



DS SMITH PLC – 2009/10 HALF-YEAR RESULTS

DS Smith Plc, the international packaging and office products wholesaling company, announces its results for the six months to 31 October 2009.

Financial Summary

	H1 2009/10	H1 2008/09
Revenue – £m	1,018.0	1,102.8
Operating profit* – £m	48.5	54.4
Profit before tax* – £m	34.7	44.1
Adjusted earnings per share* – pence	6.1	7.7
Earnings per share – pence	6.0	4.4
Free cash flow** – £m	33.7	21.2
Interim dividend per share – pence	1.5	2.6

* before exceptional items

** before exceptional items, dividends, acquisitions and disposals

Operational Highlights

- Packaging: operating profit £44.1m (H1 2008/09: £48.9m); performance supported by good market positions in more robust sectors.
- Office Products Wholesaling – Spicers: operating profit £4.4m (H1 2008/09: £5.5m). The effects of the economic downturn were mitigated by growth in market share.
- Action programme to reduce costs substantially will deliver the planned £26m of savings in the current financial year.
- Strong free cash flow generation.

Chairman, Peter Johnson said:

“The prompt action taken at the beginning of this calendar year and the continued implementation of the Group’s strategy has underpinned our performance in a difficult trading environment. Our focus on maintaining the Group’s sound financial position was reflected in continued good cash generation.”

Group Chief Executive, Tony Thorne said:

“Trading conditions remain uncertain. Building on a relatively good first half, we now expect to exceed the expectations we had for the full-year at the time we released our pre-close trading statement in October. However, second half performance will be dependant on the level of demand in the new calendar year and the speed of our recovery of the significant cost increases within our supply chain.”

Enquiries

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A briefing for analysts and investors will take place today at 9.30am GMT at Financial Dynamics, Holborn Gate, 28 Southampton Buildings, London WC2A 1PB. This briefing may be heard live by dialling in on: +44 (0)1452 542303 (call reference: DS Smith 44958811).

The presentation slides used at this briefing will be posted in the Investors/Presentations section of the Group's website (www.dssmith.uk.com) from 9.25am GMT.

A replay of the briefing will be available by telephone for five working days, from 30 minutes after the meeting has ended, on: +44 (0)1452 550000 (pin no.: 44958811) and an audio recording of the briefing will be available on the website from approximately 2.00pm GMT today.

OVERVIEW

The prompt action taken at the beginning of this calendar year and the continued implementation of the Group's strategy has underpinned our performance in a difficult trading environment. Our focus on maintaining the Group's sound financial position was reflected in continued good cash generation.

Financial Results

Group revenue for the half-year to 31 October 2009 decreased by 7.7% to £1,018.0 million while operating profit was 10.8% lower at £48.5 million. Return on sales was 4.8% (H1 2008/09: 4.9%) and return on average capital employed (ROACE) was 9.9% (H1 2008/09: 10.8%).

Net interest expense decreased to £8.2 million (H1 2008/09: £11.1 million) as a result of lower levels of working capital and reduced interest rates. The employment benefit net charge, which is a non-cash item, was £5.6 million (H1 2008/09: income of £0.2 million); the charge reflected higher interest on the Group pension schemes' liabilities and the higher opening deficit of the Group's defined benefit pension schemes.

Profit before tax before exceptional items was £34.7 million (H1 2008/09: £44.1 million).

Pre-tax exceptional costs of £0.5 million (H1 2008/09: £nil) were incurred in the period, being the final part of the Group's action programme announced last year. It is expected that exceptional restructuring costs of circa £4.0 million will be incurred in the second half, reflecting further reduction in the cost structure to meet challenging market conditions in both the Packaging and Office Product Wholesaling businesses.

Tax on profits has been charged at an underlying rate, before exceptional items and the share of profits of associates, of 31.4% (H1 2008/09: 31.0%; year to 30 April 2009: 31.4%), being the expected full-year underlying rate.

Adjusted earnings per share, excluding exceptional costs, was 6.1 pence (H1 2008/09: 7.7 pence) and basic earnings per share was 6.0 pence (H1 2008/09: 4.4 pence).

Free cash flow before exceptional items, dividends and acquisitions increased to £33.7 million (H1 2008/09: £21.2 million); this was achieved through continued good control of working capital and lower capital expenditure. Cash capital expenditure decreased by £17.6 million to £23.4 million. Last year's figure was higher as a result of the investment to produce lightweight CCM at Kemsley Mill. In line with previous guidance, capital expenditure will be maintained at approximately £50 million for this financial year and next. Net debt was £276.2 million at the end of first-half 2009/10 (year to 30 April 2009: £291.5 million) resulting in net debt to EBITDA (based on the last 12 months) of 1.7 times before exceptional items (year to 30 April 2009: 1.8 times).

Financing Facilities

The Group has committed finance facilities of £525 million in place through to November 2012. The headroom on the interest cover covenant (Adjusted Interest Cover, based on the last 12 months), which is the most restrictive covenant was £37.1 million (year to 30 April 2009: £34.6 million).

Pensions

The gross pension deficit as at 31 October 2009 increased to £240.1 million compared with £191.3 million as at 30 April 2009 as a result of a lower discount rate applied to the pension scheme liabilities, partially offset by improved pension scheme asset values. As previously explained the scheme is under review. The next triennial valuation of the Group's defined benefit pension scheme is due on 30 April 2010 when the Company will enter into discussions with the scheme's Trustee. The current contributions to the scheme are £15.6 million per annum.

Supply Chain Costs

Average waste paper prices were lower than in the same period last year. Due to an increase in demand for waste paper from the Far East, prices moved up towards the end of the half year.

Prices for this globally traded commodity are assumed to remain at current levels.

In the first half of 2009/10, the Group's total energy costs decreased to £50.0 million (H1 2008/09: £59.0 million). The decrease of £9.0 million was assisted by the Group's strategy of hedging 40% of its open market purchases of energy. Approximately 40% of the Group's energy costs are incurred under supply contracts in which movements in our energy costs tend to lag the trends in market prices.

Energy costs for the second half of 2009/10 are expected to be around £57.5 million.

INTERIM DIVIDEND

In June 2009 the Board announced a reduction of the total dividend for the year to 4.4 pence. In line with this change, the Board announces an interim dividend of 1.5 pence per share (H1 2008/09: 2.6 pence). The dividend will be paid on 2 March 2010 to ordinary shareholders on the register at the close of business on 29 January 2010.

OUTLOOK

Trading conditions remain uncertain. Building on a relatively good first half, we now expect to exceed the expectations we had for the full-year at the time we released our pre-close trading statement in October. However, second half performance will be dependant on the level of demand in the new calendar year and the speed of our recovery of the significant cost increases within our supply chain.

OPERATING REVIEW

Paper and Corrugated Packaging Overview In the first nine months of calendar year 2009, the European market for corrugated packaging (boxes), measured in square metres*, was 8.1% lower than in the same period in 2008, within which the UK market fell by 6.6%. The rate of decline in

* Source: Federation of European Corrugated Board Manufacturers

the market slowed during the year, such that in the third quarter of calendar year 2009, Europe as a whole was 3.9% lower and the UK declined by 1.3%. Demand in the fast-moving consumer goods (FMCG) sector of the market, which accounts for approximately two-thirds of the box market, continues to be markedly better than that for the industrial and consumer durables sectors. Corrugated case material (CCM) demand fell in line with box demand. Despite this, European industry recycled CCM stocks have fallen significantly over the past nine months. This reflects the slowing of the decline in demand and capacity closures. Demand for high-quality lightweight CCM has remained strong.

As indicated in our pre-close trading update of 14 October, input costs, particularly for waste paper, have risen substantially. CCM prices have been increased in order to recover these costs. Box prices are also starting to increase to reflect these higher costs within the supply chain.

The trading environment has remained difficult. Operating profit of £35.6 million delivered by the Group's UK and Continental European Paper and Corrugated Packaging segments, was down 20.7% compared to last year. This result reflected extremely tough market conditions within paper; corrugated packaging was ahead.

UK Paper and Corrugated Packaging

	Half-year ended 31 October 2009	Half-year ended 31 October 2008
Revenue	£367.2m	£437.0m
Operating profit	£23.0m	£28.8m
Return on sales	6.3%	6.6%
Return on average capital employed	8.4%	10.6%

Revenue in this segment was down £69.8 million, due to lower prices and the ending of the tolling agreement with MReal at Kemsley. In corrugated, volumes were down, but to a lesser extent than the market. This out-performance is due to our higher relative participation in the more resilient market segments of FMCG, particularly retail ready packaging.

Results at our UK paper business were substantially affected through the period by weaker pricing and more latterly, by higher costs for waste paper. Plasterboard liner demand continues to be weak, due to the low activity levels in the construction sector. During the first half, we have continued our policy of only running to actual customer orders. Given the previously announced closure of the PM1 machine at Kemsley we were able to maintain inventories at the correct level without taking extended downtime. The new lightweight machine at Kemsley is performing well and the paper it produces has been very favourably received by the market. Input costs for waste paper have remained high and more recently energy costs have begun to increase. CCM prices have been raised to recover these costs.

Our waste business, Severnside Recycling, continues to increase tonnage collected through its facilities management programme. In the first half we took on a number of important new accounts.

DS Smith Packaging, our UK box business, had a good first half. We are benefiting from the strategic positioning of this business into the better market segments, from the implementation of the action programme to reduce costs and from good operational performance. We have notified our customers of box prices rises to recover the extra costs in the supply chain.

In the period prior to Christmas, demand is seasonally stronger than earlier in the year, although still down on prior years. Results going forward will be dependant on the level of demand in the new calendar year and the speed of recovery of the significant cost increases within our supply chain.

Continental European Corrugated Packaging

	Half-year ended 31 October 2009	Half-year ended 31 October 2008
Revenue	£171.7m	£191.2m
Operating profit*	£12.6m	£16.1m
Return on sales	7.3%	8.4%
Return on average capital employed	13.3%	16.1%

* before exceptional items

Profits in the Continental European Corrugated Packaging segment, which is a net buyer of CCM, declined on the back of a fall in volumes reflecting the economic situation and lower box prices. Results benefited from the strong action taken to reduce costs. Relative to their market, our businesses performed well.

In the French businesses, sales volumes for both solid board and boxes were significantly lower. Despite this, our French operations generated an acceptable return. The Italian business performed well on the back of its strong market positions in the FMCG sector. In Poland, where we are benefiting from the investments we have made over a number of years, we achieved volume growth in boxes. Turkey, which has been difficult for us in recent years, is in profit.

Our Continental European Corrugated Packaging segment is expected to continue to perform satisfactorily. However, given it is a significant buyer of CCM, the costs of which have gone up, its results in the second half will be determined largely by the speed of recovery of these additional costs.

Our Ukrainian associate business, Rubezhansk is trading profitably at the operating level and is cash generative; it continues to perform well in its market. As previously announced, we are working with our partner to address the issues with the banks relating to its US\$ denominated non-recourse (to DS Smith) loan caused by the devaluation of the Ukrainian Hryvnia.

Plastic Packaging

	Half-year ended 31 October 2009	Half-year ended 31 October 2008
Revenue	£120.0m	£123.9m
Operating profit	£8.5m	£4.0m
Return on sales	7.1%	3.2%
Return on average capital employed	13.3%	6.1%

Revenue in Plastic Packaging was down by 3.1%, adversely affected by lower material costs, reducing selling prices and the exiting of a lower margin packaging management contract in Europe. The division showed a strong recovery in profits, up £4.5 million to £8.5 million, due to restructuring, the implementation of the action programme to cut costs last year and sales into new market segments. Profits were also helped by lower polymer costs.

Demand in returnable transit packaging (RTP) continued to be weak. Sales to the construction and automotive sectors, which fell sharply last year, have seen no real recovery. Our beverage crate business, which was significantly affected by the deferral of crate replacement programmes, has seen a modest increase in demand as customers have made some replacements.

Results in liquid packaging and dispensing (LP&D) benefited from higher sales particularly into new markets in the USA. Results in Europe improved substantially, reflecting the restructuring

and cost cutting previously mentioned. Profits at the smaller packaging management and modified atmosphere packaging businesses were higher, due to better sales and higher unit margins.

Our objective for the balance of the year is to maintain the improved performance in LP&D while mitigating the effects of the weaker demand for RTP.

Office Products Wholesaling

	Half-year ended 31 October 2009	Half-year ended 31 October 2008
Revenue	£359.1m	£350.7m
Operating profit	£4.4m	£5.5m
Return on sales	1.2%	1.6%
Return on average capital employed	7.5%	8.4%

The Office Products Wholesaling segment – Spicers – achieved a 2.4% advance in revenue despite a substantial slow-down in the major markets we serve. This reflects growth in electronic office supplies (EOS) and foreign exchange translation benefit, offset by lower sales in traditional office products. We have gained market share, particularly in continental Europe.

Operating profit was £1.1 million lower, reflecting a further decline in the UK which was only partially offset by progress in continental Europe. Excluding the effects of foreign exchange translation, revenue was £12.2 million lower and operating profit was £1.7 million lower than in the first half of 2008/09.

Spicers UK continued to grow its revenue. The increase was in the lower margin EOS segment, but sales in traditional products have held up better than the overall market. The UK market remains difficult and this continues to be reflected in our results. Nevertheless, we are making good progress in reducing costs and extending our product offering.

In continental Europe, despite the very competitive environment, results at our two well-established businesses in France and the Benelux advanced on the same period last year, reflecting good attention to costs and unit margins. In Germany, sales were marginally down and profits flat. The Spanish market is particularly difficult and profits are down on last year. The Italian business continued to grow and is now firmly in profit.

The second half of the financial year is usually stronger for Spicers. Results are expected to be lower than the same period last year, but the reduction is expected to be broadly in line with that seen in the first half.

CHAIRMAN'S STATEMENT ON BOARD SUCCESSION

As we announced in November, Tony Thorne will retire as Group Chief Executive and Miles Roberts will be his successor. Miles is expected to join the Group during the first quarter of 2010.

Tony informed the Board some time ago that he wished to retire around the time of his 60th birthday. As a result, the Board appointed external search consultants to assist with a thorough evaluation of both internal and external candidates. Miles Roberts was the Board's unanimous first choice from a final shortlist of strong internal and external candidates.

On behalf of the Board and his colleagues, I would like to thank Tony for his strong leadership of the Group over the last nine years. The Group that he will leave behind is far better placed and

better balanced than the one he joined. The acquisition and integration of Linpac packaging, the growth of the Severnside recycling business and the development of leading positions in retail-ready and high quality design packaging have created a formidable position in UK packaging. The investments at Kemsley in plasterboard liner and lightweight paper and the closure of older, high cost mills have created a stronger paper business. Growth in Poland along with the development of our other continental European packaging operations has created a strong platform for future growth. Spicers' development in continental Europe has built a balanced business with great potential. Most recently, through a comprehensive programme to reduce costs and strengthen cash flow, Tony has steered the Group through unprecedented market conditions.

We are delighted to have attracted such a high quality successor. Miles Roberts is currently Chief Executive of McBride plc where he has led a programme to deliver significant growth and improved profitability. Under his leadership McBride has achieved substantial and sustained growth in shareholder value. In addition to this record, he brings considerable international experience as well as a thorough understanding of manufacturing and DS Smith's packaging markets. We look forward to his joining us.

I am also pleased to confirm that Jonathan Nicholls joined our Board as a Non-Executive Director on 1 December 2009. Jonathan has considerable board level experience in large international companies, including as Group Finance Director of Hanson Plc and, most recently, Group Finance Director of Old Mutual Plc. We look forward to his contribution to our affairs.

Richard Marton retired from the Board on 31 August 2009 having served DS Smith as a Non-Executive Director for just over nine years. He has our sincere gratitude for the great contribution he made throughout his time on the Board.

We continue to keep the structure, composition and effectiveness of our Board under thorough review and continue to seek opportunities to strengthen these further.

RISKS AND UNCERTAINTIES

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The principal risks and uncertainties discussed in the Business Review on pages 1 to 35 of the 2009 Annual Report, which is available on the Group's website at www.dssmith.uk.com, remain relevant.

In summary, the Group's principal risks and uncertainties are:

- changes to the demand for, or pricing of, the Group's products and services as a result of general economic conditions or market-specific factors;
- volatility of pricing and availability of globally traded raw materials;
- volatile and increasing energy prices;
- movements in foreign exchange rates and interest rates;
- the funding position of the Group's UK defined benefit pension scheme;
- the continuing availability of borrowing facilities, including compliance with borrowing covenants;
- customer credit risk;
- the effectiveness of the Group's action programme focused on cost reduction and cash generation;
- serious breaches of the law or other regulations;
- increasing costs in the medium-term related to climate change and carbon dioxide emissions;

- product liability; and
- other social and environmental matters.

Management is currently of the opinion that the Group's forecasts and projections show that the Group should be able to operate within its banking facilities and comply with its banking covenants. The Group is, however, exposed to a number of risks and uncertainties which could affect the Group's ability to meet management's forecasts and projections, and hence its ability to meet its banking covenants. The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the interim financial information.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report also includes a fair review of the information required by DTR4.2.8R (disclosure of related party transactions and changes therein).

Tony Thorne
Group Chief Executive

Steve Dryden
Group Finance Director

9 December 2009

INDEPENDENT REVIEW REPORT TO DS SMITH PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
9 December 2009

Condensed Consolidated Income Statement

	Note	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Revenue	2	1,018.0	1,102.8	2,106.6
Cost of sales		(772.4)	(852.9)	(1,604.4)
Gross profit		245.6	249.9	502.2
Operating expenses		(197.1)	(195.5)	(408.2)
Operating profit				
Before exceptional items	2	48.5	54.4	94.0
Pre-tax exceptional items	3	(0.5)	-	(50.6)
Operating profit		48.0	54.4	43.4
Finance income		0.4	3.6	2.5
Finance costs	5	(8.6)	(14.7)	(26.1)
Employment benefit finance (charge)/income		(5.6)	0.2	1.5
Net financing costs		(13.8)	(10.9)	(22.1)
Profit after financing costs		34.2	43.5	21.3
Share of profit of associates		-	0.6	0.6
Exceptional losses on associate	3	-	-	(5.1)
Profit before income tax				
Before exceptional items		34.7	44.1	72.5
Pre-tax exceptional items		(0.5)	-	(55.7)
Profit before income tax		34.2	44.1	16.8
Income tax expense	6			
On profit before exceptional items		(10.9)	(13.5)	(22.6)
Exceptional tax credit/(charge)		0.2	(12.9)	(5.4)
Income tax expense		(10.7)	(26.4)	(28.0)
Profit/(loss) for the financial period		23.5	17.7	(11.2)
Profit for the financial period attributable to:				
DS Smith Plc equity shareholders		23.4	17.3	(11.8)
Minority interest		0.1	0.4	0.6
Earnings per share - pence:	7			
Basic - adjusted for exceptional items		6.1p	7.7p	12.6p
Diluted - adjusted for exceptional items		6.0p	7.7p	12.6p
Basic		6.0p	4.4p	(3.0)p
Diluted		5.9p	4.4p	(3.0)p
Proposed/actual dividends per share	8	Interim 1.5p	Interim 2.6p	Total 4.4p

Condensed Consolidated Statement of Comprehensive Income

	Half-year ended 31 October 2009	Half-year ended 31 October 2008	Year ended 30 April 2009
	£m	£m	£m
Actuarial losses on defined pension schemes	(47.5)	(100.4)	(123.4)
Movement on deferred tax relating to the actuarial losses	13.3	27.3	34.9
Currency translation differences, including tax of £(0.8)m (half-year to 31 October 2008: £(0.5)m; year to 30 April 2009: £14.5m)	1.6	0.8	0.7
Movements in cash flow hedging reserve, including tax of £3.1m (half-year to 31 October 2008: £0.8m; year to 30 April 2009: £3.9m)	(7.4)	5.1	(10.3)
Net expense recognised directly in equity	(40.0)	(67.2)	(98.1)
Profit/(loss) for the financial period	23.5	17.7	(11.2)
Total comprehensive expense for the period	(16.5)	(49.5)	(109.3)
Attributable to:			
DS Smith Plc equity shareholders	(16.6)	(49.9)	(110.3)
Minority interest	0.1	0.4	1.0

Condensed Consolidated Balance Sheet

	Note	As at 31 October 2009 £m	As at 31 October 2008 £m	As at 30 April 2009 £m
Assets				
Non-current assets				
Intangible assets		224.3	218.9	222.0
Property, plant and equipment		615.4	618.7	637.1
Investments in associates		0.3	32.5	0.3
Other investments		0.7	1.5	0.8
Deferred tax assets		91.4	66.9	73.2
Other receivables		1.0	0.8	0.9
Derivative financial instruments		3.3	6.7	13.7
Total non-current assets		936.4	946.0	948.0
Current assets				
Inventories		169.4	178.5	170.2
Other investments		0.6	0.1	0.5
Income tax receivable		3.8	2.0	1.3
Trade and other receivables		381.1	428.2	356.1
Cash and cash equivalents		76.7	101.9	62.9
Derivative financial instruments		5.7	17.8	11.7
Total current assets		637.3	728.5	602.7
Total assets		1,573.7	1,674.5	1,550.7
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings		(308.3)	(344.0)	(331.5)
Post-retirement benefits	4	(240.1)	(173.0)	(191.3)
Other payables		(5.3)	(5.2)	(3.8)
Provisions		(13.9)	(15.3)	(14.0)
Deferred tax liabilities		(64.5)	(94.3)	(70.5)
Derivative financial instruments		(35.1)	(7.8)	(23.7)
Total non-current liabilities		(667.2)	(639.6)	(634.8)
Current liabilities				
Bank overdrafts		(8.9)	(9.2)	(8.8)
Interest-bearing loans and borrowings		(7.7)	(3.8)	(5.8)
Trade and other payables		(422.7)	(474.0)	(412.1)
Income tax liabilities		(18.7)	(13.1)	(10.0)
Provisions		(8.1)	(5.7)	(22.1)
Derivative financial instruments		(4.3)	(0.5)	(0.7)
Total current liabilities		(470.4)	(506.3)	(459.5)
Total liabilities		(1,137.6)	(1,145.9)	(1,094.3)
Net assets		436.1	528.6	456.4
Equity				
Issued capital		39.3	39.3	39.3
Share premium		263.1	263.1	263.1
Reserves		135.5	225.8	155.6
DS Smith Plc shareholders' equity		437.9	528.2	458.0
Minority interests		(1.8)	0.4	(1.6)
Total equity		436.1	528.6	456.4

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings			Total attributable to equity shareholders	Minority interests	Total equity
					Own shares	Other	Total Retained earnings			
					£m	£m	£m			
Balance at 1 May 2008	39.3	263.1	13.0	27.1	(4.2)	263.4	259.2	601.7	0.2	601.9
Profit for the period	-	-	-	-	-	17.3	17.3	17.3	0.4	17.7
Actuarial losses recognised in the pension schemes	-	-	-	-	-	(100.4)	(100.4)	(100.4)	-	(100.4)
Movement on deferred tax relating to the actuarial losses	-	-	-	-	-	27.3	27.3	27.3	-	27.3
Currency translation differences (incl. tax)	-	-	-	0.8	-	-	-	0.8	-	0.8
Unrealised changes in fair value of cash flow hedges (incl. tax)	-	-	5.9	-	-	-	-	5.9	-	5.9
Amounts recognised in profit or loss during the half-year (incl. tax)	-	-	(0.8)	-	-	-	-	(0.8)	-	(0.8)
Amounts recognised in property, plant and equipment during the half-year	-	-	(0.4)	-	-	-	-	(0.4)	-	(0.4)
Own shares acquired	-	-	-	-	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Share-based payment expense (incl. tax)	-	-	-	-	0.2	0.7	0.9	0.9	-	0.9
Dividends paid to shareholders	-	-	-	-	-	(24.3)	(24.3)	(24.3)	-	(24.3)
Transactions with minority interest (Toscana Ondulati SpA)	-	-	-	-	-	0.4	0.4	0.4	(0.2)	0.2
Balance at 31 October 2008	39.3	263.1	17.7	27.9	(4.2)	184.4	180.2	528.2	0.4	528.6
Loss for the period	-	-	-	-	-	(29.1)	(29.1)	(29.1)	0.2	(28.9)
Actuarial losses recognised in the pension schemes	-	-	-	-	-	(23.0)	(23.0)	(23.0)	-	(23.0)
Movement on deferred tax relating to the actuarial losses	-	-	-	-	-	7.6	7.6	7.6	-	7.6
Currency translation differences (incl. tax)	-	-	-	(0.5)	-	-	-	(0.5)	0.4	(0.1)
Unrealised changes in fair value of cash flow hedges (incl. tax)	-	-	(11.2)	-	-	-	-	(11.2)	-	(11.2)
Amounts recognised in profit or loss during the half-year (incl. tax)	-	-	(3.7)	-	-	-	-	(3.7)	-	(3.7)
Amounts recognised in property, plant and equipment during the half-year	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Share-based payment expense (incl. tax)	-	-	-	-	-	(0.6)	(0.6)	(0.6)	-	(0.6)
Dividends paid to Group shareholders	-	-	-	-	-	(10.1)	(10.1)	(10.1)	-	(10.1)
Dividends paid to minority interest	-	-	-	-	-	-	-	-	(1.9)	(1.9)
Transactions with minority interest (Toscana Ondulati SpA)	-	-	-	-	-	0.5	0.5	0.5	(0.7)	(0.2)
Balance at 1 May 2009	39.3	263.1	2.7	27.4	(4.2)	129.7	125.5	458.0	(1.6)	456.4
Profit for the period	-	-	-	-	-	23.4	23.4	23.4	0.1	23.5
Actuarial losses recognised in the pension schemes	-	-	-	-	-	(47.5)	(47.5)	(47.5)	-	(47.5)
Movement on deferred tax relating to the actuarial losses	-	-	-	-	-	13.3	13.3	13.3	-	13.3
Currency translation differences (incl. tax)	-	-	-	1.6	-	-	-	1.6	-	1.6
Unrealised changes in fair value of cash flow hedges (incl. tax)	-	-	(4.0)	-	-	-	-	(4.0)	-	(4.0)
Amounts recognised in profit or loss during the half-year (incl. tax)	-	-	(3.4)	-	-	-	-	(3.4)	-	(3.4)
Share-based payment expense (incl. tax)	-	-	-	-	-	3.0	3.0	3.0	-	3.0
Dividends paid to shareholders	-	-	-	-	-	(6.9)	(6.9)	(6.9)	-	(6.9)
Transactions with minority interest (Toscana Ondulati SpA)	-	-	-	-	-	0.4	0.4	0.4	(0.3)	0.1
Balance at 31 October 2009	39.3	263.1	(4.7)	29.0	(4.2)	115.4	111.2	437.9	(1.8)	436.1

Condensed Consolidated Cash Flow Statement

	Note	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Operating activities				
Cash generated from operations	9	63.6	80.4	166.4
Interest received		0.2	0.2	1.1
Interest paid		(9.3)	(11.1)	(24.1)
Income tax paid		(10.9)	(8.6)	(21.0)
Net cash from operating activities		43.6	60.9	122.4
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents acquired		-	(1.3)	(1.2)
Capital expenditure payments		(25.3)	(44.4)	(87.4)
Proceeds from the sale of assets		1.7	3.4	7.7
Proceeds/(purchases) from the sale of non-current investments		0.2	-	(0.1)
Cash flows from investing activities		(23.4)	(42.3)	(81.0)
Financing activities				
Purchase of own shares		-	(0.2)	(0.2)
New/(repayment) of borrowings		0.3	42.0	(12.8)
Repayment of finance lease obligations		(0.3)	(0.4)	(1.0)
Dividends paid to Group shareholders		(6.9)	(24.3)	(34.4)
Dividends paid to minorities in Group subsidiaries		-	-	(1.9)
Cash flows from financing activities		(6.9)	17.1	(50.3)
Net increase/(decrease) in cash and cash equivalents		13.3	35.7	(8.9)
Net cash and cash equivalents brought forward		54.1	56.0	56.0
Exchange gains on cash and cash equivalents		0.4	1.0	7.0
Net cash and cash equivalents		67.8	92.7	54.1

Notes to the Accounts

1 Basis of preparation

The half-year report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency rules of the Financial Services Authority. The interim financial information has been prepared using the same accounting policies as those adopted in the annual financial statements for the year ended 30 April 2009, which are prepared in accordance with IFRS as adopted by the European Union. Those accounts were reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, and did not contain an adverse statement under section 498 (2) or (3) of the Companies Act 2006.

No changes have been made to the Group's accounting policies in the period to 31 October 2009 other than the adoption of IAS 1 (revised) 'Presentation of Financial Statements' and IFRS 8 'Operating Segments'. IAS 1 (revised) Presentation of Financial Statements requires the presentation of a statement of changes in equity as a primary statement. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented. In adopting IFRS 8 Operating Segments, the Directors have reviewed the business segments identified under the previous standard (IAS 14 Segmental Reporting) and consider that these reported segments remain appropriate under IFRS 8.

The information for the year ended 30 April 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information is unaudited but has been reviewed by Deloitte LLP, the Group's auditors, and a copy of their review report appears on page 9 of this half-year report.

2 Segmental reporting

For the half-year ended 31 October 2009	Packaging				Office Products Wholesaling £m	Total Group £m
	UK Paper and Corrugated £m	Continental European Corrugated £m	Plastic £m	Sub-total £m		
External revenue	367.2	171.7	120.0	658.9	359.1	1,018.0
Adjusted operating profit	23.0	12.6	8.5	44.1	4.4	48.5
Exceptional items	-	(0.5)	-	(0.5)	-	(0.5)
Segment result	23.0	12.1	8.5	43.6	4.4	48.0
Net financing costs						(13.8)
Share of profit of associates						-
Profit before income tax						34.2
Income tax expense						(10.7)
Profit for the financial half-year						23.5
Profit attributable to DS Smith equity shareholders						23.4
Profit attributable to minority interest						0.1

For the half-year ended 31 October 2008	Packaging				Office Products Wholesaling £m	Total Group £m
	UK Paper and Corrugated £m	Continental European Corrugated £m	Plastic £m	Sub-total £m		
External revenue	437.0	191.2	123.9	752.1	350.7	1,102.8
Adjusted operating profit	28.8	16.1	4.0	48.9	5.5	54.4
Exceptional items	-	-	-	-	-	-
Segment result	28.8	16.1	4.0	48.9	5.5	54.4
Net financing costs						(10.9)
Share of profit of associates						0.6
Profit before income tax						44.1
Income tax expense						(26.4)
Profit for the financial half-year						17.7
Profit attributable to DS Smith equity shareholders						17.3
Profit attributable to minority interest						0.4

2 Segmental reporting (continued)

	Half-year ended 31 October 2009 %	Half-year ended 31 October 2008 %	Year ended 30 April 2009 %
Adjusted return on sales – % ¹			
UK Paper and Corrugated Packaging	6.3	6.6	4.6
Continental European Corrugated Packaging	7.3	8.4	8.4
Plastic Packaging	7.1	3.2	3.0
Packaging	6.7	6.5	5.3
Office Products Wholesaling	1.2	1.6	2.8
Group total	4.8	4.9	4.5
Adjusted return on average capital employed – % ^{1,3}			
UK Paper and Corrugated Packaging	8.4	10.6	6.7
Continental European Corrugated Packaging	13.3	16.1	15.2
Plastic Packaging	13.3	6.1	5.3
Packaging	10.2	11.2	8.4
Office Products Wholesaling	7.5	8.4	15.2
Group total	9.9	10.8	9.3
	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Period-end capital employed ²			
UK Paper and Corrugated Packaging	519.8	526.2	504.2
Continental European Corrugated Packaging	192.9	185.2	193.7
Plastic Packaging	124.3	124.1	123.0
Packaging	837.0	835.5	820.9
Office Products Wholesaling	111.2	117.5	121.6
Group total	948.2	953.0	942.5
Segment assets			
UK Paper and Corrugated Packaging	698.0	742.5	687.7
Continental European Corrugated Packaging	270.7	273.3	265.4
Plastic Packaging	168.6	172.2	172.4
Packaging	1,137.3	1,188.0	1,125.5
Office Products Wholesaling	252.9	256.3	259.8
Sub-total	1,390.2	1,444.3	1,385.3
Unallocated items	183.5	230.2	165.4
Group total	1,573.7	1,674.5	1,550.7

¹ before exceptional items, as described in note 3

² capital employed is defined below

³ average capital employed is defined below

The Group's format for segment reporting is business segments based on the Group's management and internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year-on-year. Assets and liabilities have been analysed by segment at a capital employed level. Capital employed excludes items of a financing nature, taxation balances, net pension liabilities and fixed asset investments; segmental capital employed comprises identifiable segment assets less segmental liabilities. Average capital employed is the average monthly capital employed. The adjusted return on average capital employed is calculated as twice the operating profit before exceptional items divided by the average capital employed in the reporting period.

3 Pre-tax exceptional items

Items are presented as 'exceptional' in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed, to assist in the understanding of the underlying trading and financial results achieved by the Group.

	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Restructuring costs			
UK Paper and Corrugated Packaging	-	-	(18.2)
Continental European Corrugated Packaging	(0.5)	-	(1.6)
Plastic Packaging	-	-	(3.5)
Office Products Wholesaling	-	-	(3.7)
Total restructuring costs	(0.5)	-	(27.0)
Impairment of associate	-	-	(18.1)
Other impairments	-	-	(5.5)
Total exceptional items recognised in operating (loss)/profit	(0.5)	-	(50.6)
Groups share of exceptional losses on associate	-	-	(5.1)
Total pre-tax exceptional items	(0.5)	-	(55.7)
Deferred tax charge following amendment to UK Industrial Building allowance regime	-	-	(13.3)
Income tax credit on exceptional items	0.2	-	7.9
Total exceptional tax items	0.2	-	(5.4)
Total post-tax exceptional items	(0.3)	-	(61.1)

In the half-year ended 31 October 2009, the Group recorded £(0.5)m pre-tax exceptional items (half-year to 31 October 2008: none), the charge related to the continued restructuring of our French Corrugated Packaging business.

4 Post-retirement benefits

	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Opening gross deficit	(191.3)	(75.9)	(75.9)
Employment benefit finance (charge)/income	(5.6)	0.2	1.5
Expense recognised in income statement	(5.0)	(5.3)	(11.7)
Contributions	9.3	8.4	18.6
Actuarial loss	(47.5)	(100.4)	(123.4)
Effect of movements in foreign exchange	-	-	(0.4)
Closing gross deficit	(240.1)	(173.0)	(191.3)
Deferred tax asset	67.0	48.7	53.3
Net deficit	(173.1)	(124.3)	(138.0)

The table above is the aggregate value of all Group pension schemes.

4 Post-retirement benefits (continued)

The increase in global equity prices since 30 April 2009 has been more than offset by increase in liabilities. This has been the result of reduction in the discount rate from 6.4% to 5.6% and an increase in the inflation assumption from 3.3% to 3.4%. The impact on the pension liability of changes in key actuarial assumptions is shown below:

	Pension liabilities
	£m
0.25% decrease in the discount rate	(38.0)
0.25% increase in the rate of payroll inflation	(6.0)

5 Finance costs

Finance costs for the half-year ended 31 October 2009 of £8.6m (half-year to 31 October 2008: £14.7m; year to 30 April 2009: £26.1m) include a charge of £0.4m (half-year to 31 October 2008: £0.2m; year to 30 April 2009: £2.1m) relating to an increase in the fair value of put options, in accordance with IAS 32/39, held by minority, non-controlling shareholders in a subsidiary of the Group. Excluding this impact, finance costs decreased by £6.3m.

6 Taxation

Tax on profits has been charged at an underlying rate before exceptional items and share of profits of associates, of 31.4% (half-year to 31 October 2008: 31.0%; year to 30 April 2009: 31.4%) being the expected full-year rate.

The tax charge on profit before exceptional items and share of profits of associates for the period of £10.9m (half-year to 31 October 2008: £13.5m; year to 30 April 2009: £22.6m) consists of UK taxation of £1.5m (half-year to 31 October 2008: £4.2m; year to 30 April 2009: £2.4m) and overseas taxation of £9.4m (half-year to 31 October 2008: £9.3m; year to 30 April 2009: £20.2m).

7 Earnings per share

The basic earnings per share has been calculated on the profit for the period attributable to equity holders of the parent company of £23.4m (half-year to 31 October 2008: £17.3m; year to 30 April 2009: £(11.8)m) and on 390.9m ordinary shares (half-year to 31 October 2008: 391.0m; year to 30 April 2009: 390.9m), being the weighted average number in issue and fully paid during the period.

Diluted earnings per share are calculated assuming the conversion of potentially dilutive shares issued under share option schemes. These adjustments give rise to an increase in the weighted average number of ordinary shares to 396.1m (half-year to 31 October 2008: 392.3m; year to 30 April 2009: 392.5m).

Adjusted earnings per share

The Directors believe that the presentation of an adjusted earnings per share amount, being the basic earnings per share adjusted for exceptional items and the exceptional tax charge, helps to explain the underlying performance of the Group. A reconciliation of basic to adjusted earnings per share is as follows:

	Half-year ended		Half-year ended		Year ended	
	31 October		31 October		30 April	
	2009		2008		2009	
	£m	pence per share	£m	pence per share	£m	pence per share
Basic earnings	23.4	6.0	17.3	4.4	(11.8)	(3.0)
Add back exceptional items after tax	0.3	0.1	12.9	3.3	61.1	15.6
Adjusted earnings	23.7	6.1	30.2	7.7	49.3	12.6

8 Dividends

The following dividends were paid by the Group:

		£m
September 2008	Final dividend for the 2007/08 year of 6.2 pence per share	24.4
March 2009	Interim dividend for the 2008/09 year of 2.6 pence per share	10.2
September 2009	Final dividend for the 2008/09 year of 1.8 pence per share	6.9

The Directors have proposed an interim dividend for the 2009/10 year of 1.5 pence per share, totalling £5.9m.

9 Reconciliation of profit for the period to cash generated from operations

	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
Profit for the period	23.5	17.7	(11.2)
Adjustments for:			
- Exceptional item charged to income statement	0.5	-	55.7
- Cash outflow for exceptional items	(13.5)	(1.3)	(17.2)
- Depreciation and amortisation	35.9	34.4	69.9
- Profit on sale of non-current assets	(0.5)	(0.6)	(1.7)
- Share-based payment expense	0.9	0.9	0.3
- Share of profit of associates	-	(0.6)	(0.6)
- Employment benefit net finance income	5.6	(0.2)	(1.5)
- Finance income	(0.4)	(3.6)	(2.5)
- Finance costs	8.6	14.7	26.1
- Income tax expense	10.7	26.4	28.0
	71.3	87.8	145.3
Changes in:			
- inventories	0.9	9.9	25.5
- trade and other receivables	(24.5)	(23.5)	70.8
- trade and other payables	21.7	15.3	(65.5)
- provisions and employee benefits	(5.8)	(9.1)	(9.7)
Cash generated from operations	63.6	80.4	166.4

10 Analysis of net debt

Net debt analysed in the table below comprises the book amount of cash, other investments in current assets (which are treated as cash equivalents), overdrafts, interest-bearing loans and borrowings together with the fair value of derivative financial instruments that hedge the Group's borrowings.

	At 1 May 2009 £m	Cash flow £m	Foreign exchange and fair value movements £m	At 31 October 2009 £m
Cash and cash equivalents	62.9	13.5	0.3	76.7
Overdrafts	(8.8)	(0.2)	0.1	(8.9)
Net cash and cash equivalents	54.1	13.3	0.4	67.8
Interest-bearing loans and borrowings due after one year	(326.2)	1.3	21.7	(303.2)
Interest-bearing loans and borrowings due within one year	(4.9)	(2.1)	0.1	(6.9)
Finance leases	(6.2)	0.3	-	(5.9)
Derivative financial instruments				
- assets	11.0	(0.1)	(9.1)	1.8
- liabilities	(19.3)	0.6	(11.1)	(29.8)
	(345.6)	-	1.6	(344.0)
Total net debt	(291.5)	13.3	2.0	(276.2)

Other non-cash movements in the period relate to the effect of movements in foreign exchange and interest rates on borrowings and related derivative financial instruments, and the entering into of finance leases.

10 Analysis of net debt (continued)

Derivative financial instrument amounts in the table above relate to interest rate and cross-currency swaps hedging the Group's borrowings. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the Group's balance sheet relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

11 Reconciliation of net cash flow to movement in net debt

	Half-year ended 31 October 2009 £m	Half-year ended 31 October 2008 £m	Year ended 30 April 2009 £m
	Note		
Operating profit before exceptional items	48.5	54.4	94.0
Depreciation and amortisation	35.9	34.4	69.9
EBITDA	84.4	88.8	163.9
Working capital movement	(1.9)	1.7	30.8
Other	(5.4)	(8.8)	(11.1)
Cash generated from operations before exceptional items	77.1	81.7	183.6
Capital expenditure payments	(25.3)	(44.4)	(87.4)
Proceeds from sales of assets and investments	1.9	3.4	7.7
Taxation	(10.9)	(8.6)	(21.0)
Interest	(9.1)	(10.9)	(23.0)
Free cash flow before net acquisitions and dividends	33.7	21.2	59.9
Exceptional cash costs	(13.5)	(1.3)	(17.2)
Dividends paid to Group shareholders	(6.9)	(24.3)	(34.4)
Dividends paid to minorities in Group subsidiaries	-	-	(1.9)
Net acquisitions of subsidiaries	-	(1.3)	(1.2)
Net cash flow	13.3	(5.7)	5.2
Purchase of own shares	-	(0.2)	(0.2)
Net debt acquired	-	(0.1)	(0.2)
Foreign exchange and fair value movements	2.0	(4.2)	(44.5)
Net debt movement	15.3	(10.2)	(39.7)
Opening net debt	(291.5)	(251.8)	(251.8)
Closing net debt	10 (276.2)	(262.0)	(291.5)

12 Seasonality

The Group's overall results are not materially affected by seasonal factors. The operating margin in UK Paper and Corrugated Packaging is historically affected in the second half of the year by higher energy costs during the winter period. Revenue and operating profit in Office Products Wholesaling historically benefit in the second half of the year from the new product and catalogue launches at the start of the calendar year.

13 Related parties

There have been no related party transactions or changes to the related party transactions, as described in the 2009 Annual Report, that would have a material effect on the financial position or performance of the Group for the half-year ended 31 October 2009.