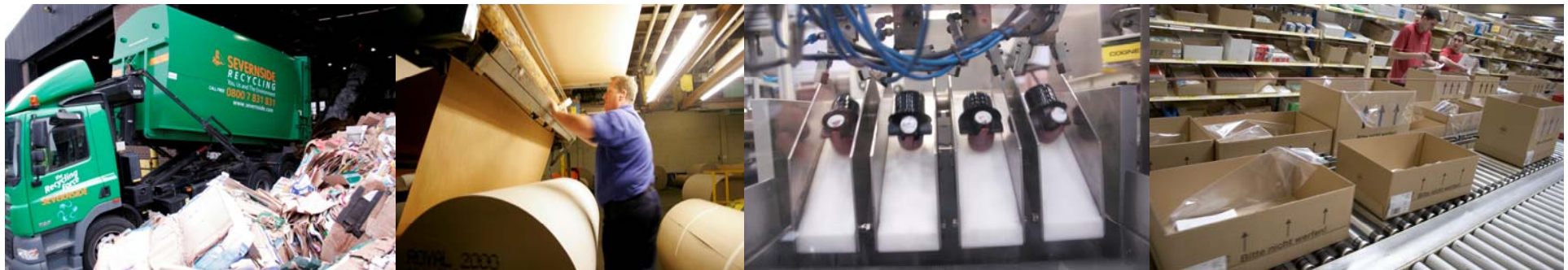

DS Smith Plc



Interim Results 2007/08

Peter Johnson
Chairman

Headlines

- PBT: £56.1m (H1 2006/07¹ £29.0m)
- EPS: 10.4p (H1 2006/07¹: 5.1p)
- Like-for-like revenue up 10% to £943m
- Cash inflow before dividends, acquisitions and disposals: £18.5m (H1 2006/07: £18.5m)
- Interim dividend unchanged at 2.6p

¹ before exceptional items

Financial Review

Gavin Morris
Group Finance Director

Group Income Statement

£million	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
Revenue	942.7	868.5	8.5% ²	1,766.1
Adjusted EBITDA ¹	90.5	61.6	28.9	140.6
Adjusted operating profit ¹	60.4	30.4	30.0	77.7
Share of profit of associates ¹	2.0	1.9	0.1	3.9
Net interest (excl. M.I. put option ³ below)	(7.9)	(7.1)	(0.8)	(15.0)
Change in fair value of M.I. put option ³	(2.7)	-	(2.7)	-
Employment benefit net finance income	4.3	3.8	0.5	8.0
Adjusted profit before tax ¹	56.1	29.0	27.1	74.6

¹ Before exceptional items

² Change H1 2007/08 vs H1 2006/07 after adjusting for the effect of plant closures and foreign currency movements: 9.6%

³ IAS 32/39 effect of change in fair value of minority shareholders' put option (included in finance costs in the Income Statement)

Group Income Statement (cont.)

£million	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
Adjusted profit before tax ¹	56.1	29.0	27.1	74.6
Exceptional items	-	10.0	(10.0)	3.9
Profit before taxation	56.1	39.0	17.1	78.5
Taxation ³	(15.0)	(5.5)	(9.5)	(17.2)
Profit after taxation	41.1	33.5	7.6	61.3
Adjusted EBITDA margin – % ¹	9.6%	7.1%	2.5pts	8.0%
Adjusted operating margin – % ¹	6.4%	3.5%	2.9pts	4.4%
Capital employed – £m ²	£891.4m	£907.1m	£(15.7)m	£895.0m
Adjusted return on capital employed – % ^{1,2}	13.6%	6.7%	6.9pts	8.7%

¹ Before exceptional items ² Monthly average

³ H1 2007/08 includes a one-off £2.4m deferred tax credit from the change in prospective UK corporation tax rate from 30% to 28%

Earnings and Dividends

	H1 07/08	H1 06/07	FY 06/07
Average shares in issue – million	391.7m	388.7m	389.5m
Earnings per share: adjusted – pence ¹	10.4p	5.1p	13.1p
basic – pence	10.4p	8.5p	15.6p
Dividend per share – pence	2.6p	2.6p	8.6p

¹ Before exceptional items

Shares in issue at 31/10/07 – 393.4m

UK Paper and Corrugated Packaging

	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
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Revenue – £m	367.1	342.6	7.2% ³	687.1
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Adjusted EBITDA – £m ¹	55.3	29.2	26.1	68.0
Adjusted EBITDA margin – % ¹	15.1%	8.5%	6.6pts	9.9%
Adjusted operating profit – £m ¹	39.9	13.5	26.4	36.5
Adjusted operating margin – % ¹	10.9%	3.9%	7.0pts	5.3%

Capital employed – £m ²	464.7	488.0	(23.3)	478.4
Adjusted return on capital employed – % ^{1,2}	17.2%	5.5%	11.7pts	7.6%

¹ Before exceptional items (H1 2007/08 nil, H1 2008/09 £10.0m credit, FY 2006/07 £6.7m credit)

² Monthly average

³ Change H1 2007/08 vs H1 2006/07 after adjusting for the effect of plant closures: 10.6%

Continental European Corrugated Packaging

	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
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Revenue – £m	165.0	151.4	9.0% ²	308.0
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EBITDA – £m	14.6	15.5	(0.9)	31.5
EBITDA margin – %	8.8%	10.2%	(1.4)pts	10.2%
Operating profit – £m	8.0	8.6	(0.6)	18.2
Operating margin – %	4.8%	5.7%	(0.9)pts	5.9%

Capital employed – £m ¹	176.4	165.1	11.3	164.4
Return on capital employed – % ¹	9.1%	10.4%	(1.3)pts	11.1%

¹ Monthly average

² Change H1 2007/08 vs H1 2006/07 after adjusting for the effect of foreign currency movements: 7.1%

Plastic Packaging

	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
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Revenue – £m	109.6	103.7	5.7% ³	201.8
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Adjusted EBITDA – £m ¹	10.8	10.5	0.3	21.9
Adjusted EBITDA margin – % ¹	9.9%	10.1%	(0.2)pts	10.9%
Adjusted operating profit – £m ¹	5.7	5.1	0.6	10.2
Adjusted operating margin – % ¹	5.2%	4.9%	0.3pts	5.1%

Capital employed – £m ²	124.5	124.0	0.5	122.2
Adjusted return on capital employed – % ^{1,2}	9.2%	8.2%	1.0pts	8.3%

¹ Before exceptional items (H1 2007/08 nil, H1 2006/07 nil, FY 2006/07 £(1.9)m charge)

² Monthly average

³ Change H1 2007/08 vs H1 2006/07 after adjusting for the effect of foreign currency movements: 6.6%

Office Products Wholesaling

	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
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Revenue – £m	301.0	270.8	11.2% ³	569.2
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Adjusted EBITDA – £m ¹	9.8	6.4	3.4	19.2
Adjusted EBITDA margin – % ¹	3.3%	2.4%	0.9pts	3.4%
Adjusted operating profit – £m ¹	6.8	3.2	3.6	12.8
Adjusted operating margin – % ¹	2.3%	1.2%	1.1pts	2.2%

Capital employed – £m ²	125.8	130.0	(4.2)	130.0
Adjusted return on capital employed – % ^{1,2}	10.8%	4.9%	5.9pts	9.8%

¹ Before exceptional items (H1 2007/08 nil, H1 2006/07 nil, FY 2006/07 £(2.9)m charge)

² Monthly average

³ Change H1 2007/08 vs H1 2006/07 after adjusting for the effect of foreign currency movements: 11.0%

Group Balance Sheet

£million	H1 07/08	H1 06/07	FY 06/07
Property, plant & equipment & investments	550.6	539.6	548.1
Intangibles	192.7	194.3	192.9
Other non-current assets	2.3	1.4	2.4
Net current assets	130.8	160.9	108.1
Deferred tax	(63.4)	(67.4)	(65.6)
Long-term creditors and provisions	(22.5)	(18.5)	(24.6)
Net debt	(188.5)	(238.6)	(181.2)
Pension schemes' net deficit	(7.8)	(30.0)	(13.0)
Net assets	594.2	541.7	567.1
Gearing – %	31.7%	44.0%	32.0%

Free Cash Flow

£million	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
Operating profit	60.4	30.4	30.0	77.7
Depreciation and amortisation	30.1	31.2	(1.1)	62.9
EBITDA	90.5	61.6	28.9	140.6
Working capital movement	(18.1)	(24.6)	6.5	8.5
Exceptional cash costs	(2.5)	(2.7)	0.2	(7.2)
Other	(3.8)	(7.5)	3.7	(13.9)
Cash generated from operations	66.1	26.8	39.3	128.0
Capital expenditure payments	(37.7)	(31.2)	(6.5)	(55.8)
Proceeds from sales of assets & investments	5.5	35.9	(30.4)	41.0
Tax paid	(7.6)	(6.3)	(1.3)	(15.1)
Interest paid	(7.8)	(6.7)	(1.1)	(14.1)
Free cash flow	18.5	18.5	-	84.0

Net Cash Flow

£million	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
Free cash flow	18.5	18.5	-	84.0
Dividends	(23.5)	(22.5)	(1.0)	(32.7)
Free cash flow before net acquisitions	(5.0)	(4.0)	(1.0)	51.3
Net (acquisitions)/disposals	0.7	1.4	(0.7)	0.2
Net cash flow	(4.3)	(2.6)	(1.7)	51.5

Borrowings Movements

£million	H1 07/08	H1 06/07	Change H1 07/08 vs H1 06/07	FY 06/07
Net cash flow	(4.3)	(2.6)	(1.7)	51.5
Share issues	0.2	-	0.2	3.7
Purchase of own shares	(0.2)	-	(0.2)	-
Non-cash movements	(3.0)	1.8	(4.8)	1.4
Net debt movement	(7.3)	(0.8)	(6.5)	56.6
Opening net debt	(181.2)	(237.8)	56.6	(237.8)
Closing net debt	(188.5)	(238.6)	50.1	(181.2)
P & L interest cover – x	5.7x	4.3x		5.2x
Net debt/adjusted EBITDA – x	1.0x	1.9x		1.3x

Guidance for 2007/08

- Paper and Corrugated Packaging
 - Continuing recovery of recent input cost increases - pricing
 - H2 energy costs seasonally higher
- Spicers UK profit on improving trend
- Underlying tax rate circa 32%
- Capital expenditure ahead of depreciation
- Employment benefit net finance income broadly at 2006/07 level
- Underlying interest charge up from higher rates (note IAS 32/39 put option fair value effect in H1 of £2.7m)
- Energy costs will rise in H2, from higher UK gas prices and the lagged effect of oil price increases on energy supply contracts

Operations and Strategy

Tony Thorne
Group Chief Executive

Strategic Objectives

- Generate value for shareholders through:
 - Operational improvement
 - Enhancing the business mix through selective investment

- Packaging
 - Objective: ROACE in excess of WACC (= c. 12% pre-tax) over the cycle
 - 12 months to 31/10/07: ROACE 12.0%

- Office Products Wholesaling
 - Objective: successful implementation of the Sept. 2006 turnaround plan
 - 12 months to 31/10/07: ROACE 12.8%

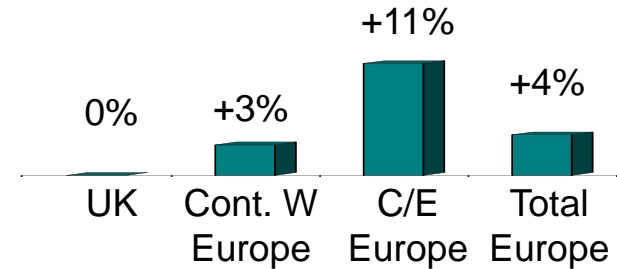
H1 2007/08 Performance Drivers

Adjusted operating profit	H1 07/08	Change H1 07/08 vs H1 06/07	Key Drivers
	£m	£m	
Packaging	53.6	26.4	
UK Paper and Corrugated Packaging	39.9	26.4	Restructuring; pricing
Continental European Corrugated Packaging	8.0	(0.6)	Prices up but higher CCM costs
Plastic Packaging	5.7	0.6	Sales growth but higher polymer costs
Office Products Wholesaling	6.8	3.6	UK and continental profits up
Operating profit before exceptional items	60.4	30.0	

Paper and Corrugated Packaging

External conditions

- Market – Europe: satisfactory growth



Source: FEFCO Jan-Sept 2007
Corrugated packaging volume (M.Sq.M)

- Input costs
 - Energy costs: high and rising
 - Waste paper: c.30% increase in 2007
- CCM supply/demand – improved balance
 - Capacity increases from late 2009; broadly in line with market growth
- Selling prices
 - CCM: recycled up further
 - Corrugated: recovering higher input costs

UK Paper and Corrugated Packaging



- Substantial advance
- Waste paper – Severnside Recycling
 - Grew volume collected
 - Developing added-value services
- Paper – St Regis Paper
 - Increased volume from ongoing mills
 - Benefited from machine upgrades
- Corrugated – DS Smith Packaging
 - Grew in converted products; especially retail-ready
 - Recovery of latest input cost rise into H1 '07/08
- H2 key issues: energy; cost recovery; demand

Continental European Corrugated Packaging



- Higher CCM costs squeezing margins
- Established markets (France, Italy)
 - Good productivity improvement
 - Input cost recovery coming through



- Developing markets (Poland, Central Europe, Turkey)
 - Strong overall sales growth
 - Poland: good progress; Turkey: under-performing



- Associate (Ukraine)
 - Investment programme; finance in place
- H2 key issue: input cost recovery

Plastic Packaging



- Profits ahead of last year
- Liquid packaging and dispensing (LP&D)
 - USA – strong performance; Europe – results down
 - Emphasis on product development
- Returnable transit packaging
 - Revenue and profits advanced
 - Growth in central Europe
- Smaller businesses: improved results
- H2 key issues
 - Cost recovery
 - European LP&D structural cost reduction

Office Products Wholesaling – Spicers



- UK and continental profits up
- UK
 - Revenue growth
 - Concentration on further raising service levels
 - Structural cost reduction; improved productivity
 - Profit increase in line with 3 year recovery plan
- Continental Europe
 - Strong sales advance; gaining market share
 - Profits up year-on-year
- H2 key issues:
 - Maintain improvement in UK
 - Continue progress on continent

Conclusion

- H1 2007/08: strong advance

- Outlook
 - Outcome for the year will be influenced by:
 - ~ Level of demand
 - ~ Recovery of recent raw material cost rises
 - ~ Further progress on rebuilding profits at Spicers UK
 - Remain confident of substantial progress this financial year