



DS SMITH PLC – BINDING OFFER FOR SPICERS RECEIVED
FOR ENTERPRISE VALUE OF £200 MILLION

6 July 2011

Summary points

Assuming the proposed disposal completes:

- would be a significant step forward in implementing strategy to become the leading supplier of recycled packaging for consumer goods
- proceeds from disposal would be used in short term to reduce net debt; and, in due course, to reinvest and expand geographic coverage in recycled packaging
- there would be an upward revision of DS Smith's medium-term operating margin financial target

DS Smith Plc (“DS Smith” or the “Group”), the international supplier of recycled packaging for consumer goods, has received a binding offer for its European office products wholesaling business (“Spicers”) from Unipapel S.A. (“Unipapel”) for an enterprise value of £200 million. On completion of any sale, Unipapel will satisfy its offer in cash and by the assumption of existing debt. The net cash proceeds would, in the short term, be used to reduce the Group's net indebtedness. Looking further ahead, the proceeds would be available to reinvest in the Group's recycled packaging business with the aim of expanding its geographic coverage.

In December 2010, DS Smith outlined the results of its business strategy review and the Group has a stated aim of becoming the leading supplier of recycled packaging for consumer goods. In line with this strategy, DS Smith decided to consider a sale of Spicers, the leading provider of office products in Western Europe.

Spicers is the leading European wholesaler of office products, with leading market positions in the UK, Ireland, France and the Benelux region, and with developing businesses in Germany, Spain and Italy. As at 30 April 2011, the gross assets of Spicers were £235 million and the gross liabilities were £126 million. The business made an operating profit of £24 million on revenues of £715 million in the year to 30 April 2011.

DS Smith has committed to a period of exclusivity during which DS Smith will inform and consult with Spicers' works councils. Should DS Smith breach its exclusivity commitment or not accept the binding offer within the exclusivity period, break fees of up to £11.2 million will be payable by DS Smith to Unipapel. Completion of the proposed disposal will be subject to certain conditions, including anti-trust approval, and completion price adjustments.

The proposed disposal of Spicers would represent a significant step forward in implementing the strategy announced in December 2010 to focus on the recycled packaging business. Accordingly, the medium-term financial targets of DS Smith, which were published on the basis of the business mix at the time of their announcement, have been considered and would be revised where appropriate. In particular, the return on sales target of 6% - 8% would be revised to 7% - 9%. The other targets - specifically for volume growth of 3%, return on average capital employed of 12% - 15%, operating cash flow (before growth capex) of over 120% of operating profit and net debt to be under 2.0x EBITDA - would be maintained. Following completion of the proposed disposal, DS

Smith estimates its Group cost of capital would be c.10.5%. The pension trustees of the DS Smith UK scheme have indicated that, following completion of the proposed disposal, the previously agreed ten-year pension deficit reduction payment schedule would be accelerated by one year.

Lazard is acting as financial adviser to DS Smith on this transaction.

Miles Roberts, Group Chief Executive, DS Smith commented:

"The proposed sale of Spicers, our European office products wholesaling business, represents a key strategic step in the streamlining of the DS Smith group to become focused on recycled packaging for consumer goods. We will work closely with Unipapel to ensure that Spicers' customers continue to receive a high quality of service and to ensure a smooth transition period for customers and employees. Following the proposed transaction, our aim is to continue to focus on and build our European packaging business."

Conference call for investors and analysts

There will be a short conference call for investors and analysts at 08:00 today. Dial-in details: 020 8817 9301, reference 5231258. A short set of slides to accompany the call are available on the DS Smith website.

A replay of the call will be available until 12 July 2011 on 020 7769 6425, reference 5231258#

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