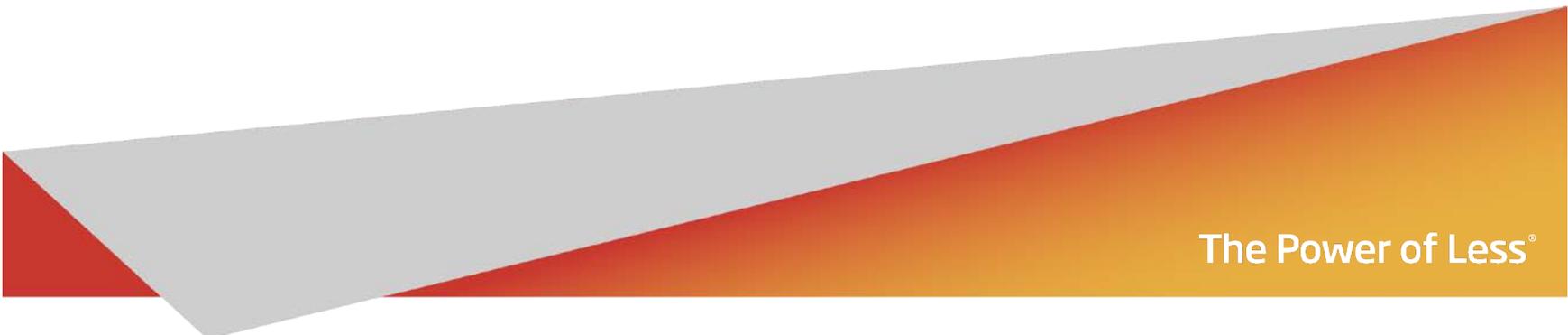




Capital markets seminar

Driving sales, driving value

6 November 2014

A decorative graphic at the bottom of the slide consisting of overlapping geometric shapes in shades of red, orange, and grey.

The Power of Less[®]

Schedule

1. Introduction – **Miles Roberts**, Group Chief Executive
2. Helping our customers sell more – **Russell Turner**, Insight and Market Development Manager, Packaging
3. Moving up the value chain – **Wim Wouters**, Group Innovation Director
4. Performance packaging – **Tony Foster**, Sales & Marketing Director, Packaging
5. Mondelez case study – **Alex Manisty**, Group Commercial Director
6. Flexible packaging – **Mark Smith**, Chief Executive, Plastic Packaging
7. Conclusion – **Miles Roberts**

Presenters



Miles Roberts
Group Chief Executive



Russell Turner
Insight and Market
Development Manager



Tony Foster
Sales and Marketing
Director



Alex Manisty
Group Commercial Director



Wim Wouters
Group Innovation Director



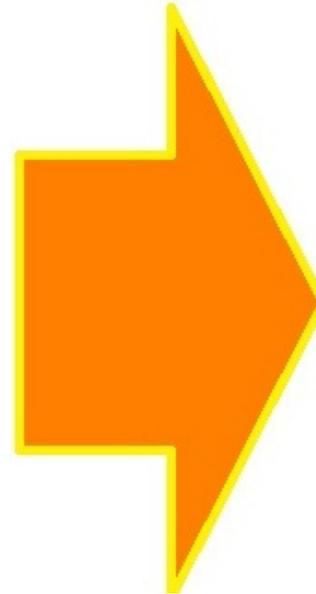
Mark Smith
Plastics Chief Executive

Introduction

Creating shareholder value

Sustainable and growing returns

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



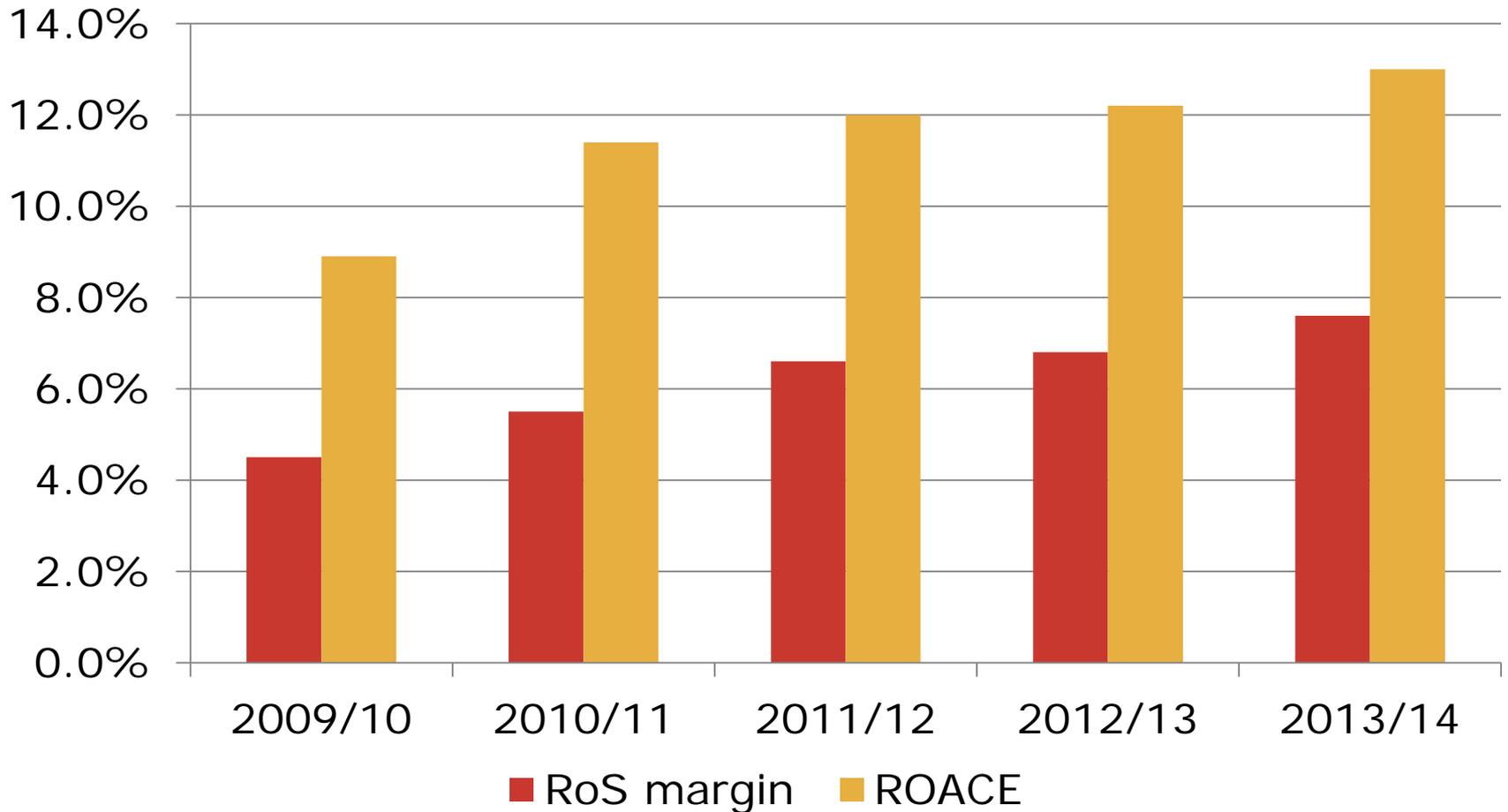
- Business mix
- Differentiation
- Efficiency
- Culture
- Managing risk

- Consistent delivery**
- **4 years volume growth ahead of KPI**
 - **Value creating acquisitions**

Q2 trading update
Andopack

- Continued delivery, continued growth
- Customer driven, pan-European growth

Substantial expansion in margin and returns



NB. 2011/12 figures are pro forma inclusive of SCA Packaging

Industry historically unresponsive

“The shelf ready packaging covered up all the primary packaging. I had to get the label redesigned. I shouldn’t have to deal with this.”

Buyer, major brewer



Customers want leadership

- The consumer is squeezed
- The retail environment is changing
- Material costs are rising
- Supply chains are complicated
- Selling the same thing at a lower price isn't the answer to our customers' big problems



We understand the whole supply cycle

“In my role I consider the total supply chain – from the empty case to the moment it’s thrown away. But I wonder how many suppliers know the true value of a case through its life – it is highly underestimated.”

**Packaging innovation manager,
Global confectionery**



Drive my sales

- Optimised for a complex retail environment
- Attractive to consumers
- Easy to shop



Reduce my total costs, not your prices

“We’d always be open to a different price structure as long as it reduces the total cost for us.”

Packaging manager,
Global toy manufacturer

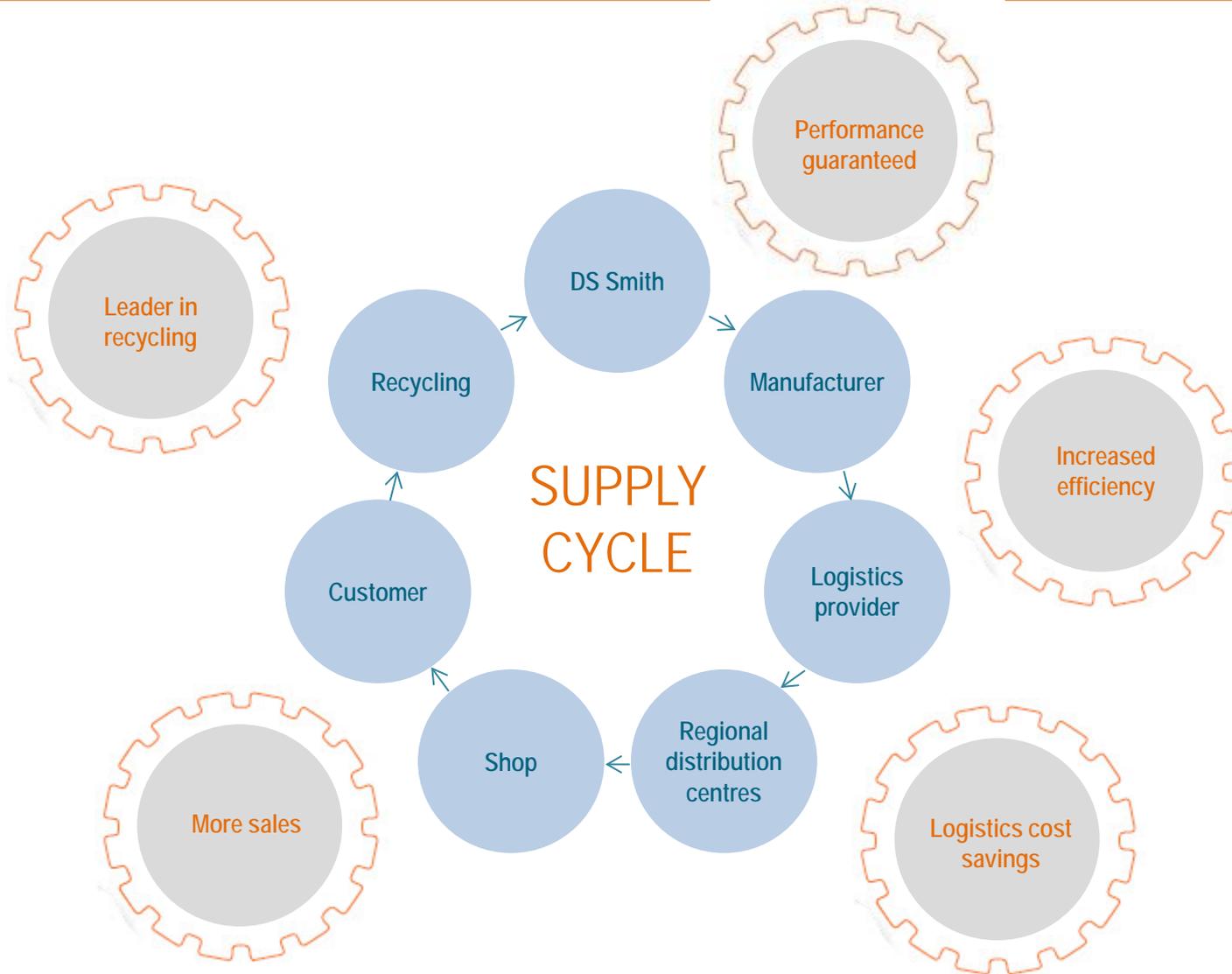


Be valued, be valuable

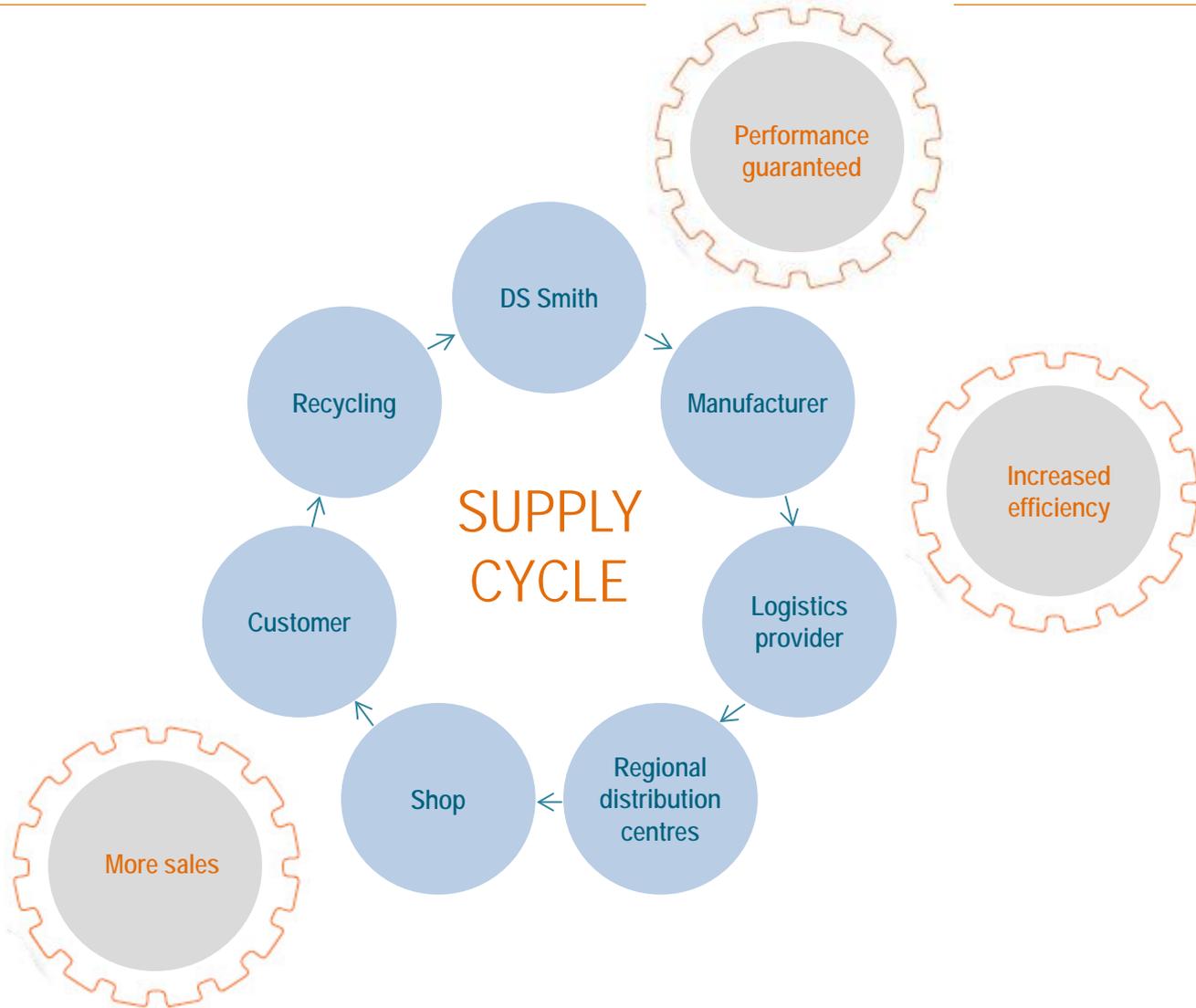
Increasing retail sales
Supply cycle efficiencies
Simplicity



Leading the corrugated packaging industry



Leading the corrugated packaging industry



Helping customers sell more



Lower Cost



More Sales



Managed Risk

Shopper habits...

...are changing (rapidly!)

retail landscape is **changing**

suppliers **need to adapt**

RRP was a complete game changer
which involved a lot of rethinking
in a short space of time.



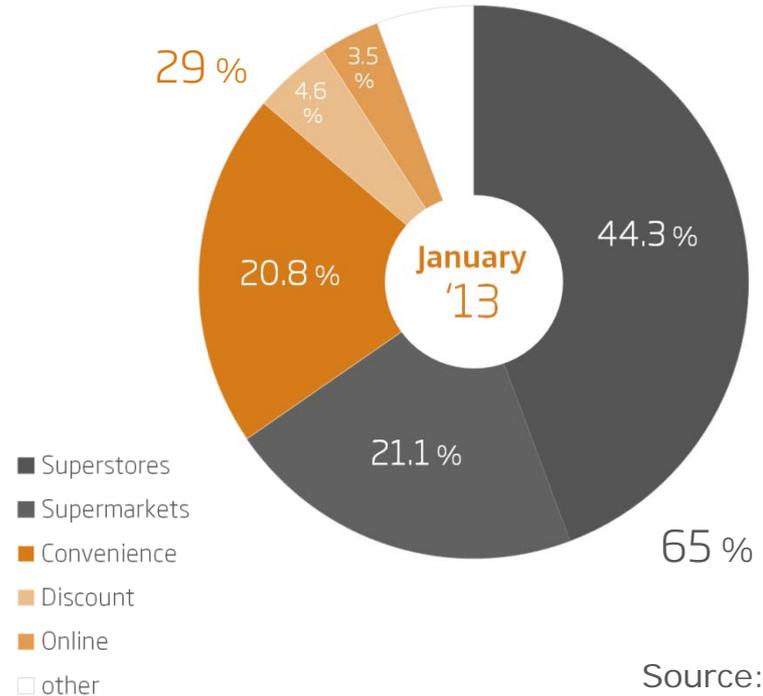
these trends...

... **impact packaging !**

"The supermarket industry has changed more rapidly in the last three to six months than anytime in my thirty years in the industry."

Mike Coupe - Oct 2014

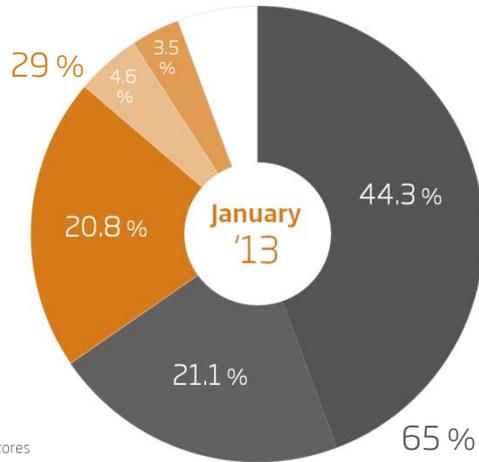
UK Channel Share



Source: IGD

Very Fast Paced... changing market environment

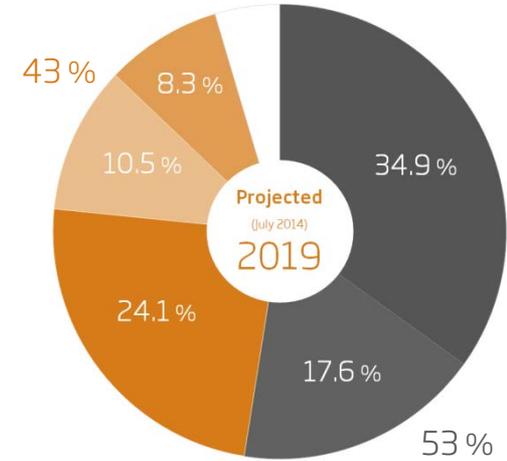
UK Channel Share



increase complexity



channel specific solutions

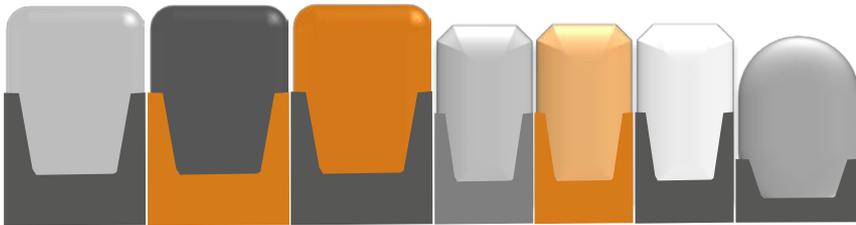
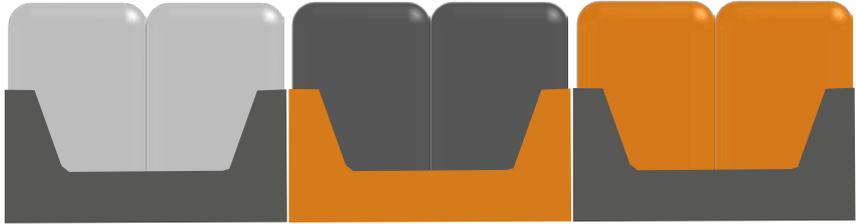


- Superstores
- Supermarkets
- Convenience
- Discount
- Online
- other

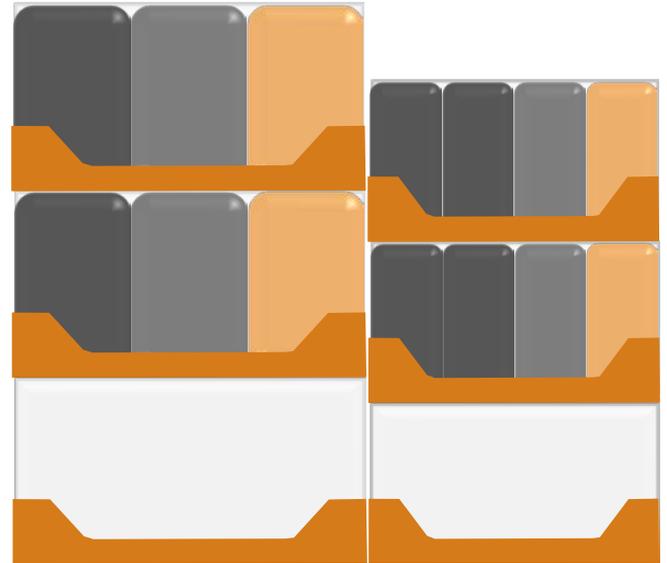
Source: IGD

For Brands to Capitalise... need channel specific solutions

supermarkets



convenience

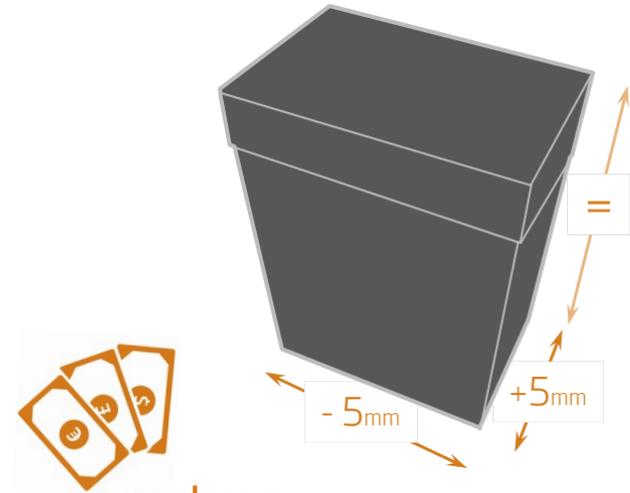
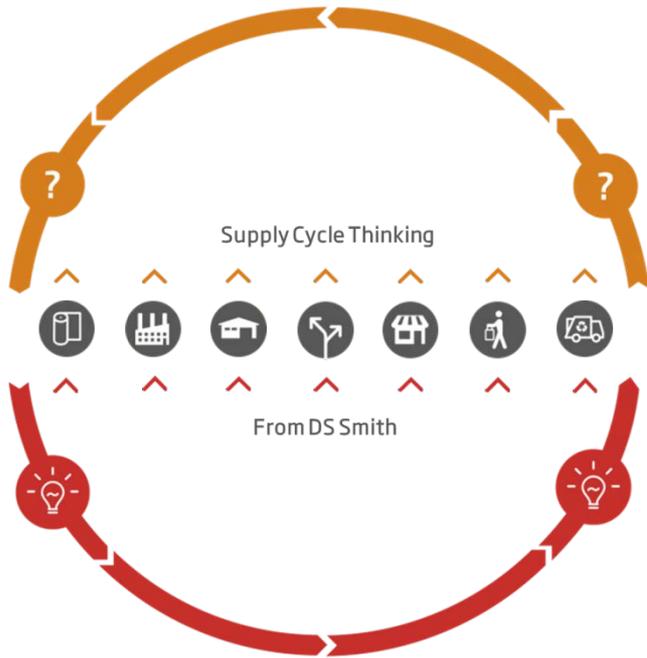


discounters

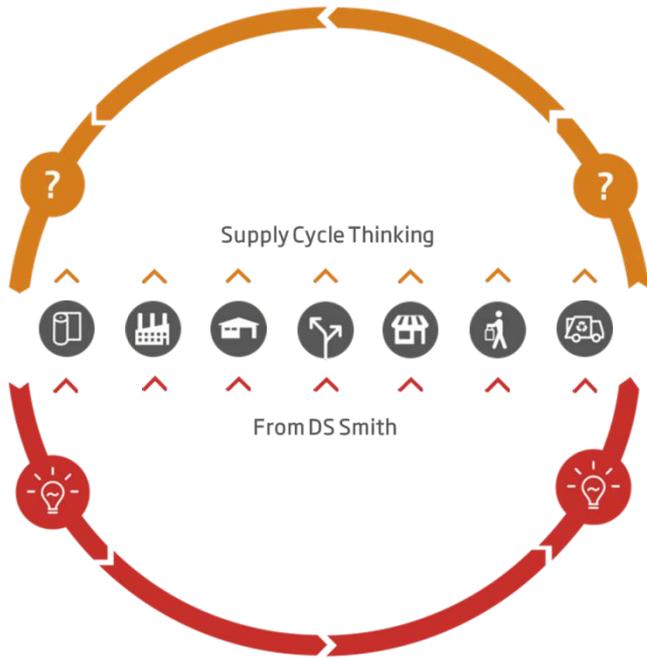
Butterfly effect...

decisions influencing one part
of a system, can have a huge
impact on another part





reduce
storage & distribution costs by
over £500K pa



reduce
storage & distribution costs
(and release capacity) by

21%

Improving **On Shelf Availability** (OSA)

On Shelf Availability... what are the facts ?

moment of truth



* when experiencing an out-of-stock shoppers say they will either:

Buy a different brand (37%) *INCREASED from 26%*

Buy the same brand elsewhere (21%)

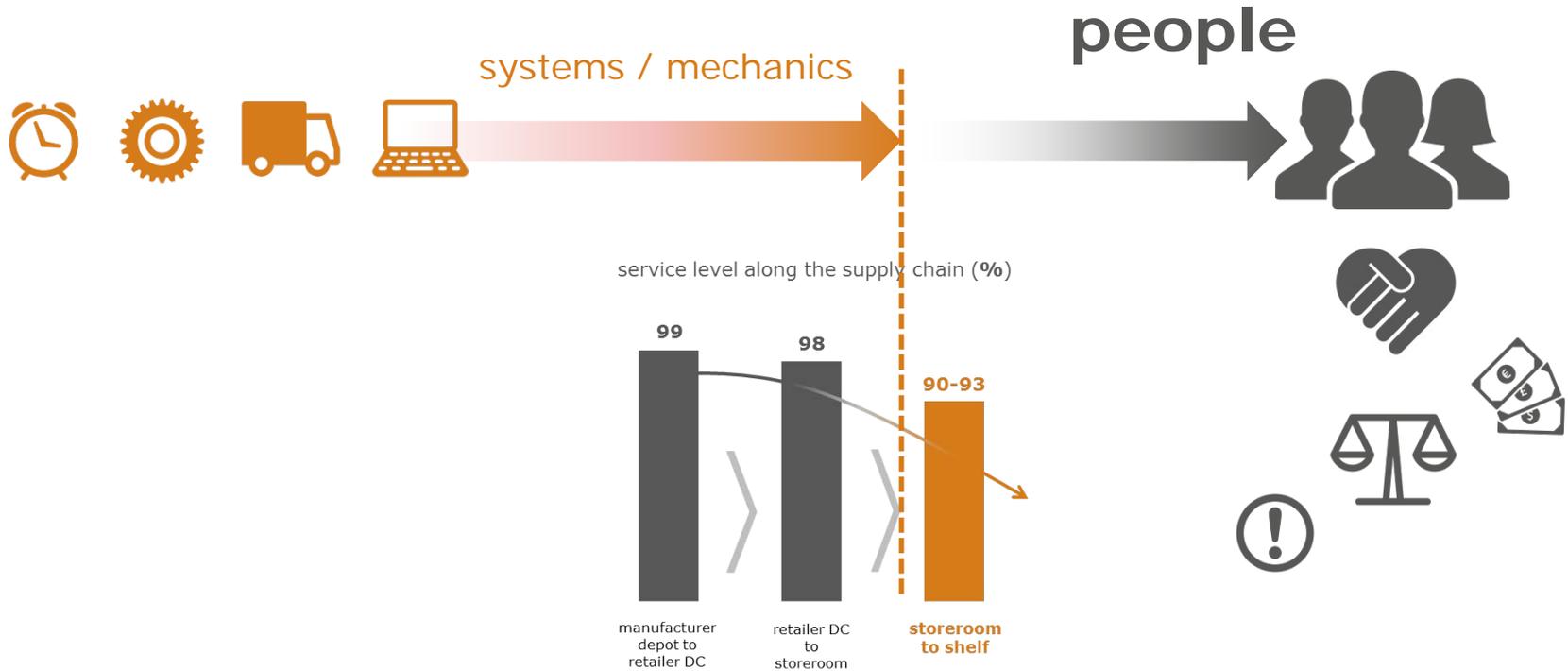
Return to make their purchase later (17%)

Buy the same brand in a different size (16%)

Make no purchase at all (9%)

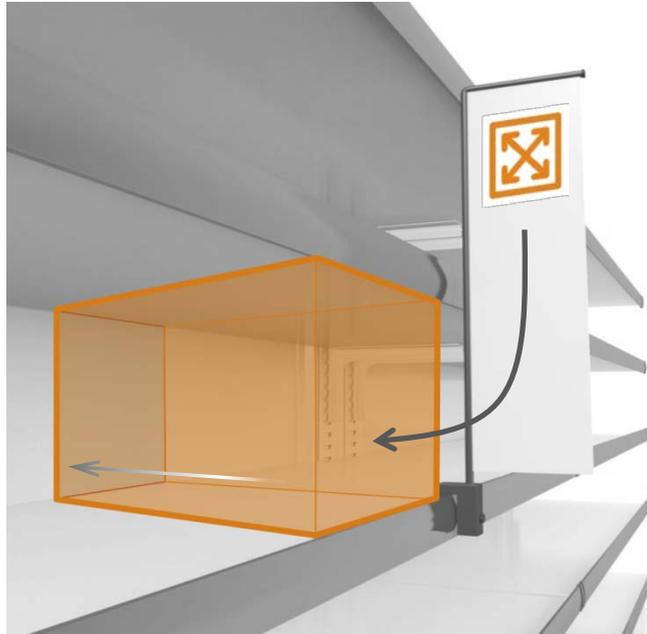
* Source IGD

On Shelf Availability... what are the influencers ?



Optimise **Sales Cube**

On Shelf Availability... what are the influencers ?



Shopper Engagement

driving visibility is the primary objective

Visual Activation & Disruption... for shoppers

Brand
variant
?



'colourshape'



eye-tracking study conducted
at our Impact Centre Ely



real-time virtual shop environment,
using highly immersive stereoscopic
5 meter cad wall in Brussels

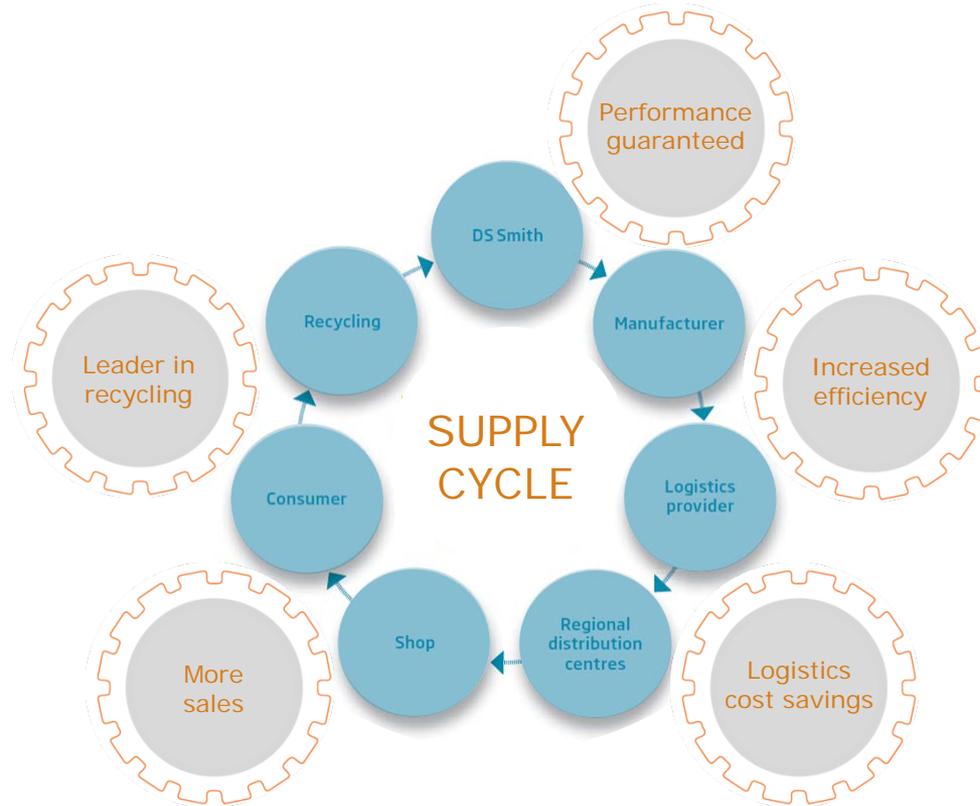


in-store visualisation software

Visual Disruption 'motivating the purchase'



Supply cycle thinking

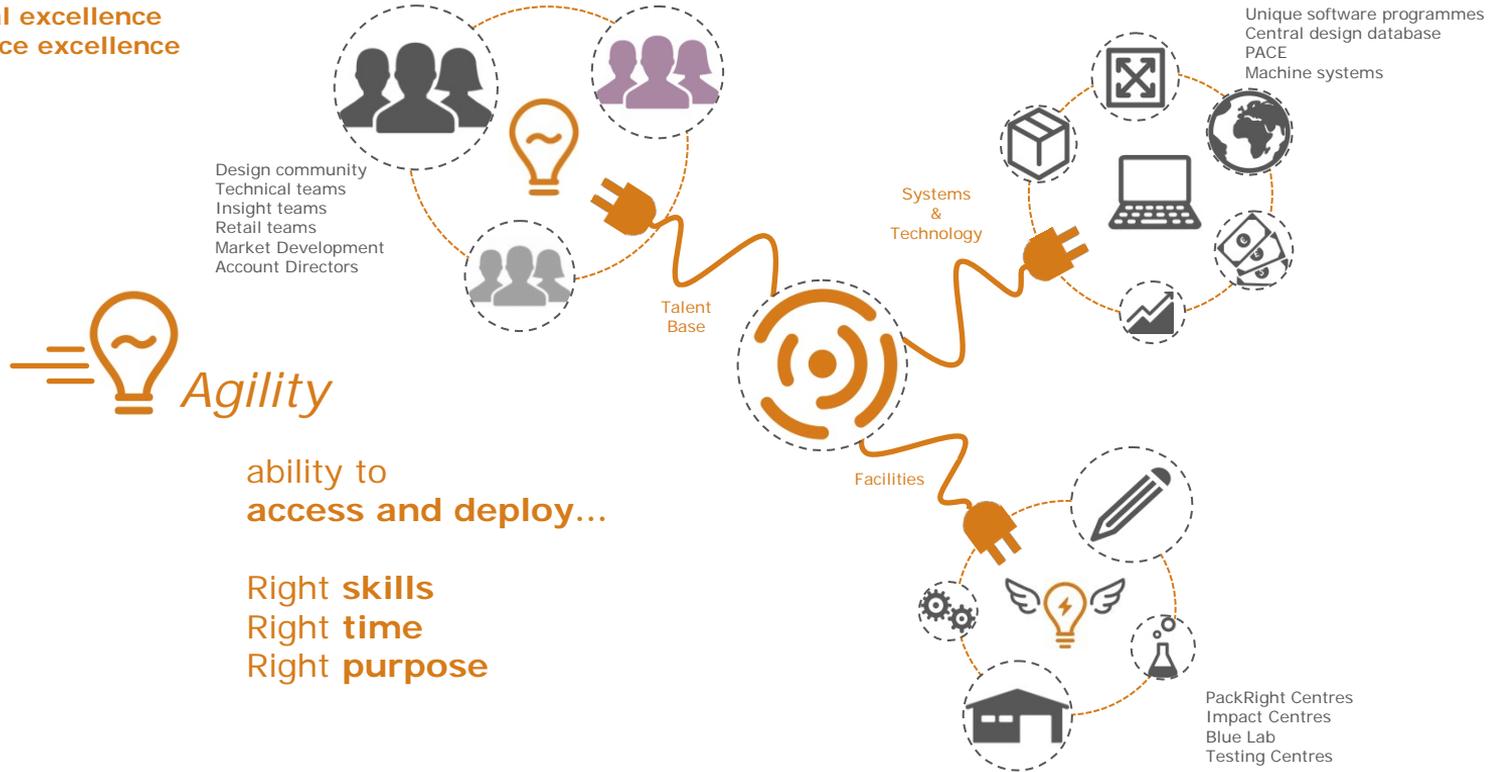


Thought leadership... collaborative European network

Delivering for our customers...

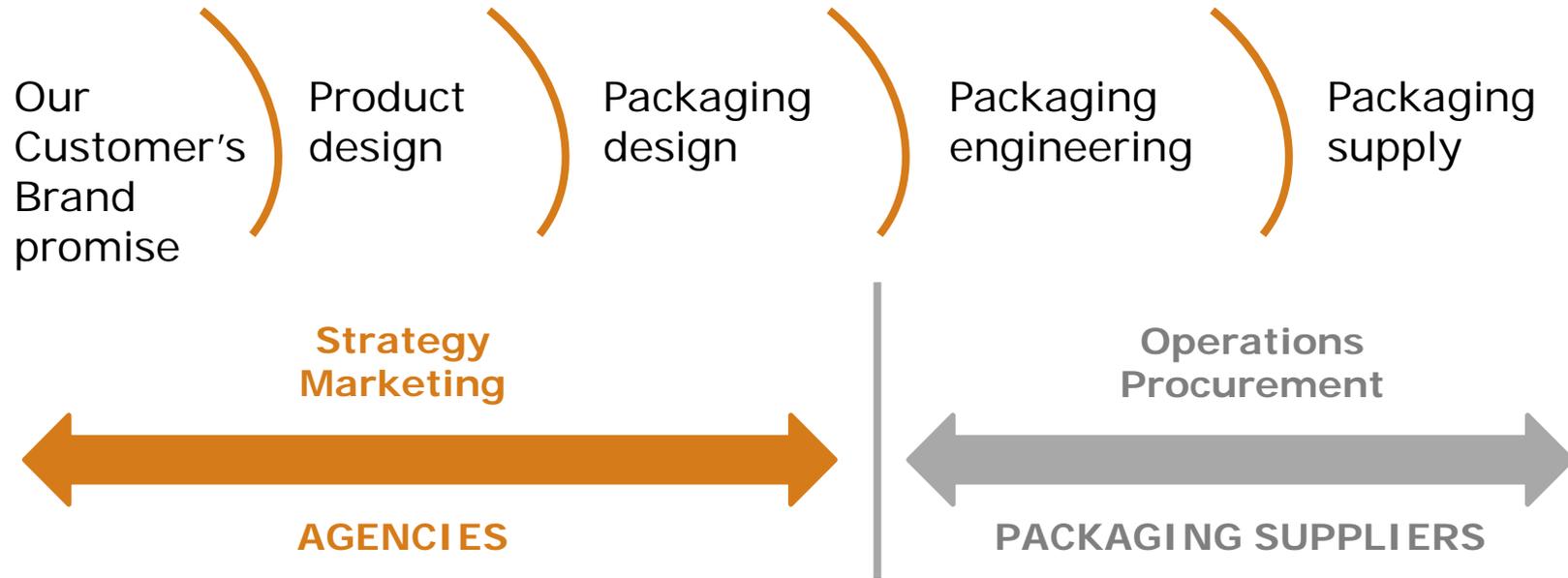
Operational excellence

Market-place excellence

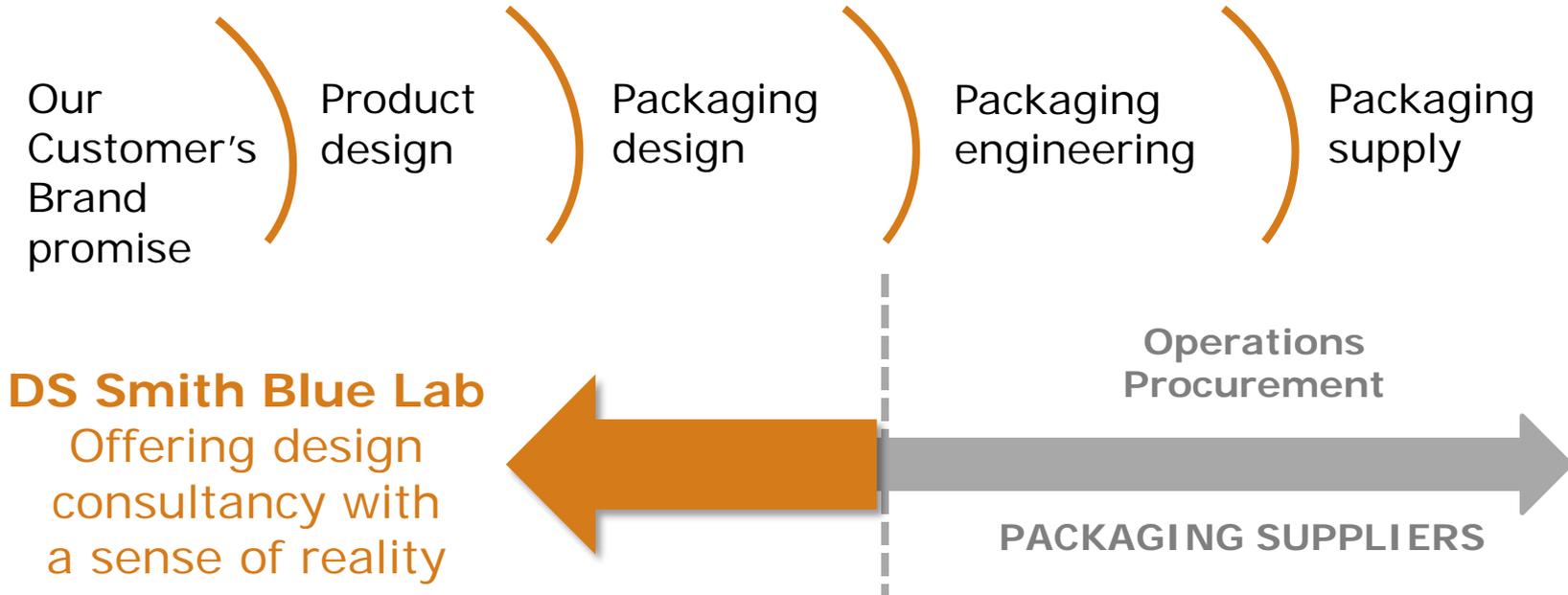


Moving up the value chain

DS Smith moving up the value chain... Then...



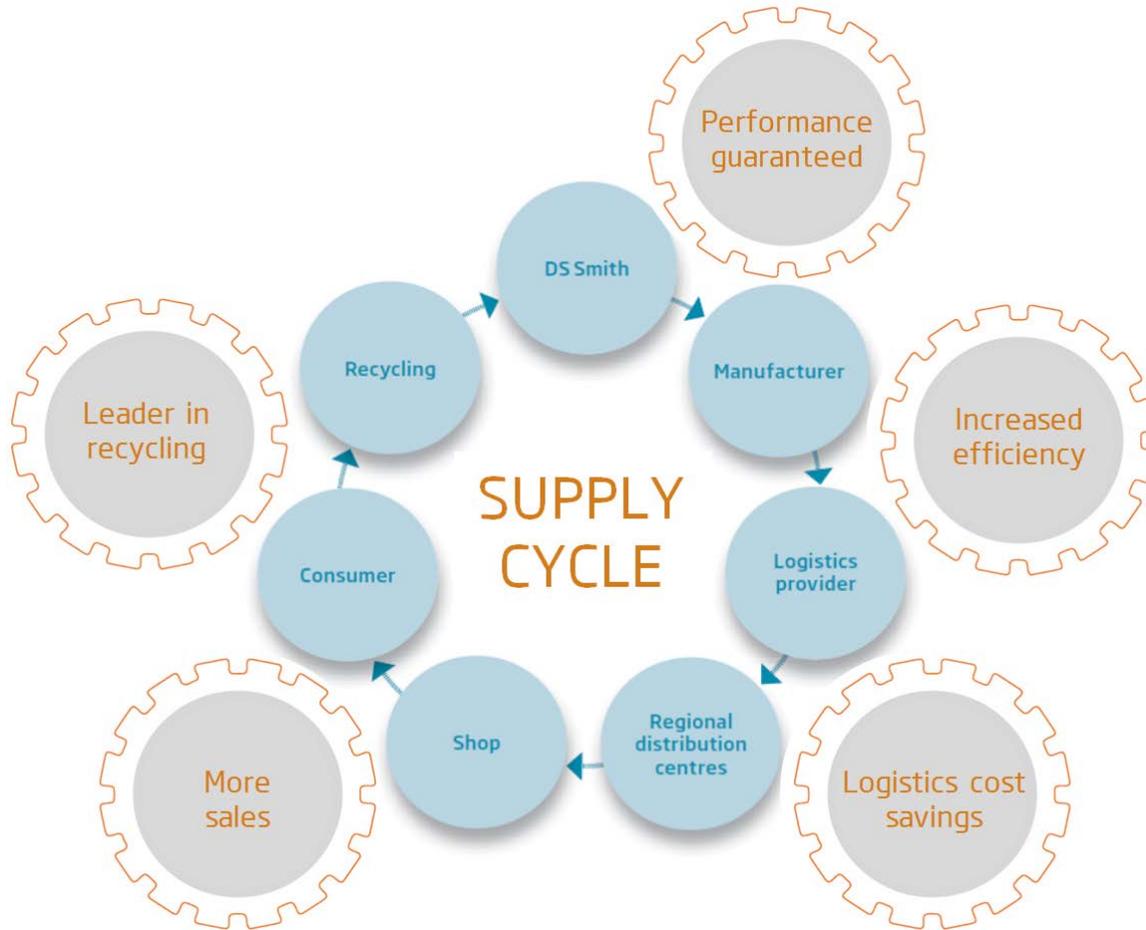
DS Smith moving up the value chain... Now...



An industry game changer...

Performance packaging

Increasing efficiency, reducing costs



Performance packaging

You don't buy a car by weight – so why a box?



Moving customers to paying by performance, not weight

We have developed a programme called "PACE", which changes the way that we work with our customers



Universal themes in every customer survey

- Reliable packaging.....always
- Packaging that performs
- No more material than necessary

"FIT" testing for assurance

- **Unique ability to measure the strength characteristics**
 - Based on 5 years R&D
 - Over 2 million tests
- **Real-time results, not a 24-hour lab test**
- **Easy to operate**
- **Unique technology, developed by DS Smith**
- **Unique thinking, IP protected**

Key PACE points

- **Introduced >120 FIT machines in the UK so far**
 - Positive reaction from customers
- **Training programme rolled out in the UK**
 - 150 sales, marketing and design people
 - 1,000 production people
- **Pan-European customers welcome the principles**
 - Rolling out over next 2 years
- **DS Smith is leading the industry**
 - Unique full range of real-time process controls
 - The 'intelligence' and IP is owned by DS Smith.
- **Result : DS Smith and customers both optimise cost, margin and environmental impact**

Ultimate Prize



Transparency
Performance
Consistency



Trust
Openness
Partnership



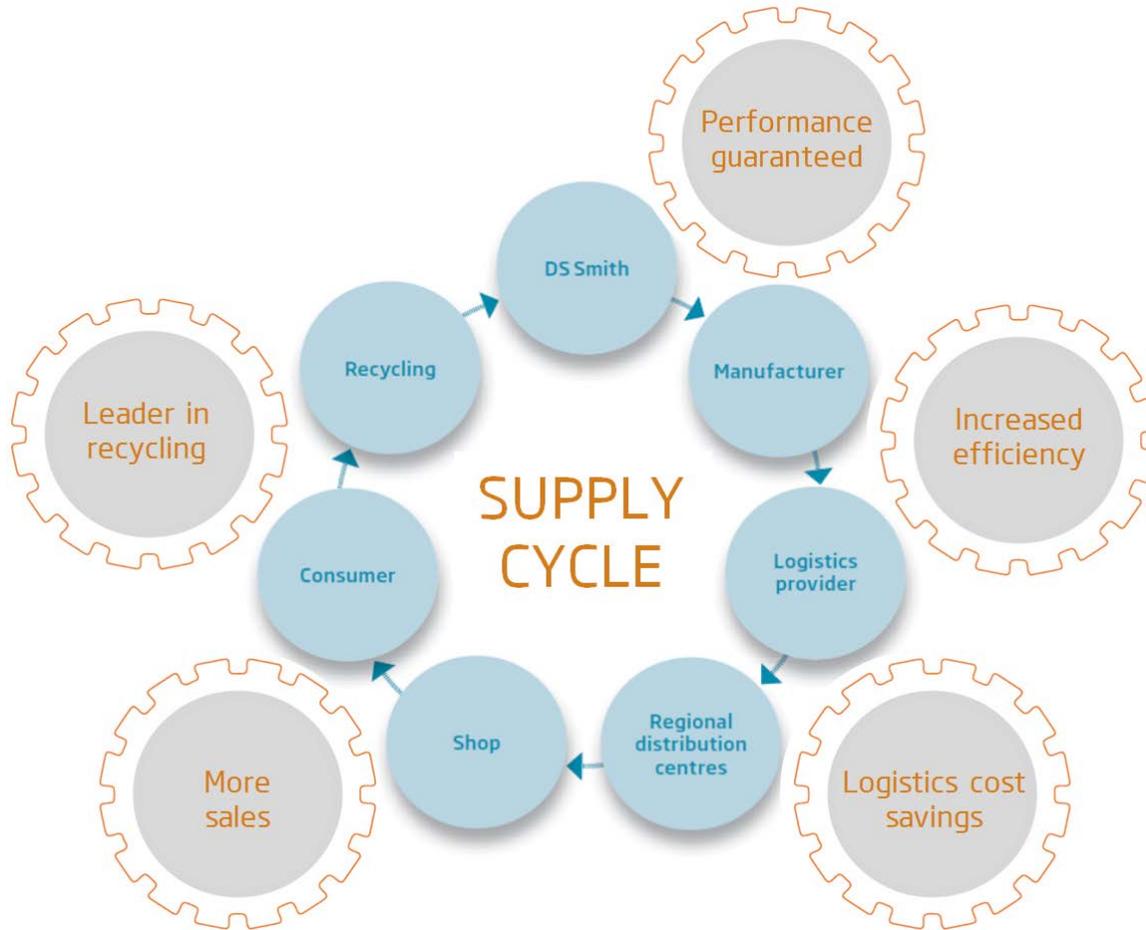
Lasting
Competitive
Advantage

Mondelez

How our partnership with Mondelez has developed

- A classic story of moving from product supply to partnership
- 2001 – Ambitious review of sourcing strategy by Cadbury
- 2008 – DS Smith awarded UK sole supply after RRP roll-out
- 2010 – Kraft/Cadbury deal & DS Smith/OTOR deal
- 2012 – DS Smith/SCA Packaging deal
- 2014 – DS Smith/Mondelez pan-European deal signed
- A customer relationship based on transparency and collaboration and a willingness to embrace change on both sides
- A commitment to mutual benefit, where investment by DS Smith in innovation, people and equipment has been rewarded by Mondelez

The Supply Cycle in action



Strategic supplier to Mondelez - overview

- **Five year sole-supply agreement**
 - All corrugated packaging requirements in Europe
 - Transforming the DS Smith position
- **Launched in March 2014**
 - 18 month roll-out
 - Supplying 60 Mondelez sites in 15 countries
 - 4,000 packaging specifications
- **Performance packaging expertise critical enabler for deal**
 - sustainable value creation based on DS Smith expertise
- **“STAR” supplier to Mondelez**
 - one of a small select group with this strategic status in Europe
- **Genuine partnership approach to value creation**
 - Highly complex interactions
 - Short, medium and long-term projects
 - Holistic approach to Mondelez

Connecting Brands with the Shopper



Don't take our word for it...

"The most important factors in choosing DS Smith were the strength of the relationship, built up over years,... geographic presence,... and competitive advantage."

"Competitive advantage looks like a lot of things:

- An advantaged cost base*
- Better stand-out on shelf*
- A more efficient supply cycle"*

"Our brands are critical to us, therefore the people we trust with those brands are people we have to believe in. We have given DS Smith as an organisation our brands, we have trusted them with them, and we expect to grow them together, because that is the win-win we are both looking for."

Dan Pollitt, Mondelez procurement manager

Account management through partnership



The result – potential for future development

Relationship points the way to further development

- Marketing expertise – point-of-sale, full supply-chain management
- Product expertise – tertiary packaging and logistics
- Service expertise – design/agency services, brand management
- Geography – now moving beyond Europe

Market credibility

- Demand from other major customers for similar services

Flexible Packaging



Flexibles packaging for liquids

Our flexible packaging business comprises:

- Bag-in-Box (“BIB”) packaging for liquids
- Dispensing technology
 - Filling
 - Fitments



Flexible Packaging – Global Reach



World leader with innovative, defensible products

Global market positions

- #2 BIB
- #1 supplier of filling equipment for BIB

Commercial advantage

- Innovation leader
- Geographic spread

Strong financial performance

Highly innovative and defensible products

Our Customers



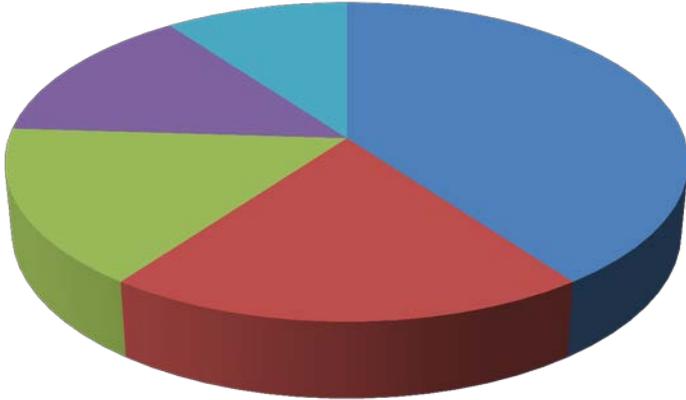
E.&J. Gallo Winery



Flexibles market varies by region

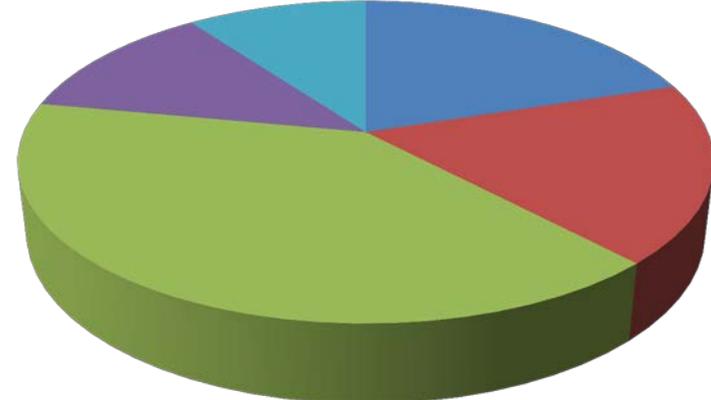
North America

£220m market



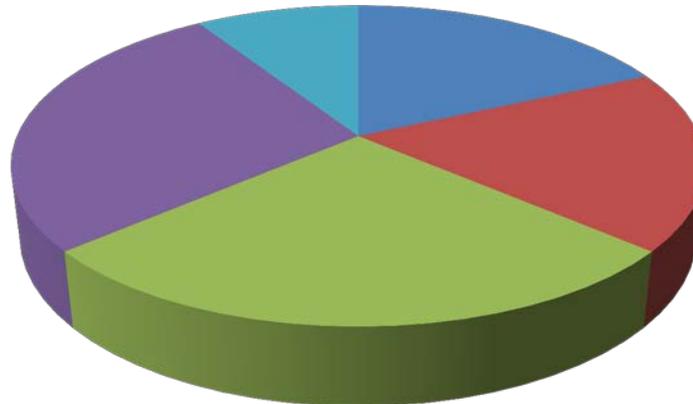
Europe

£200m market



Rest of World

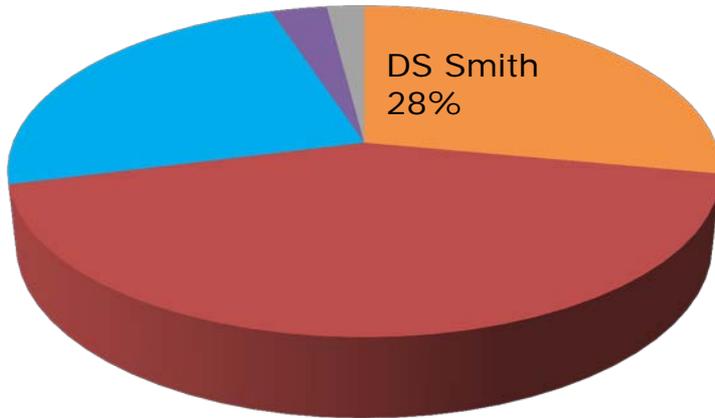
£150m market



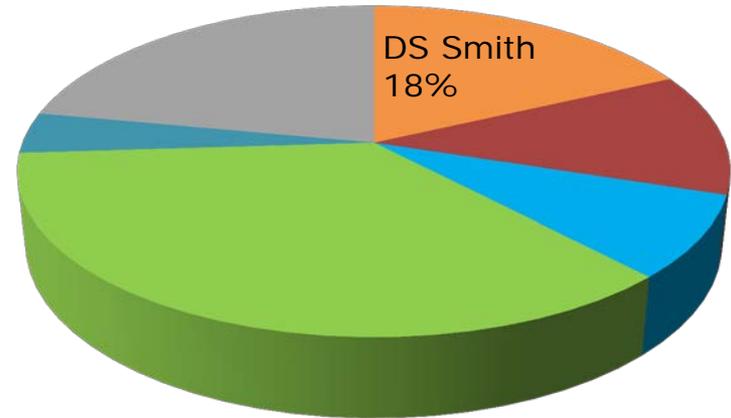
■ Beverage ■ Dairy ■ Wine ■ Food ■ Industrial/Other

Flexibles market – competitive landscape

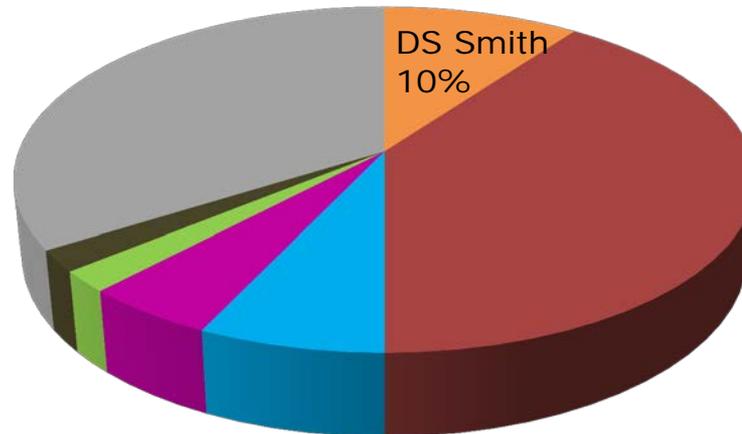
North America



Europe



Rest of World



Platform for growth

Success built on offering unique solutions to customer/market requests

Industry leader in efficient and innovative filling equipment for BIB

- 50% of US revenue from patent-protected products

Growth strategy

- Current market growth of c. 6%
- Leveraging innovation
 - Developing new markets with unique, defensible products e.g. tea-urn liners
- Leveraging scale and geographic footprint
 - Increasing capacity
 - Expanding into growth geographies through the sale of innovative, defensible fitments to local BIB producers
- Potential growth from market extension

Case Study – Tea Urn Liners

Tea Urn Liner



Mandatory across all 14,000 McDonald stores

2008

Initial development of liner for urns of sweet tea with McDonalds

8 months of testing prototypes

2009

Initial testing in 100 McDonald outlets

Samples sent to a further 1,000 outlets

2010

Available nationally with use voluntary for McDonald franchisees

Initial take-up 15% with hurdle of 50% for it to be made mandatory

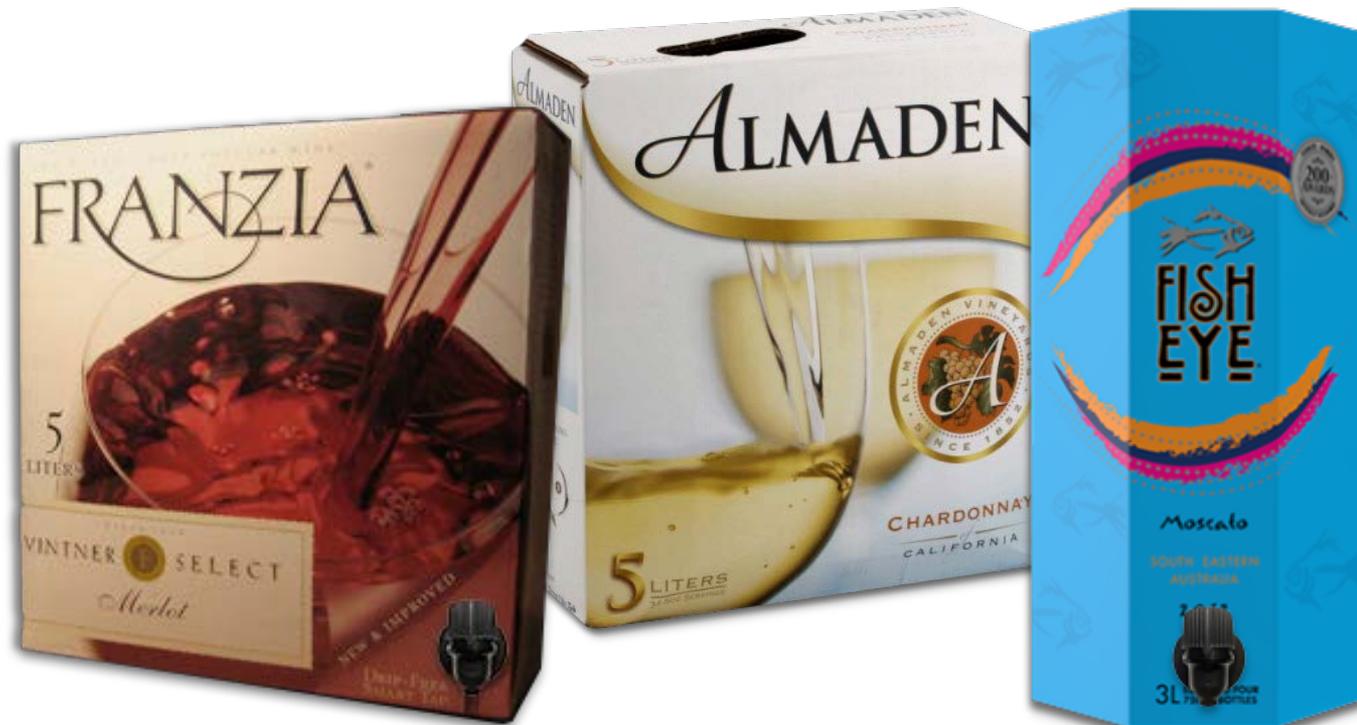
2012

Mandatory use across all McDonalds stores selling sweet tea

Case Study TruTap Valve



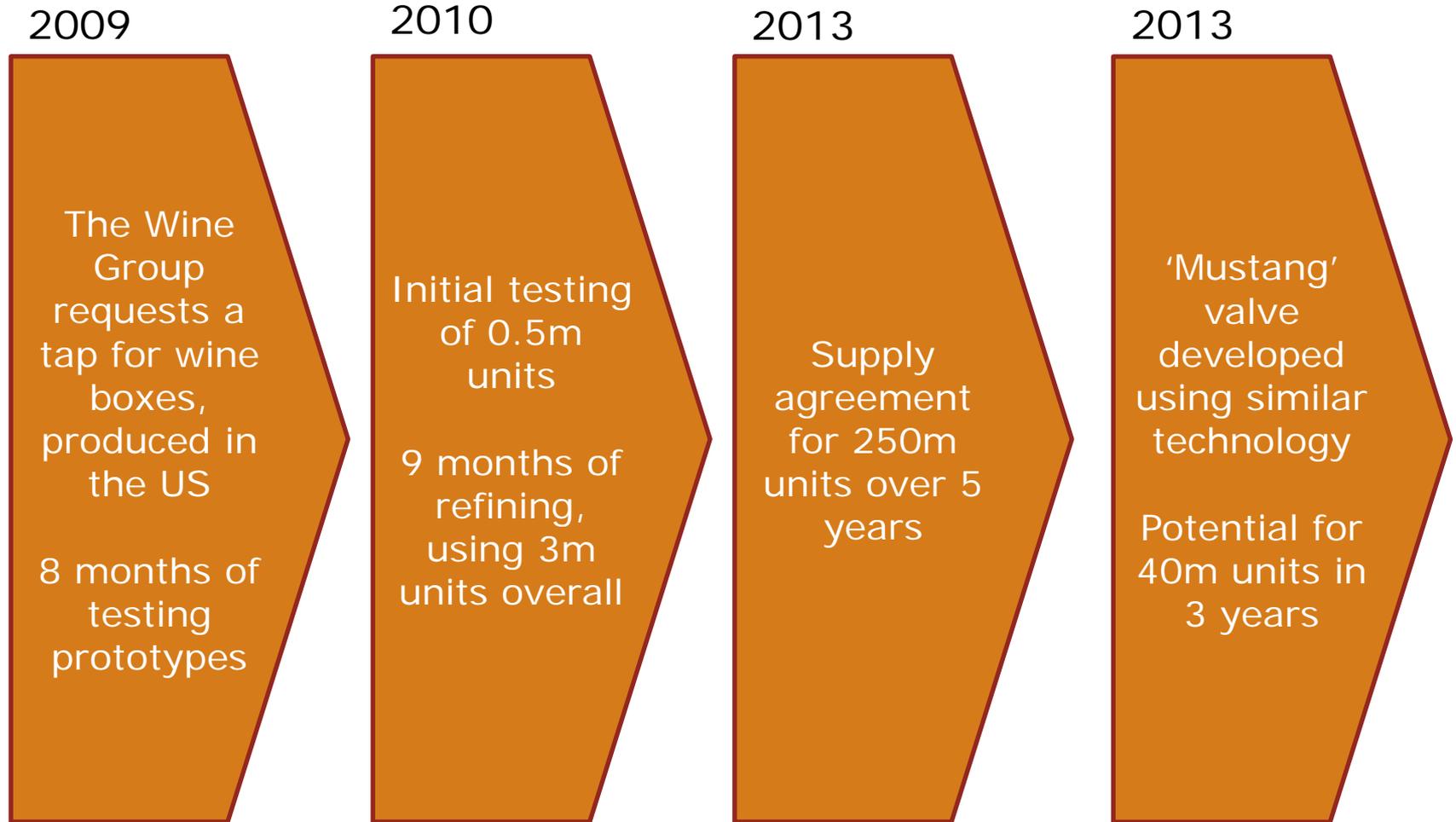
TruTap Valve



TruTap Valve



Trutap IP leveraged for wider customer base



Capacity expansion

Investing in capacity



Summary

- Strong organic growth performer
- Global scale and global customers
- Technology-led
- Growth opportunities:
 - Utilisation of new capacity
 - Building on existing, patented products
 - Additional categories for transportation of liquid e.g. drinking water
 - Environmental drivers away from PET bottles
 - Opportunity for BIB and fitments used in other formats e.g. pouches



Scale and intellectual property advantage