

DS Smith Plc – Interim Management Statement

DS Smith Plc, the leading supplier of recycled packaging for consumer goods, today issues its Interim Management Statement in respect of the three month period to 31 January 2013.

Trading

We continue to see profit in line with expectations, driven by a solid performance in our Packaging businesses, together with the strong delivery of the previously announced synergies from the acquisition of SCA Packaging. Our Packaging business has continued to perform as we expected, despite the difficult European macroeconomic conditions particularly in certain geographic markets. Volume growth is in line with our GDP +1% medium term financial target, with the legacy DS Smith business outperforming whilst the ex-SCA Packaging business has been held back by our previously announced strategic decision to exit business that does not deliver attractive returns to shareholders. The performance in Paper continues to be poor and we still remain cautious on the profit outlook for this business, with anticipated rising input costs and new capacity coming on stream later in the year in the European paper sector.

Integration, Synergy Delivery and Cash Flow

We are now seven months into the integration of SCA Packaging, an acquisition designed to transform our ability to serve customers on a pan European basis. Integration continues to proceed well and we are on track to deliver the €100 million of annual cost savings and €130 million of cash savings earlier than previously expected. In addition, we remain on track to deliver €100 million in proceeds of surplus property and non-core businesses by the end of year three. As part of that disposals programme, the three previously announced remedy disposals, as required by the European Competition authorities, have now completed on an exit multiple of 7.7x, raising €55 million. The timing of the completion of the remedy disposal will reduce EBITA by c. £2 million in the current year and by c. £5 million in 2013/14. There has been no significant change in DS Smith's financial position during the period. The business continues to generate strong cash flow and expects the ratio of net debt to EBITDA to fall below 2.0x by 30 April 2013.

We continue to work to finalise the completion accounts in line with the process defined in the Sale and Purchase Agreement.

Outlook

The Group continues to expect substantial year-on-year EPS growth and above cost of capital returns and the Board views the remainder of the year with confidence.

Looking ahead to the new financial year, we expect the SCA Packaging acquisition to deliver returns ahead of the original investment case but we remain cautious on the outlook for our Paper business, with the recently announced paper price increases only partially offsetting the higher input prices and the expected impact of additional capacity in the European paper market. This reaffirms our strategic decision to be short in paper and we continue to evaluate our options to reduce our exposure to this more volatile business, with a view to further improving the Group's overall return on capital.

Miles Roberts, Group Chief Executive, said:

“Our business model remains resilient, with DS Smith well placed to create further substantial value for our investors. We are pleased with the continuing progress on the integration of SCA Packaging and the faster delivery of synergy benefits although we remain cautious about the outlook for Europe and expect the difficult market conditions to persist. We continue to focus on strengthening the business and our commercial proposition across a significantly enlarged geographic footprint and to look at how best to work with and serve our customers.”

Conference Call

A conference call for analysts and investors, hosted by Miles Roberts and Steve Dryden, will take place today, 7 March 2013 at 08.00 BST. The dial-in number is:

UK / International +44 (0)20 3036 4299
UK Toll Free 0800 158 4198
Password DS Smith

A play-back facility of this call will be available until 13 March 2013. The dial-in number is: +44 (0)20 8196 1998, access pin 7253365. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.uk.com

Forthcoming Dates

Pre-close statement	24 April 2013
Results for the full year to 30 April 2013	27 June 2013

Enquiries

DS Smith Plc

+44 (0)1628 583 400

Miles Roberts, Group Chief Executive
Steve Dryden, Group Finance Director
Louise Richardson, Interim Head of Investor Relations

Tulchan

+44 (0)20 7353 4200

John Sunnucks
David Allchurch