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Half-year results
and
update on strategy implementation

7 December 2011

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Strong momentum

Results

- Corrugated volume +3%
- RoS margin(1) +80bps to 7.6%
- ROACE(2) +300bps to 12.9%
- EPS(1) +44%
- DPS +40%

Strategy

- Substantial progress made
- Momentum building

Capital discipline and expansion

- Otor integrated very well
- Customer-driven investments
- Significant opportunities in fragmented markets

(1) Continuing operations before amortisation and exceptional items
(2) Continuing operations, on a LTM basis

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Consistent framework to build value for shareholders

- ✓ Consistent GDP+ growth
- ✓ Much reduced cyclicality
- ✓ Higher margins
- ✓ Returns above our cost of capital

- Business mix
- Differentiation
- Efficiency
- Culture
- Managing implementation risk

The leading supplier of recycled packaging for consumer goods

Steve Dryden

Group Finance Director

Consistent delivery

Sustainable growth	Good volume growth and improved margin
Faster cost recovery	Continuing to reduce length of contractual price recovery towards three months – to reduce cyclicality
Strong margin progression	Mix effect from Otor integration, business efficiency and operational gearing
Returns above cost of capital	ROACE of 12.9% versus pre-tax cost of capital of c. 10%
Strong cash generation	Strong cash flow from operations underpins ability to invest in growth opportunities

Summary income statement – continuing operations

	HY 2011/12 £m	HY[3] 2010/11 £m	Actual change	Underlying[1] change
Revenue	**1,034.5**	822.2	**+26%**	**+11%**
EBITDA[2]	**111.8**	86.5	**+29%**	
Operating profit[2]	**78.3**	55.5	**+41%**	**+22%**
Return on sales[2]	**7.6%**	6.8%	**+80bps**	
Profit before tax [2]	**65.3**	43.5	**+50%**	
Adjusted earnings[2]	**48.1**	32.2	**+49%**	
Adjusted EPS[2]	**11.1p**	7.7p	**+44%**	
Return on average capital employed[2]	**12.9%**	9.9%	**+300bps**	

(1) Underlying = constant FX, adjusted for acquisitions
(2) Before amortisation and exceptional items
(3) Restated for continuing operations

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Focused on packaging to deliver improving returns on capital

Group†

Revenue	£1,034.5m	+26%
EBIT*	£78.3m	+41%
ROS*	7.6%	+80bps
ROACE*	12.9%	+300bps

UK Packaging

Revenue	£514.4m	+14%
EBIT*	£39.9m	+25%
ROS*	7.8%	+70bps
ROACE*	12.2%	+380bps

European Packaging

Revenue	£386.2m	+56%
EBIT*	£28.0m	+99%
ROS*	7.3%	+160bps
ROACE*	13.3%	+230bps

Plastic Packaging

Revenue	£133.9m	+8%
EBIT*	£10.4m	+11%
ROS*	7.8%	+20bps
ROACE*	15.7%	+120bps

* Before amortisation and exceptional items
† Restated for continuing operations

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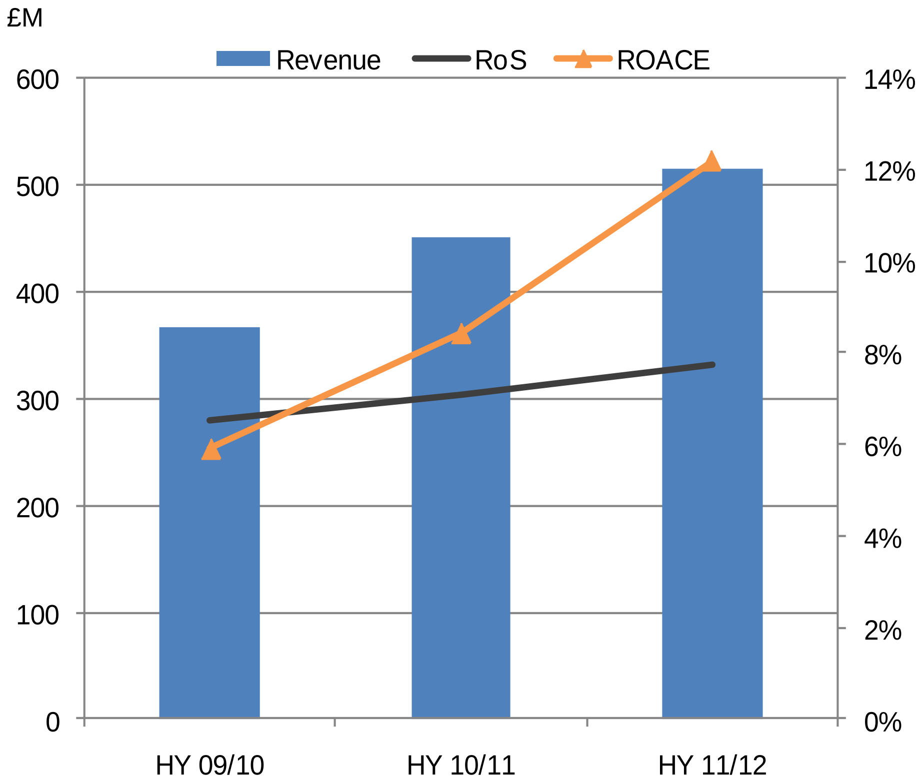
UK Packaging – continuing to develop



- Another strong period of trading from corrugated and recycling
- Paper business steady, focused on supporting packaging
- Innovation driving volume and favourable mix with R-Flute® volumes up 6% period-on-period
- Continued recovery of input cost increases
- Reduced absolute working capital despite revenue growth

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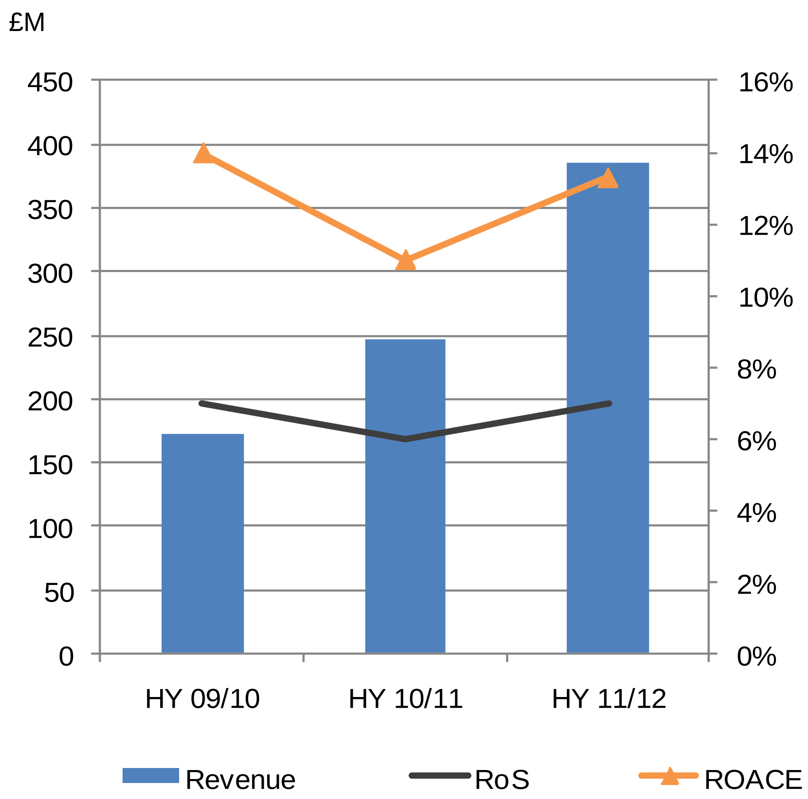
Continental European Packaging – integrating Otor well



- Continued strong performance from FMCG customers in France
  - Investing in new capacity
- Good price recovery and cost control
- Poland performing particularly well due to strong volumes plus disciplined price positioning
- Period benefited from a full 6-month contribution from Otor
  - 14.8% return on investment in last 12 months

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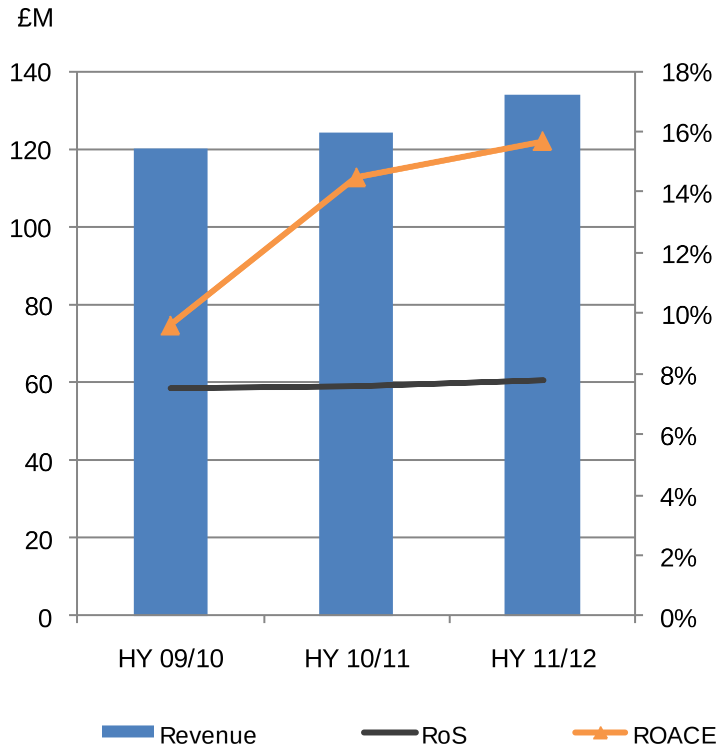
Plastic Packaging – good growth in liquid packaging



- Continued consistent performance
- Particularly strong delivery from LP&D business in US market
  - Success in tea and coffee markets
- Continued balance sheet focus with improved ROACE

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Spicers

- Disposal process
  - July 2011 – announced disposal
  - Workers council ✓
  - SPA ✓
  - Pension clearance ✓
  - EU clearance ongoing
  - Completion by 31 December 2011
- Half year to 31 October 2011
  - Revenue £343.7m
  - EBITA[1] £9.0m
  - RoS 2.6%, +120bps

(1) c. £1m benefit from depreciation not charged from date held for disposal

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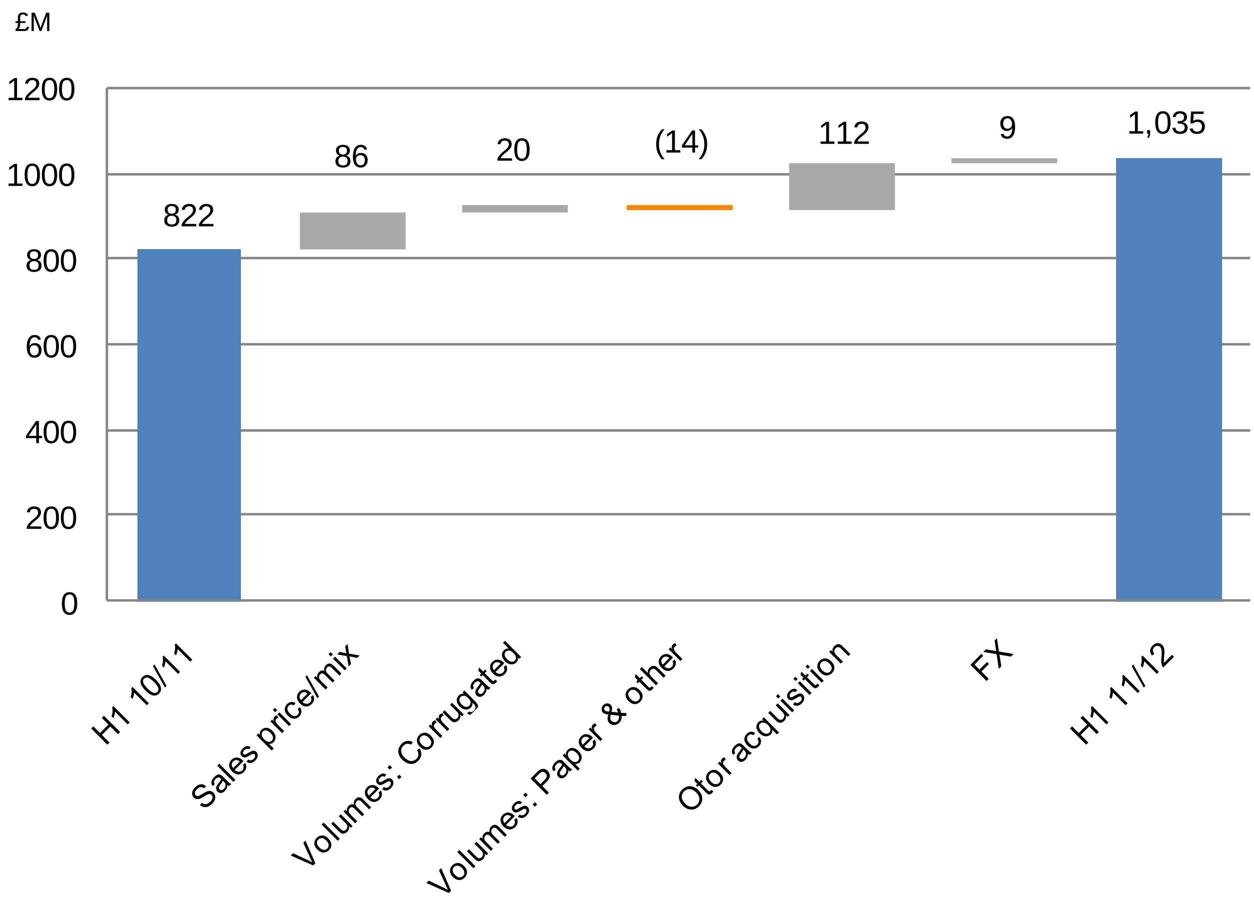
Revenue bridge – recovering costs and growing volumes



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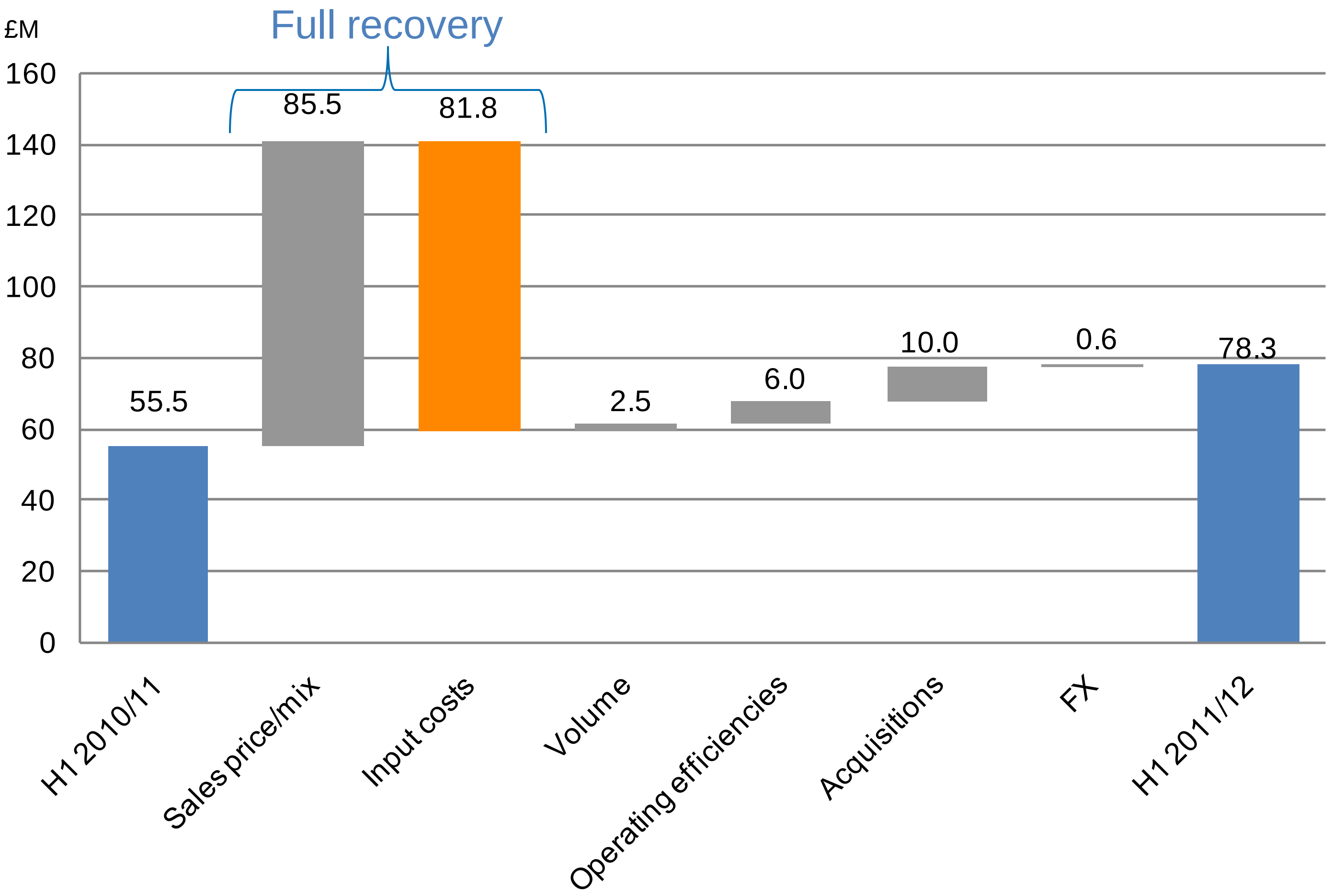
Operating profit bridge – margin improving efficiencies and sales mix



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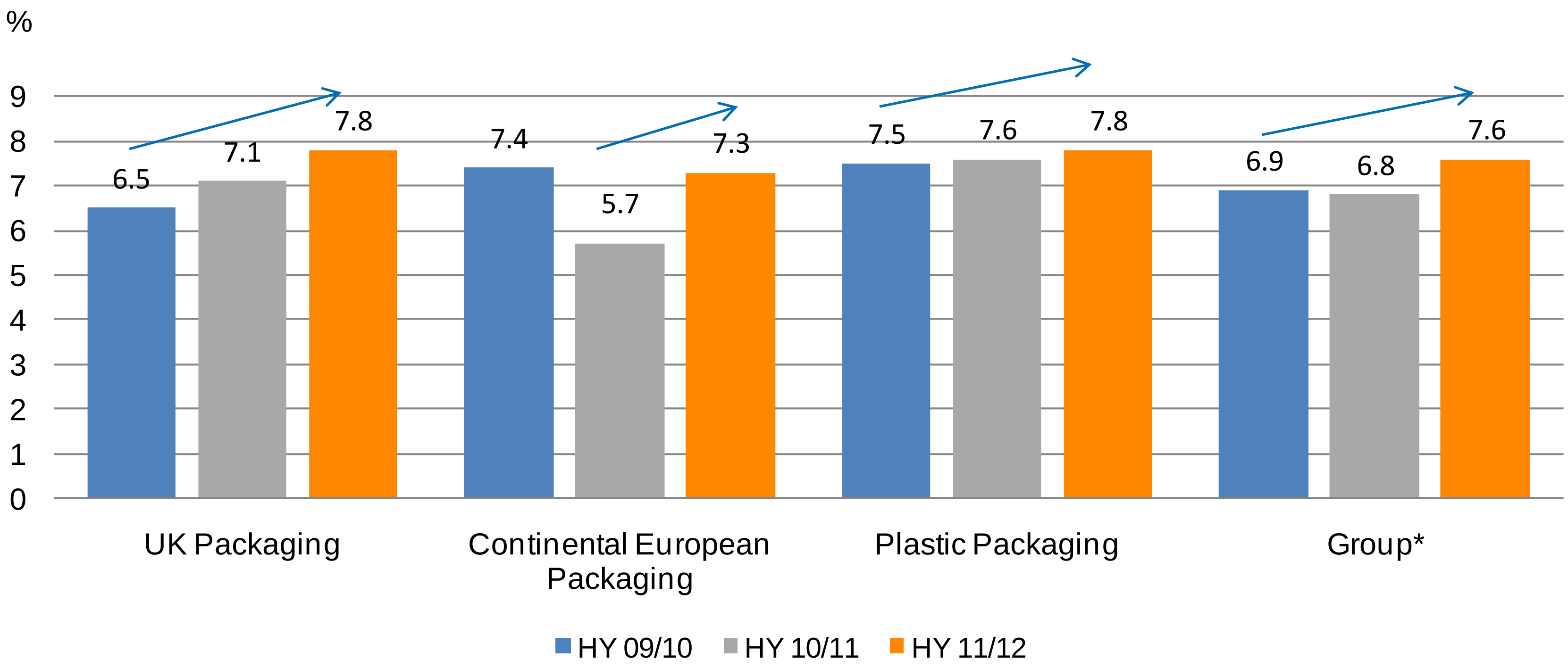
Return on sales – continued progress



* Continuing operations

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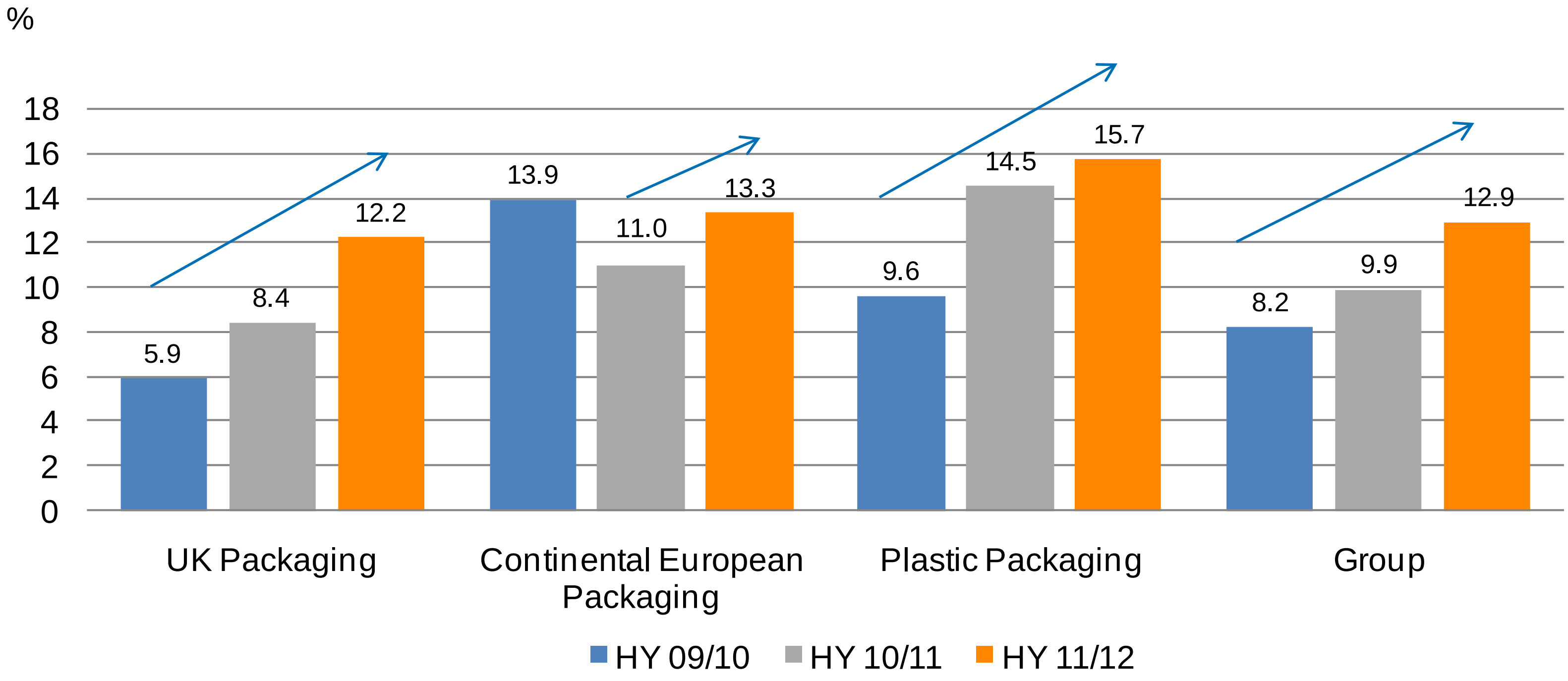
Return on average capital employed[1] – positive momentum



(1) Continuing operations, LTM basis

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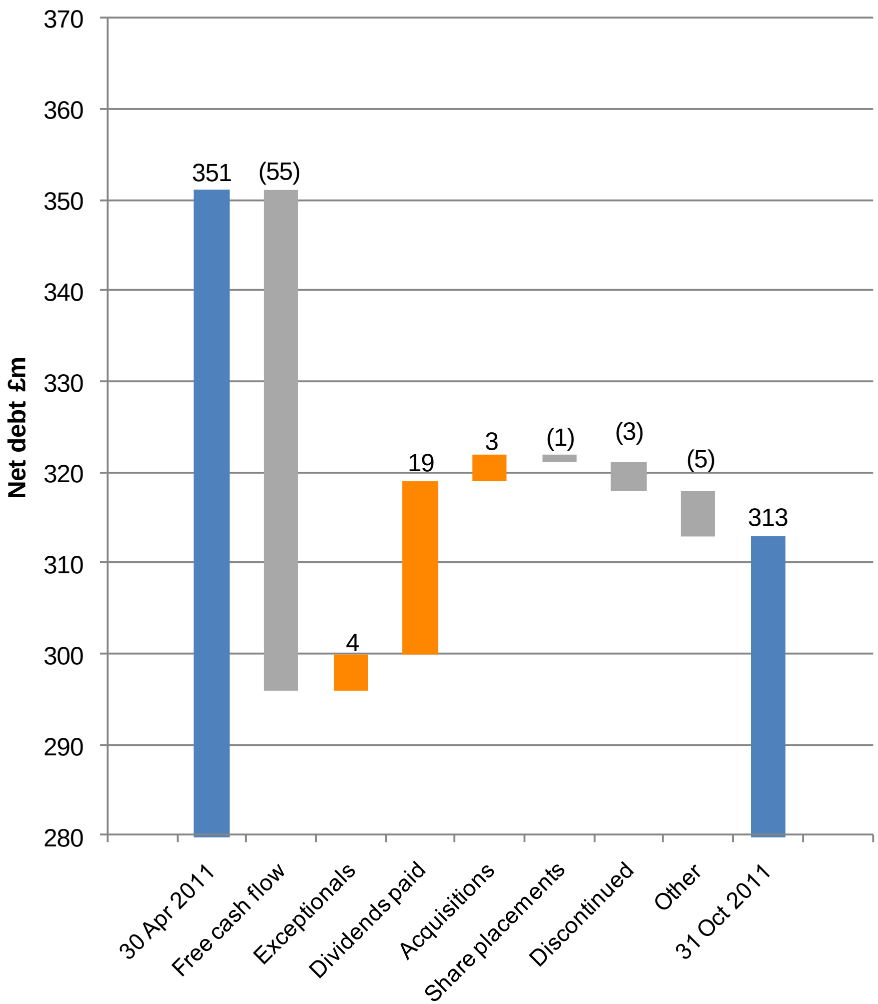
Income statement

£m Continuing operations	HY 2011/12	HY 2010/11	Change
Adjusted operating profit[1]	**78.3**	**55.5**	**22.8**
Net interest charge	(10.5)	(8.5)	**(2.0)**
Pension finance charge	(2.5)	(3.5)	**1.0**
Amortisation of intangible assets	(4.5)	(1.9)	**(2.6)**
Profit before tax and exceptional items	**60.8**	**41.6**	**19.2**
Income tax on profit before exceptional items	(17.2)	(11.3)	**(5.9)**
Underlying tax rate	*28.3%*	*27.1%*	***120bps***
Profit after tax and exceptional items	**43.6**	**30.3**	**13.3**
Exceptional items, net of tax	(14.7)	(5.9)	**(8.8)**
Profit after tax	**28.9**	**24.4**	**4.5**

(1) Before amortisation and exceptional items

Strong cash flow generation funding growth



As at 31 Oct 2011:

- Committed facilities of £970m
- Headroom of £657m
- Net debt to EBITDA 1.3x
- EBITDA interest cover 11.9x
- Consideration of c. £160m net from Spicers before 31 December 2011

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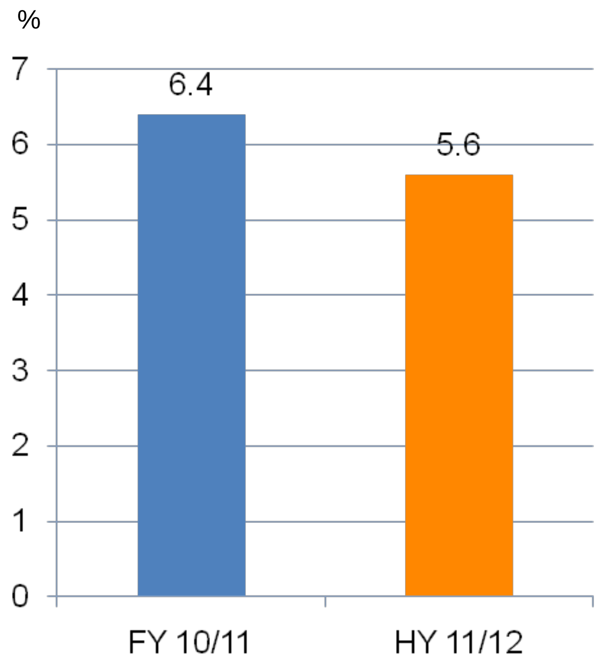
Working capital discipline – realising funds for investment

Average working capital / revenue(1)



- Target to reduce average working capital to 5% of revenue – making progress
- Further opportunity to improve, particularly in inventories
- Absolute reduction in working capital of £8.5m

(1) Based on LTM revenues

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Robust cash flow that can be reinvested

£m Continuing operations		HY 2011/12	HY 2010/11	Change
EBITDA		**111.8**	**86.5**	**25.3**
Working capital		8.5	(0.8)	9.3
Capital expenditure	– maintenance	(21.8)	(11.8)	(10.0)
	– investment	(20.6)	(4.7)	(15.9)
Sale of assets		5.1	1.2	3.9
Taxation		(11.4)	(4.4)	(7.0)
Interest		(10.8)	(6.8)	(4.0)
Other		(5.7)	(4.5)	(1.2)
Free cash flow		**55.1**	**54.7**	**0.4**
Exceptionals		(4.2)	(9.7)	5.5
Dividends		(19.4)	(13.4)	(6.0)
(Acquisitions)/disposals including net debt acquired		(2.5)	(196.0)	193.5
Issue of share capital less purchase of own shares		0.7	47.0	(46.3)
Foreign exchange and fair value movements		5.5	(7.8)	13.3
Net debt movement		**35.2**	**(125.2)**	**160.4**

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Delivering on our strategic financial targets

Metric	Medium term target	HY 2011/12		Progress
Volume growth	>3% (GDP+ growth)	3% corrugated	✓	Outperforming the market
Return on sales	7% - 9%	7.6%	✓	+80bps
ROACE(1)	12 -15%	12.9%	✓	+300bps
Operating cash flow(2) / operating profit	>120%	125%	✓	Continued cash generative trend
Net debt / EBITDA(1)	<2.0x	1.3x	✓	Strong balance sheet

(1) LTM basis
(2) Free cash flow before tax, net interest and growth capital expenditure

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Delivering on our self-help initiatives

Cost savings	Original target	Status
UK efficiency	£10m run-rate by April 2014	Projects on track £3m delivered 2011/12, £3-4m delivered in each of 2012/13 and 2013/14
Procurement	£10m run-rate by April 2012	Projects on track, £9m (split opex and capex) to be delivered in 2011/12
Otor cost synergies	€9.3m by April 2014	Estimate now increased to €13m by April 2013, €3m delivered in 2010/11, additional €6m to be delivered in 2011/12, remainder in 2012/13
Working capital	Reduce from 8% to 5% of revenue by 30 April 2014, equivalent to c. £75m	£40m achieved to date

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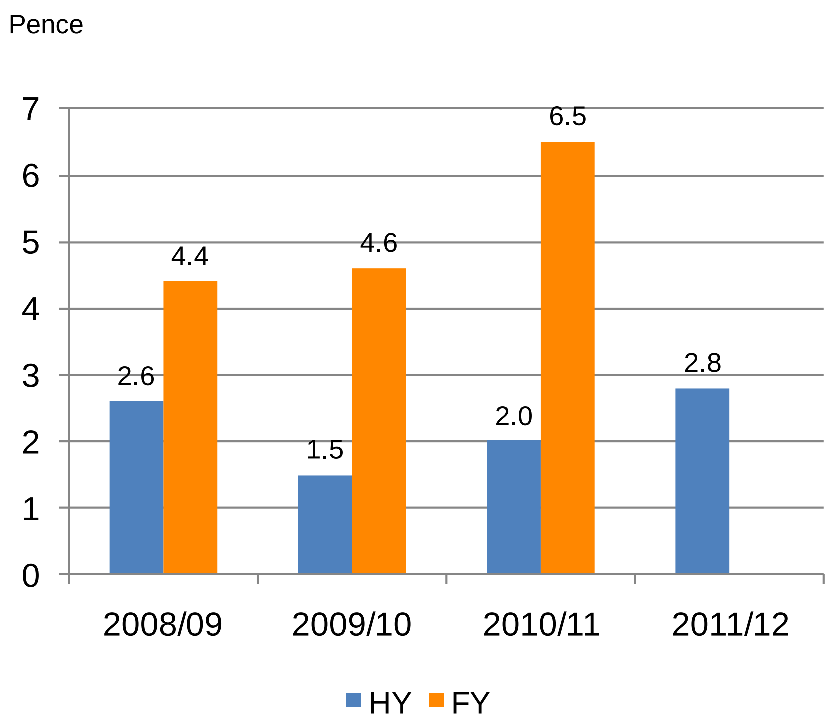
Implementation of strategy delivering sustainable dividends



Strategy to improve returns and to reduce cyclicality in the business

Dividend policy to pay 2-2.5x cover through the cycle

Adjusted EPS from continuing operations up 44%

DPS up 40%

Miles Roberts

Group Chief Executive

A reminder – key themes of our strategy

The leading supplier of recycled packaging for consumer goods

- Build packaging and recycling business
  - In existing markets and new emerging markets
- Significantly reduce non-integrated paper manufacturing
- Streamlined Group
- Realise significant efficiency and working capital savings
- Engage our people

Our customers want us to serve them across Europe

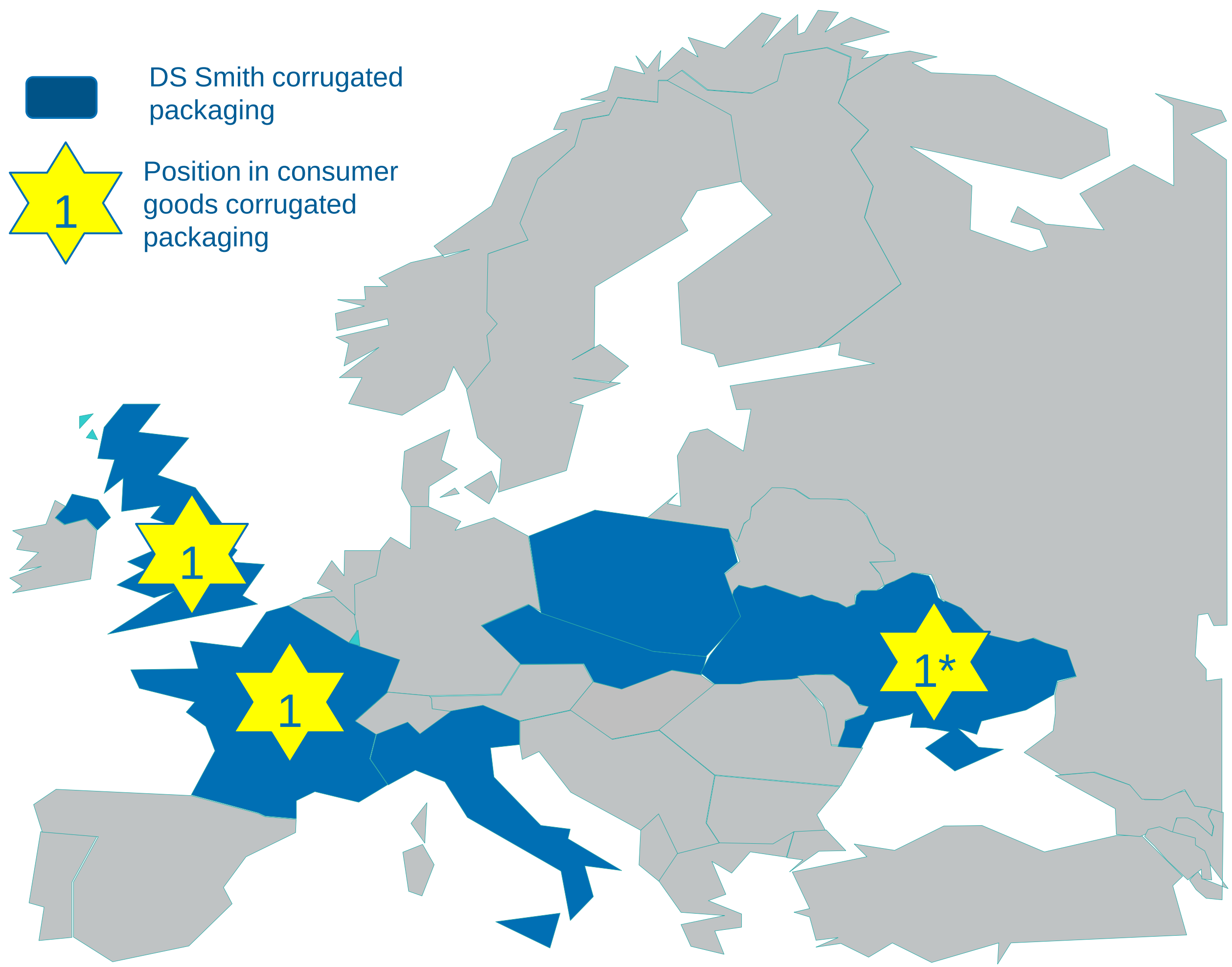
Customer survey

Positives:

- Service
- Responsiveness
- Our people

Development points:

- Looking for more innovation
- Opportunity to be more pan-European



* Associate company

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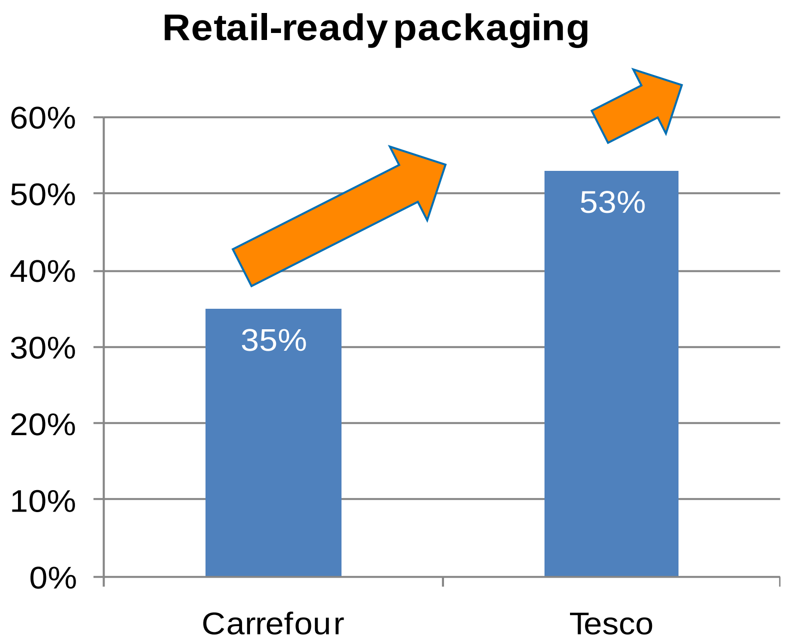
Focused on recycled FMCG packaging - a resilient and growing market

Retail-ready packaging adoption driven by retailers:

"*improved efficiency through increase in shelf-ready packaging*"
Morrisons preliminary results 2010/11

- Faster shelf stacking
- Simpler back of store management and logistics
- Promotes products on the shelf
- 100% recyclable
- Income stream from used boxes



% use of retail-ready packaging on store shelves. Source: OC&C

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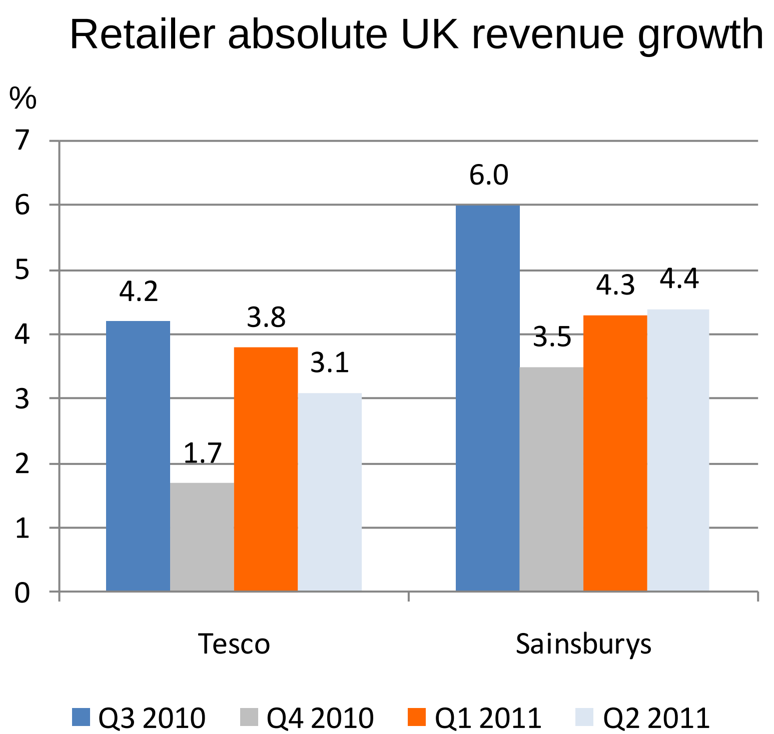
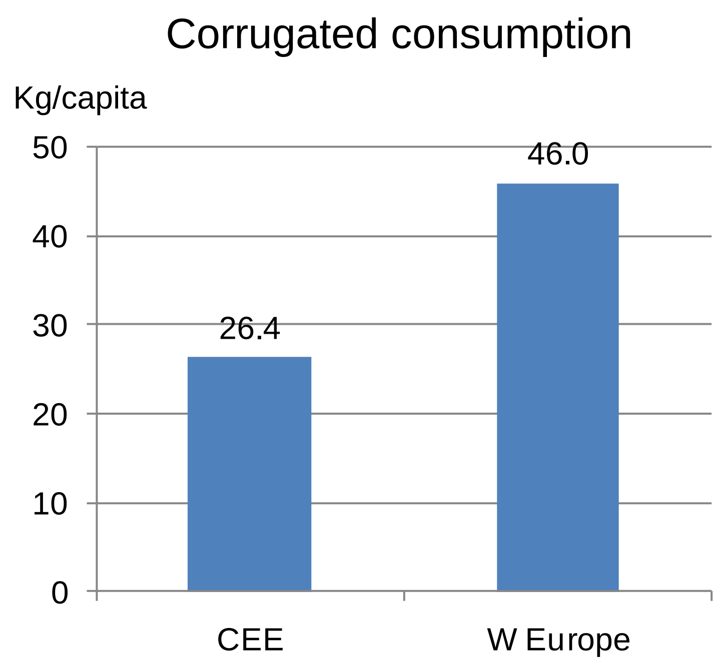
The growth in the large retailers is driving the use of retail-ready packaging

Large retailers adding additional floor space to drive above GDP growth

Corrugated consumption in central and eastern Europe growing





Source: JPMorgan analysis, ex fuel and VAT

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

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Expansion: Excellent delivery from Otor

- Otor integrated and driving revenue opportunities throughout the business
- Significant wins with customers building on our expanded footprint
- Otor employees aligned with our objectives
  - H&S, talent management, opinion surveys, remuneration structures
- Reduced working capital
- More to go for
- Return on investment in the last 12 months of 14.8%

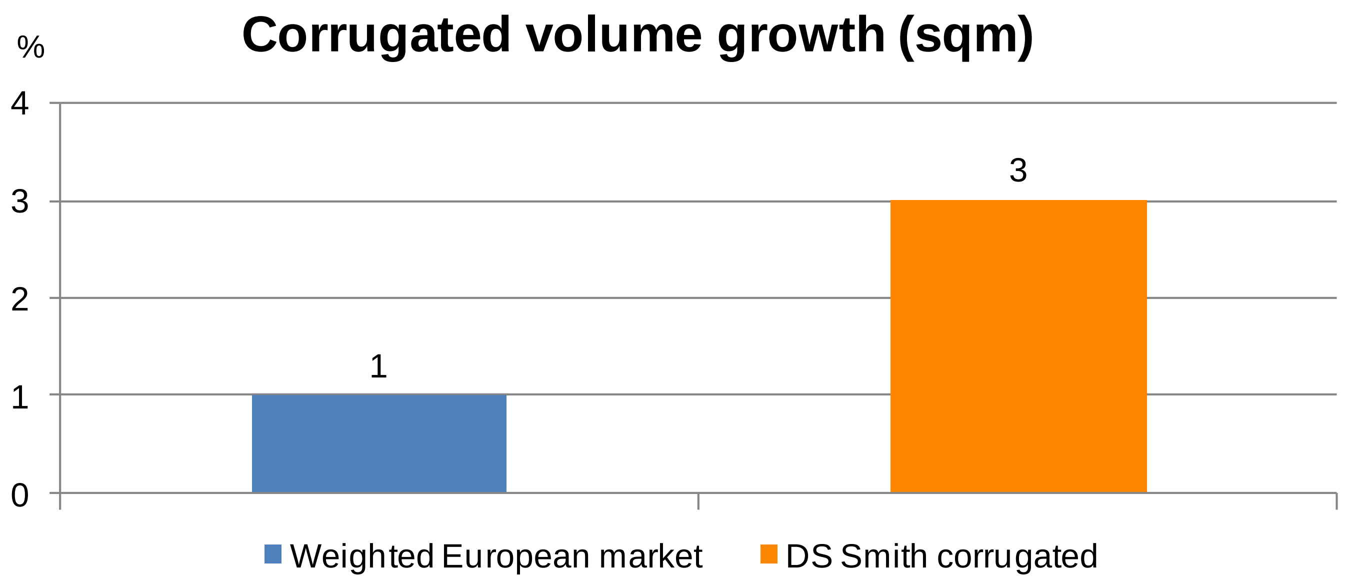
Expansion: Good momentum across the business

- Recycling business operating in Poland, starting in Czech Republic soon
- Acquired small packaging plant in Western Russia
  - €6.5m consideration, volume c. 50m sqm
- Investing in new packaging capacity across the business
  - Printing
  - Die-cut
  - Performance packaging paper

Expansion: focusing on our customers

- Commercial differentiation by focusing on our customers
  - Targets for service (on-time, in-full) and for quality
  - Co-ordinated management of pan-European customers
  - Customer survey – 72% response rate
  - New Impact and Innovation Centre being developed in Poland, building on the success of those in France and the UK
  - Developing a new technical centre in the UK
  - R-Flute®
    - ~ Roll out in France and Poland
    - ~ 6% period-on-period volume growth in the UK

We are outperforming the corrugated market through our focus on our customers



Source: FEFCO, for period April 2011 – Oct 2011
Weighted market (UK, France, Poland, Italy) in proportion to DS Smith corrugated volumes

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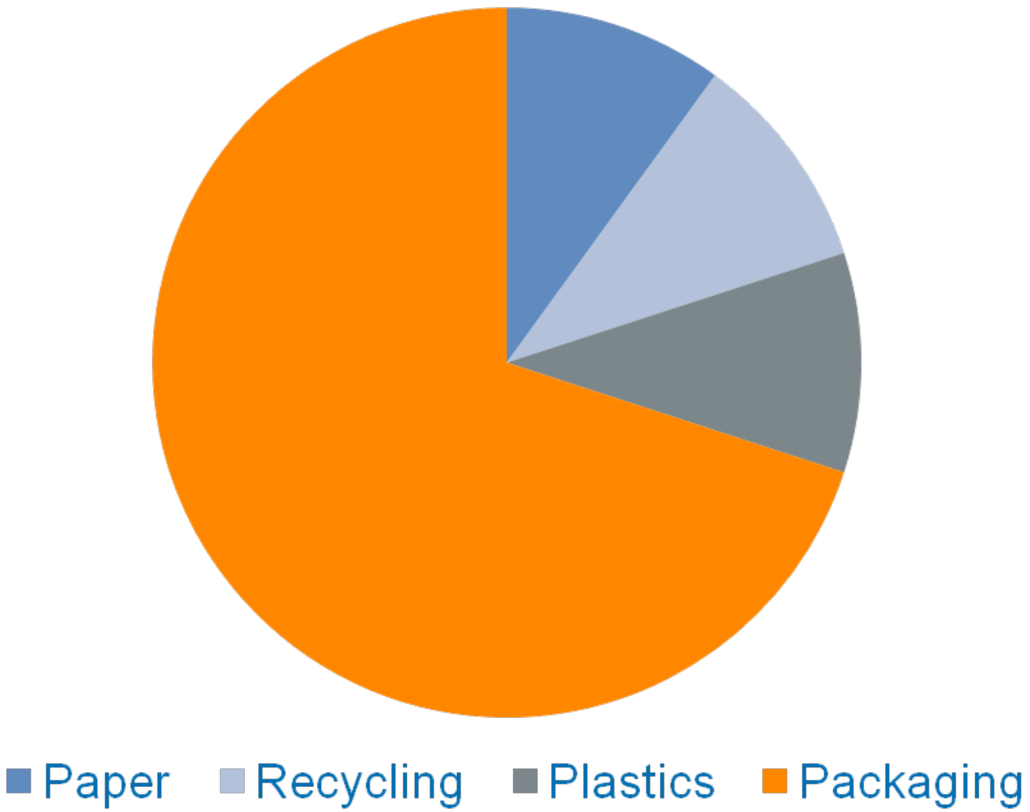
We are focused on packaging and recycling, short in paper

Where our profit is made



- Net buyer of paper
- Paper industry suffers from oversupply
- Limit need to tie up capital in paper assets
- Paper expected to be only c. 10% of Group profits this year

Indicative 2011/12 operating profit by activity

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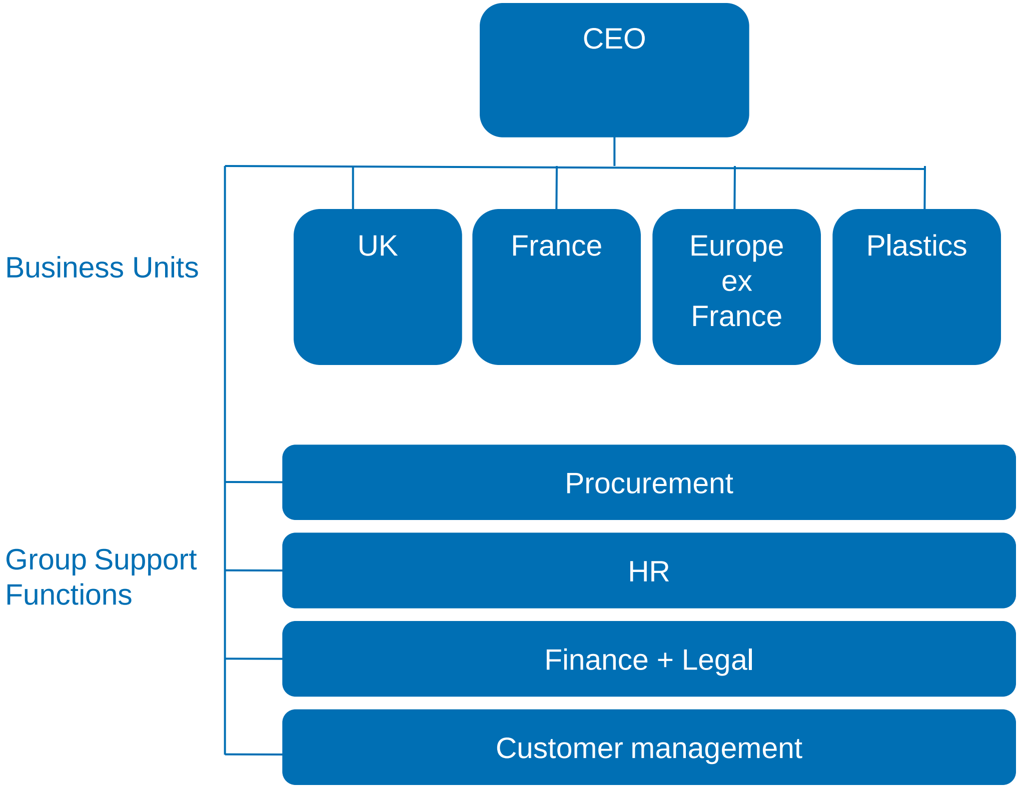
Strategy implementation: self-help efficiency strategy supports margins and returns

- Cost savings programmes on track
  - £10m annual run-rate from UK efficiency by April 2014
  - £10m annual run-rate procurement by April 2012
  - €13m annual run-rate Otor synergy by April 2013
- Head of Procurement in place and a team formed across the business
- UK efficiency progressing
- Capital efficiency

Strategy implementation: employees aligned with business objectives

- Our actions:
  - Communication
  - Appraisal
  - Talent management
  - Promotion
  - Reward
- Scalable central support functions



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Outlook

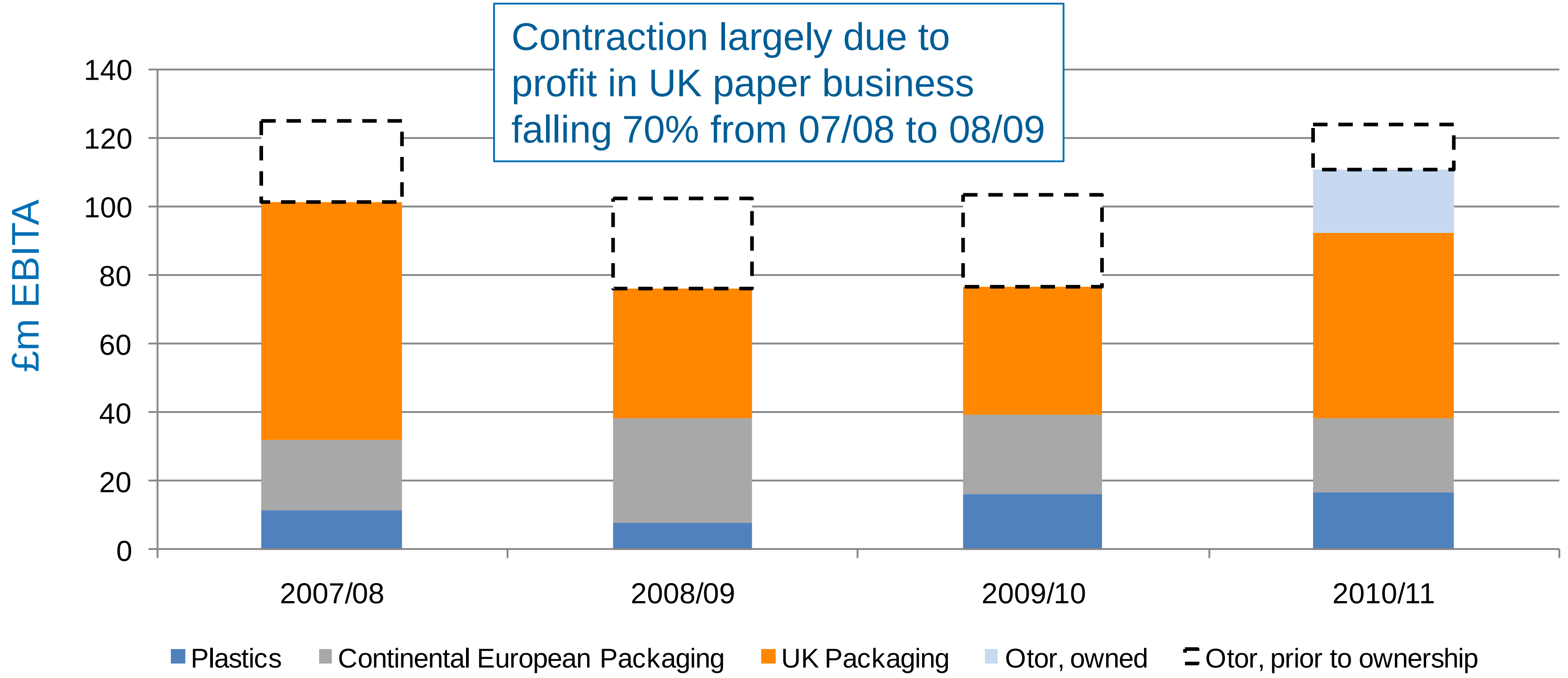
- “We remain confident in the trading outlook for the remainder of this financial year, due to our resilient, growing customer base, despite the uncertain macro-economic environment.”
- “The actions that we are taking to develop the packaging business and to drive efficiency improvements, will position the Group well in the more challenging trading environment and into the medium term.”

Significant opportunities ahead

- We are confident about the future:
- Strong market positions
- Momentum in our operations
- Developing our people and infrastructure
- Strategy for growth
- Capability to deliver

APPENDIX

Our emphasis on packaging reduces the financial impact of the paper cycle



UK GDP	+2.7%	-0.1%	-4.9%	+1.3%
France GDP	+2.3%	-0.1%	-2.7%	+1.5%

GDP Source: World Bank.
Otor financial metrics per historic audited financial statements, allocated pro rata to a 30 April 2011 year end and converted at the average prevailing FX rate for that year

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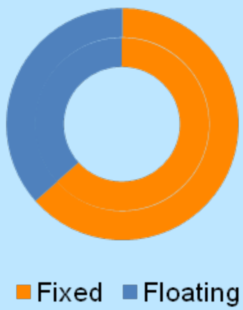
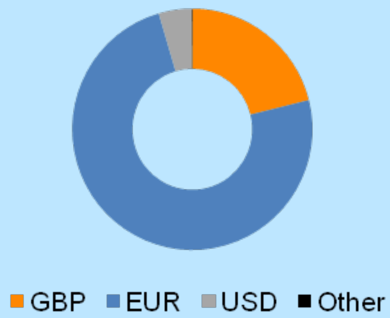
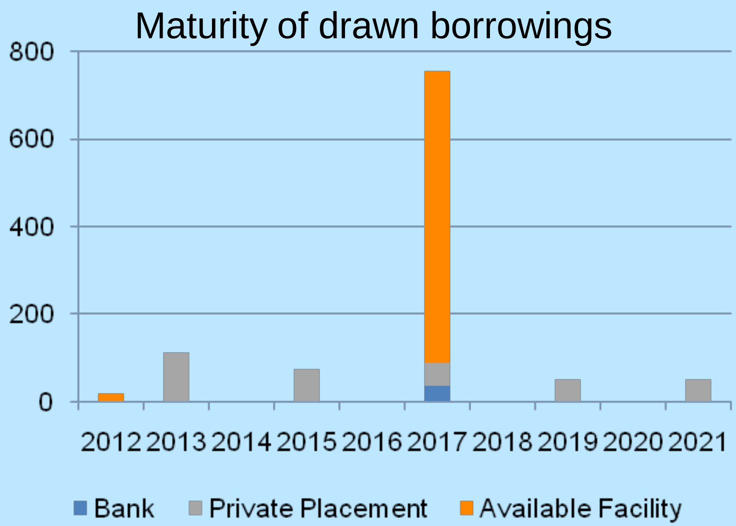
Technical details

Input cost/ recovery	2011/12	Targeting full recovery
Finance cost	2011/12	Effective rate on debt balance 5.5%
Net capital expenditure	2011/12	c. £90m
Tax rate	2011/12	28.3%

Debt analysis







Weighted average life of borrowing facilities is 4.7 years

Net debt	**£m**
Borrowings	362.7
Derivative financial instruments	17.9
Less net cash	(67.7)
*Net debt	**312.9**

*Consolidated Net Assets	686.9
*EBITDA/Net Debt ratio	1.3
*EBITDA/Net Interest Payable	11.9

* As defined by the Group's banking covenants

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Covenant headroom

Covenant	October 2011	Headroom	April 2011	Headroom
Consolidated Net Assets* >£360m	£686.9m	£326.9m	£696.0	£336.0m
Net Debt/EBITDA ratio* <3.25 times	1.3	EBITDA £138.6m	1.6	EBITDA £111.3m
EBITDA (April: EBIT)/Net Interest Payable* >4.5 times (April: >3.0)	11.9	EBITDA £146.3m	7.6	Profit before tax £84.0m

*As defined by the Group banking covenants

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Working capital saving

- Target £75m by April 2014, reducing proportion of working capital to revenue from 8% to 5%
- Saving achieved in 2010/11: £24.2m
- Saving in H1 2011/12:
  - Organic increase in revenue in period = £92.0m
  - Implied increase in working capital @8% = £7.4m
  - Net inflow from working capital = £8.5m
  - Therefore: net saving in working capital in H1 2011/12 = £15.9m
- Total saving to date: £40.1m

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FX rates

6 months to 31 October 2011	Average	Closing
Euro € / £	1.14	1.16

6 months to 31 October 2010	Average	Closing
Euro € / £	1.19	1.15

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