

SCA PACKAGING INTEGRATION

100-day update

11 October 2012



Agenda for today

KEY THEMES

Miles Roberts, Group Chief Executive

OUR MARKETS AND CUSTOMERS

Gary Saunders, Head of Packaging

LEGO CASE STUDY

Per Frederiksen, MD Northern Europe

P&G CASE STUDY

Carolyn Wagner, MD Central Europe

INTEGRATION AND COST SAVINGS

Steve Dryden, Group Finance Director

CONCLUSIONS

Miles Roberts, Group Chief Executive

KEY THEMES

Miles Roberts
Group Chief Executive



The story so far...

Since 2010 we have refocused and reshaped DS Smith:

- Grown our core business organically and through successful acquisitions
- Improved our business mix
- Differentiated by adding value for our customers
- Started delivering financial returns that are sustainable and attractive

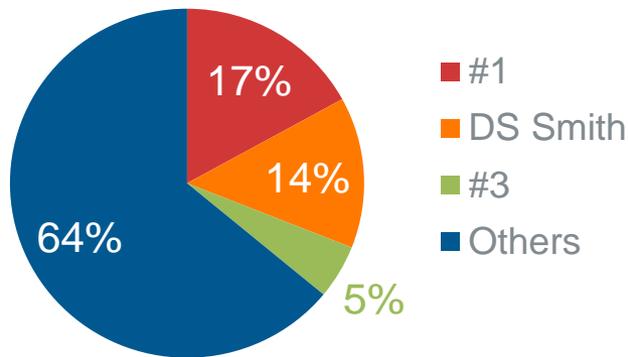
By acquiring SCA Packaging we set out to:

- Build a group with pan-European coverage
- Serve pan-European customers
- Enhance our offering through improved innovation and capability
- Drive benefits from DS Smith's operational structure
- Realise significant cost, working capital and capital expenditure savings
- Deliver a return on capital above our cost of capital in the first full year of ownership

DS Smith now

Stronger not just bigger

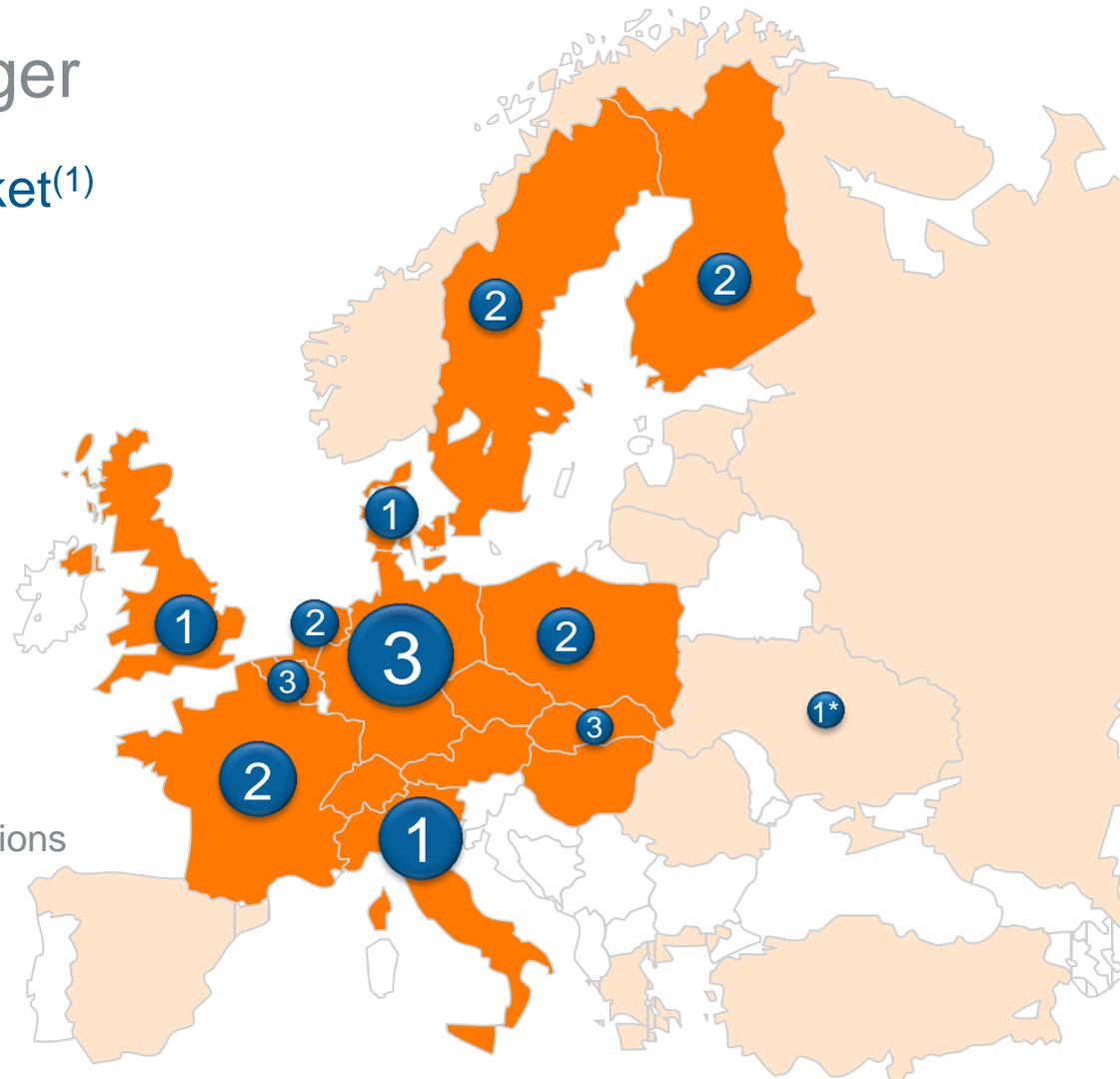
European Corrugated Market⁽¹⁾



(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

A customer driven structure



Management team: the best of both

- Top-80 SCA Packaging senior managers were assessed in depth, prior to completion
- A management team that is the best from both businesses
- In place from day 1
- Expanded capability in key areas to reflect challenges and opportunities
- Supported by Group structure
- Incentives aligned to Group targets

Welcomed by customers

- Delivers the pan-European supplier that they want
- Good feedback due to complementarity of the businesses
- Winning business through on-going focus on service, quality and innovation
- Consistent customer renewals

Strong employee buy-in

Excellent
commitment
and engagement
from employees

Developing cultural
alignment

Employees see
the opportunity from
being part of a
stronger and more
focused organisation



Improving returns for shareholders

BUSINESS MIX

SYNERGIES

OPPORTUNITIES
FOR
DEVELOPMENT

Business mix

BUSINESS MIX

Reduce low value-added products

Grow higher value-added products

Assess paper integration level

Synergies

SYNERGIES

Cost savings now €100m over 3 years
(previously €75m over 3 years)

Cash savings now €130m over 3 years
(previously €40m over 3 years)

Disposal of surplus assets €100m over 3
years (previously nil)

Opportunities for development

OPPORTUNITIES
FOR
DEVELOPMENT

Pan-European customers

Geography

Innovation

In summary . . .

Strong momentum

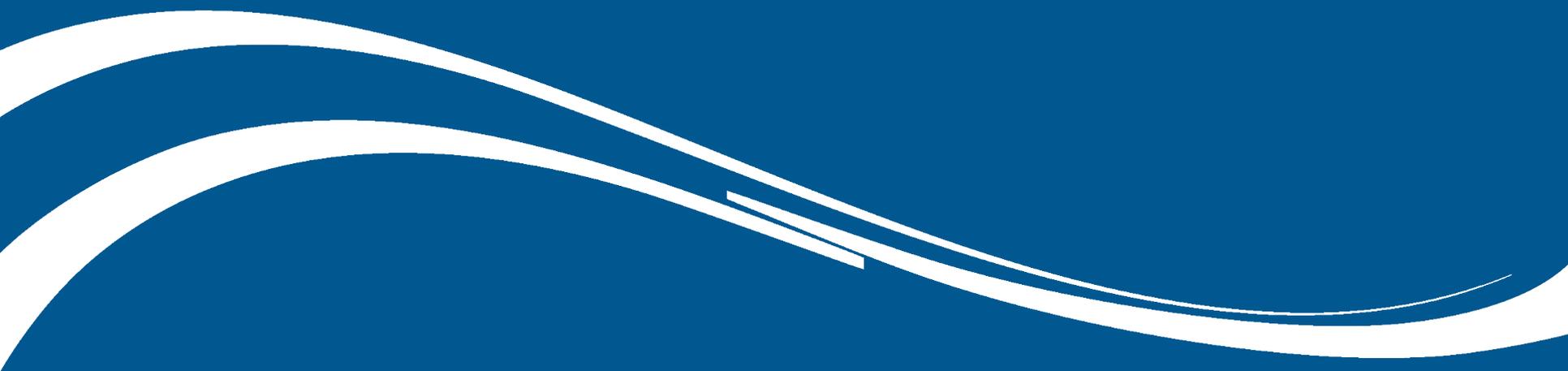
Integration progressing to plan

Excellent customer and employee buy-in

“The end of the beginning”

OUR CUSTOMERS

Gary Saunders
Head of Packaging



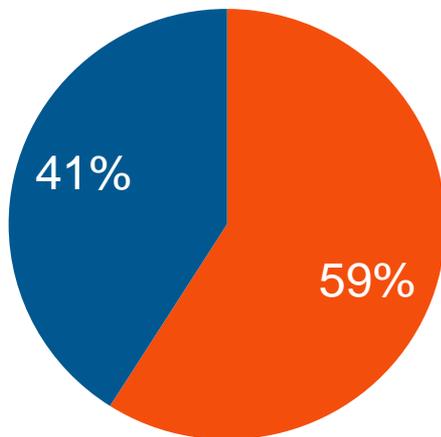
A robust customer base

Our top-30 corrugated customers

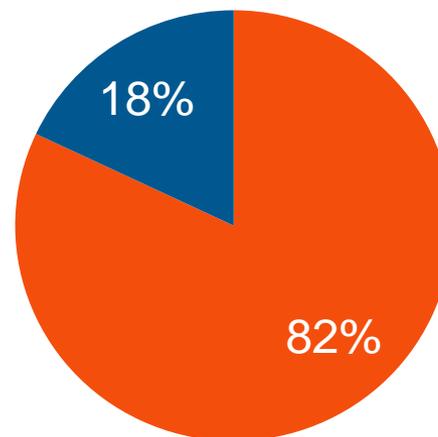


A robust customer base

All corrugated customers



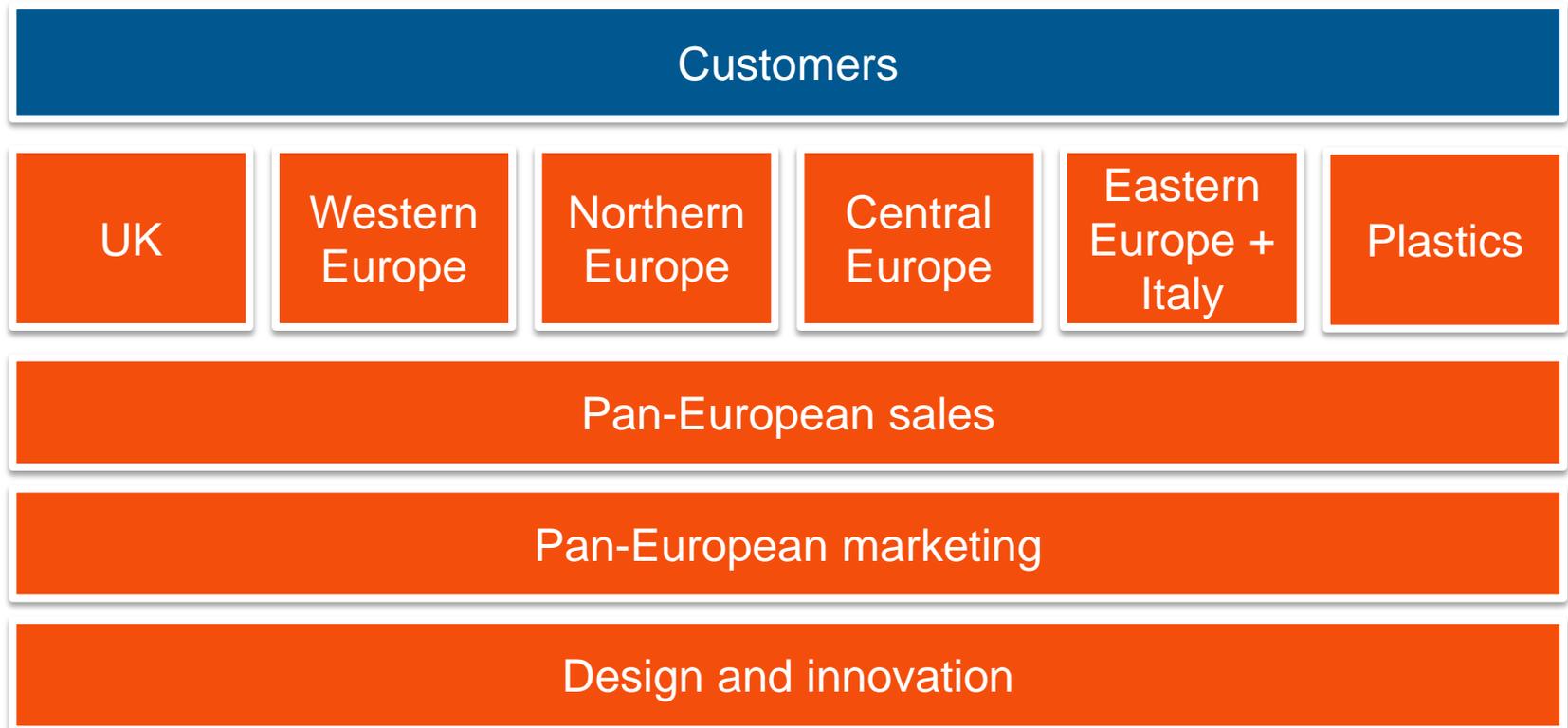
Top-75 corrugated customers =
c. 25% of Group revenue



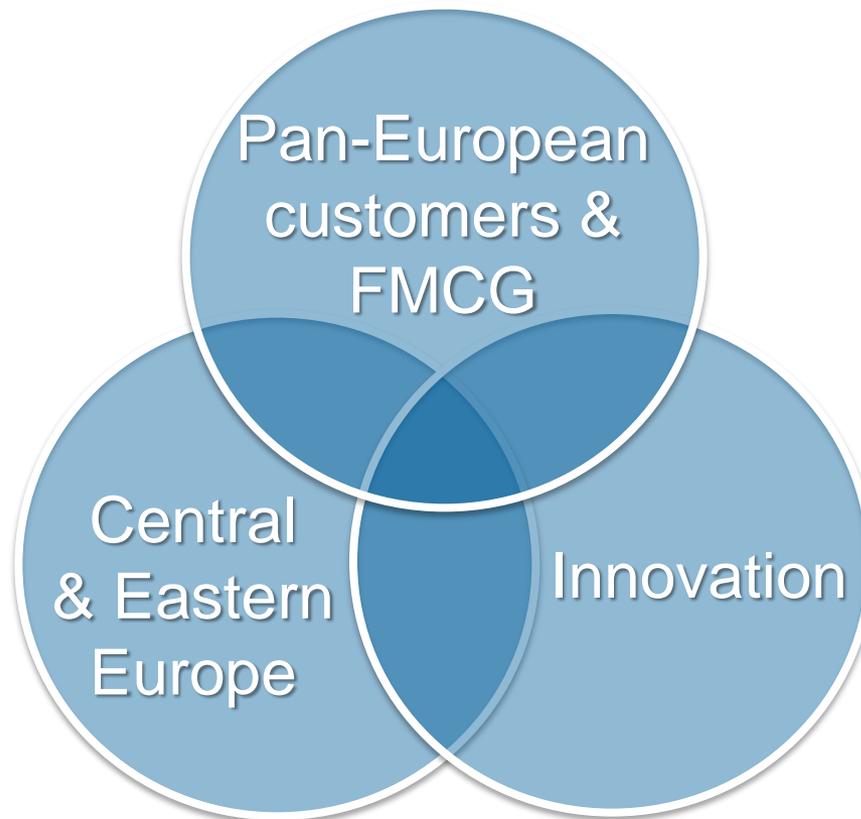
- FMCG
- Industrial, auto, consumer durables and electronics

Scale to invest and grow

Focused on packaging



Where we see growth opportunities



FMCG remains the core area of growth

European corrugated by end market	2010 (mms)	2015 (mms)	CAGR
All FMCG	25,048	28,533	3.3%
Consumer durables	6,627	7,136	1.9%
Industrial	13,255	14,369	2.0%
Other	3,481	4,456	6.4%
Total	48,411	54,494	3.0%

- Of the incremental corrugated volume expected in FMCG, c. 35% is expected to come from Central and Eastern Europe

Source: ICCA

High quality industrial business

Auto	Diversified industrial	Electrical	Energy	Chemicals
       	       	     	  	   
			Other	Pharma
				

Per V Frederiksen

Managing Director Northern Europe

My background

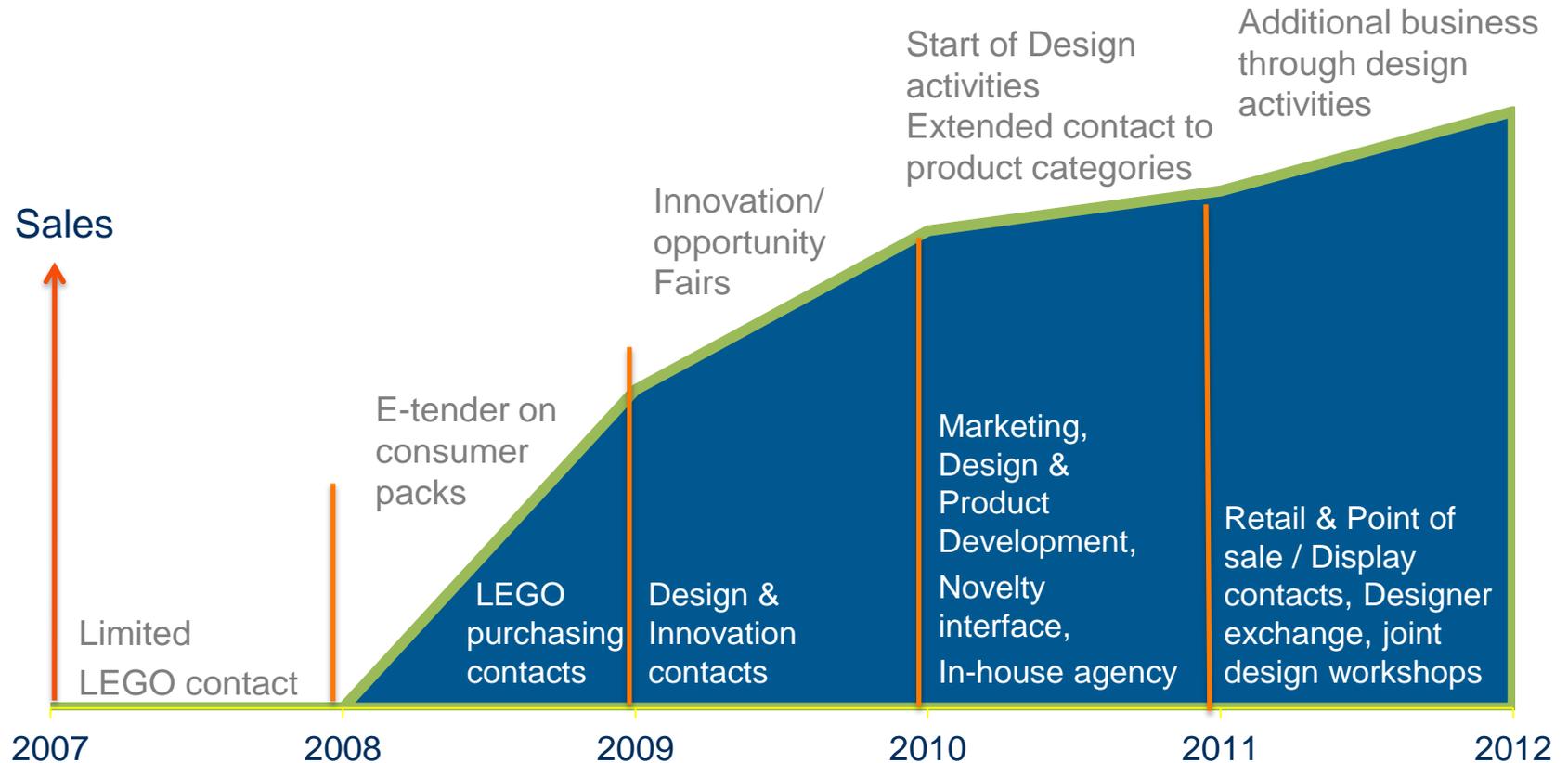
- Master of Science (Economics), Copenhagen Business School
- 17 years in packaging (corrugated, flexible, moulded fibre)
- 3 years with SCA Packaging
- Worked in USA, UK and Denmark

My thoughts

- Greater speed and higher ambitions than previously
- Being a focused packaging company makes a big difference
- Very strong management team
- Excellent fit
 - mutual respect
 - lots of synergies

Case study – LEGO

Taking a relationship from E-tender to Partnership



Case study – LEGO

Choosing the right customers

LEGO has doubled its global market share since 2008

LEGO has grown by >10% p.a. last four years

LEGO is a demanding customer

- Only DS Smith can offer the complete innovation solution
- DS Smith has direct contact with over 50 people, who work directly on the design of new LEGO packaging



Case study – LEGO

The enlarged footprint makes us even more attractive

Much stronger production set-up in Central and Eastern Europe, where LEGO is foreseeing the strongest growth in their own production

Improved ability to invest as LEGO's demands are increasing

Greater combined capabilities improve our position with LEGO

- New product types (e.g. R-Flute®)
- New technical skills
- Vast innovative resources

Our focus on packaging increases our credibility

Carolyn Wagner

Managing Director Central Europe
(Germany, Austria and Switzerland)

My background

- Graduated Packaging Engineer at University Leipzig
- 14 years in packaging (paper, printing, corrugated)
- 11 years with SCA Packaging

My thoughts

- See the company as a partner and service provider to its customers with extensive market experience in the field of packaging and displays
- New pan-European footprint – our customers and plants are now present in 22 countries
- By leveraging the strengths of the individual sites and countries we can fully exploit our potential

Driving sales through innovation

Pipeline of DS Smith-developed technology

Mandrel-construction packaging

Developed in DS Smith France

Licensed to RockTenn in the US

Driving opportunities in Europe

R-Flute®

Installed in 7 UK sites

Legacy DS Smith sites in Europe
now making R-Flute®

Recently installed in Hanau,
Germany and now supplying
customers

Innovation delivering value across the supply chain

P&G use our patented mandrel construction packaging solutions technology in their plants in France, Belgium, Czech Republic, Germany and Italy

- Improves run-speed on filling lines
- Allows lighter-weight corrugated board to be used

Febreze example

Marketing
shelf ready

Production
fast run-speeds

Procurement
cost competitive

Driving sales through patented innovation

Procter & Gamble

P&G expect high standards of innovation from their suppliers

- Already a large customer of DS Smith

Use R-Flute® in the UK and France for some of their leading brands

- Opportunity to do more as we roll out R-Flute® in other parts of Europe



INTEGRATION AND SYNERGY DELIVERY

Steve Dryden
Group Finance Director



More synergies - faster

Synergy	Original (January 2012) target	Today's target	
Cost savings by April 2015	€75m	€100m	
Cash savings by April 2015	€40m	€130m	
Disposal of surplus assets by April 2015	Nil	€100m	

Clear plan for delivery

Cost savings by April 2015

Synergy source	Original (Jan 2012) target	New target
Procurement	€53m	€64m
Head office	€10m	€16m
Operational improvements	€12m	€20m
Total	€75m	€100m

Cost savings by April 2013 of €25 million as previously advised

The remainder of the cost savings will be phased evenly over the following two years

Total one-off cost to achieve both cash and cost savings now €90 million

Clear plan for delivery

Cash savings by April 2015

Synergy source	Original (Jan 2012) target	New target
Working capital	€32m	€100m
Capex efficiency	€8m	€30m
Total	€40m	€130m
Proceeds from business and property disposals	Nil	€100m

Capital expenditure and working capital savings by April 2013 of €60 million

- The remainder of the cash savings will be achieved approximately 60:40 over the following two years

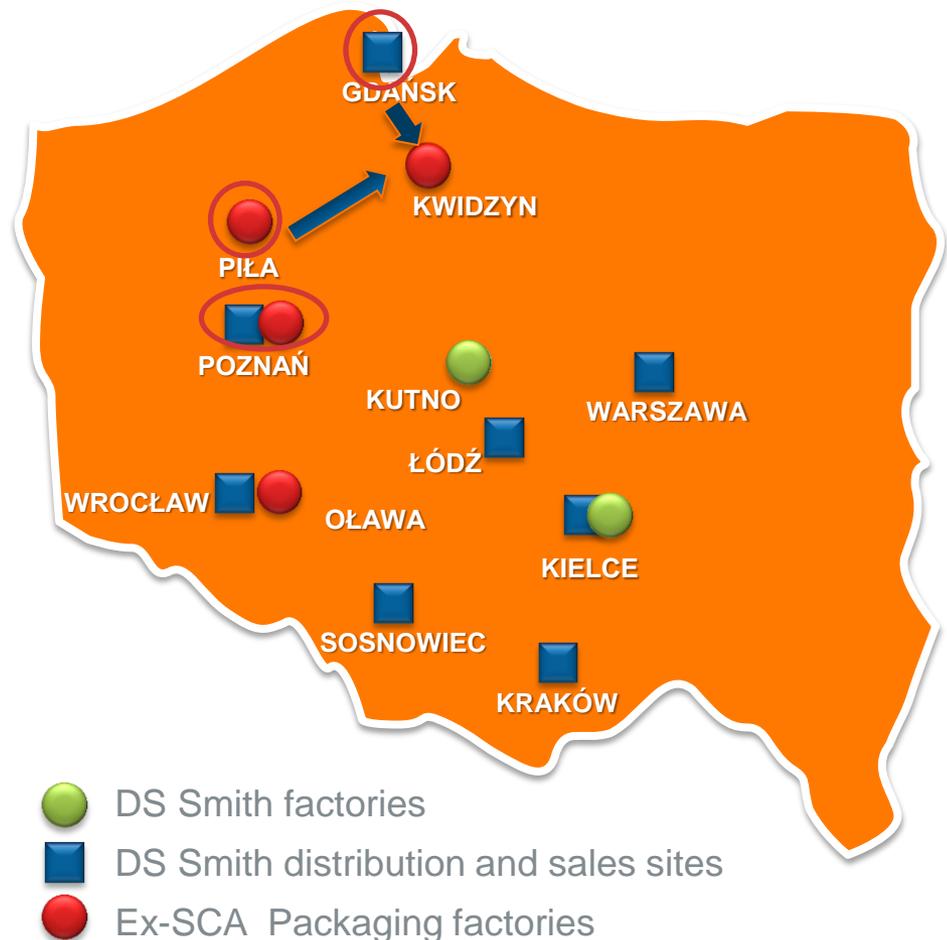
Site optimisation in Poland

Cost and cash savings

Close two sites (one production, one sales) and downsize one further sales site

Transfer production to create more efficient specialist manufacturing sites

Develop the Olawa site rather than planned greenfield development – saving €20m



Other benefits

Metric	Previous (Jan 2012) guidance	New guidance
Net debt / EBITDA ⁽¹⁾ ≤2.0x	By April 2014	By April 2013
Interest rate	4.6%	4.4%
Tax rate 2012/13	27.6%	24.0%
Capex in 2012/13	£160m	£150m

(1) EBITDA on an annualised basis, including pre-acquisition SCA Packaging EBITDA

C. 60% of revenues now denominated in EUR

Delivering our medium-term targets

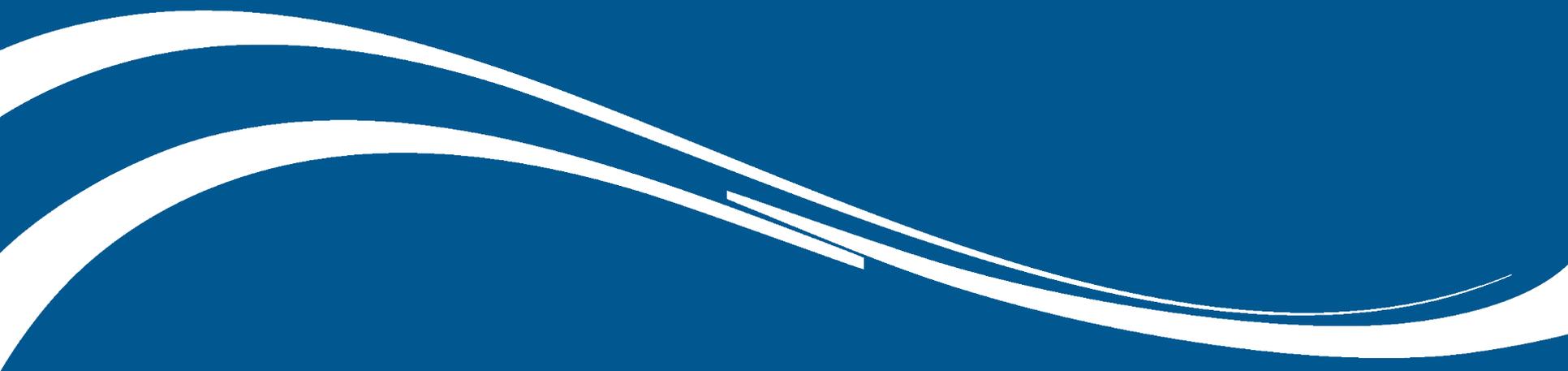
Metric	Medium-term target	How we will deliver
Corrugated volume growth	GDP+1%	Growth areas identified Short-term effect as low value business reduced
Return on sales	7 – 9%	Cost synergies increased to €100m
ROACE	12 – 15%	Cost synergies increased to €100m and cash synergies increased to €130m
Operating cash flow ⁽¹⁾ / operating profit	>120%	Cash synergies increased to €130m
Net debt / EBITDA ⁽²⁾	≤2.0x	Cost synergies increased to €100m and cash synergies increased to €130m plus surplus asset disposals of €100m

(1) Before growth capex

(2) EBITDA on an annualised basis, including pre-acquisition SCA Packaging EBITDA

CONCLUSIONS

Miles Roberts
Group Chief Executive



Stronger, not just bigger

Positives from first 100 days

Transformed commercial positioning in Europe

Plans for driving value for shareholders

- synergies
- business mix
- opportunities for development

Further update on strategy next year



Thank you

APPENDIX



Revised reporting structure

Our reporting divisions

Reporting division	Constituent businesses	Pro-forma revenue split
UK	UK	26%
Western Europe	France, Belgium, Netherlands, Spain	26%
Northern Europe	Denmark, Sweden, Finland, Norway	8%
Central Europe	Germany, Austria, Switzerland	16%
Eastern Europe and Italy	Poland, Czech Republic, Romania, Hungary, Slovakia, the Baltics, Italy	17%
Plastics	Global liquid packaging and dispensing, and returnable transit packaging plastics businesses	7%

Revised reporting structure

Re-stated revenue break-down

Reporting division	HY to 31 October 2011 (£m)	FY to 30 April 2012 (£m)
UK	514.4	960.2
Western Europe	296.3	569.4
Northern Europe	-	-
Central Europe	3.4	7.3
Eastern Europe and Italy	86.5	167.2
Plastics	133.9	265.3
Total	1,034.5	1,969.4

Revised reporting structure

Re-stated EBITA break-down

Reporting division	HY to 31 October 2011 (£m)	FY to 30 April 2012 (£m)
UK	39.9	64.4
Western Europe	19.2	38.9
Northern Europe	-	-
Central Europe	0.2	0.3
Eastern Europe and Italy	8.6	16.4
Plastics	10.4	22.0
Total	78.3	142.0

The scale of operations

Reporting division	Number of employees	Number of plants	Corrugated market size ⁽¹⁾ (kt)
UK	5,300	83	1,783
Western Europe	4,600	42	6,420
Northern Europe	1,800	33	663
Central Europe	3,200	34	5,520
Eastern Europe and Italy	4,100	54	6,153
Plastics	1,200	18	NA
Total	20,200	264	20,538

(1) Source: FEFCO 2011