of treasury; the maximum contribution for each participant; the basis for determining the option price; any rights attaching to the options and the Ordinary Shares or the basis for determining a participant's entitlement on a variation of capital must be approved in advance by Company shareholders in general meeting. However, shareholder approval is not required if the alteration or addition is minor in nature and is made to the benefit of the administration of the Sharesave; is to maintain its tax-advantaged status; is to comply with or take account of the provisions of any proposed or existing legislation or any changes to that legislation; or, is to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any subsidiary or any present or future participant.

## 8.7 **The Company's International Sharesave Plan**

The principal terms of the International Sharesave are the same as the terms of the UK Sharesave, save as set out below:

(a) *General*

The International Sharesave operates under the terms of the International Sharesave plan rules which may be modified subject to amendments and provisions approved by the Board contained in jurisdiction-specific schedules. The International Sharesave does not operate as a UK tax-advantaged plan.

In addition to options, share appreciation rights and rights to receive cash sums may be granted under the International Sharesave.

(b) *Invitations*

If the Board resolves to operate the International Sharesave, eligible employees of a participating company may be invited to apply for options. Employees are eligible provided they have been employed for any qualifying period determined by the Board which cannot exceed five years or are otherwise nominated by the Board, and have not been issued any invitation to participate in the UK Sharesave within the same financial year.

The Board may issue invitations to apply for options at different times to eligible employees in different jurisdictions.

Invitations will normally be made when an option price is determined within six weeks of an announcement of results, or within any other period the Board determines that is appropriate to grant options.

(c) *The savings contract*

The related savings contract entered into by participants will be any savings plan or arrangement approved by the Board for the purposes of the International Sharesave.

(d) *Grant of options*

Employees who enter into savings contracts are granted options to acquire Ordinary Shares at the option price using the amount saved. The Board may reserve the right to adjust the number of Ordinary Shares placed under an option to take into account the anticipated interest rate applied to the related savings contract and any currency fluctuations between the savings currency and sterling.

Options under the International Sharesave must be granted within 30 days (or 42 days if the applications are scaled back) of the first day by reference to which the option price was set.

(e) *Exercise of options*

Where the total amount of contributions made under the related savings contract is less than the aggregate option price because of exchange rate fluctuations, the Board may permit a participant to make up the difference using his own funds on terms approved by the Board. The number of Ordinary Shares over which the option may be exercised cannot exceed the number of Ordinary Shares originally subject to the option on the grant date.

Where an option has become exercisable on a change of control of the Company or the cessation of a participant's employment before the maturity date provided under the savings contract, time pro-rating may be applied.

(f) *Satisfaction of options in cash*

On exercise of an option by an employee participant (excluding any director), the Board may determine that a participant will receive a cash payment equal to the value of the Ordinary Shares that would have been received instead of Ordinary Shares or the net (after tax) number of Ordinary Shares following the exercise of an option.

## 8.8 **The Company's US Stock Purchase Plan**

(a) *General*

The US ESPP provides eligible US employees with the opportunity to acquire Ordinary Shares in the Company on the exercise of options through an employees' share scheme which qualifies for the beneficial tax treatment prescribed by section 423 of the United States Internal Revenue Code of 1986.

Participants must agree to deductions from salary to fund the Option Price, such deductions to take place over periods of up to 24 months (the **Option Period**).

Monthly contributions to participant's savings accounts are currently subject to a limit of \$405 per month. A participant may withdraw at any time, at which time any balance remaining in the participant's savings account will be refunded.

(b) *Eligibility*

All US employees and executive directors of any subsidiary of the Company incorporated in the United States which has been designated as a participating company for the purposes of the

US ESPP are eligible to participate in the US ESPP. Employees are eligible provided they have been employed for any qualifying period as determined by the Board and are not excluded due to material interest limits. Any employee or executive director of a participating company who has completed two or more years of service with the Company or a subsidiary on the relevant grant date will satisfy the qualifying period condition. However, no Options may be granted to an individual if immediately after the grant such individual would own stock and/or hold outstanding Options to purchase stock which amounts to 5 per cent. or more of the total combined voting power or value of all classes of stock of the Company or any of its subsidiaries.

(c) *Grant of Options*

Each eligible employee who submits a valid application will be granted an option to acquire Ordinary Shares in the Company on a date or dates determined by the Board.

The number of Ordinary Shares subject to an option will be determined by the level of a participant's payroll deductions.

(d) *Option Price*

The Option Price will normally be determined by reference to Dealing Days falling within the period of six weeks starting on (i) the day after the announcement of the Company's results for any period or (ii) any day for which a new savings contract prospectus is announced or comes into force. However, the Option Price may also be determined by reference to any other period if the Board determines that there are exceptional circumstances.

The Option Price at which Ordinary Shares may be acquired under an Option will be determined by the Board, and will be not less than 85 per cent. of the lower of: (i) the fair market value of an Ordinary Share on the grant date; and (ii) in the case of an Option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

(e) *Exercise of Options*

Options may normally be exercised during the period beginning with the expiry of the Option Period and ending 27 months from the grant date of the option. Pursuant to the exercise of an option, a participant will acquire the number of whole Ordinary Shares determined by dividing the total amount of the participant's payroll deductions during the Option Period by the exercise price. In no event will the number of Ordinary Shares purchased by the participant during the term exceed the number of Ordinary Shares subject to the participant's option.

(f) *Limit on the use of Ordinary Shares*

The maximum number of Ordinary Shares that may be acquired under the US ESPP may not exceed 93,420,454 (10 per cent. of the issued share capital of the Company as at the date of Board approval of the US ESPP).

(g) *Change of control*

Options may normally be exercised early if:

- (i) any person obtains control of the Company as a result of a general offer to acquire Ordinary Shares;
- (ii) a person (or a group of persons acting in concert) becomes bound or entitled to acquire Ordinary Shares by serving a notice under sections 979-982 or 983-985 of the Companies Act 2006; or
- (iii) a scheme of arrangement or non-UK arrangement in connection with the acquisition of Ordinary Shares is sanctioned.

Options may be exercised: in respect of (i) within one month (or such longer period as determined by the Board but not exceeding six months) of the event; in respect of (ii) at any time during which the person remains bound or entitled; or in respect of (iii), within six months of the event, after which time the options will lapse, unless the Board determines otherwise.



Alternatively, with the consent of the acquiring company, options may be exchanged for equivalent rights to acquire Ordinary Shares in the acquiring company.

(h) *Amendment*

The Board may not make amendments, to the advantage of participants, to provisions in relation to the persons to or for whom Ordinary Shares may be issued under the US ESPP; the limits on the number of Ordinary Shares which may be issued or transferred out of treasury; the maximum contribution for each participant; the basis for determining the option price; any rights attaching to the options and the Ordinary Shares or the basis for determining a participant's entitlement on a variation of capital must be approved in advance by Company shareholders in general meeting. However, shareholder approval is not required if the alteration or addition is minor in nature and is made to the benefit of the administration of the US ESPP; is to comply with or take account of the provisions of any proposed or existing legislation or any changes to that legislation; or, is to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any subsidiary or participant.

## 9. Pensions

The DS Smith Group operates a number of retirement and other benefit plans for its employees throughout the world. The plans are provided through both defined benefit and defined contribution arrangements and their legal status and control vary depending on the conditions and practices in the countries concerned.

### 9.1 *UK schemes*

The DS Smith Group operates a defined benefit pension scheme in the UK (the **DS Smith Group Pension Scheme**), which is a final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The DS Smith Group Pension Scheme was closed to future accrual from 30 April 2011 with pensions calculated based on pensionable salaries up to the point of closure (or the date of leaving the DS Smith Group Pension Scheme, if earlier). The DS Smith Group Pension Scheme has a normal retirement age of 65 although some members are able to take their benefits earlier than this. Increases to pensions are affected by changes in the rate of inflation for the majority of members.

The Trustee of the DS Smith Group Pension Scheme is a trustee company (DS Smith Pension Trustees Limited), which has a board of trustee directors (the **Trustee Board**) and is independent of the Group. The Trustee Board is responsible for managing the operation, funding and investment strategy of the DS Smith Group Pension Scheme.

UK legislation requires the Trustee Board to carry out an actuarial funding valuation in relation to the DS Smith Group Pension Scheme at least every three years and for there to be put in place an appropriate schedule of contribution (and, where necessary, a deficit recovery plan). The most recent actuarial funding valuation was carried out as at 30 April 2016, showing a deficit on the "technical provisions" basis (as defined in the applicable UK legislation) of £184 million. A deficit recovery plan was agreed with the Trustee Board on 28 April 2017. The deficit recovery plan takes into account subsequent experience of the DS Smith Group Pension Scheme's technical provisions against its assets based on updated calculations as at 31 January 2017 which estimated that the shortfall had increased to £205 million. The recovery plan agreed that the Group would remove the deficit by paying annual contributions as follows: £19.9 million in the year ended 30 April 2018, £18.7 million in the year ended 30 April 2019, £19 million in the year ended 30 April 2020, £19.4 million in the year ended 30 April 2021, £19.8 million in the year ended 30 April 2022, £20.2 million in the year ended 30 April 2023, £20.6 million in the year ended 30 April 2024, £21 million in the year ended 30 April 2025 and £12.5 million in the year ended 30 April 2026 (in respect of May to November 2025).

The Trustee Board and the DS Smith Group have in place a secondary Long-Term Funding Target (the **LTFT**), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the DS Smith Group Pension Scheme's members. The objective of the LTFT is for the DS Smith Group Pension Scheme to be funded to a level by 30 April 2035 that does not rely on contributions from the Group.

In April 2016, a new investment strategy was introduced for the DS Smith Group Pension Scheme with the aim of significantly reducing risk whilst maintaining the existing level of expected return. To achieve this, the DS Smith Group Pension Scheme's actual exposure to equity assets was reduced and the revised strategy aims to more closely align movements in the DS Smith Group Pension Scheme's assets to that of its liabilities. To do this, it has looked to hedge its inflation and interest rate risk exposure. Through the use of derivatives it has managed to maintain a similar level of overall return but with lower expected variability, despite the reduction in equity exposure. To help the Trustee Board to monitor, review and assess investment matters, the Investment and Funding Committee, which consists of representatives from the Trustee Board and the Group, meets on a quarterly basis throughout the year.

The DS Smith Group Pension Scheme exposes the Group to risks, such as longevity risk, currency risk, inflation risk, interest rate risk and investment risk.

As the DS Smith Group Pension Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the DS Smith Group Pension Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

The largest defined contribution arrangement operated by the DS Smith Group is in the UK. The UK defined contribution scheme (the DS Smith Saver Plus Scheme) is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The DS Smith Group also operates a small unfunded arrangement in the UK.

## 9.2 **Overseas schemes**

In addition to the UK, the countries in which the DS Smith Group operates the most significant defined benefit arrangements are:

- (a) France – various mandatory retirement indemnities, post-retirement medical plans and jubilee arrangements (benefits paid to employees after completion of a certain number of years of service) the majority of which are determined by the applicable Collective Bargaining Agreement;
- (b) Belgium – liabilities with respect to non-contributory defined benefit and cash balance retirement plans, as well as unfunded jubilee arrangements. Though the defined benefit plan is closed to new employees, active members continue to accrue benefits;
- (c) Switzerland – a contributory defined benefit pension scheme providing pensions and lump sum benefits to members and dependants;
- (d) Italy – mandatory end-of-service lump sum benefits in respect of pre-2007 service; and
- (e) Germany – jubilee arrangements and non-contributory defined benefit pension schemes,

In general, local trustees or similar bodies manage the post-retirement and medical plans in accordance with local regulations.

Overseas schemes expose the Group to risks such as longevity risk, currency risk, inflation risk, interest rate risk, investment risk, life expectancy risk and healthcare cost risk. Actions taken by the local regulator (where relevant powers exist), or changes to legislation, could result in stronger local funding requirements for pension schemes, which could affect the Group's future cash flow.

### 9.3 **Total amounts set aside to provide pensions, retirement or similar benefits**

The total amounts set aside or accrued by the DS Smith Group to provide pension, retirement or similar benefits are laid out in the table below:

	<b>Total</b>		<b>UK</b>		<b>Overseas</b>	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Balance sheet						
<b>Present value of post-retirement obligations</b>	<b>(1,186)</b>	(1,277)	<b>(1,029)</b>	(1,133)	<b>(157)</b>	(144)
<b>Fair value of plan assets</b>						
Equities/multi-strategy	<b>322</b>	294	<b>303</b>	281	<b>19</b>	13
Debt instruments	<b>228</b>	165	<b>195</b>	134	<b>33</b>	31
Derivatives	<b>522</b>	506	<b>520</b>	506	<b>2</b>	–
Real estate	<b>3</b>	3	<b>–</b>	–	<b>3</b>	3
Cash and cash equivalents	<b>5</b>	3	<b>4</b>	2	<b>1</b>	1
Other	<b>6</b>	128	<b>–</b>	128	<b>6</b>	–
	<b>1,086</b>	1,099	<b>1,022</b>	1,051	<b>64</b>	48
<b>Net post-retirement plan deficit</b>	<b>(100)</b>	(178)	<b>(7)</b>	(82)	<b>(93)</b>	(96)
Other employee benefit liabilities	<b>(6)</b>	(3)	<b>–</b>	–	<b>(6)</b>	(3)
<b>Total employee benefit deficit</b>	<b>(106)</b>	(181)	<b>(7)</b>	(82)	<b>(99)</b>	(99)
Related deferred tax asset	<b>26</b>	42	<b>1</b>	14	<b>25</b>	28
<b>Net employee benefit deficit</b>	<b>(80)</b>	(139)	<b>(6)</b>	(68)	<b>(74)</b>	(71)

## 10. Major Shareholders and Other Interests

As at the Latest Practicable Date, in so far as it is known to the Company by virtue of the notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise, the name of each person, other than a Director, who, directly or indirectly, is interested in voting rights representing three per cent. or more of the total voting rights in respect of the Company's issued share capital, and the amount of such person's holding, was as follows:

	<i>As at the Latest Practicable Date</i>	
	<i>Number of Ordinary Shares</i>	<i>Approximate percentage of issued share capital<sup>(1)</sup></i>
<i>Shareholders</i>		
BlackRock, Inc.	76,566,473	7.13
Aviva plc	74,169,049	6.90
Ameriprise Financial, Inc. and its group	61,705,042	5.74
Standard Life Investments Limited	61,676,725	5.73
Merpas Co SARL	52,474,156	4.88
Norges Bank Investment Management	49,528,475	4.61
Old Mutual plc	40,259,254	3.75
Royal London Asset Management Ltd	36,431,235	3.39

Notes:

(1) On the basis that the total number of voting rights as at the Latest Practicable Date was 1,074,571,043.

Save as disclosed in this paragraph 11 (*Major Shareholders and Other Interests*) of this Part XVIII (*Additional Information*), the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance and Transparency Rules) by persons which will represent 3 per cent.

or more of the total voting rights in respect of the issued ordinary share capital of the Company as at the Latest Practicable Date.

Insofar as is known to the Company, the Company is not, as at the Latest Practicable Date, directly or indirectly owned or controlled by another corporate, any foreign government or any other natural or legal person, severally or jointly. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

All Ordinary Shares (other than treasury shares) have the same voting rights.

## **11. Material Contracts**

### **11.1 DS Smith**

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which DS Smith or any other member of the DS Smith Group is or has been a party: (i) within the two years immediately preceding the date of this Prospectus and is, or may be, material to DS Smith or the DS Smith Group; or (ii) at any time, which contains any provision under which any member of the DS Smith Group has any obligation or entitlement which is material to the DS Smith Group as at the date of this Prospectus:

#### **(A) Underwriting Agreement**

On 19 June 2018, DS Smith and the Joint Underwriters (in their capacity as underwriters and, in the case of JPM, as Sponsor) entered into the Underwriting Agreement under which the Joint Underwriters have agreed severally to procure subscribers for, or, failing which, that the Joint Underwriters shall themselves subscribe for (in proportion to their underwriting commitment), New Ordinary Shares to the extent not taken up under the Rights Issue in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Company has agreed to pay the Joint Underwriters an underwriting fee of 1.95 per cent. of the gross proceeds of the offer of New Ordinary Shares, excluding amounts in respect of VAT (if applicable).

DS Smith shall bear all costs and expenses relating to the Rights Issue (whether or not the Joint Underwriters' obligations under the Underwriting Agreement become unconditional), including (but not limited to) the fees and expenses of its professional advisers, the cost of preparation, advertising, printing and distribution of this document and all other documents connected with the Rights Issue, the Registrar's fees, the listing fees of the FCA, any charges by CREST and the fees of the London Stock Exchange.

The Underwriting Agreement is conditional upon certain requirements being satisfied and obligations not being breached including, among others:

- (i) Admission becoming effective by not later than 8.00 a.m. on 10 July 2018 (or such later time and/or date as the parties to the Underwriting Agreement may agree);
- (ii) the Proposed Offer not being withdrawn, revoked, terminated or annulled, and no fact or circumstance arising making it impossible to complete the Acquisition in all material respects; and
- (iii) the warranties and representations on the part of DS Smith in the Underwriting Agreement being true and accurate on and as of the date of the Underwriting Agreement and immediately before Admission as if they had been given and made at such times by reference to the facts and circumstances then existing.

Certain of the conditions may be waived by the Joint Underwriters at their discretion. The Joint Underwriters may terminate the Underwriting Agreement in its entirety in certain circumstances prior to Admission, including where there has been a breach of warranty (save to the extent not materially adverse (in the good faith opinion of the Joint Underwriters) in the context of the DS Smith Group, the Enlarged Group, the Acquisition or the Rights Issue.

DS Smith has given certain customary representations, warranties and indemnities in favour of the Joint Underwriters pursuant to the Underwriting Agreement and DS Smith has also provided certain undertakings to the Joint Underwriters relating, among other things, to the provision of the information and consultation, and has agreed not to issue any Ordinary Shares during a period of 180 days from the date of settlement of the Joint Underwriters' payment obligations to DS Smith under the Underwriting Agreement without the prior written consent of the Joint Underwriters, other than pursuant to the Rights Issue, or the exercise of options under share option schemes. The Joint Underwriters' obligations under the Underwriting Agreement are not capable of termination at any time after Admission.

(B) *Break Fee Agreement*

On 4 June 2018, DS Smith and Europac entered into a break fee agreement (the "**Break Fee Agreement**") pursuant to which:

- (i) DS Smith agrees to pay to Europac a fee of EUR 69.357 million, payable in the event that the shareholders do not approve the Resolution at the General Meeting, however, in no event shall such fee be payable where:
  - (a) a competing proposal: (i) completes, becomes effective, or is declared or becomes unconditional in all respects; and (ii) is supported or agreed to by the Europac Board by means of an Europac board resolution, decision or proposal, or reported on favourably in any report on the competing proposal that is produced by the Europac Board; or
  - (b) a competing proposal announcement is made and after that competing proposal announcement DS Smith makes a formal announcement with the consent of the CNMV (to the extent such consent is required) that the Acquisition will not be made, or that the Acquisition will be withdrawn or not otherwise settled.
- (ii) Europac agrees to pay to DS Smith a fee of EUR 15.649 million, payable in the event that a competing higher offer is made and proceeds to settlement.

The Break Fee Agreement contains customary provisions relating to conduct of business prior to completion, assistance with provision of information and satisfaction of the conditions of the Proposed Offer, including agreement by Europac not to modify the share capital of Europac in any way, including by increasing or decreasing the number of issued shares by way of bonus issue or cancellation of treasury stock (subject to fiduciary duties).

The Break Fee Agreement also includes an obligation on Europac to tender all the Europac Shares that Europac holds in treasury by not later than the date when the Europac Board publishes its report on the Proposed Offer, and not to revoke such acceptance, all the above subject to fiduciary duties and to further assessment of the Proposed Offer on the basis of the Prospectus, as well as taking into account any advice received from Europac's legal or financial advisers, and providing that: (i) the report referred to above contains a favourable opinion of the Proposed Offer, (ii) there is no competing offer; and (iii) circumstances have not materially negatively changed.

The Break Fee Agreement has been executed by Mr. Enrique Isidro Rincón in the name and on behalf of Europac, further to the resolutions passed by the Europac Board held on 30 May 2018, and by Mr. José Miguel Isidro Rincón, Mr. Enrique Isidro Rincón and Mr. Fernando Isidro Rincón in their capacity as Europac Shareholders.

(C) *New Debt Facility Agreement*

On 4 June 2018, DS Smith entered into a €740 million bridge facility agreement (the "**New Debt Facility Agreement**") with Goldman Sachs and J.P. Morgan Securities plc as mandated lead arrangers (the "**Arrangers**"), Goldman Sachs International Bank and JPMorgan Chase Bank, N.A., London Branch as original lenders (the "**Original Lenders**"), Goldman Sachs International Bank and J.P. Morgan Securities plc as the CNMV guarantee issuing banks (the "**Debt CNMV Guarantee Issuing Banks**") and J.P. Morgan Europe Limited as agent (the "**Facility Agent**").

The New Debt Facility Agreement provides for DS Smith to receive one loan (the "**Loan**") from the Original Lenders, which may be used to finance the Acquisition pay related costs and expenses

and for refinancing any existing indebtedness of the Target Group. The Loan is available to be drawn until the earlier of: (i) 31 March 2019; (ii) the date on which the Offer lapses or is withdrawn, annulled or declared ineffective; and (iii) the Offer Settlement Date (the “**Availability Period**”). Drawing the Loan is subject to the satisfaction of customary conditions precedent.

DS Smith is initially required to repay the Loan within one year, although it has four extension options allowing it to extend this repayment date by six months at a time (meaning that the final repayment date could be extended to fall three years after the original date of the date of the New Debt Facility Agreement). The four extension options may be unilaterally exercised by DS Smith except in circumstances where a default has occurred and is continuing under the New Debt Facility Agreement. To the extent that the maturity date of the Loan under the New Debt Facility Agreement could not be extended by DS Smith, DS Smith would look to alternative means to fund the loan repayment, for example, by way of a refinancing.

Pursuant to the New Debt Facility Agreement, the Debt CNMV Guarantee Issuing Banks will, subject to the satisfaction of certain conditions precedent by DS Smith, issue guarantees in favour of the CNMV in a maximum amount equal to the consideration for the Acquisition less the Rights Issue Proceeds (the “**Debt CNMV Guarantee**”). The CNMV will only be entitled to call upon the Debt CNMV Guarantee where DS Smith fails to fund the consideration for the Acquisition. Where the CNMV calls upon the Debt CNMV Guarantee Issuing Banks to make a payment under a Debt CNMV Guarantee (and in certain other circumstances), DS Smith will be deemed to have drawn down an equivalent amount under the New Debt Facility Agreement.

The New Debt Facility Agreement includes certain mandatory prepayment events, being: (A) illegality; (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations, and provided that prepayment would not be required until after closing of the Offer); (C) receipt of certain disposal proceeds; and (D) where DS Smith receives proceeds pursuant to a debt financing (subject to certain exceptions) or the Rights Issue (unless the Rights Issue Proceeds have been used towards payment of the Offer Price). DS Smith may also voluntarily prepay the Loan provided it gives five business days’ notice and the prepayment is of a minimum of €1,000,000 and provided that no CNMV Guarantee is outstanding. The New Debt Facility Agreement provides that any undrawn part of the lenders’ commitments will be automatically cancelled at the end of the Availability Period, and that DS Smith can cancel the commitment of a lender which has defaulted (subject to certain exceptions).

The Loan is unsecured. The New Debt Facility Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The New Debt Facility Agreement contains various customary representations and undertakings including a financial covenant).

The New Debt Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(D) *Equity CNMV Guarantee Agreement*

On 4 June 2018, DS Smith entered into an equity CNMV guarantee agreement (the “**Equity CNMV Guarantee Agreement**”) with Citibank Europe plc, UK Branch, Goldman Sachs International and J.P. Morgan Securities plc as the equity CNMV guarantee issuing banks (the “**Equity CNMV Guarantee Issuing Banks**”).

Pursuant to the Equity CNMV Guarantee Agreement, the Equity CNMV Guarantee Issuing Banks will, subject to the satisfaction of certain conditions precedent by DS Smith, issue guarantees in favour of the CNMV in a maximum amount equal to the Rights Issue Proceeds (the “**Equity CNMV Guarantees**”). The CNMV will only be entitled to call upon the Equity CNMV Guarantee where DS Smith fails to fund the consideration for the Acquisition. The Company shall be required to place the Rights Issue Proceeds in an account which is subject to certain conditions such that, where the CNMV calls upon the Equity CNMV Guarantee Issuing Banks to make a payment under an Equity CNMV Guarantee (and in certain other circumstances), the Equity CNMV Guarantee Issuing Banks shall have access to such funds.

(E) *Irrevocable Undertakings*

On 4 June 2018, DS Smith and certain Europac Shareholders, who are members of the Isidro family, entered into irrevocable undertakings, which are binding in all circumstances, regarding the sale and purchase of the direct and indirect interest of those Europac Shareholders, having agreed to sell their direct and indirect interests in the Proposed Offer (the “**Family Irrevocable Undertakings**”).

The complete list of Family Irrevocable Undertakings signed and the shareholders who undertook the commitment to sell their direct and indirect shares in the Proposed Offer (the “**Family Shareholders**”), including the Executive Chairman (Mr. José Miguel Isidro Rincón), the Executive Vice Chairman (Mr. Enrique Isidro Rincón) and two further Board members of Europac (Mr. Fernando Isidro Rincón and Aguasal, S.A.U., represented by Ms. María Amelia Ángela Isidro Rincón), is as laid out in the below table:

<i>Europac Shareholder</i>	<i>Number of Europac Shares</i>	<i>% of total issued Europac Shares</i>
Jose Miguel Isidro Rincón	5,083,840	5.12
Corporación Oudaloi, S.L.	629,513	0.63
Enrique Isidro Rincón	3,804,360	3.83
Manuel Isidro Martín	191,129	0.19
Cristina Isidro Martín	191,129	0.19
Fernando Isidro Rincón	3,137,289	3.16
Ana Carmen Pinedo Calvo	17,246	0.02
Equipamiento e Instalaciones Industriales, S.A.	499,106	0.50
Diego Isidro Rincón	4,090,167	4.12
Gonzalo Isidro Navarro	4,960	0.00
Alejandra Isidro Navarro	4,960	0.00
M <sup>a</sup> de los Ángeles Isidro Rincón	3,955,956	3.99
Pilar Isidro Rincón	3,910,315	3.94
Beatriz Isidro Rincón	3,883,000	3.91
Marta Isidro Rincón	3,762,286	3.79
Fernando José Sánchez-Girón González	21,840	0.02
María Amelia Ángela Isidro Rincón	3,079,873	3.10
Aguasal, S.A.U.	208,551	0.21
Manuel Isidro Rincón	3,231,073	3.26
<b>Total</b>	<b>39,706,593</b>	<b>40.01</b>

Also on 4 June 2018, DS Smith and certain other Europac Shareholders entered into irrevocable undertakings, which are binding even in the event of a higher competing offer for Europac being formally announced, regarding the sale and purchase of the direct and indirect interest of those Europac Shareholders, having agreed to sell their direct and indirect interests in the Proposed Offer (the “**Other Irrevocable Undertakings**” and, together with the Family Irrevocable Undertakings, the “**Irrevocable Undertakings**”).

The complete list of Other Irrevocable Undertakings signed and the shareholders who undertook the commitment to sell their direct shares in the Proposed Offer (together with the Family Shareholders, the “**Selling Shareholders**”) is the following:

<i>Europac Shareholder</i>	<i>Number of Europac Shares</i>	<i>% of total issued Europac Shares</i>
Mr Ángel Fernández González. and Ms. Concepción Herrero Cuadrado	6,770,025	6.82
Onchena, S.L.	5,954,053	6.00

Certain terms and conditions of the Irrevocable Undertakings to tender the shares are identical, and include the following:

- (a) the Selling Shareholders commit to accept the Proposed Offer even if a higher competing offer is authorised by the CNMV;
- (b) DS Smith undertakes to launch the Proposed Offer in accordance with the terms included in the DS Smith Announcement and not to withdraw the Proposed Offer even if the relevant antitrust authorities impose remedies;
- (c) the Selling Shareholders undertake to accept the Proposed Offer in connection with all of their direct and indirect interest in Europac Shares;
- (d) the Selling Shareholders will exercise their corresponding voting rights with the purpose of promoting and allowing the implementation of the Proposed Offer.
- (e) the Selling Shareholders undertake not to transfer, sell nor maintain conversations or negotiations for the transfer or sale of their direct or indirect stake in Europac. Likewise, the Selling Shareholders shall not negotiate other transactions which could compromise the viability and acceptance of the Proposed Offer.

As an exception to the above, Mr. Ángel Fernández González and Ms. Concepción Herrero Cuadrado have expressly not undertaken the obligations referred in paragraphs (d) and (e) above, having undertaken only to accept the Proposed Offer, even in the case that the CNMV were to authorise a competing offer.

Further terms of the Family Irrevocable Undertakings to tender the shares are identical between such Family Irrevocable Undertakings, and include the following:

those Family Shareholders who are directors of Europac: (a) shall, in connection with the report to be issued by the Europac Board regarding the Proposed Offer, present the Proposed Offer in a favourable manner and vote in favour of it; and (b) shall exercise all their rights in connection with Europac to procure that Europac accepts the Proposed Offer with regard to the Europac Shares that Europac holds in treasury, not later than the date when the Europac Board issues the report referred to in (a) above, and does not revoke the acceptance, all of the above in full compliance with fiduciary duties (in particular regarding any conflicts of interest to which they may be subject).

(F) *Non-disclosure Agreement*

DS Smith and Europac entered into a non-disclosure agreement on 16 May 2018 (the “**NDA**”) pursuant to which DS Smith undertook to keep information relating to Europac and its subsidiaries, their businesses and the Europac Shareholders confidential and not to disclose it to third parties except: (a) to its professional advisors, officers, employees and subsidiaries and the officers, employees and professional advisers of each of those subsidiaries on a need-to-know basis; and (b) if required by law, rule, regulation or written or verbal instruction by any judicial, governmental or competent supervisory or regulatory body.

*Non-solicitation*

Pursuant to the NDA, DS Smith has also undertaken, for a period of one year from 16 May 2018, not to:

- (a) solicit or endeavour to entice away any person who is at any time during the negotiation of the Potential Offer a member of the senior management of the Europac Group, without Europac’s prior consent; and
- (b) and to procure that members of the DS Smith Group do not, solicit or make contact (whether direct or indirect) with any existing customer or supplier of the Europac Group which is not an existing customer or supplier of the DS Smith Group, other than in the ordinary course of its business, and not to use information procured through discussions or dealings relating to the Proposed Offer with such customers or suppliers.



## Standstill

Until the earlier of: (i) a period of one year from 16 May 2018; or (ii) the date on which the Proposed Offer is announced or DS Smith otherwise assumes a binding obligation to make the Proposed Offer, or until the date on which a *bona fide* third party makes, or announces an intention to make, a general offer to acquire the shares in Europac, DS Smith will not, and will ensure that each member of the DS Smith Group does not, directly or indirectly, alone or together with another person, acquire, or cause another person to acquire, other than through or in the context of the Proposed Offer, shares or an interest in the shares or in any debt instruments of Europac, or enter into an agreement or arrangement as a result of which DS Smith or a member of the DS Smith Group may acquire such shares, interests or debt instruments.

Save as referred to above, or as otherwise described within the NDA, the obligations of DS Smith pursuant to the NDA will remain in force until the earlier of Completion or the elapsing of a period of two years from 16 May 2018.

## (G) *Acquisition Agreement*

On 28 June 2017, DS Smith and DS Smith Holdings (as relevant (the “**Buyer**”), Merpas Co. S.à r.l. (“**Merpas**”) and IMRI entered into the Acquisition Agreement for the acquisition by DS Smith and DS Smith Holdings of 80 per cent. of the total issued share capital of Interstate Resources, Inc. (“**IMRI**”) from Merpas for consideration of US\$920 million. The Buyer also assumed or undertook to procure repayment of 100 per cent. of the financial indebtedness of IMRI and its subsidiaries (the “**IRI Group**”) at Completion. The consideration was subject to customary post-completion net debt and working capital adjustments.

The Buyer satisfied the consideration through: (i) a payment of US\$846 million in cash, to be satisfied out of the net proceeds of a placing, utilisation of new debt facilities and existing cash resources; and (ii) the issue of consideration shares with a value of US\$300 million. At Completion, DS Smith acquired a number of shares in IMRI equivalent in value to the consideration shares, and DS Smith Holdings acquired the remaining shares in IMRI that were the subject of the acquisition of 80 per cent. of the total issued share capital of IMRI (the “**Initial Interest**”). For a period of 15 months following completion, the Seller is subject to lock-up provisions in relation to DS Smith Shares received as consideration, with certain exceptions for, *inter alia*, transfers to a subsidiary or in the context of an offer made by a third party to all holders of DS Smith Shares.

The Acquisition Agreement contains representations, warranties, covenants, undertakings and conditions that are customary for a transaction of this size and nature. The Acquisition Agreement contains certain termination rights for each of the Buyer and Merpas that are exercisable by mutual written consent or written notice to the other in certain circumstances.

## (H) *Shareholders’ Agreement*

Following completion of the acquisition of the Initial Interest, the respective governance and other rights of DS Smith, DS Smith Holdings, IMRI and an entity within the Indevco Group (“**Merpas Newco**”) is governed by the Shareholders’ Agreement.

The Shareholders’ Agreement contains customary governance provisions, reserved matters and restrictions on transfers of shares. The Shareholders’ Agreement also contains certain customary warranties given by Merpas Newco and the Buyer as of the date of Completion and customary post-completion undertakings given by Merpas Newco.

Pursuant to the Shareholders’ Agreement, on 1 September 2018, 1 September 2019, 1 September 2020 and 1 September 2021, Merpas Newco has the option to sell to the Buyer either all of the shares in IMRI then held by Merpas Newco or a number of shares in IMRI held by Merpas Newco representing not less than 10 per cent. of the shares in IMRI then issued and outstanding. If Merpas Newco holds shares in IMRI on 1 September 2022 or Merpas Newco holds less than 10 per cent. of the shares in IMRI then issued and outstanding on any date before 1 September 2022, Merpas Newco will be required to sell all of the shares in IMRI then

held by it to the Buyer. Further, within one month of a change of control of DS Smith, Merpas Newco will have option to sell to the Buyer all of the shares in IMRI then held by it. If any of the above circumstances occur (each, a “**Further Acquisition**”), the Buyer will pay cash for any shares in IMRI sold to it by Merpas Newco with such shares valued on the basis of the higher of: (i) the initial enterprise value of the IRI Group; and (ii) IRI Group’s consolidated EBITDA for the last 12 months multiplied by eight (or ten in the event of a change of control of DS Smith), adjusted for cash, debt and working capital pursuant to the adjustment mechanics provided in the Acquisition Agreement. DS Smith proposes to fund any Further Acquisition through cash and debt facilities available to it at such time.

(I) *Placing Agreement*

On 29 June 2017, DS Smith, Citi and JPM entered into the Placing Agreement, pursuant to which DS Smith appointed Citi and JPM as joint bookrunners in connection with the placing of 62,637,363 new Ordinary Shares by the Company that raised approximately £280 million (net of commissions and expenses) to fund part of the cash portion of the consideration for the acquisition of the Initial Interest, the results of which were announced by DS Smith on 29 June 2017 Placing. Closing of the Placing and admission of the Placing shares to the Official List and to trading on the Main Market took place on 3 July 2017.

Subject to the terms and conditions of the Placing Agreement, each of Citi and JPM severally agreed, as agent for DS Smith, to use its reasonable endeavours to procure placees for such number of new Ordinary Shares as would result in gross proceeds from the Placing of £285 million (before commissions and expenses). In consideration for the services provided by Citi and JPM under the Placing Agreement, the Company paid Citi and JPM an aggregate commission of 1.7 per cent. of the gross proceeds from the Placing.

Under the Placing Agreement, the Company gave certain customary (for a transaction of this nature) representations, warranties and undertakings to Citi and JPM concerning, among other things, the accuracy of the statements of fact in certain public documents, including, but not limited to, the Placing announcement and the Acquisition announcement, and in relation to other matters relating to the DS Smith Group and its business. The Company also gave a customary indemnity to Citi and JPM, liability in respect of which is unlimited as to time and amount.

The Company undertook that (subject to certain limited exceptions) it would not, for a period of 90 calendar days following the closing date, without the prior written consent of Citi and JPM, directly or indirectly: (i) offer, issue, lend, charge, assign, sell or contract to sell or grant options in respect of or otherwise transfer or dispose of any Ordinary Shares (or any interest in Ordinary Shares) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares (or any interest in Ordinary Shares); (ii) enter into any swap or other agreement that transfers, in whole or in part, any economic consequences of ownership of the Ordinary Shares; or (iii) make any announcement or other publication of the intention to do any of the foregoing or make any filing with respect thereto.

(J) *EcoPack and EcoPaper SPA*

On 18 October 2017, DS Smith, Kameran Financial Limited (the “**Seller**”) and Mr Vladimir Cohn entered into a share purchase agreement (the “**SPA**”) for the acquisition by DS Smith of substantially all (>99 per cent.) of the total issued share capital of each of EcoPack S.R.L (“**EcoPack**”) and EcoPaper S.A. (“**EcoPaper**”) from the Seller for an enterprise value of circa. €208 million. Consideration for the purchase comprised both cash and DS Smith Shares. Certain cash consideration given in relation to the purchase of EcoPaper was (and in some instances continues to be) held in escrow for release under certain conditions relating to ongoing litigation or an absence of any claim against the Seller under the terms of the SPA. The consideration was subject to customary post-completion net debt and working capital adjustments. The sale completed on 7 March 2018.

The SPA includes protective covenants requiring that non-Purchaser parties do not: (i) take part in competing business activities in the sphere of EcoPaper’s and EcoPack’s operations; and (ii) do not induce or employ a director or employee of EcoPaper or EcoPack, for a period of three

years from completion. For a period of 15 months following completion, the Seller is subject to lock-up provisions in relation to DS Smith Shares received as consideration.

The SPA contains representations, warranties, indemnities, covenants, undertakings and conditions that are customary for a transaction of this size and nature. The SPA is governed by Romanian law, and in the event of any dispute arising from or in connection with the SPA is subject to referral and resolution by way of arbitration.

(K) *Revolving Credit Facilities Agreement*

On 20 May 2014, DS Smith entered into a £800 million revolving credit facility agreement (the “**Revolving Credit Facilities Agreement**”) with Barclays Bank Plc, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, HSBC Bank Plc, J.P. Morgan Limited, Lloyds Bank Plc, the Royal Bank of Scotland Plc, the Bank of Toyko-Mitsubishi UFJ, Ltd., Credit Lyonnais, ING Bank N.V., London Branch and Natixis as arrangers, Barclays Bank Plc, BNP Paribas, London Branch, Citigroup N.A., London Branch, Commerzbank Aktiengesellschaft, London Branch, HSBC Bank Plc, JPMorgan Chase Bank, N.A., London Branch, Lloyds Bank Plc, the Royal Bank of Scotland Plc, the Bank of Toyko-Mitsubishi UFJ, Ltd., London Branch, Credit Lyonnais, ING Bank N.V., London Branch and Natixis as original lenders (the “**Original Lenders**”) and the Royal Bank of Scotland Plc as agent.

The Revolving Credit Facilities Agreement provides for DS Smith to receive multiple loans on a revolving credit basis (the “**Loans**”) from the Original Lenders, which may be used to refinance existing indebtedness and for general corporate purposes including financing for future acquisitions and working capital. Each Loan is available to be drawn until the date falling one week prior to the final maturity date under the Revolving Credit Facilities Agreement (the “**Availability Period**”). The Loan may be drawn in different currencies (sterling, US dollars, Euros or other optional currencies). DS Smith was initially required to repay the Loans within five years. It had two extension options allowing it to extend this repayment date by one year at a time; the first extension option was utilised but not the second one and, therefore, the final repayment date of the Loans will fall six years after the original date of the Revolving Credit Facilities Agreement.

The Revolving Credit Facilities Agreement includes certain mandatory prepayment events, being (A) illegality; and (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations). DS Smith may also voluntarily prepay the Loans provided it gives five business days’ notice and the prepayment is of a minimum of £1,000,000. The Revolving Credit Facilities Agreement provides that any undrawn part of the lenders’ commitments will be automatically cancelled at the end of the Availability Period and that DS Smith can cancel the commitment of a lender which has defaulted.

The Loans are unsecured and are guaranteed by DS Smith. The Revolving Credit Facilities Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The Revolving Credit Facilities Agreement contains various customary representations, warranties and covenants (including financial covenants).

The Revolving Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(L) *Unicredit Facility Agreement*

On 20 July 2016, DS Smith Finance B.V. (“**Dutchco**”) entered into a €150 million facility agreement (the “**Unicredit Facility Agreement**”) with Unicredit Bank AG as mandated lead arranger, Unicredit Luxembourg S.A. as original lender (the “**Original Lender**”) and Unicredit Luxembourg S.A. as agent.

The Unicredit Facility Agreement provides for Dutchco to receive one initial loan, and two potential subsequent loans under an accordion facility (together, the “**Loans**”) from the Original Lender, which may be used for general corporate purposes of the group. The initial Loan was available to be drawn until the date falling one month after the date of the Unicredit Facility Agreement, whilst the subsequent increase Loans are available to be drawn during the period

specified in the relevant increase confirmation (together, the “**Availability Periods**”). The Loans may only be drawn in Euros. Dutchco is required to repay the Loans within five years.

The Unicredit Facility Agreement includes certain mandatory prepayment events, being: (A) illegality; and (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations). Dutchco may also voluntarily prepay the Loan provided it gives five business days’ notice and the prepayment is of a minimum of €5,000,000. The Unicredit Facility Agreement provides that any undrawn part of the lender’s commitments will be automatically cancelled at the end of the relevant Availability Period, and that Dutchco can cancel the commitment of a lender which has defaulted.

The Loan is unsecured and is guaranteed by DS Smith. The Unicredit Facility Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The Unicredit Facility Agreement contains various customary representations, warranties and covenants (including financial covenants).

The Unicredit Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(M) *Private Shelf Agreement*

On 5 December 2008, DS Smith and DS Smith Finco Limited (“**Finco**”) entered into a private shelf agreement (the “**Private Shelf Agreement**”) with Prudential Investment Management, Inc. (“**Prudential**”), which was subsequently amended on 2 July 2010.

The Private Shelf Agreement provides for DS Smith to and/or Finco to issue senior promissory notes in an aggregate principal amount of \$150,000,000 (the “**Notes**”). The Notes may be issued and sold until the earliest of the date falling four years after the date of the Private Shelf Agreement and the 30th day after the Private Shelf Agreement has been terminated by either Prudential or the Company, each on 30 days’ notice.

The Private Shelf Agreement generally contains representations, covenants and events of default which are customary for this type of agreement and includes certain covenants (including financial covenants) and events of default that are generally consistent with its other existing corporate borrowings. The Private Shelf Agreement includes a mandatory prepayment event, being a change of control of DS Smith (if a noteholder so requests after a certain period of negotiations). DS Smith or Finco may prepay any Note issued by them at any time in an amount not less than 5 per cent. of the aggregate principal amount of all outstanding Notes at that time. The Private Shelf Agreement also allows DS Smith and Finco to prepay the Notes in full on not less than five business days’ notice as a result of certain tax events. Any issued Notes are required to mature no later than 12 years after their original issue date.

DS Smith and Finco each guarantee the other’s Notes and the Private Shelf Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The Private Shelf Agreement contains various conditions to closing including representations and warranties by DS Smith and Finco, and customary affirmative and negative covenants.

The Private Shelf Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

On 11 August 2010, DS Smith issued two series of unsecured notes pursuant to the Private Shelf Agreement, which included €59,000,000 4.395 per cent. Series A Senior Notes due 13 August 2018 and €59,000,000 4.825 per cent. Series B Senior Notes 11 August 2020 (collectively, the “**Shelf Facility Notes**”). The Shelf Facility Notes were issued for general corporate purposes.

(N) *Danske Facilities Agreement*

On 8 December 2016, DS Smith entered into a €60 million bridge facility agreement (the “**Danske Facility Agreement**”) with Danske Bank A/S, London Branch as original lender (the “**Original Lender**”).

The Danske Facility Agreement provides for DS Smith to receive one loan (the “**Loan**”) from the Original Lender, which may be used for general corporate purposes including financing for future acquisitions and working capital. The Loan was available to be drawn until the date falling 90 days after the date of the Danske Facility Agreement (the “**Availability Period**”). The Loan must be drawn in Euros. DS Smith is initially required to repay the Loan within two years, although it has two extension options allowing it to extend this repayment date, first by one year and then to 20 May 2020.

The Danske Facility Agreement includes certain mandatory prepayment events, being: (A) illegality; and (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations). DS Smith may also voluntarily prepay the Loan provided it gives five business days’ notice and the prepayment is of a minimum of €1,000,000. The Danske Facility Agreement provides that any undrawn part of the lenders’ commitments will be automatically cancelled at the end of the Availability Period, and that DS Smith can cancel the commitment of a lender which has defaulted.

The Loan is unsecured and is guaranteed by DS Smith. The Danske Facility Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The Danske Facility Agreement contains various customary representations, warranties and covenants (including financial covenants).

The Danske Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(O) *Santander Facilities Agreement*

On 27 January 2017, DS Smith entered into a €60 million bridge facility agreement (the “**Santander Facility Agreement**”) with Abbey National Treasury Services Plc as original lender (the “**Original Lender**”).

The Santander Facility Agreement provides for DS Smith to receive one loan (the “**Loan**”) from the Original Lender, which may be used for general corporate purposes including financing for future acquisitions and working capital. The Loan was available to be drawn until the date falling 90 days after the date of the Santander Facility Agreement (the “**Availability Period**”). The Loan must be drawn in Euros. DS Smith is initially required to repay the Loan within two years, although it has two extension options allowing it to extend this repayment date, first by one year and then to 20 May 2020.

The Santander Facility Agreement includes certain mandatory prepayment events, being: (A) illegality; and (B) a change of control of DS Smith (if a lender so requests after a certain period of negotiations). DS Smith may also voluntarily prepay the Loan provided it gives five business days’ notice and the prepayment is of a minimum of €1,000,000. The Santander Facility Agreement provides that any undrawn part of the lenders’ commitments will be automatically cancelled at the end of the Availability Period.

The Loan is unsecured and is guaranteed by DS Smith. The Santander Facility Agreement contains a mechanic for other members of the DS Smith Group to accede as guarantors. The Santander Facility Agreement contains various customary representations, warranties and covenants (including financial covenants).

The Santander Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

(P) *Note Agreement*

On 6 August 2012, DS Smith issued five series of unsecured notes pursuant to a note agreement (the “**Note Agreement**”), which included US\$20,000,000 3.71 per cent. Series A Senior Notes due 6 August 2017, US\$72,000,000 4.09 per cent. Series B Senior Notes due 6 August 2019, US\$10,000,000 4.28 Series C Senior Notes due 6 August 2020, US\$30,000,000 4.47 per cent. Series D Senior Notes due 6 August 2021 and US\$268,000,000 4.65 per cent.

Series E Senior Notes due 6 August 2022 (collectively, the “**US Private Placement Notes**”). The US Private Placement Notes were issued for general corporate purposes.

The Note Agreement generally contains representations, covenants and events of default which are customary for this type of agreement and includes certain covenants (including financial covenants) and events of default that are generally consistent with its other existing corporate borrowings. In addition, DS Smith may voluntarily prepay the US Private Placement Notes, plus a make-whole payment, at any time, in whole or in part. In the event of a change of control in respect of DS Smith, the US Private Placement Notes may be redeemed at the option of the holders of the US Private Placement Notes. In the event of certain changes affecting taxation, DS Smith may elect to prepay the US Private Placement Notes, subject to certain rights of the affected holders of the US Private Placement Notes.

(Q) *Notes issued under Euro Medium Term Note Programme*

On 14 September 2015, DS Smith issued €500,000,000 2.250 per cent. Notes (the “**2.250 per cent. MTN Notes**”) due 16 September 2022 (the “**2.250 per cent. MTN Notes Maturity Date**”) under its €2,500,000,000 euro medium term note programme in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning DS Smith’s senior unsecured long-term debt.

On 26 July 2017, DS Smith issued €750,000,000 1.375 per cent. Notes (the “**1.375 per cent. MTN Notes**”) due 26 July 2024 (the “**1.375 per cent. MTN Notes Maturity Date**”) and £250,000,000 2.875 per cent. Notes (the “**2.875 per cent. MTN Notes**” and, together with the 2.250 per cent. MTN Notes and the 1.375 per cent. MTN Notes, the “**MTN Notes**”) due 26 July 2029 (the “**2.875 per cent. MTN Notes Maturity Date**” and, together with the 2.250 per cent. MTN Notes Maturity Date and the 1.375 per cent. MTN Notes Maturity Date, the “**MTN Notes Maturity Date**”) under its €2,500,000,000 euro medium term note programme in respect of which the interest rate payable is subject to adjustment from time to time in the event of a rating change concerning DS Smith’s senior unsecured long-term debt.

The MTN Notes were issued for general corporate purposes.

The terms and conditions of the MTN Notes contain a negative pledge and events of default which are customary for euro medium term notes. In addition, the MTN Notes may be redeemed prior to the relevant MTN Notes Maturity Date at the option of (i) DS Smith on any day up to but excluding the day that is three months prior to the MTN Notes Maturity Date at a make whole redemption price, (ii) DS Smith on any day during the period from (and including) the day that is three months prior to the MTN Notes Maturity Date at par, or (iii) any holders of the MTN Notes upon a change of control in respect of DS Smith at par. In the event of certain changes affecting taxation, DS Smith may elect to redeem the MTN Notes at par.

## 11.2 **Europac Group**

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which Europac or any other member of the Europac Group is or has been a party: (i) within the two years immediately preceding the date of this Prospectus which is, or may be, material to Europac or the Europac Group; or (ii) at any time, which contains any provision under which any member of the Europac Group has any obligation or entitlement which is material to the Europac Group as at the date of this Prospectus. With the exception of the Break Fee Agreement and the NDA, information contained in this paragraph 11.2 of Part XVIII has been compiled solely from information included in public documents published by Europac.

(A) *Break Fee Agreement*

The Break Fee Agreement is described in paragraph 11 of Part XVIII of this Prospectus (*Material Contracts*).

(B) *Non-disclosure Agreement*

The NDA is described in paragraph 11 of Part XVIII of this Prospectus (*Material Contracts*).

(C) *Syndicated Loan*

On 16 February 2012, Europac entered into a Forward Start Facility for up to €253 million, of which €166 million comprised a loan and €87 million related to a revolving credit facility, both for five years with partial maturities. The sole purpose of the Forward Start Facility is to partly re-finance the existing syndicated loan. The rate of interest was indexed to Euribor, plus a spread of 3.25 per cent. On 24 July 2014, Europac signed a novation of the Forward Start Facility with the corresponding banks, which essentially involved deferring all outstanding due dates on the novation date by two years. The spread for this borrowing was reduced to 2.5 per cent. throughout the remaining life of the loan.

On 10 July 2015, Europac refinanced its syndicated borrowings by increasing the amount of the financing to €290 million and extending the outstanding maturities on the novation date by two years up to 10 July 2021, with an annual interest rate indexed to Euribor plus a margin of between 140 and 175 basis points depending on compliance with certain ratios.

On 28 December 2016, Europac signed an amendatory non-extinctive novation of this syndicated borrowing whereby the maturity date was extended to 10 July 2022 and its interest indexed to Euribor plus a margin of between 120 and 155 basis points depending on compliance with certain ratios.

At 31 December 2017, the balance of the syndicated loan amounted to €281 million (€290 million euros in 2016).

(D) *Commercial Paper Programme*

In 2014, the Europac Group set up a commercial paper issue programme on the MARF (Alternative Fixed Income Market) for a maximum of €50 million. In 2017, this programme was renewed and the maximum amount increased to €100 million.

In 2017 the Europac Group carried out issues for an average annual amount of €28 million at an average cost of 0.7 per cent. (€9 million with an average cost of 0.9 per cent. in 2016), with no outstanding balance at the end of said years.

## **12. Financing of the Acquisition**

The Acquisition will be financed through:

- (a) approximately £1,000 million (approximately EUR 1,140 million) net of expenses fully underwritten Rights Issue; and,
- (b) the utilisation of up to €740 million (approximately £645 million) under the New Debt Facility Agreement.

The Rights Issue and New Debt Facility Agreement are described more fully in paragraph 11 of Part XVIII of this Prospectus (*Material Contracts*).

## **13. Related Party Transactions**

Save as disclosed in the financial information relating to related party transactions as set out:

- (a) in note 31 in the notes to the 2018 Financial Statements on page 133 of the 2018 Annual Report and Accounts;
- (b) in note 31 in the notes to the 2017 Financial Statements on page 126 of the 2017 Annual Report and Accounts; and
- (c) in note 32 in the notes to the 2016 Financial Statements on page 146 of the 2016 Annual Report and Accounts;

each of which are incorporated by reference into this Prospectus, for each of the years ended 30 April 2018, 30 April 2017 and 30 April 2016, and during the period between 30 April 2018 and the Latest Practicable Date, the DS Smith Group entered into no transactions with related parties.

## **14. Dividends**

In respect of the current financial year, the Company paid an interim dividend of 4.9 pence per Ordinary Share on 1 May 2018.

In respect of the 2018 Financial Year, the Company paid a final dividend of 10.6 pence per Ordinary Share to Shareholders on 1 November 2017 and an interim dividend of 4.6 pence per Ordinary Share on 2 May 2017. Therefore, the total dividend paid to Shareholders in respect of the 2018 Financial Year was made at the rate of 15.2 pence per Ordinary Share.

In respect of the 2017 Financial Year, the Company paid a final dividend of 8.8 pence per Ordinary Share to Shareholders on 1 November 2016 and an interim dividend of 4.0 pence per Ordinary Share on 3 May 2016. Therefore, the total dividend paid to Shareholders in respect of the 2017 Financial Year was made at the rate of 12.8 pence per Ordinary Share.

In respect of the 2016 Financial Year, the Company paid a final dividend of 7.7 pence per Ordinary Share to Shareholders on 2 November 2015 and an interim dividend of 3.7 pence per Ordinary Share on 1 May 2016. Therefore, the total dividend paid to Shareholders in respect of the 2016 Financial Year was made at the rate of 11.4 pence per Ordinary Share.

Following Completion, DS Smith intends to maintain the same dividend policy.

## **15. UK Withholding Tax**

Under current UK tax legislation, payments of dividends on the Ordinary Shares may be made without withholding or deduction for or on account of UK tax. Any liability to tax of the Shareholder in respect of dividends received from the Company on the Ordinary Shares will depend on the Shareholder's individual circumstances.

## **16. Working Capital**

DS Smith is of the opinion that the working capital available to the DS Smith Group, which includes the net proceeds of the Rights Issue and the New Debt Facility, is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this Prospectus.

## **17. Undertakings**

DS Smith is the principal operating and holding company of the DS Smith Group. The subsidiary undertakings of DS Smith are set out on pages 136 to 140 of the 2018 Annual Report and Accounts, as described in Part XIX (*Information Incorporated by Reference*) of this Prospectus. During the period from 30 April 2018 to the Latest Practicable Date, there were no new significant subsidiaries or subsidiary undertakings.

## **18. Litigation**

### **18.1 DS Smith Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on the Company's and/or the DS Smith Group's financial position or profitability.

### **18.2 Europac Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which DS Smith is aware) during a period covering at least the previous 12 months preceding the date of this Prospectus which may have, or have had, a significant effect on Europac's and/or the Europac Group's financial position or profitability.



## **19. No Significant Change**

### **19.1 DS Smith Group**

There has been no significant change in the trading or financial position of the DS Smith Group since 30 April 2018, being the date to which the 2018 Financial Statements of the DS Smith Group were prepared.

### **19.2 Europac**

There has been no significant change in the trading or financial position of the Europac Group since 30 December 2017, the date to which the last audited consolidated financial statements of the Europac Group were prepared, on which the historical financial information of the Europac Group, as set out in Part IV (*Historical Financial Information Relating to the Europac Group*) of the Circular, and as incorporated by reference within this Prospectus, was based.

## **20. Mandatory bids and compulsory acquisition**

The Takeover Code applies to the Company. Under Sections 974 to 991 of the Companies Act 2006, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to Section 983 of the Companies Act 2006, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares in the Company (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his/her shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his/her right to be bought out within one month of that right arising. These sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying him/her of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **21. Consents**

Citi, Goldman Sachs and JPM have each given and not withdrawn their written consent to the inclusion in this Prospectus of references to their respective names in the form and context in which they appear.

Deloitte has given, and not withdrawn, its written consent to the inclusion in this Prospectus of the inclusion of its report set out in Section B of Part XV (*Unaudited pro forma financial information relating to the Enlarged Group*) of this Prospectus, in the form and context in which it appears and has authorised the contents of that report solely for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

## **22. General**

22.1 The aggregate costs, charges and expenses that are expected to be directly associated with the issuance of New Ordinary Shares under the Rights Issue (including the listing fees of the FCA, professional fees and expenses and the costs of printing and distribution this Prospectus) payable by the Company are estimated to be £25 million (excluding any amounts in respect of VAT).

22.2 The financial information concerning the DS Smith Group contained in this Prospectus which relates to the Company does not constitute full statutory accounts as referred to in section 434 of the Companies Act 2006. Statutory consolidated audited accounts of the Company, on which the auditors have given unqualified reports and which contained no statement under section 498(2) or (3)

of the Companies Act 2006, have been delivered to the Registrar of Companies in respect of the financial years ended 30 April 2018, 2017 and 2016. The consolidated financial statements of the Company in respect of the three years ended 30 April 2018 were reported on by Deloitte of 2 New Street Square, London EC4A 3BZ, which is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales, the auditors of the Company within the meaning of Section 495 of the Companies Act 2006.

22.3 DS Smith has taken out 'directors' and officers' insurance' in respect of the Directors on the terms which the Directors consider to be appropriate in the context of the business of the Group. Each of the Directors will have the benefit of a qualifying third party indemnity (the terms of which are in accordance with the Companies Act 2006).

22.4 The Rights Issue is not conditional on Completion. In the event that Admission of the New Ordinary Shares is effected but Completion does not occur, the DS Smith Directors' current intention is that the proceeds of the Rights Issue will be applied to reducing the Company's net indebtedness on a short-term basis while the DS Smith Directors evaluate alternative uses of the funds. If no such uses can be found, the DS Smith Directors will consider how best to return surplus capital to Shareholders. Such a return could carry fiscal costs for certain Shareholders, will have costs for DS Smith and would be subject to applicable securities laws.

### 23. Employees

The table below sets out the average number of people (full time equivalents) employed by the DS Smith Group in each of the previous three financial years and analysed by geographical region was as follows:

<i>Region</i>	<i>Financial Year</i>		
	<i>2018</i>	<i>2017</i>	<i>2016</i>
United Kingdom	5,523	5,256	4,938
France	4,173	3,983	3,901
Western Continental Europe	10,116	9,484	9,136
Eastern Continental Europe	6,449	6,146	5,842
United States	1,865	349	342
Rest of the world	456	395	275
<b>Total</b>	<b>28,582</b>	<b>25,613</b>	<b>24,434</b>

### 24. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any business day, free of charge, at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY and at the Company's registered office, from the date of this Prospectus up to and including the date of Admission:

- (a) the Articles;
- (b) the consent letters referred to in paragraph 21 (*Consents*) of this Part XVIII (*Additional Information*);
- (c) the Directors' service contracts and Directors' letters of appointment referred to in Section 6 of Part XVIII (*Additional information*);
- (d) the information incorporated by reference into this Prospectus as described in Part XIX (*Information Incorporated by Reference*) of this Prospectus; and
- (e) a copy of this Prospectus.

Dated: 19 June 2018

## PART XIX

### INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 24 (*Documents Available for Inspection*) of Part XVIII (*Additional Information*) of this Prospectus, contain information about the Group which is relevant to this Prospectus:

- Circular;
- 2018 Annual Report and Accounts;
- 2017 Annual Report and Accounts; and
- 2016 Annual Report and Accounts.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Prospectus, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, either expressly or impliedly, such information shall not form part of this Prospectus.

Any statement contained in a document which is deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus (or in a later document which is incorporated by reference in this Prospectus) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to form part of this Prospectus.

Except as indicated below, information contained on the Company's website or the contents of any website accessible from hyperlinks on the Company's website are not incorporated into and do not form part of this Prospectus.

<i>Reference document</i>	<i>Information incorporated by reference into this Prospectus</i>	<i>Page number(s) in reference document</i>
Circular	Part III (Principal Terms and Conditions of the Proposed Offer)	42-48
	Sections A and B of Part IV (Historical Financial Information relating to Europac)	49-130
2018 Annual Report and Accounts	Operating Review	31-33
	Financial Review	35-39
	Table headed, "Single total figure of remuneration for each Director (audited)"	73
	Independent Auditor's report	81-84
	Consolidated Income Statement	85
	Consolidated Statement of Comprehensive Income	86
	Consolidated Statement of Financial Position	87
	Consolidated Statement of Changes in Equity	88
	Consolidated Statement of Cash Flows	89
	Notes to the Consolidated Financial Statements	90-133
Five-year financial summary	140	

<i>Reference document</i>	<i>Information incorporated by reference into this Prospectus</i>	<i>Page number(s) in reference document</i>
2017 Annual Report and Accounts	Our people	24-27
	Financial Review	32-35
	Sustainability review	36-38
	Table headed, "Single total figure of remuneration for each Director (audited)"	71
	Independent Auditor's report	81-84
	Consolidated Income Statement	85
	Consolidated Statement of Comprehensive Income	86
	Consolidated Statement of Financial Position	87
	Consolidated Statement of Changes in Equity	88
	Consolidated Statement of Cash Flows	89
	Notes to the Consolidated Financial Statements, including list of subsidiary undertakings of the DS Smith Group	90
2016 Annual Report and Accounts	Employees	31-34
	Sustainability	35-39
	Table headed, "Single total figure of remuneration for each Director (audited)"	92
	Independent Auditor's report	98-101
	Consolidated Income Statement	102
	Consolidated Statement of Comprehensive Income	103
	Consolidated Statement of Financial Position	104
	Consolidated Statement of Changes in Equity	105
	Consolidated Statement of Cash Flows	106
	Notes to the Consolidated Financial Statements, including list of subsidiary undertakings of the DS Smith Group	107-148

## PART XX

### DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

<b>2016 Annual Report and Accounts</b>	DS Smith's annual report and accounts in respect of the 2016 Financial Year;
<b>2016 Financial Statements</b>	DS Smith's financial statements for the 2016 Financial Year;
<b>2016 Financial Year</b>	DS Smith's financial year ended 30 April 2016;
<b>2017 Annual Report and Accounts</b>	DS Smith's annual report and accounts in respect of the 2017 Financial Year;
<b>2017 Financial Statements</b>	DS Smith's financial statements for the 2017 Financial Year;
<b>2017 Financial Year</b>	DS Smith's financial year ended 30 April 2017;
<b>2018 Annual Report and Accounts</b>	DS Smith's annual report and accounts in respect of the 2018 Financial Year;
<b>2018 Financial Statements</b>	DS Smith's financial statements for the 2018 Financial Year;
<b>2018 Financial Year</b>	DS Smith's financial year ended 30 April 2018;
<b>Acquisition</b>	has the meaning ascribed to it in paragraph 1 ( <i>Introduction</i> ) of Part I ( <i>Letter from the Chairman</i> ) of the Circular;
<b>Admission</b>	the proposed admission of the New Ordinary Shares by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading on the Main Market for listed securities;
<b>Articles</b>	the articles of association of DS Smith and reference to a specific article of the articles of association of DS Smith shall be to an <b>Article</b> ;
<b>ASIC</b>	means the Australian Securities and Investments Commission;
<b>Audited Financial Statements</b>	the 2016 Financial Statements, the 2017 Financial Statements and the 2018 Financial Statements;
<b>Auditors</b>	Deloitte;
<b>business day</b>	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
<b>CCM</b>	corrugated case material;
<b>certificated</b>	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
<b>Circular</b>	the Class 1 circular and notice of general meeting published by DS Smith and provided to Shareholders on 19 June 2018;

<b>Citi</b>	Citigroup Global Markets Limited;
<b>Closing Price</b>	the closing middle market price of a relevant share as derived from SEDOL on any particular day;
<b>CNMV</b>	Comisión Nacional del Mercado de Valores, the Spanish Securities and Exchange Commission;
<b>Committee or Committees</b>	one or all of the Audit Committee, the Nomination Committee, the Remuneration Committee and any other committees established from time to time by the Company;
<b>Companies Act 2006</b>	the Companies Act 2006, as amended;
<b>Completion</b>	completion of the Acquisition;
<b>Corporations Act 2001 (Cth)</b>	means the Corporations Act 2001 of the Commonwealth of Australia;
<b>Corporate Governance Code</b>	the corporate governance code issued by the Financial Reporting Council in the United Kingdom from time to time;
<b>CREST or CREST system</b>	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations);
<b>CREST Manual</b>	the rules governing the operation of CREST as published by Euroclear;
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended;
<b>Dealing Days</b>	a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange;
<b>Deloitte</b>	Deloitte LLP;
<b>Disclosure Guidance and Transparency Rules</b>	the rules made by the FCA under Part VI of FSMA relating to the disclosure of information (as amended from time to time);
<b>DS Smith or the Company</b>	DS Smith Plc, a company incorporated in England and Wales with registered number 1377658 and having its registered office at 350 Euston Road, London NW1 3AX;
<b>DS Smith Board or Board</b>	the board of Directors of the Company;
<b>DS Smith Announcement</b>	the DS Smith announcements dated 4 June 2018 in relation to the proposed Acquisition and the Rights Issue;
<b>DS Smith Directors or Directors</b>	the directors of the Company, whose names appear in paragraph 1 ( <i>Directors</i> ) of Part XVI ( <i>Directors and Corporate Governance</i> ) of this Prospectus, or, as the context requires, the directors from time to time of the Company, and <b>Director</b> shall be construed accordingly;
<b>DS Smith Group or the Group</b>	DS Smith and its subsidiary undertakings from time to time;
<b>DS Smith Group Pension Scheme</b>	the DS Smith Group's defined benefit pension scheme in the United Kingdom;
<b>DSBP</b>	the Company's Deferred Share Bonus Plan;

<b>Due Proportions</b>	in the case of Citi, 33.33 per cent., in the case of Goldman Sachs, 33.33 per cent, and in the case of JPM, 33.33 per cent;
<b>Europac</b>	Papeles y Cartones de Europa S.A., a Spanish corporation with registered address of Avenida de Fuencarral, 98, (Alcobendas) Madrid and registered at the Commercial Registry of Palencia under volume 227, sheet 208, page P-2350, and Tax Identification Number (N.I.F) A34158824;
<b>Europac Board</b>	the board of directors from time to time of Europac;
<b>Europac Group</b>	Europac and its subsidiaries and subsidiary undertakings from time to time and, where the context requires, each one of them;
<b>Europac Shareholder</b>	a holder of Europac Shares from time to time;
<b>Europac Shares</b>	the ordinary shares of EUR 2 each in the capital of Europac;
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation;
<b>Employee Share Plans</b>	the PSP, DSBP, LTIP, Sharesave, International Sharesave and US ESPP;
<b>Enlarged Group</b>	the DS Smith Group and the Europac Group together following Completion or the DS Smith Group if the Acquisition is not completed, as the context requires;
<b>Equiniti</b>	Equiniti Limited;
<b>EU</b>	the European Union;
<b>EU Merger Regulation</b>	Council Regulation (EC) 139/2004 (as amended);
<b>Euroclear</b>	Euroclear UK and Ireland Limited;
<b>Excluded Territories</b>	United States, Australia, Canada, Hong Kong, Japan, South Africa, Switzerland or the United Arab Emirates and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law;
<b>Executive Directors</b>	the Directors who hold the position of executive director, and each an <b>Executive Director</b> ;
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue immediately before Admission;
<b>Family Irrevocable Undertakings</b>	the irrevocable undertakings having been entered into by certain Europac Shareholders who are members of the Isidro family, as further detailed at page 151 of this Prospectus;
<b>Family Shareholders</b>	has the meaning given in Part XVIII ( <i>Additional Information</i> ) of this Prospectus;
<b>FCA</b>	the Financial Conduct Authority, the regulator of financial markets in the UK;
<b>FMCG</b>	fast moving consumer goods;
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended from time to time;

<b>Fully Paid Rights</b>	rights to acquire New Ordinary Shares, fully paid;
<b>Goldman Sachs</b>	Goldman Sachs International;
<b>HMRC</b>	HM Revenue & Customs, the UK tax authority;
<b>IFRS</b>	the International Financial Reporting Standards, as adopted by the European Union;
<b>International Sharesave</b>	the Company's International Sharesave Plan;
<b>Irrevocable Undertakings</b>	the Family Irrevocable Undertakings and the Other Irrevocable Undertakings, as further detailed at page 151 of this Prospectus;
<b>ISIN</b>	international securities identification number;
<b>Issue Price</b>	350 pence per New Ordinary Share;
<b>Joint Global Coordinators</b>	Citi, Goldman Sachs and JPM;
<b>Joint Underwriters</b>	Citi, Goldman Sachs and JPM;
<b>JPM</b>	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove;
<b>Latest Practicable Date</b>	18 June 2018 (being the latest practicable date before publication of this Prospectus);
<b>Listing Rules</b>	the Listing Rules made by the FCA under Part VI of FSMA (as amended from time to time);
<b>London Stock Exchange or LSE</b>	London Stock Exchange plc;
<b>LTIP</b>	the Company's Long Term Incentive Plan;
<b>Main Market</b>	the London Stock Exchange's main market for listed securities;
<b>MAR or Market Abuse Regulation</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse;
<b>Member States</b>	member state of the European Economic Area from time to time;
<b>Money Laundering Regulations</b>	means legislation under the UK anti-money laundering regime, including the Money Laundering Regulations 2017 and The Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017;
<b>MTN Instruction</b>	many to many instruction which allows two CREST members to settle up to four movements of securities and create up to two assured payment obligations at the same time;
<b>NDA</b>	the non-disclosure agreement entered into by DS Smith and Europac, as further detailed at page 152 of this Prospectus;
<b>New Debt Facility</b>	the new debt facility made available under the terms of the New Debt Facility Agreement;
<b>New Debt Facility Agreement</b>	the new debt facility agreement entered into by: DS Smith; Goldman Sachs; JPM; JPMorgan Chase Bank, N.A. London Branch; Goldman Sachs International Bank; and J.P. Morgan Europe Limited, as further detailed at page 149 of this Prospectus;



<b>New Ordinary Shares</b>	Ordinary Shares to be allotted and issued pursuant to the Rights Issue;
<b>Nil Paid Rights</b>	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
<b>Non-Executive Directors</b>	the Directors who hold the position of Chairman of the DS Smith Board or non-executive director, and each a <b>Non-Executive Director</b> ;
<b>Offer Document</b>	the tender offer document to be submitted to and approved by the CNMV and published in connection with the Proposed Offer in accordance with applicable law;
<b>Offer Price</b>	EUR 16.80 per Europac Share (subject to any adjustments allowed under the terms of the Offer Document), equating to a total of approximately EUR 1,667 million for all of the Europac Shares as at the Latest Practicable Date;
<b>Official List</b>	the official list of the FCA;
<b>Ordinary Shares</b>	the ordinary shares of 10 pence each in the capital of DS Smith;
<b>Other Irrevocable Undertakings</b>	the irrevocable undertakings having been entered into by certain Europac Shareholders who are not members of the Isidro family, as further detailed at page 151 of this Prospectus;
<b>PRA</b>	the Prudential Regulation Authority, a financial services regulatory body;
<b>Proposed Offer</b>	the proposed offer by DS Smith to purchase the entire issued share capital of Europac to be made under the Offer Document and as may be varied in accordance with applicable law;
<b>Prospectus Directive Regulation</b>	the Commission Regulation (EC) No 809/2004;
<b>Prospectus Rules</b>	the prospectus rules of the FCA made pursuant to section 73A of the FSMA;
<b>Provisional Allotment Letter</b>	the provisional allotment letter issued to Qualifying Non-CREST Shareholders;
<b>PSP</b>	the Company's Performance Share Plan;
<b>Qualifying CREST Shareholder</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
<b>Qualifying Institutional Buyer or QIB</b>	a Qualified Institutional Buyer, as defined in Rule 144A under the Securities Act;
<b>Qualifying Non-CREST Shareholder</b>	Qualifying Shareholders holding Ordinary Shares in certificated form;
<b>Qualifying Shareholder</b>	holders of Ordinary Shares on the register of members of the Company on the Record Date;
<b>Receiving Agent</b>	Equiniti Limited;
<b>Record Date</b>	6 July 2018;

<b>Registrar</b>	Equiniti, or any other registrar appointed by the Company from time to time;
<b>regulatory authority</b>	any central bank, ministry, governmental, quasi-governmental (including the European Union), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the Takeover Panel, the FCA, the UKLA and the London Stock Exchange;
<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information from listed companies;
<b>Remuneration Committee</b>	the remuneration committee of the Board;
<b>Resolution</b>	the resolution to be proposed at the General Meeting of the Company, as set out more fully at page 160 of the Circular;
<b>Restricted Shareholder</b>	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom;
<b>Restricted Territories</b>	any jurisdiction where the extension and availability of this Prospectus would breach any applicable law, and each a <b>Restricted Territory</b> ;
<b>Rights Issue</b>	the proposed issue by way of rights of New Ordinary Shares to Shareholders;
<b>SEC</b>	the Securities and Exchange Commission of the United States;
<b>Securities Act</b>	the United States Securities Act of 1933, as amended;
<b>SEDOL</b>	the London Stock Exchange Daily Official List of share identifiers;
<b>Selling Shareholders</b>	has the meaning given to it on page 151;
<b>Shareholder</b>	a holder of Ordinary Shares from time to time;
<b>Sharesave</b>	the Company's Sharesave Plan;
<b>Takeover Code</b>	the City Code on Takeovers and Mergers;
<b>Takeover Panel</b>	the Panel on Takeovers and Mergers;
<b>UKLA</b>	the UK Listing Authority;
<b>UK GAAP</b>	UK Generally Accepted Accounting Practice, the accounting standards and other guidance published by the UK Financial Reporting Council;
<b>uncertificated</b> or in <b>uncertificated form</b>	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;

**United Kingdom or UK**

the United Kingdom of Great Britain and Northern Ireland;

**United States or US**

the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia;

**US ESPP**

the Company's US Stock Purchase Plan; and

**VAT**

(i) within the EU, any tax imposed by any member state in accordance with the directive of the council of the European Union on the common system of value added tax (2006/112/EC), and  
(ii) any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition, whether imposed in a member state of the EU in substitution for, or in addition to, such tax imposed pursuant to directive 2006/112/EC, or imposed elsewhere.

