DS Smith Plc

Full Year Results 2010/11
23 June 2011

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Introduction

Miles Roberts

Group Chief Executive

Strong performance, more to go for

- Packaging volume up 8%
- EBITA up 39% to £136.1m, 20% excluding Otor
- ROACE up 260bps to 12.7%
- Adjusted EPS up 36% to 18.9p
- Another year of strong cash flow generation
- Dividend increased by 41.3%
- Otor: 13.6% annualised ROIC, synergies increased further
- Strategic actions delivering long term value for shareholders

Strong momentum continuing, expect further significant progress towards financial objectives

Key achievements

- Packaging volume growth well ahead of market growth
- Changing the structure of the Group
  - Customer focus at the heart of the organisation
  - Group working as one business
  - Senior management enhanced and aligned
  - Culture of confidence throughout the Group

Business aligned to deliver for our customers

Steve Dryden

Group Finance Director

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Key themes

Sustainable growth	Revenue growth driven by both volume and pricing, underpinned by growing resilient FMCG customers
Faster cost recovery	Full recovery of input costs, but energy costs up £17m Contractual price recovery period reduced to 4 months from 6 months
Strong margin progression	Operating margin up 80bps to 5.5%
Returns now above cost of capital	Return on average capital employed 12.7%, up 260bps
Strong cash generation	Working capital efficiency improvement of £24m Net debt / EBITDA 1.6x despite £203m Otor acquisition

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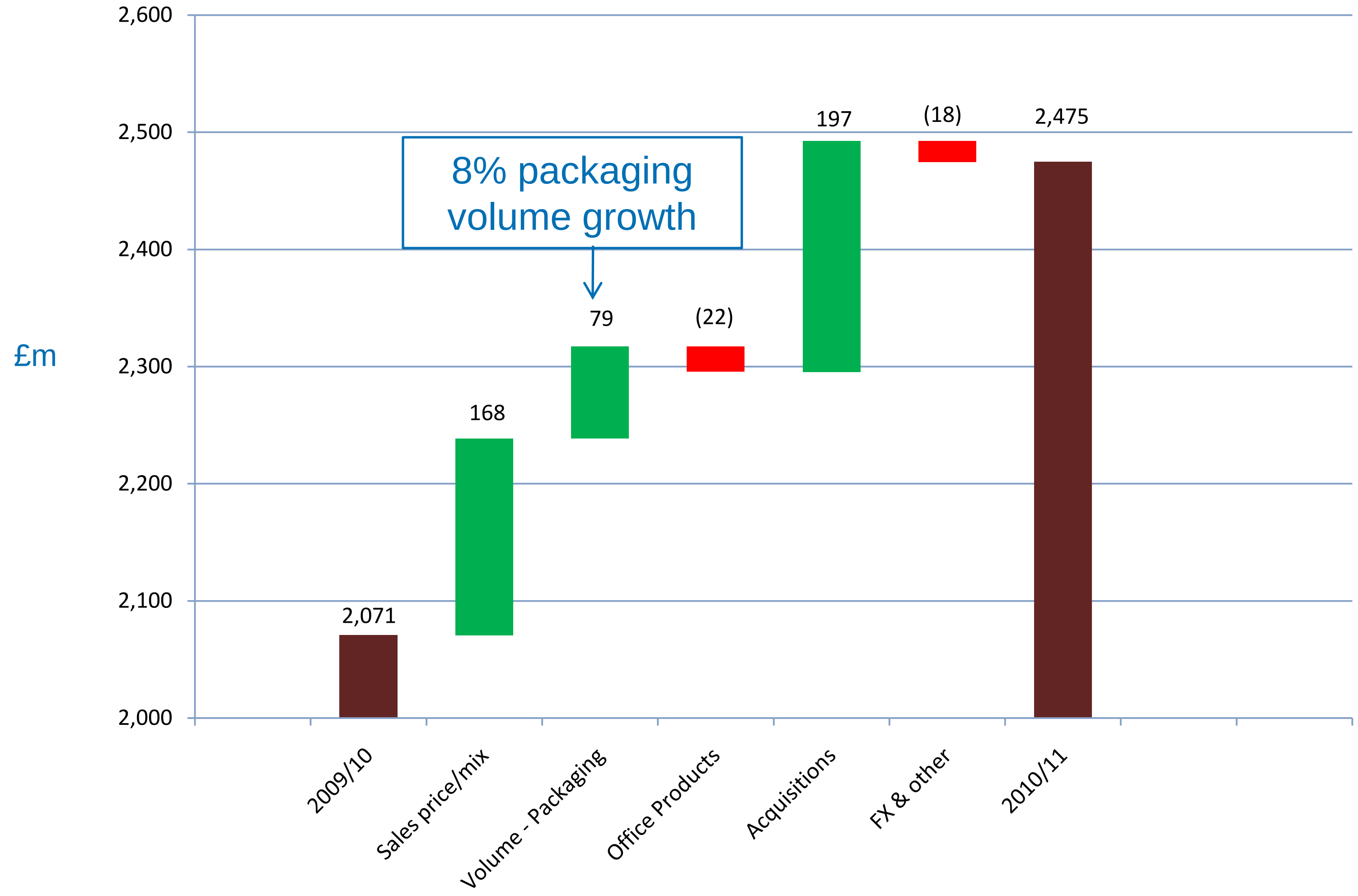
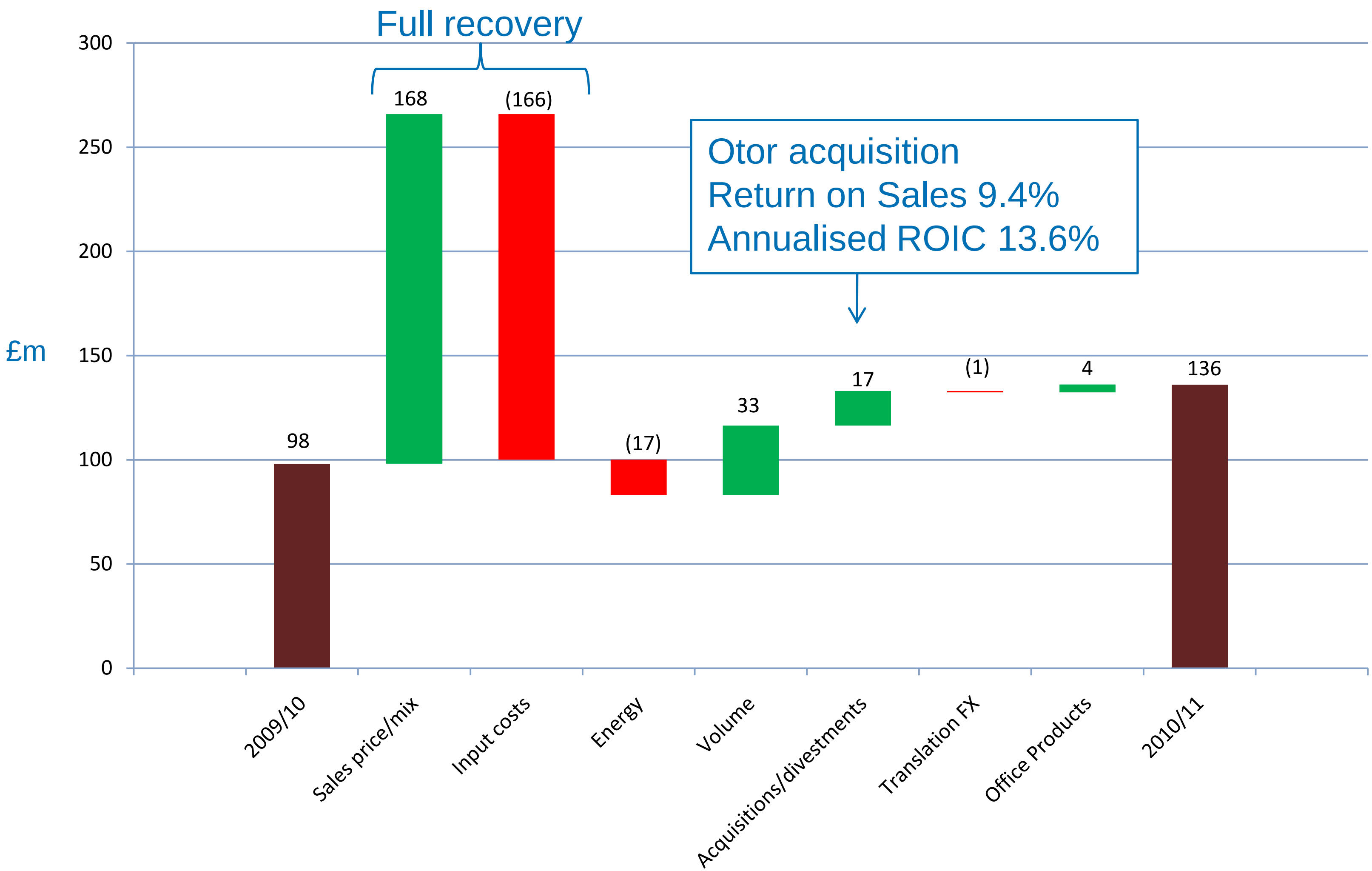
Group Income Statement

£million	2010/11	2009/10	Change
Revenue	**2,474.5**	**2,070.6**	**19.5%**
EBITDA	**206.8**	**166.0**	**24.6%**
Depreciation	(70.7)	(67.9)	
Adjusted Operating Profit	**136.1**	**98.1**	**38.7%**
Amortisation	(7.9)	(4.1)	
Net interest	(19.8)	(14.4)	
Employment benefit finance charge	(7.4)	(11.5)	
Associated companies	-	0.2	
Profit before tax and exceptional items	**101.0**	**68.3**	**47.9%**
Income tax expense	(28.5)	(17.8)	
Exceptional items (net of tax)	(1.8)	(12.4)	
Adjusted EPS	**18.9p**	**13.9p**	**36.0%**

Revenue bridge



Operating profit bridge



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Packaging makes up over 80% of our profits

UK Packaging		**Δ**
Revenue	£917.7m	+22.3%
Operating profit *	£54.2m	+46.5%
Return on sales *	5.9%	+100bps
ROACE *	10.3%	+340bps

Cont'l European		**Δ**
Revenue	£599.4m	+68.7%
Operating profit *	£39.8m	+72.3%
Return on sales *	6.6%	+10bps
ROACE *	12.5%	+50bps

Office Products		**Δ**
Revenue	£715.2m	-2.5%
Operating profit *	£25.2m	+17.8%
Return on sales *	3.5%	+60bps
ROACE *	22.4%	+450bps

Plastic Packaging		**Δ**
Revenue	£242.2m	+4.7%
Operating profit *	£16.9m	+1.8%
Return on sales *	7.0%	-20 bps
ROACE *	14.9%	+150bps

*excluding exceptional items and amortisation

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UK Packaging

- Significant top-line growth, +22.3% supported by strong volume growth in packaging
- Successful commercialisation of R-Flute®
- Focus on working capital, as well as profit improvement, has driven up ROACE
- We are investing to upgrade our pre-print capabilities in the UK

£m	2010/11	2009/10
Revenue	917.7	750.2
Adjusted OP	54.2	37.0
ROS	5.9%	4.9%
ROACE	10.3 %	6.9%

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Continental European Corrugated Packaging

- Otor acquired on 1 September 2010, now integrated to form DS Smith Packaging France
- Revenue up 13.2% for the division excluding Otor
- Margin improvements due to mix benefit of Otor acquisition
- Investing in new capacity in France to support FMCG market growth

£m	2010/11	2009/10
Revenue	599.4	355.4
Adjusted OP	39.8	23.1
ROS	6.6%	6.5%
ROACE	12.5 %	12.0%

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Otor acquisition

- Otor acquired for £203.2m
  - Announced in July 2010, completed in September 2010
- Supported by 10% equity placing raising c. £46m, 120p placing price
- Cost synergy estimate progression:
  - €9.3m on announcement, July 2010
  - Increased by €1.0m to €10.3m, December 2010
  - Now increased to €13.0m by April 2013, one year ahead of original plan
- Cost synergies achieved
  - €3m realised in 2010/11
  - Expect incremental €6m in 2011/12

Otor, 8 months	2010/11
Revenue	£197.1m
Adjusted OP	£18.5m
ROS	9.4%
Annualised ROIC	13.6%

Plastic Packaging

- Good progress – underlying revenue up 11.0% and operating profit up 8.6%
- Continued good margins and returns
- Continued improvement in working capital driving further increases in ROACE
- Good commercial successes in both bag-in-box solutions and in mobile pallet solutions for retail use

£m	2010/11	2009/10
Revenue	242.2	231.3
Adjusted OP	16.9	16.6
ROS	7.0%	7.2%
ROACE	14.9%	13.4%

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Office Products Wholesaling

- Revenue broadly flat on a constant currency basis, profits up 18%
- Strong performance in continental Europe, more difficult conditions in the UK
- Strengthened management team
- Focus on cost savings and on margin management has driven strong profit performance
- Improved working capital while maintaining high service levels

£m	2010/11	2009/10
Revenue	715.2	733.7
Adjusted OP	25.2	21.4
ROS	3.5%	2.9%
ROACE	22.4%	17.9%

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Free cash flow per share up 21.4%

£million	2010/11	2009/10	Change £m
EBITDA	**206.8**	**166.0**	**40.8**
Working capital	7.6	(2.4)	10.0
Other (including additional pension payment)	(23.0)	(9.7)	(13.3)
Capital expenditure	(66.6)	(52.6)	(14.0)
Sale of assets	10.1	13.0	(2.9)
Taxation	(18.6)	(21.3)	2.7
Net Interest paid	(15.6)	(16.2)	0.6
Free cash flow	**100.7**	**76.8**	**23.9**
Exceptional cash costs	(17.0)	(18.4)	1.4
Dividends	(22.6)	(12.9)	(9.7)
(Acquisitions)/disposals including net debt acquired	(201.7)	(1.9)	(199.8)
Issue of share capital less purchase of own shares	43.6	-	43.6
Foreign exchange and fair value movements	(14.5)	8.4	(22.9)
Net debt movement	**(111.5)**	**52.0**	**(163.5)**
Free Cash Flow per share - pence	23.8	19.6	4.2

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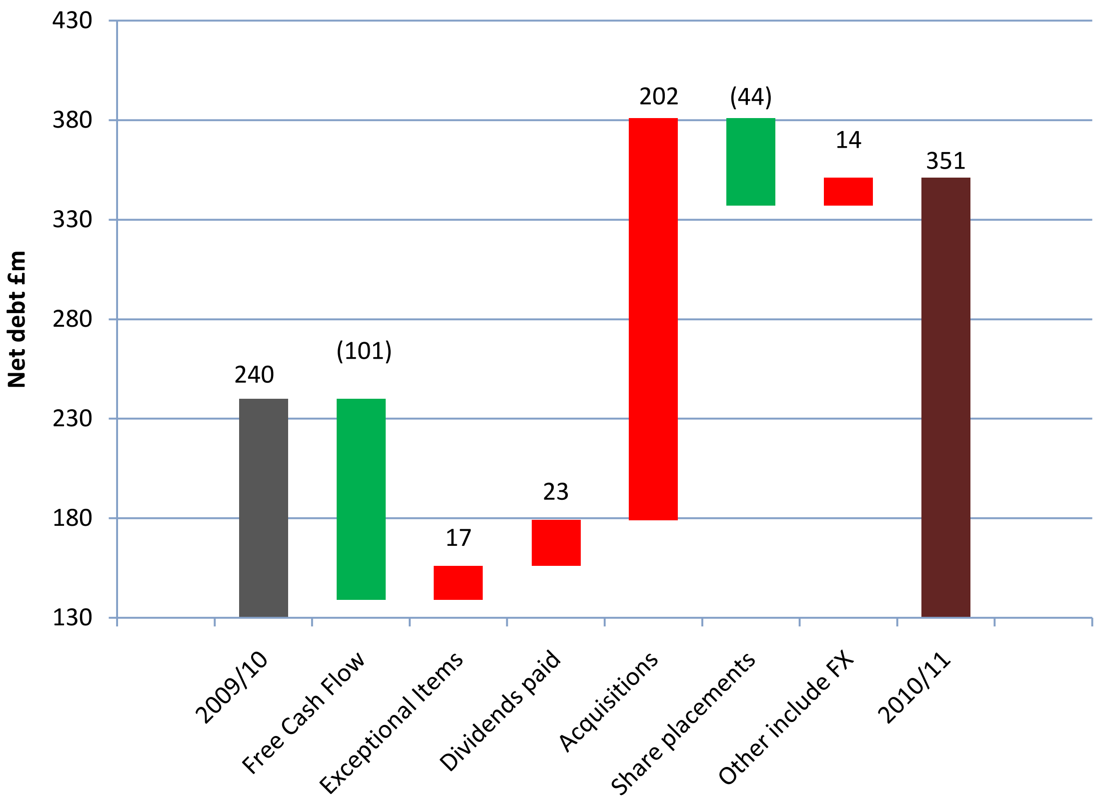
Strong cash flow generation funding growth



Debt facilities

- total facilities: £727m
- headroom: £305m
- Committed facilities to November 2012 of £709m

- Net Debt to EBITDA 1.6x
- Interest cover 7.6x

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Technical details

Input cost/ recovery	2011/12	Targeting full recovery
Energy	2011/12	c. £132m (£6m increase)
Finance cost	2011/12	Effective rate on debt balance 5.9%
Employment benefit finance	2011/12	£(3.0)m charge
Net capital expenditure	2011/12	c. £90m
Tax charge	2011/12	28%

Delivering on our target savings

Cost savings	Original target	Status
UK efficiency	£10m run-rate by April 2014	Projects on track, £3m to be delivered in 2011/12
Procurement	£10m run-rate by April 2012	Projects on track, £3m in opex and £3m in 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
Working capital	Reduce from 8% to 5% of revenue by 30 April 2014, equivalent to c. £75m	£24m achieved to date

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Delivering on our strategic financial targets

Metric	Medium term target	2010/11		Progress
Volume growth	>3%	8%*	✓✓	Core business ahead of KPI
EBITA margin	6% - 8%	5.5%	✓	80bps improvement
ROACE	12 – 15%	12.7%	✓✓	In range 260bps improvement
Operating cashflow** / operating profit	>120%	125%	✓✓	Good underlying cash generation
Net debt / EBITDA	<2.0x	1.6x	✓✓	In range

*packaging volume growth 8%, Group volume growth 3%
** before growth capital expenditure

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Miles Roberts

Group Chief Executive

Who are DS Smith?

Recycled packaging...	... for consumer goods

Reckitt Benckiser

DANONE

Cadbury

United Biscuits

Chivas Brothers
Pernod Ricard

Procter&Gamble

We are long in fibre collection and packaging, short in paper

Belmont, Hereford, May 2011

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We have a 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

Key actions that have driven strategic change in 2010/11

- Strengthened management team
- Cultural shift – increased confidence
- Grown packaging
  - Otor successfully integrated - increased proportion of FMCG
- Reduced contractual price-review periods to 4 months
- Group restructured
  - Group-wide customer management and procurement in place
  - Cost savings on track
  - UK business restructured, rebranded and empowered

Accelerating into 2011/12 and beyond

We are confident of significant further progress in 2011/12 and beyond

Why?...

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We continue to drive strategic change – in growth

Strategic aim: GDP+ growth
Financial target: Organic volume >3%

- Revenue synergies from Otor
- Investing to increase capacity in high quality packaging
  - Building our geographic footprint
- Innovation roll-out: R-Flute® into France and Poland
- Expanding the footprint of our recycling business in Europe

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Rolling out innovation to drive market share gains and sales growth

R-Flute® capability in Europe: 2011/12

Now

Spring 2012

R-Flute® capability in two sites in France, one now in production

R-Flute® capability in two further sites in Poland

- Customer-led demand, e.g. Danone, Kronenbourg

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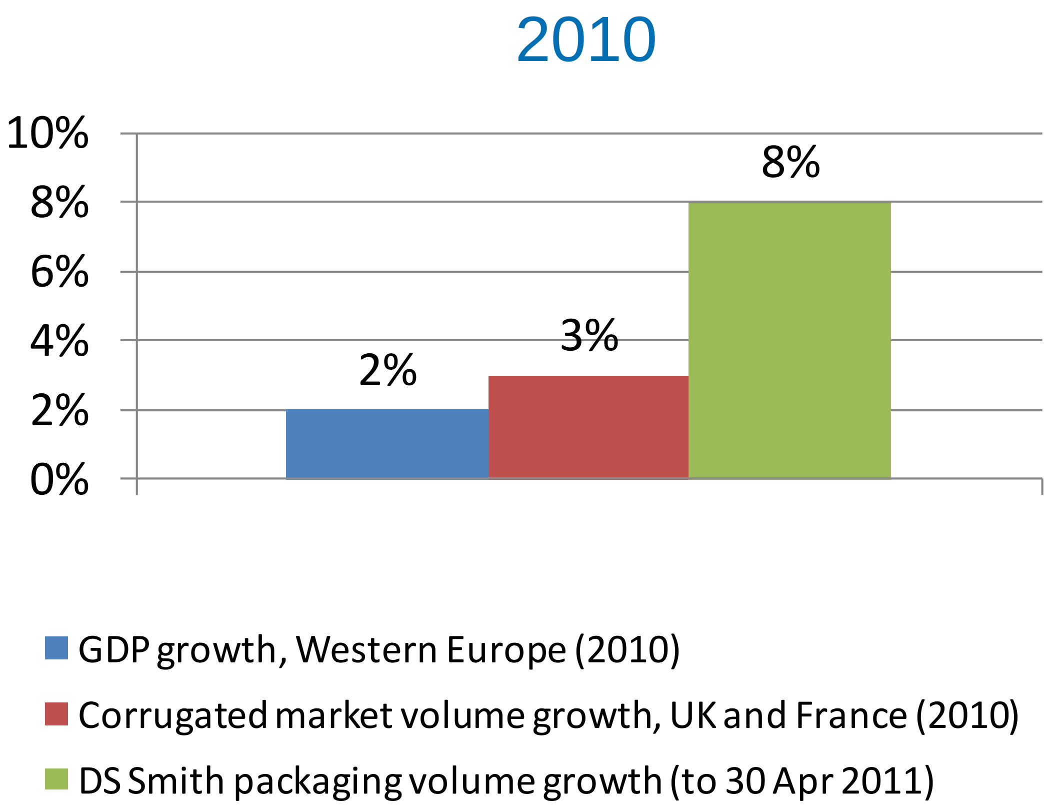
Growth underpinned by a GDP+ market

- Market for corrugated robust
- FMCG companies also showing consistent growth
- DS Smith growing ahead of the market



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We continue to drive strategic change – in margins

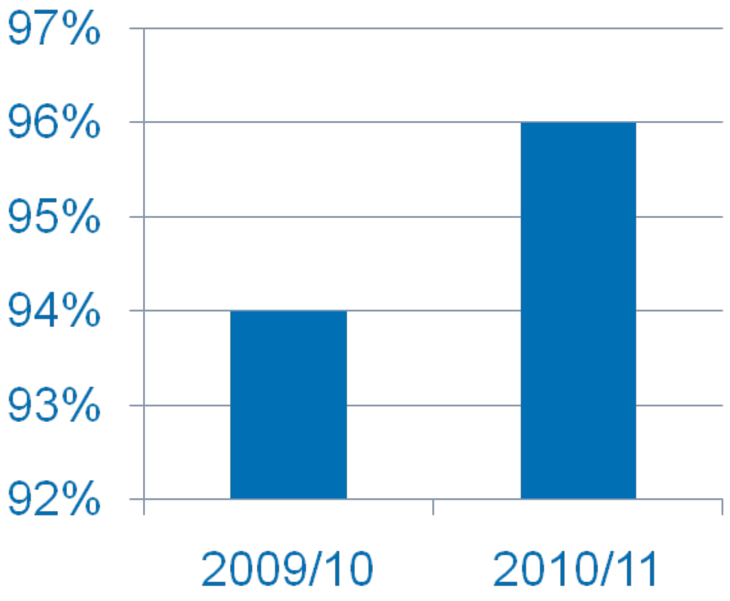
Strategic aim: Higher margins
Financial target: EBITA margin of 6% – 8%

- Gross margin management
  - Facilitated by delivering first class customer service
- Improve mix of business
- Cost savings expected to flow through in 2011/12
  - UK efficiency – c. £3m
  - Procurement – c. £6m (split equally opex and capex)
  - Otor synergies – incremental €6m in 2011/12 on top of €3m delivered in 2010/11
- Further cost savings to come in 2012/13

Excellent service and quality are key differentiators

- Top customers managed on a pan-European basis for the first time
- Quality – substantially improved pre-print capability in the UK

Service levels: on-time, in-full



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Continuous innovation is part of our DNA

- Otor brings 50 patents and 10 licenses
- 6 new patents licensed this year

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We continue to drive strategic change – reducing cyclicality

Strategic aim:	Reduced cyclicality
Financial target:	RoS 6% – 8%, ROACE 12% – 15%

- Focus on FMCG enhanced by Otor – FMCG now c. 70% of Group corrugated box customers
- Continued work on reducing period of price review – now down to 4 months
- Proposal to reduce and refocus UK paper manufacturing
  - consultation on proposed closure of one plant (95kt) commenced

We continue to drive strategic change – in capital returns

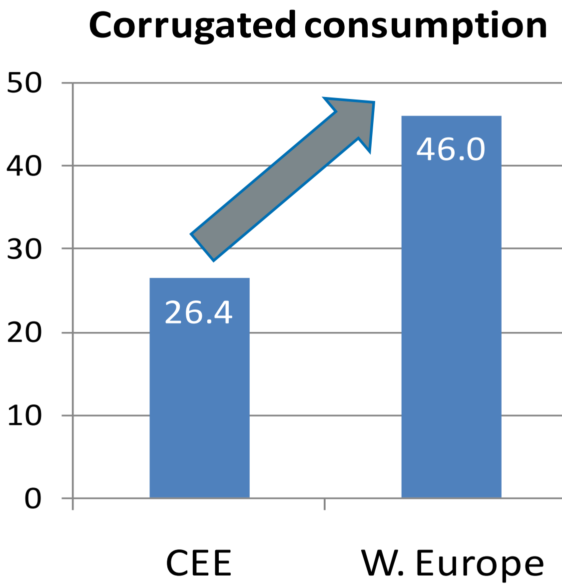
Strategic aim: Deliver ROACE above WACC
Financial target: ROACE 12% – 15%

- We will deploy our capital effectively and with discipline
  - Organic investment
  - Small bolt-on acquisitions
  - Larger acquisitions

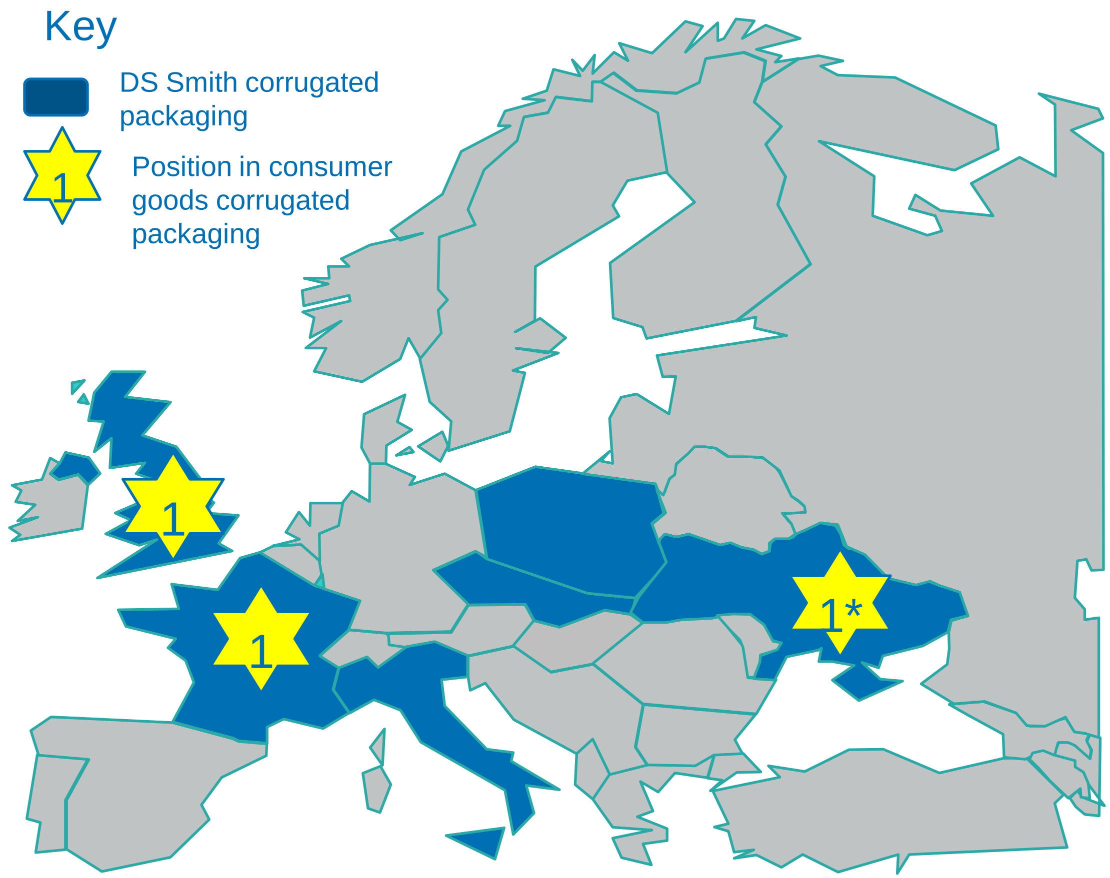
Otor ROI of 13.6%, with further cost savings yet to come

- Manage capital expenditure strategically
  - Investment programme to increase our capacity and further improve the quality of our product offering
- Further improvements in working capital to achieve savings

Clear opportunity to expand footprint



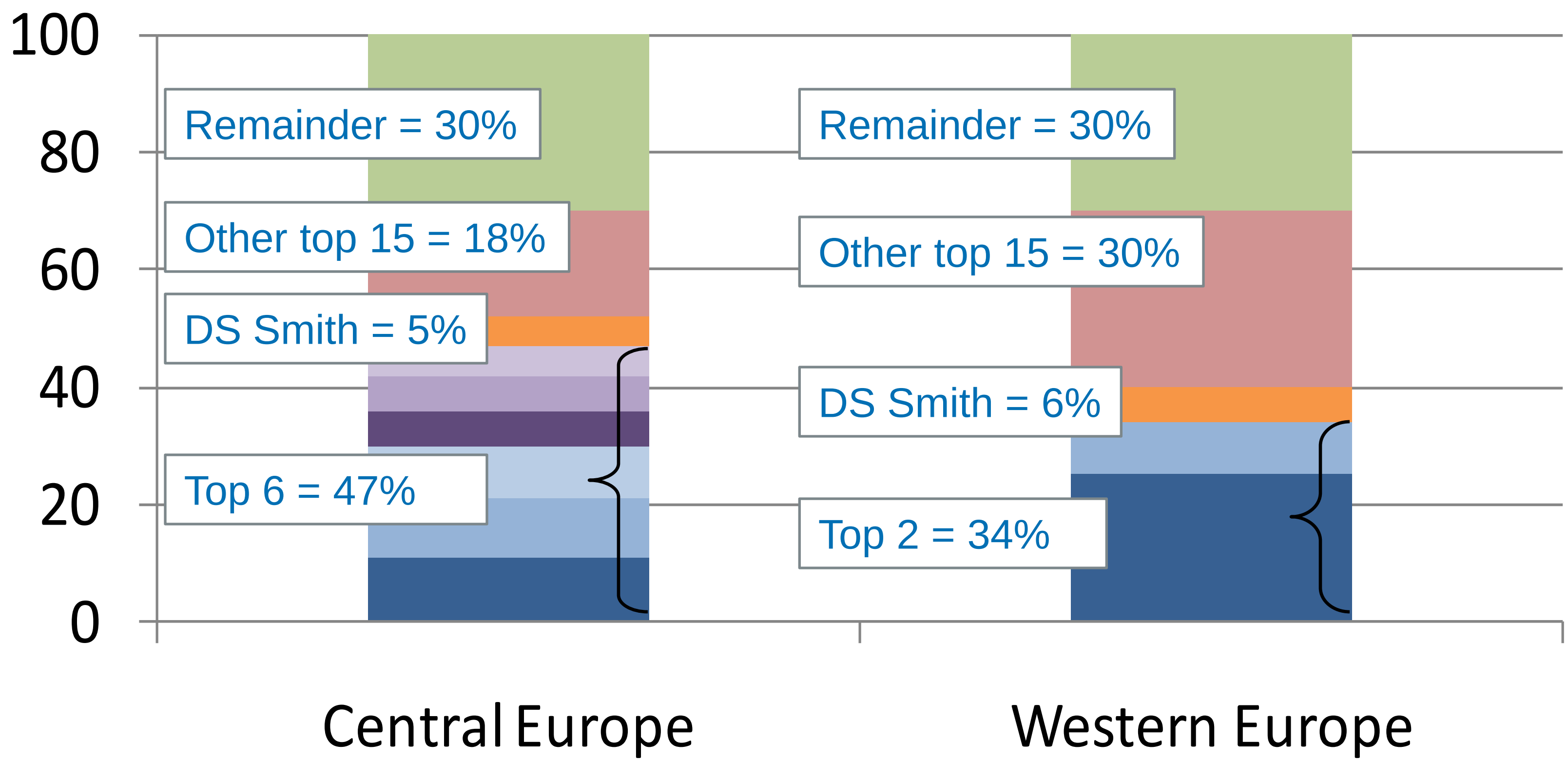
Corrugated consumption (2009) kg / per capita.
CEE = Poland, Czech Republic, Hungary, Ukraine
Western Europe =
UK, France, Germany, Spain, Italy



* Associate company

Opportunities for consolidation in fragmented European market

Proportion of the corrugated market by ownership and geographic reach



Central Europe = Poland, Czech Republic, Hungary, Croatia, Slovakia. Western Europe = Germany, France, Austria

Summary and outlook

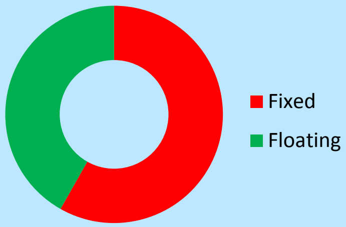
- 2010/11: a year of considerable change and progress
  - Strategic direction defined and strong operational delivery, despite substantial cost increases
- Momentum continuing
- Trading started very well
- Expect to make further significant progress towards our financial objectives
- Confidence evidenced by 41% increase in dividend

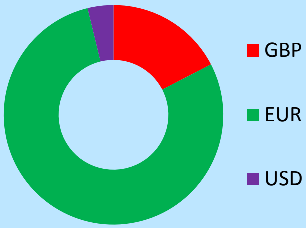
Strong platform for further growth

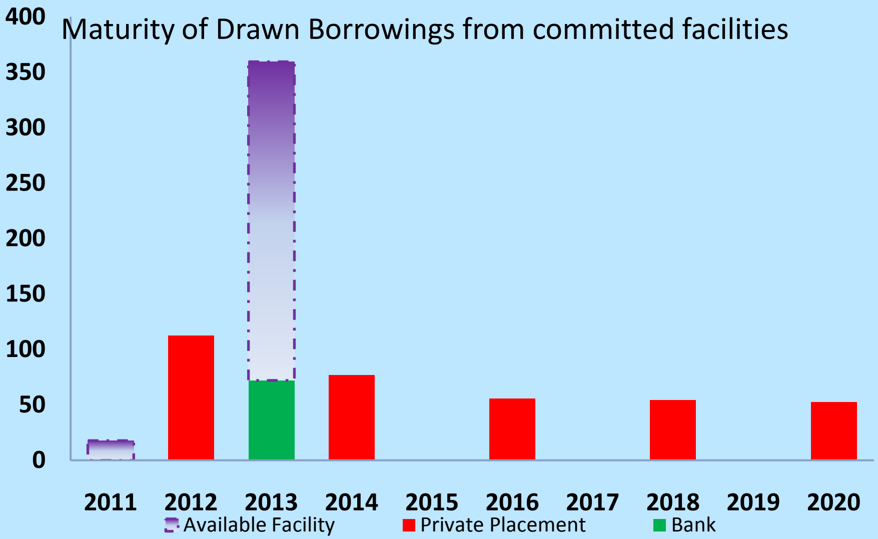
Thank you

Appendices

Debt Analysis







Weighted average life of borrowing facilities is 4.2 years

Net debt	**£m**
Borrowings	412.3
Derivative financial instruments	26.9
Less net cash	(88.2)
*Net debt	**351.0**

*Consolidated Net Assets	£696.0m
*EBITDA/Net Debt ratio	1.6x
*Profit before Interest/ Net Interest Payable	7.6x

* As defined by the Group’s banking covenants

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Covenant Headroom

Covenant	**2010/11**	Headroom	**2009/10**	Headroom
Consolidated Net Assets* >£360m	£696.0m	£336.0m	£619.3m	£259.3m
Net Debt/EBITDA ratio* <3.25 times	1.6	EBITDA £111.3m	1.4	EBITDA £93.5m
Profit before Interest/Net Interest Payable* >3 times	7.6	Profit before Interest £84.0m	6.9	Profit before Interest £56.6m

*As defined by the Group banking covenants

Working capital saving

- Target £75m by April 2014, reducing proportion of working capital to revenue from 8% to 5%
- Organic increase in revenue = £207m
- Implied increase in working capital @8% = £16.6m
- Net inflow from working capital = £7.6m
- Therefore: net saving in working capital = £24.2m

Pensions

£million	2010/11	2009/10
Equities	435.9	420.1
Bonds, gilts and cash	295.6	269.0
Market value of assets	**731.5**	**689.1**
Value of liabilities	(879.0)	(892.2)
Deficit	**(147.5)**	**(203.1)**
Deferred tax	35.7	57.0
Net pension liability	**(111.8)**	**(146.1)**

Discount rate	5.3%	5.6%
Employment benefit net finance charge	(7.4)	(11.5)