Full-year results 2012/13

27 June 2013

Introduction

Miles Roberts

Group Chief Executive

Results highlights

For the full-year to 30 April 2013

- Revenue up 86% to £3.7bn
- Adjusted operating profit(1) up 77% to £250.9m
- PBT(1) up 77% to £209.9m
- EPS(1) +36% to 17.4p
- Full-year dividend per share up 36% to 8.0p
- ROACE(1) 12.3% in line with medium-term target
- Free cash flow up 186% to £270.4m

(1) Continuing operations, before exceptional items and amortisation

A transformational year

Substantial operational, financial and strategic progress

- Stronger and sustainable business model for all our stakeholders
- Developed management and culture
- Improved environmental and health and safety metrics
- Successful integration of SCA Packaging – synergies ahead of targets
- Built a pan-European supply coverage
- Enhanced commercial proposition and technology, driving market share
- Platform for further growth

Financial Review

Steve Dryden

Group Finance Director

Consistent value creation

Strong cash generation	• Free cash flow of £270.4m, a 186% increase • Significant cash inflow from working capital
Debt reduction ahead of plan	• Balance sheet strengthened • Net debt/EBITDA at 1.97x, in line with medium-term financial target
Return on sales	• Margin of 6.8% (compared to 2011/12 pro forma* of 6.6%) • Underlying improvement in Packaging margins, weaker in Paper as expected
Returns above cost of capital	• ROACE of 12.3% (compared to 2011/12 pro forma* of 12.0%) • In line with Group target of 12%-15% and significantly above our cost of capital of c.9.5%
Progressive dividend growth	• Full-year dividend up 36% to 8.0p • Dividend cover of 2.2x is in line with dividend policy of 2-2.5x cover

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

* Like-for-like, including SCA Packaging results for July 2011 – April 2012

D S Smith Plc

Financial Highlights

Continuing operations* (£m)	**2012/13**	**2011/12**	***Change***
Revenue	3,669.3	1,969.4	*86%*
Operating profit	250.9	142.0	*77%*
Return on sales	**6.8%**	**7.2%**	***(40bps)***
Profit before tax	209.9	118.8	*77%*
Adjusted earnings	161.1	87.3	74%
Adjusted EPS	17.4p	12.8p	*36%*
Asset turnover**	1.8x	2.0x	(0.2x)
Return on average capital employed	**12.3%**	**14.6%**	***(230bps)***

* Before amortisation and exceptional items

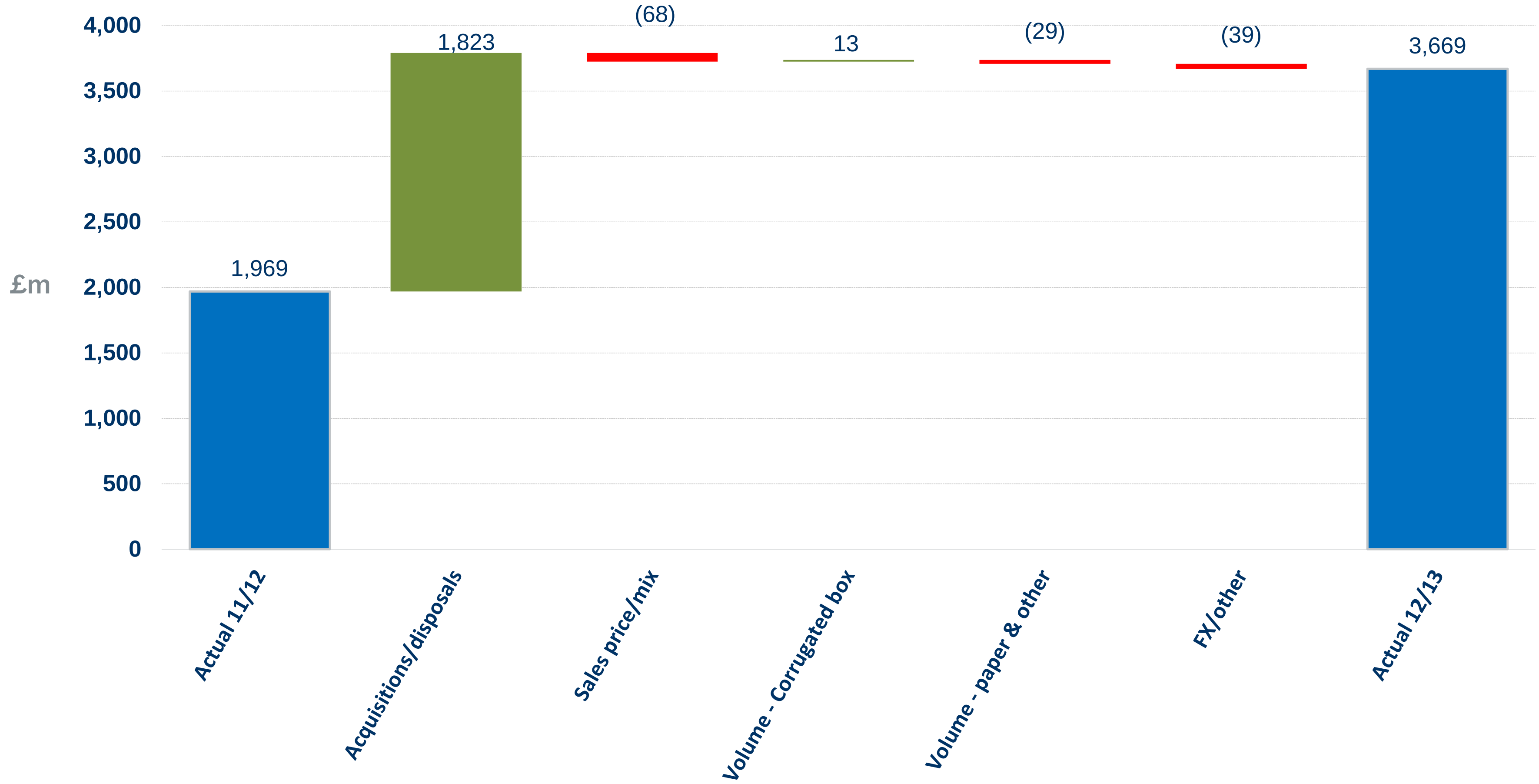
** Revenue divided by average capital employed for the year

Group Income Statement

£m	2012/13	2011/12	*Change*
Operating profit*	**250.9**	**142.0**	***108.9***
Net interest charge	(36.4)	(18.4)	*(18.0)*
Pension finance charge	(4.6)	(4.8)	*0.2*
Profit before tax*	**209.9**	**118.8**	***91.1***
Income tax	(49.6)	(32.8)	*(16.8)*
Underlying tax rate	*23.6%*	*27.6%*	*(400bps)*
Profit after tax*	**160.3**	**86.0**	***74.3***
Amortisation of intangible assets (net of tax)	(31.6)	(5.9)	(25.7)
SCA acquisition costs (net of tax)	(10.9)	(16.5)	5.6
SCA integration costs (net of tax)	(42.0)	-	(42.0)
Other exceptional items (net of tax)	(6.7)	(54.7)	48.0
Discontinued operations (including profit on disposal)	7.2	67.3	*(60.1)*
Share of profit/(loss) of associate	1.2	(0.5)	*1.7*
Profit for the year	**77.5**	**75.7**	***1.8***

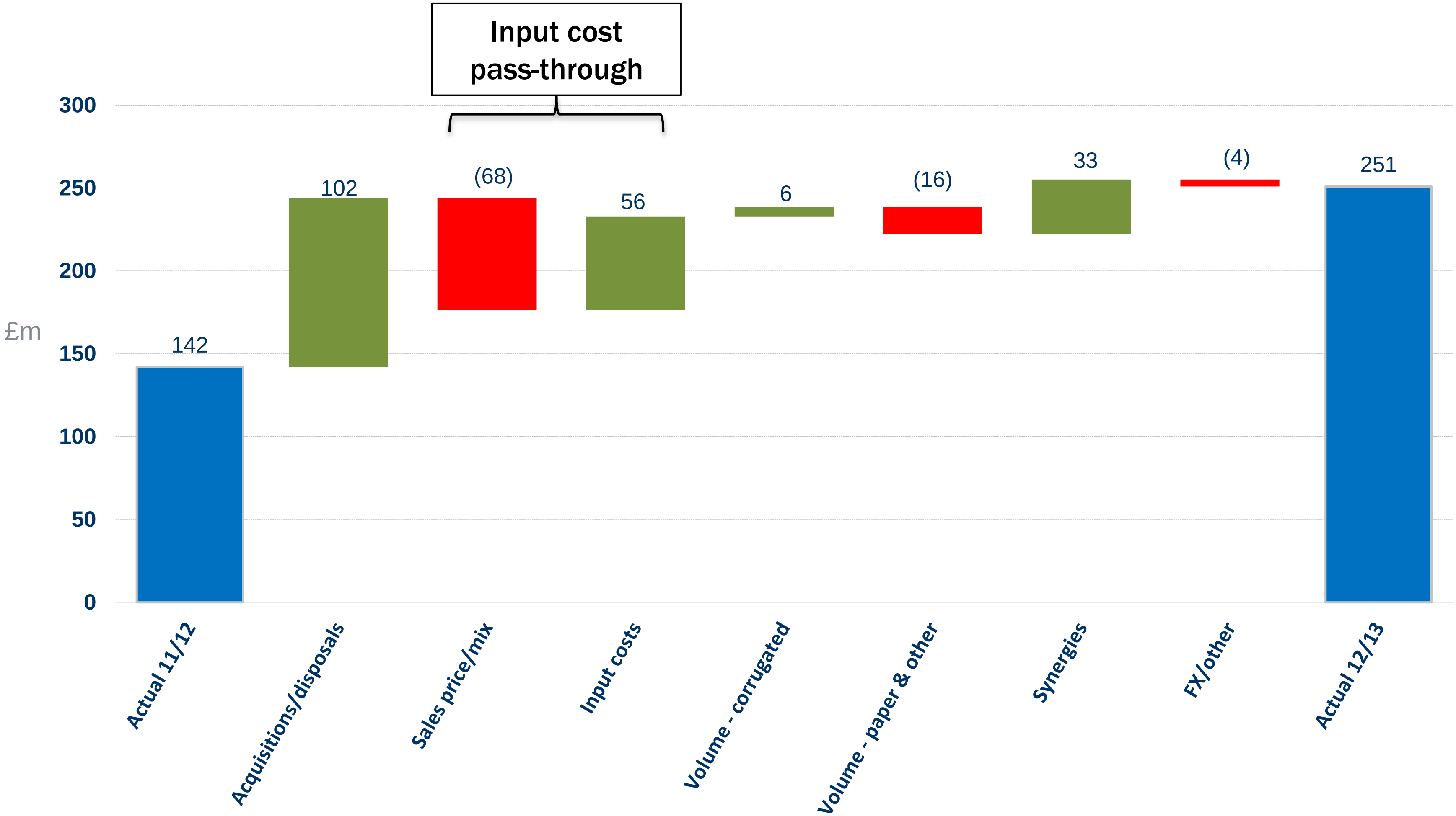
* Continuing operations excluding amortisation and exceptional items

Revenue bridge*



* Continuing operations

Operating profit bridge*



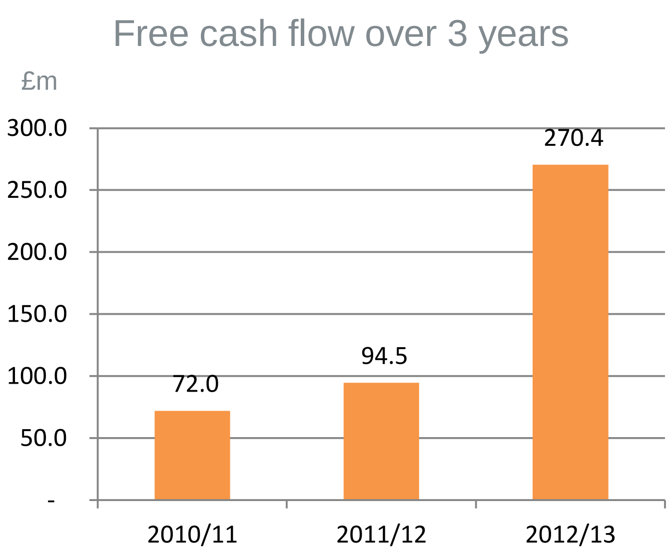
* Continuing operations, excluding amortisation and exceptional items

Regional performances – return on sales

Region	2012/13 %	2011/12 %	Comment
UK	5.0	6.7	Paper performance
Western Europe	7.6	6.8	Business mix
DACH and Northern Europe	7.5	3.8	Very small comparator
Central Europe and Italy	6.9	9.8	Paper performance
Plastics	8.6	8.3	Good LP&D performance

Free cash flow up 186%

£m	2012/13	2011/12	*Change*
EBITDA	**363.3**	**205.9**	***157.4***
Working capital	157.9	43.7	*114.2*
Pension payments/other	(17.9)	(24.1)	*6.2*
Capex*	(156.6)	(85.9)	*(70.7)*
Tax paid	(41.7)	(25.3)	*(16.4)*
Net interest paid	(34.6)	(19.8)	*(14.8)*
Free cash flow	**270.4**	**94.5**	***175.9***
FCF per share	**29.2p**	**13.9p**	***15.3p***



* Capital expenditure net of asset sale proceeds

Working capital

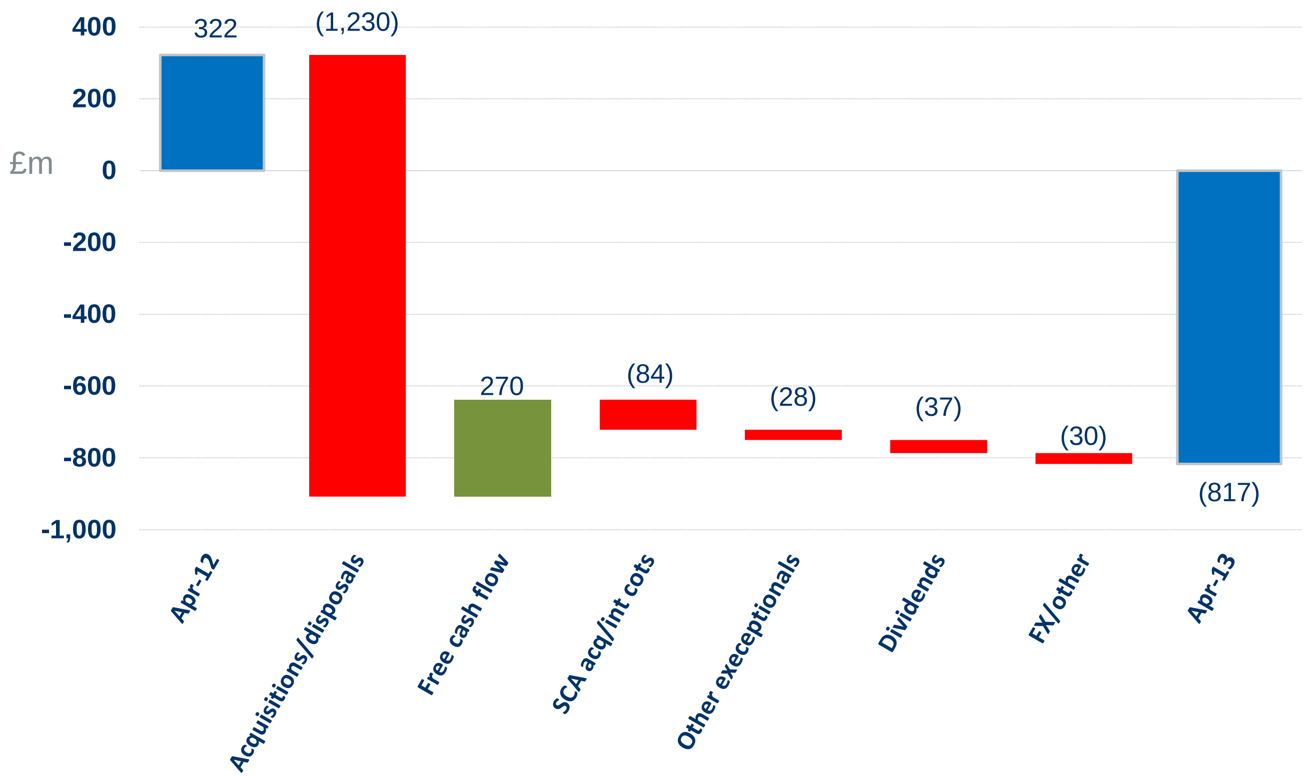
Substantial post-acquisition working capital improvement

	DS Smith	SCA Packaging	Group
	April 2012	**Dec 2011***	**FY 2012/13**
Average monthly working capital/sales	4.9%	10.3%	4.5%
	April 2012	**Dec 2011***	**FY 2012/13**
Inventory days	27.1	24.6	23.7

- Significant opportunity to further reduce inventory

* As per the prospectus for the acquisition of SCA Packaging

Net debt



At 30 April 2013:

- Net debt £817m
- Net debt/EBITDA 1.97x
- EBITDA interest cover 9.7x
- Committed facilities of c.£1.4bn (following repayment of 2002 private placement in November)
- Next material refinancing in 2016

Delivering on our strategic financial targets

Metric	Medium term target	FY 2012/13		Progress
Volume growth*	GDP + 1% =+0.5%	+0.6%	✓	In line with target, stronger volume growth in legacy DSS, improving trend in SCA Packaging
Return on sales**	7% - 9%	6.8%	✗	Marginally below target, reflecting SCA acquisition and paper weakness
ROACE**	12% - 15%	12.3%	✓	In line with target, despite dilution from SCA Packaging
Cash conversion	>120%	171%	✓	Significantly ahead due to strong working capital management
Net debt / EBITDA***	≤2.0x	1.97x	✓	Excellent progress made in reducing debt levels. Achieved level a year ahead of target

* Corrugated boxes

** Before amortisation and exceptional items

*** EBITDA on an annualised basis, including pre-acquisition SCA Packaging EBITDA

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Delivered more synergies – faster

Synergy	Original target	Latest target (June 2013)	Delivered in FY 2012/13
Cost savings by April 2015	€75m	€120m (€40m by April 2013, with balance spread evenly over the following 2 years)	€40m
Cash savings by April 2015	€40m	€150m (€120m by April 2013, with balance spread 60:40 over the following 2 years)	€120m
Disposal of surplus assets by April 2015	Nil	€100m	€60m

- Total one-off cost to achieve both cash and cost savings of €120m, up from original estimate of €90m

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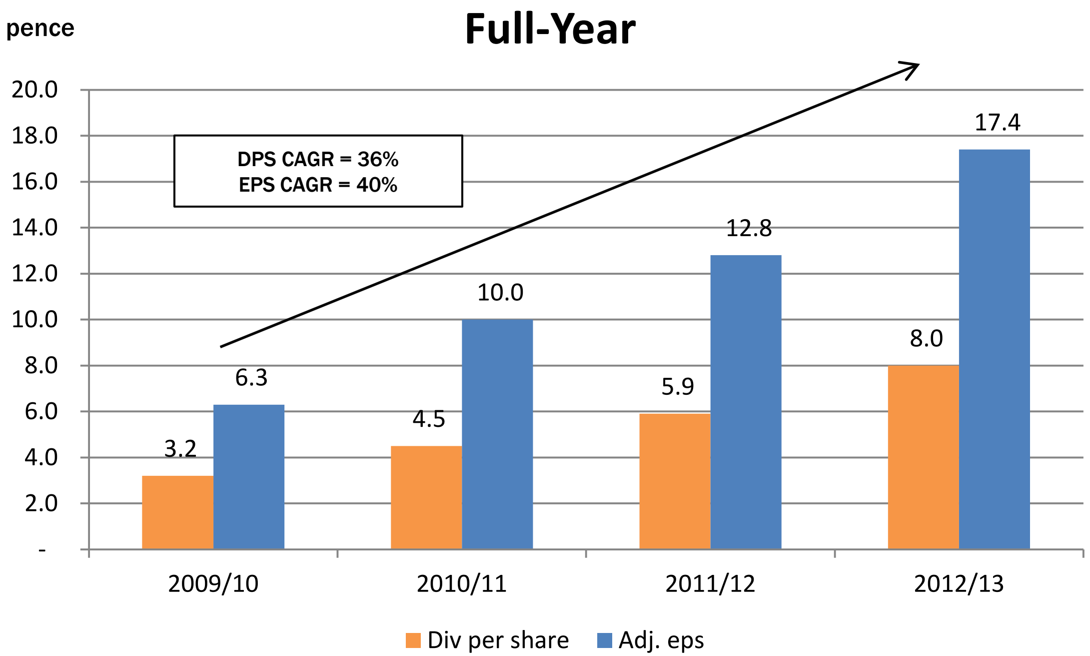
Technical guidance for 2013/14

- Net capex of £160m, depreciation £130m
- Interest rate 4.3%
- Tax rate 23%
- Amortisation charge of £50m
- IAS 19 Pension interest charge £10m, (£4.6m in 2012/13), further £2m cost impact

Delivering sustainable dividends*



- Strategy to improve returns and to reduce cyclicality in the business
- Dividend cover of 2.2x is in line with policy to pay 2-2.5x cover through the cycle
- Adjusted EPS from continuing operations up 36%
- DPS up 36% to 8.0p

* Restated for rights issue bonus factor

Business review and strategy

Miles Roberts

Group Chief Executive

Strong platform for growth

Delivering for all our stakeholders

- Shareholders
  - Strong operational, financial and strategic progress
- Employees
  - One culture, aligned with corporate values
  - Improved Health and Safety
- Environment
  - Reducing carbon footprint for ourselves and our customers
  - Improvements in all 3 key targets
- Customers
  - Service, quality and innovation driving growth

Creating shareholder value

Sustainable and growing returns

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

- Business mix
- Differentiation
- Efficiency
- Culture
- Managing risk
- Synergies
- Opportunities for development

Successful integration of SCA Packaging

Building a stronger foundation together

- Earlier delivery of synergies than originally expected
- Enhanced cost and cash synergies targets
- Above cost of capital returns in first year
- Improving performance in ex SCA Packaging
- Continue to receive good employee and customer buy-in
- Transforming commercial proposition to customers
- Strengthened organisational structures

Continued development of cultural change programme

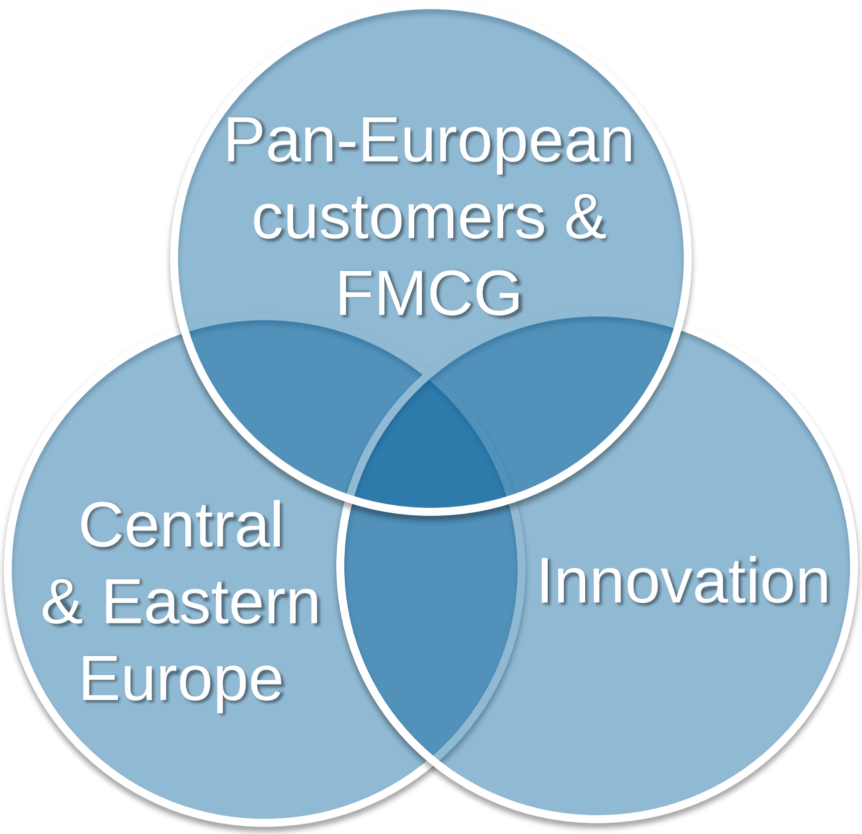
- Strengthened management team to reflect development of the business
- Developing a common culture across the enlarged Group aligned with shareholders
- “OWN IT” programme rolled out to former SCA Packaging employees
- Strong employee engagement - employee survey – 87% participation
- Health and safety - AFR improved by 13%
- Built the organisational structure to support further growth

Improving environmental performance

Reducing carbon footprint for DS Smith and our customers

- Improved performance in all 3 key target areas
  - CO_2 emissions down 7.7%
  - Waste to landfill down 6.8%
  - Water usage down 3.4%

Developing our commercial proposition



Becoming a strategic business partner

- Market trends favour scale players – FMCG companies becoming more global in their supply chains
- Focus on resilient FMCG sector – 81% of pan-European customers, over 60% of all customers
- Growing our services, adding value and differentiation
  - Innovative packaging solutions that reduce raw materials, costs and carbon footprint, but deliver performance
- Supported by marketing, sales and design platform with network of design and innovation centres
- #1 supplier of corrugated packaging to Nestlé (criteria: innovation, technical capability, relationship, performance and sustainability)

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Driving sales through innovation

- Solutions provider for our customers
- Design network – 1 Innovation Centre, 3 Impact and Innovation Centres and 17 design centres
- Increased investment in R&D and innovation
- Successful development of innovative products and services
- R-flute penetration increasing across the enlarged group
- Mandrel-construction packaging technology licensed in both the US and Far East
- Award winning packaging designs and patented products for for major FMCG customers

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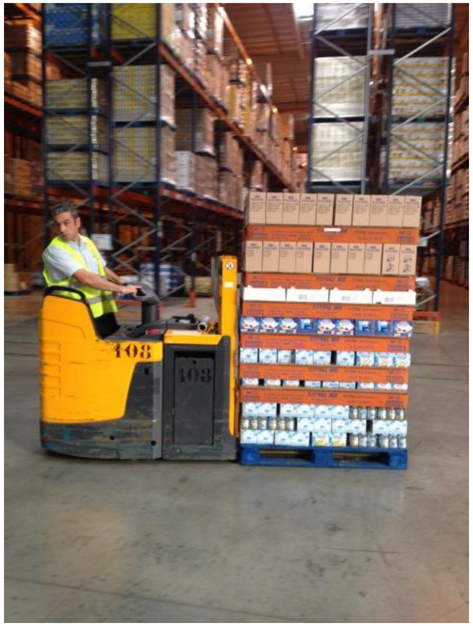
Innovation case study - KAYPAL®MR

- Innovative corrugated pallet business solution for FMCG customers
  - provides a more direct link with retailers
  - reduces logistics costs
  - meets customers' environmental obligations
  - health and safety benefits
- 85% lighter than traditional wooden pallets
- Logistics savings through space optimisation
- Reduction of up to 50% in truck loads
- 30 % reduction in scope 3 CO_2 emissions
- Working with major FMCG companies – Nestle, Unilever, P&G and GlaxoSmithKline
- Rolling out to new countries – UK, Poland, Spain and the Benelux



Innovation case study - KAYPAL®MR

Wooden Pallet

Weight : **+/- 25 kg**

Height : **144 mm**

KAYPAL® MR

Weight : **< 3,5 kg**

Height : **< 119 mm**

Complementary plastic packaging business

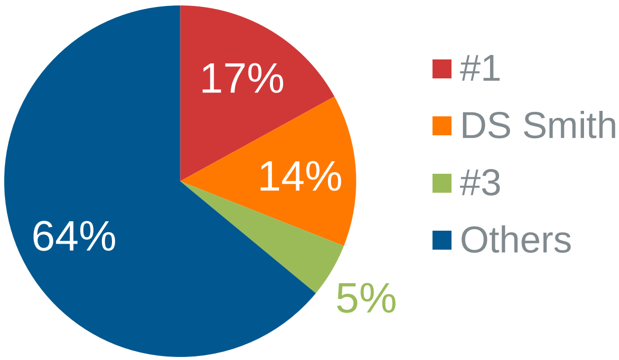
Continuing to show strong growth in LP&D

- A world leader in bag-in-box (BIB) packaging
- Attractive margins and returns on capital
- Strong market position
- Focused on FMCG customers
- BIB complementary to corrugated box sales
- Further opportunities:
    - Highly fragmented market
    - International customer base

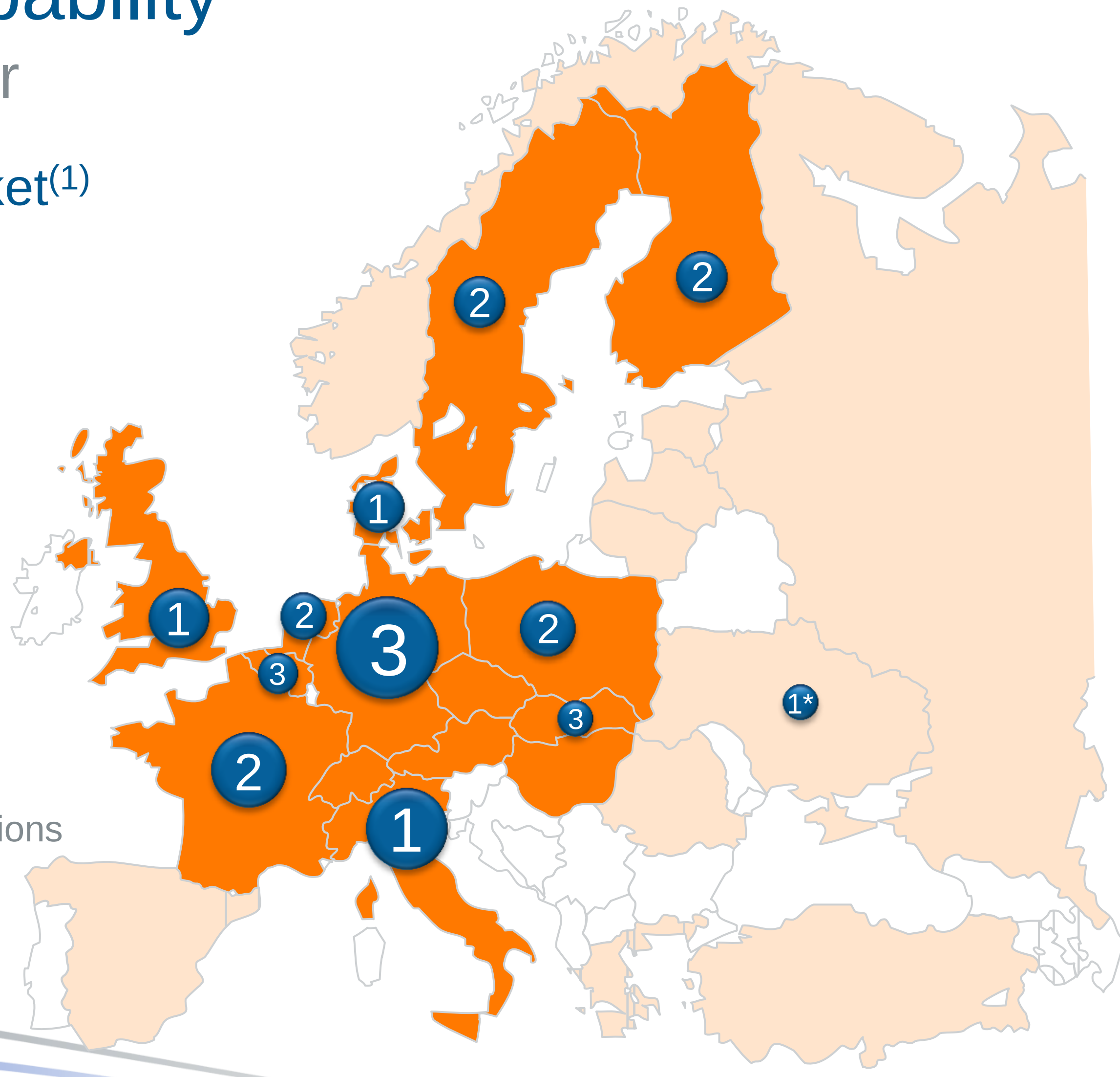
Pan-European capability

Stronger not just bigger

European Corrugated Market(1)



(1) the markets in which DS Smith operates



DS Smith corrugated operations

Limited DS Smith corrugated operations

Note – size of circle above represents the size of the corrugated market in the country and number denotes market share position

** An associate company of DS Smith*

Summary

- Delivering on our strategy
- Current year has started well and in line with expectations
  - Market backdrop remains challenging
  - Continued impact of input cost pressures
- Strengthened customer proposition enhanced by capital expenditure, R&D and new business development
- Continuing market share gains and further synergies underpin our confidence for the future.
- Excited about further growth opportunities

Questions and Answers

APPENDIX

Revised reporting structure

Our reporting divisions

Reporting division	Constituent businesses
UK	UK
Western Europe	France, Belgium, Netherlands, Spain
DACH and Northern Europe	Germany, Austria, Switzerland, Denmark, Sweden, Finland, Norway
Central Europe and Italy	Poland, Czech Republic, Romania, Hungary, Slovakia, the Baltics, Italy
Plastics	Global liquid packaging and dispensing, and returnable transit packaging plastics businesses

Forex exposure

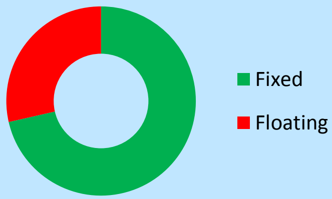
Full Year 2012/13:

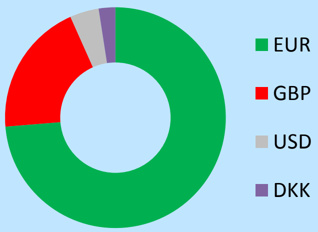
- £2.8m reduction in operating profit due to adverse movements in currency
- c. 60% of revenues denominated in EUR and c.25% in GBP (annualised, including full year of SCA Packaging)
- Average EUR to £ rate 1.222

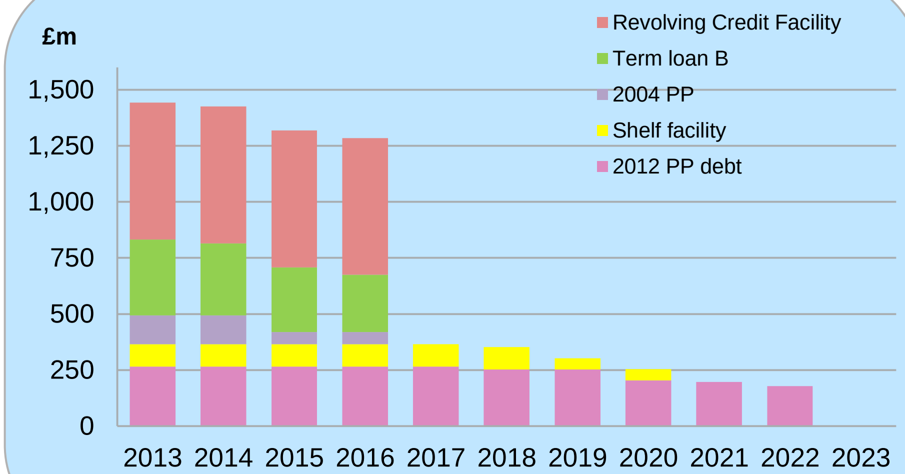
FX Sensitivity:

- 1 cent movement in EUR has a £1m impact on PBT

Debt analysis







Net Debt	£817m
*Consolidated Net Assets	£1,236m
*EBITDA/Net Debt ratio	1.97x
*EBITDA/ Net Interest Payable	9.7x

Weighted average life of borrowing facilities is 4 years 5 months

* As defined by the Group's banking covenants

Pensions

£m	2012/13	2011/12
Equities	501.5	442.1
Bonds, gilts, cash and other	426.1	323.0
Market value of assets	**927.6**	**765.1**
Value of liabilities	(1,130.0)	(869.3)
Post retirement plan deficit	**(202.4)**	**(104.2)**
Other pension assets and liabilities	(11.6)	-
Deferred tax	56.1	27.1
Net pension liability	**(157.9)**	**(77.1)**
Discount rate on main UK scheme*	3.9%	5.0%
Employee benefit net finance charge	(4.6)	(4.8)

* It is estimated that a 0.1% increase in the discount rate would reduce the deficit by c.£20m. Based on market assumptions at 31 May 2013, the gross deficit would have reduced by £35m.

SCA Acquisition and integration costs

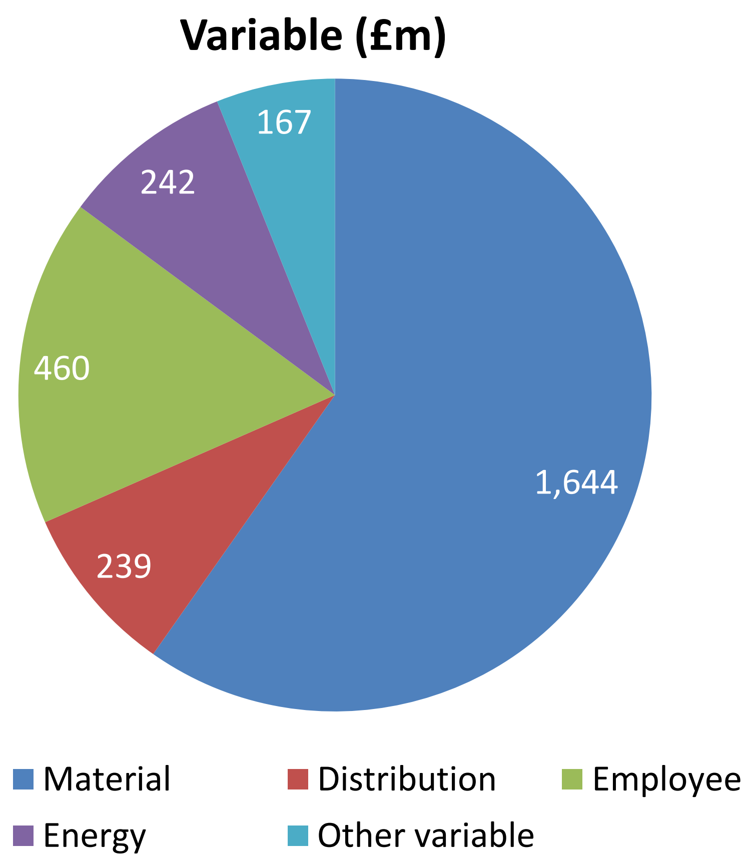
Acquisition costs (£m)	Share premium	Exceptional items	Capitalised finance cost	Total
Cumulative to YE 2011/12	16.9	18.4	7.0	42.3
FY 2012/13	0.5	11.8	2.6	14.9
Cumulative to FY 2012/13	17.4	30.2	9.6	57.2
H2 2012/13	-	1.4	-	1.4
Total	17.4	31.6	9.6	58.6

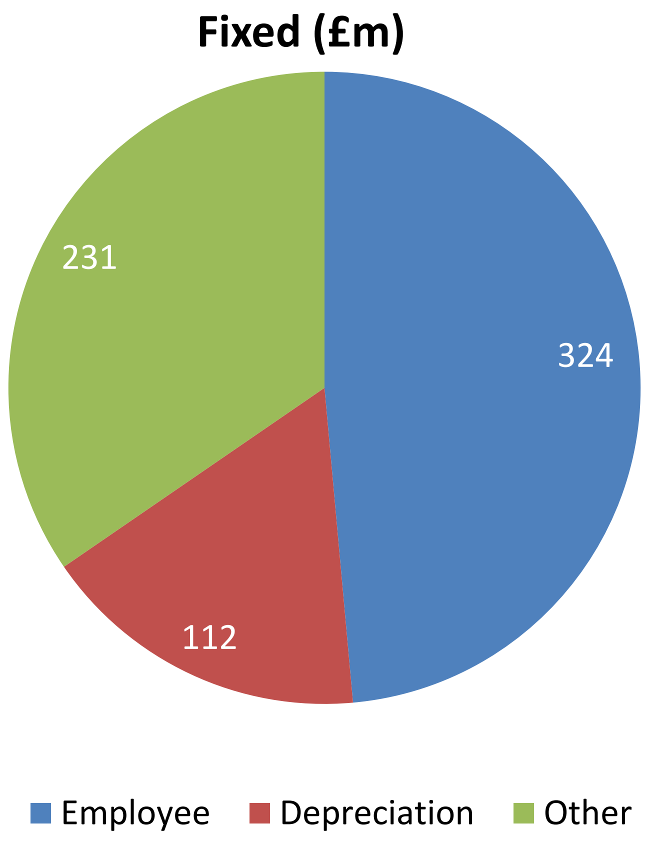
Integration costs (£m)	Synergy implementation	Project management office	Total
Cumulative to FY 2012/13	38.4	19.4	57.8
Further costs	27.3	13.1	40.4
Guidance	65.7	32.5	98.2

Synergy benefits and cost analysis

2012/13	Benefit	Cost
	€m	€m
Procurement	22	5
Duplication - people - facility costs	10 8	21 22
IT		5
Rebranding		5
Project management		12
Total	**40**	**70**

Cost analysis





Amortisation

£m	Provisional fair value	Useful life (years)	FY charge 2012/13 (£m)	Annualised charge (£m)
Customer relationships	298.0	10	24.8	29.8
Software & technology	39.4	3-10	4.1	4.9
Supply contracts	53.1	11	4.0	4.8
Brand & trademarks	3.4	20	0.1	0.2
Other	2.3	1	1.4	- *
Acquired intangibles			**34.4**	**39.7**
Existing intangibles			10.5	10.5
Total			**44.9**	**50.2**

- Annualised charge guidance excludes carbon emission credits as useful life is only1 year

SCA Packaging Acquisition – Fair Value Exercise

€m	Book value	FY provisional fair value	Details
Intangible assets	16	498	Based on work performed by independent valuation specialist, primary element is customer relationships
PP&E	1,182	886	Based on work performed by independent valuation specialist
Inventories	227	196	Reflecting adjustments for NRV/slow-moving/obsolescence provisions
Trade & other receivables	452	431	Includes provisions for bad and doubtful debts, credit note provisions and other write-offs
Trade & other payables, & provisions	(441)	(575)	Recognition of certain onerous contract provisions, legal claims and other identified liabilities
Deferred tax & income tax	(109)	(239)	Includes previously unprovided tax exposures
Post-retirement benefits	(53)	(71)	Updated valuations based on third party actuarial valuations
Other	104	72	
Total identified assets acquired	**1,378**	**1,198**	
Goodwill arising		408	
Total consideration		**1,606**	

Key performance indicator analysis

	Target	2011/12	Pro forma	2012/13
Return on Sales*	7-9%	7.2%	6.6%	6.8%
ROACE*	12-15%	14.6%	12.0%	12.3%
Health & Safety (AFR**) - Group - DS Smith	Nil	6.88 6.88	n/a n/a	6.01 5.39
Service - OTIF***	97%	97%	n/a	94%

*Before amortisation and exceptional items
** Accident Frequency Rate
***On-time, in-full

Short position in paper

Returns from paper very volatile

- Currently manufacturing around 70% of Group requirement
- Assessing paper integration level

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

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

Future events

- AGM & Q1 IMS – 3 September 2013
- CMD – 5-6 September 2013 – Brussels
- Q2 IMS – 30 October 2013
- Half-year results – 5 December 2013