



DS SMITH PLC – 2008/09 HALF-YEAR RESULTS

DS Smith Plc, the international packaging and office products wholesaling company, announces its results for the six months to 31 October 2008.

Financial Summary

	H1 2008/09	H1 2007/08
Revenue – £m	1,102.8	942.7
Operating profit – £m	54.4	60.4
Profit before tax – £m	44.1	56.1
Adjusted earnings per share* – pence	7.7	10.4
Earnings per share – pence	4.4	10.4
Free cash flow** – £m	19.9	18.5
Interim dividend per share – pence	2.6	2.6

* excluding an exceptional deferred tax charge of £12.9m due to amendments to the UK industrial buildings allowance regime

** before dividends, acquisitions and disposals

Operational Highlights

- Packaging: operating profit £48.9m (H1 2007/08: £53.6m); a robust performance due to business mix
- Office Products Wholesaling – Spicers: operating profit £5.5m (H1 2007/08: £6.8m), reflecting a weaker and more competitive market environment, especially in the UK
- Progressive slow-down in demand across our markets
- Firm action being taken to realign the cost base
- Strong free cash flow while investing in lightweight paper; project remains on schedule

Chairman, Peter Johnson said:

“In a deteriorating trading environment the Group produced a creditable result. The performance in Packaging was assisted by our recycling business and our continued expansion in the more defensive fast-moving consumer goods sector. Spicers’ continental businesses performed relatively well. Our focus on maintaining the Group’s sound financial position was reflected in good cash generation and our successful extension of the Group’s financing facilities.”

Group Chief Executive, Tony Thorne said:

“We expect trading conditions to remain difficult as a result of lower demand across all our markets. We are taking concerted action to support our strong market positions and underpin the Group’s results. Cash generation will remain an area of key focus. We are confident that the actions we are taking will position the Group for a robust performance going forward.”

Enquiries

DS Smith Plc

020 7932 5000

Tony Thorne, Group Chief Executive

Steve Dryden, Group Finance Director

Peter Aubusson, Group Communications Manager

Financial Dynamics

020 7269 7140

Andrew Dowler

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 569393 (call reference: 75969348).

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.: 75969348) and an audio recording of the briefing will be available on the website from approximately 2.00pm GMT today.

OVERVIEW

Financial Results

Group revenue for the half-year to 31 October 2008 increased by 17.0% to £1,102.8 million while operating profit was 9.9% lower at £54.4 million. Return on sales was 4.9% (H1 2007/08: 6.4%) and return on average capital employed (ROACE) was 10.8% (H1 2007/08: 13.6%). Excluding the effects of the acquisitions of M-real New Thames Limited and Multigraphics Holdings Limited and foreign exchange translation, revenue increased by 3.0% and operating profit was 16.3% lower.

Net interest expense increased to £11.1 million (H1 2007/08: £10.6 million). The net interest expense includes a £0.2 million (H1 2007/08: £2.7 million) charge from an increase in the fair value of put options held by minority, non-controlling shareholders in a subsidiary of the Group. Net interest expense in the second half of the year is expected to be slightly higher than in the first half. The employment benefit net finance income, which is a non-cash item, was £0.2 million (H1 2007/08: income of £4.3 million); this reduction reflected the higher discount rate used to discount future liabilities and the higher opening deficit of the Group's defined benefit pension schemes.

Profit before tax was £44.1 million (H1 2007/08: £56.1 million).

Tax on profits has been charged at an underlying rate, before exceptional items and share of profits of associates, of 31.0% (half-year to 31 October 2007: 27.8%; year to 30 April 2008: 29.2%), being the expected full-year underlying rate. The tax charge for the current period has been increased by an exceptional deferred tax charge of £12.9 million following amendments to the UK industrial buildings allowance regime which were substantively enacted in the Finance Act 2008.

Adjusted earnings per share, excluding the exceptional deferred tax charge, were 7.7 pence (H1 2007/08: 10.4 pence) and basic earnings per share were 4.4 pence (H1 2007/08: 10.4 pence).

Capital expenditure increased by £6.7 million to £44.4 million as a result of the investment to produce lightweight CCM at Kemsley Mill. Despite this higher capital expenditure, free cash flow before dividends, acquisitions and disposals increased to £19.9 million (H1 2007/08: £18.5 million); this was achieved through good control of working capital. Net debt was £262.0 million at the end of first half 2008/09 (end of 2007/08: £251.8 million) resulting in net debt to EBITDA of 1.5 times (end of 2007/08: 1.4 times before exceptional items).

Financing Facilities

In September 2008, as part of its ongoing funding programme, the Group successfully extended its financing facilities with the renewal of its 5-year syndicated revolving credit facility of £287.5

million (previously £250 million). This increased the Group's total borrowing facilities to circa £550 million and extended the weighted-average maturity of the Group's committed borrowing facilities to four years and seven months. This will increase the annual interest charge by circa £3 million. We are advised that the Group's covenants on its private placement facilities and the new syndicated revolving credit facility are at the more favourable end of market norms.

Pensions

As a result of the decline in global equity prices during the first half of 2008/09, partially mitigated by an increase in the discount rate applied to the liabilities, the gross pension deficit as at 31 October 2008 increased to £173.0 million compared with £75.9 million as at 30 April 2008. The triennial valuation of the Group's defined benefit pension scheme as at 30 April 2007 was finalised in July 2008. Following negotiations with the scheme's Trustee, the Group's contributions to the scheme with effect from 1 May 2008 are £15.6 million per annum (previously £14.6 million).

Energy Costs

In the first half of 2008/09, the Group's total energy costs increased to £59 million (H1 2007/08: £41 million). The underlying increase of £7 million, after adjusting for the effects of the acquisition of New Thames Paper Mill in February 2008, was moderated by the Group's strategy of hedging 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. Underlying energy costs for full year 2008/09 are expected to increase by circa £14 million.

INTERIM DIVIDEND

The Board announces an interim dividend of 2.6 pence per share, which is unchanged from the previous year's interim dividend. It will be paid on 3 March 2009 to ordinary shareholders on the register at the close of business on 30 January 2009.

ACTION PROGRAMME

As can be seen from the operating review below, all of our businesses are facing challenging trading conditions. In anticipation of this we are implementing an action programme focused on cost reduction and cash generation. This programme will support our strong market positions and underpin the Group's results. We envisage that the programme will have a cash cost in the first half of calendar year 2009 in the range of £12 to 15 million and provide an annual cash payback of at least the same level, the majority of which will come through in financial year 2009/10.

The cost reduction programme has three elements:

- Lowering our structural cost base;
- Establishing a cost base for each major business which is appropriate for the tougher conditions forecast and which will be in place before the beginning of our next financial year; and
- Increasing productivity through a programme to ensure that we can meet customer demands from the lower structural cost base.

Our attention to cash generation encompasses both working capital and capital expenditure. Plans are in place at all businesses to manage working capital even more tightly, including the adjustment of working capital usage to the changing trading conditions. Particular emphasis is being given to control of inventory and trade receivables in the more challenging environment.

Capital expenditure is being closely controlled and targeted to ensure that we safeguard our strong market positions. We will concentrate our more limited investment programme on our recycling and value-added converted packaging operations. In the second half of 2008/09, we will complete the expenditure on the lightweight CCM project while significantly curtailing other investment; capital expenditure for full year 2008/09 is expected to be circa £85 million. In 2009/10, capital expenditure will be limited to £50 million, a level well below our depreciation charge of circa £70 million.

Clearly, there is considerable uncertainty in our markets. We will continue to monitor the external environment and will take further action if appropriate.

OUTLOOK

We expect trading conditions to remain difficult as a result of lower demand across all our markets. We are taking concerted action to support our strong market positions and underpin the Group's results. Cash generation will remain an area of key focus. We are confident that the actions we are taking will position the Group for a robust performance going forward.

OPERATING REVIEW

Paper and Corrugated Packaging Overview

In the first nine months of calendar year 2008, the European market for corrugated packaging (boxes), measured in square metres*, was 1% lower than in the same period of 2007, within which the UK market fell by 3%. However, in the third quarter the market weakened significantly, with Europe as a whole being 3% lower and the UK declining by 4%. The market has continued to soften since the end of September. Demand for the fast-moving consumer goods (FMCG) sector of the market, which accounts for approximately two-thirds of the box market, has been stronger than that for the industrial or consumer durables sectors. Corrugated case material (CCM) demand has been correspondingly lower and European industry recycled CCM stocks have been at a high level throughout the year to date. A number of CCM producers, including two in the UK, have recently announced their intention to close capacity. Demand for high-quality lightweight CCM has remained strong and continues to be limited by the available supply.

Box prices have remained firm in the UK throughout 2008 although on the continent they have recently started to soften where they are linked to the price of CCM. The lower box demand has resulted in CCM prices reducing substantially in continental Europe. Although CCM prices in the UK have been largely supported until recently by the strength of the euro, prices are now starting to be eroded, reflecting the ongoing reduction in demand and also the recent lowering of waste paper prices. The price of waste paper, the principal raw material for recycled CCM, remained high until mid-October since when the price has fallen sharply due to the reduction in demand for waste, particularly from Asia. Although there has recently been a softening in the market prices for energy, they remain at high levels and continue to exert pressure on margins throughout the industry.

Despite the more difficult trading conditions, the Group's UK and Continental European Paper and Corrugated Packaging segments combined delivered a robust result in the first half of the year with total operating profit of £44.9 million being 6.3% lower than the previous year's strong first half result.

* Source: Federation of European Corrugated Board Manufacturers

UK Paper and Corrugated Packaging

	Half-year ended 31 October 2008	Half-year ended 31 October 2007
Revenue	£437.0m	£367.1m
Operating profit	£28.8m	£39.9m
Return on sales	6.6%	10.9%
Return on average capital employed	10.6%	17.2%

Revenue in UK Paper and Corrugated Packaging, advanced by 19.0% due to a £57.9 million contribution from the tolling revenues associated with New Thames Paper Mill (NTPM), acquired in February 2008, increased external revenue at Severnside Recycling and raised corrugated packaging prices to recover the higher input costs. The segment's operating profit was 27.8% lower as a result of reduced sales volumes and higher input costs.

Severnside Recycling further increased its contribution to the segment's result. It continued to develop its waste paper collection business, particularly in preparation for supplying St Regis's increased requirements for waste to produce CCM on the converted machine at NTPM, and developed further its value-added waste management services.

Results at St Regis, our UK paper business, were substantially affected by weaker than expected sales volumes of both CCM and plasterboard liner, the latter being affected by the slow-down in the construction industry. We took downtime to adjust production to the level of demand, holding stocks at the levels of the prior year. Selling prices did not reduce significantly in the first half but margins were eroded by the higher energy and raw material costs. The project to modify the recently acquired NTPM at Kemsley is on schedule to begin production in January 2009. This investment will strengthen the competitiveness of the Group by giving us a significant capability in the growth segment of high-quality lightweight CCM.

DS Smith Packaging, our UK box business, achieved a solid result despite sales volumes being lower due to the weaker overall demand; it continued to outperform the UK market. We are benefiting from the actions taken to expand and strengthen our position in the FMCG sector of the market – predominantly for food and beverages. A further price increase was implemented on corrugated products to recover the most recent rises in non-waste paper input costs. Capacity levels and costs are being adjusted at a number of plants to mitigate the effects of lower demand.

The strong market positions we have built in this segment provide a good base from which to weather the effects of the further weakening in demand we expect in the second half of the year. The strength of the euro remains a positive factor and in the latter months of this financial year we will begin to benefit from our newly established lightweight CCM capability.

Continental European Corrugated Packaging

	Half-year ended 31 October 2008	Half-year ended 31 October 2007
Revenue	£191.2m	£165.0m
Operating profit	£16.1m	£8.0m
Return on sales	8.4%	4.8%
Return on average capital employed	16.1%	9.1%

The Continental European Corrugated Packaging segment, which is a net buyer of CCM, performed very strongly, doubling its operating profit on revenue which was 15.9% higher. Excluding the effects of foreign exchange rates, operating profit increased by 61.0% on broadly flat revenue. The result benefited substantially from our actions to raise prices to recover the

higher input costs and to maintain good cost control; together these actions enabled us to offset the effects of lower sales volumes. We had good results in all countries, with the exception of Turkey where market conditions remain particularly poor.

In our French businesses, sales volumes for solid board and boxes were significantly lower. Despite this, our French box operations made good progress, assisted by better prices and operational improvements at the main facilities. Our 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 a further substantial advance, assisted by strong growth in higher value-added products.

Despite the continuing softening of its markets, we expect the Continental European Corrugated Packaging segment to perform satisfactorily in the second half of the year.

Our Ukrainian associate business, Rubezhansk, which is reported under associates, was affected by higher input costs and lower volumes. The profit was further reduced by an exchange loss incurred as a result of the recent devaluation of the Ukrainian Hryvnia against the US dollar. Rubezhansk has a US dollar denominated loan of \$87 million related to its investment project to increase its paper capacity and develop a capability to produce plasterboard liner. We are working with our partner to address the issues relating to the material devaluation of the Ukrainian Hryvnia.

Plastic Packaging

	Half-year ended 31 October 2008	Half-year ended 31 October 2007
Revenue	£123.9m	£109.6m
Operating profit	£4.0m	£5.7m
Return on sales	3.2%	5.2%
Return on average capital employed	6.1%	9.2%

Revenue in Plastic Packaging increased by 13.0%, almost entirely due to the effects of foreign exchange translation. Although we achieved improved results in liquid packaging and dispensing (LP&D) this was more than offset by reduced profits in the other sectors, resulting in the segment's operating profit being £1.7 million lower. We raised prices to recover the further increases in polymer costs which occurred during the first quarter of the financial year; polymer prices have recently fallen back.

Demand in returnable transit packaging (RTP) was weaker and more variable. Sales to the construction and automotive sectors have fallen sharply and our beverage crate business was significantly affected by anticipated crate replacement programmes being deferred by customers. Results in LP&D benefited from better sales volumes and particularly from a continued good performance in the USA, partly based on the development of new market sectors for bag-in-box packaging. Results at the smaller packaging management and modified atmosphere packaging businesses were lower, especially due to reduced levels of activity at a number of their key customers.

We are taking action to improve results in this segment. Our aim is to maintain the improved performance in LP&D while mitigating the effects of the weaker demand for RTP. We expect our actions to lower the cost base substantially.

Office Products Wholesaling

	Half-year ended 31 October 2008	Half-year ended 31 October 2007
Revenue	£350.7m	£301.0m
Operating profit	£5.5m	£6.8m
Return on sales	1.6%	2.3%
Return on average capital employed	8.4%	10.8%

The Office Products Wholesaling segment – Spicers – achieved a 16.5% advance in revenue despite a slow-down in the major markets we serve. Operating profit was £1.3 million lower as a result of the effects of the tougher trading environment on our established businesses in the UK, France and Benelux; this more than offset the further progress of our continental European development businesses. Excluding the effects of foreign exchange translation, revenue was £25.6 million higher and operating profit was £2.1 million lower than in the first half of 2007/08.

Spicers UK continued to grow its revenue well. All of this increase was in electronic office supplies (EOS), in line with our plans to develop sales and provide good support for our dealers in this product sector. We continue to make progress, extending our product range, improving our offer, winning accounts and raising efficiency. However, the highly competitive environment has prevented us from converting this improved operational performance into the planned profit growth.

On the continent, results at our two well-established businesses in France and the Benelux were affected by lower demand and a more competitive environment which has affected unit gross margins. In France, our two branded dealer groups have grown market share. In Germany, we continued to build sales and profits while the Spanish business achieved a solid performance in especially weak market conditions. The Italian business continued to grow sales strongly and remains on course to move into profit by the end of the financial year.

The second half of the year is seasonally stronger for Spicers. We have programmes in place to reduce costs in our established businesses with the objective of improving profitability and entering the next financial year in a stronger position. We are reviewing further steps for improving the competitiveness of our UK network of distribution centres and maintaining our drive towards our financial goal for the overall business of generating a return on average capital employed in excess of 20%.

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 37 of the 2008 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;
- 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;
- Serious breaches of the law or other regulations;
- Political instability, particularly in relation to the Group's Ukraine associate;
- Volatility and increases in pricing of energy;

- Volatility of pricing and availability of globally traded raw materials;
- Increasing costs in the medium-term related to climate change and carbon dioxide emissions;
- Changes in packaging demand as a result of environmental concerns; and
- Product liability.

The commentary in the above sections of this half-year report details the changes to the risks and uncertainties for the second half of the financial year. In particular, the current global economic conditions have heightened the risks that lower and unpredictable demand may affect the Group's cash generation and that foreign exchange movements may affect the Group's results, especially in relation to the Group's associate business in Ukraine.

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';
- (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 half-year 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

2 December 2008

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 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 15. 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 2410 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 Company 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 2008 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 Registered Auditor
London, United Kingdom
2 December 2008

Condensed Consolidated Income Statement

	Note	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Revenue	2	1,102.8	942.7	1,967.5
Cost of Sales		(852.9)	(702.7)	(1,468.7)
Gross profit		249.9	240.0	498.8
Operating expenses		(195.5)	(179.6)	(381.1)
Operating profit				
Before exceptional items	2	54.4	60.4	119.6
Pre-tax exceptional items	3	-	-	(1.9)
Operating profit		54.4	60.4	117.7
Finance income		3.6	1.9	3.3
Finance costs	5	(14.7)	(12.5)	(24.1)
Employment benefit finance income		0.2	4.3	8.8
Net financing costs		(10.9)	(6.3)	(12.0)
Profit after financing costs		43.5	54.1	105.7
Share of profit of associates		0.6	2.0	3.4
Profit before income tax				
Before exceptional items		44.1	56.1	111.0
Pre-tax exceptional items		-	-	(1.9)
Profit before income tax		44.1	56.1	109.1
Income tax expense	6			
On profit before exceptional items		(13.5)	(15.0)	(31.6)
Exceptional tax charge		(12.9)	-	0.7
Income tax expense		(26.4)	(15.0)	(30.9)
Profit for the financial period		17.7	41.1	78.2
Profit for the financial period attributable to:				
DS Smith Plc equity shareholders		17.3	40.7	76.6
Minority interest		0.4	0.4	1.6
		17.7	41.1	78.2
Earnings per share - pence:	7			
Adjusted for exceptional tax charge and exceptional items		7.7p	10.4p	19.9p
Basic		4.4p	10.4p	19.6p
Diluted		4.4p	10.2p	19.4p
Proposed/actual dividends per share	8	Interim 2.6p	Interim 2.6p	Total 8.8p

Condensed Consolidated Statement of Recognised Income and Expense

	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Actuarial losses on defined pension schemes	(100.4)	-	(73.0)
Movement on deferred tax relating to the actuarial losses	27.3	-	21.4
Currency translation differences, including tax of £(0.5)m (half-year to 31 October 2007: £1.2m; year to 30 April 2008: £11.0m)	0.8	6.1	25.0
Movements in cash flow hedges, including tax of £0.8m (half-year to 31 October 2007: £1.0m; year to 30 April 2008: £(5.7)m)	5.1	2.3	14.5
Net (expense)/income recognised directly in equity	(67.2)	8.4	(12.1)
Profit for the financial period	17.7	41.1	78.2
Total recognised expense and income since the last financial statements	(49.5)	49.5	66.1
Total recognised expense and income relating to the financial period attributable to:			
DS Smith Plc equity shareholders	(49.9)	48.9	63.8
Minority interest	0.4	0.6	2.3

Condensed Consolidated Balance Sheet

	Note	As at 31 October 2008 £m	As at 31 October 2007 £m	As at 30 April 2008 £m
Assets				
Non-current assets				
Intangible assets		218.9	192.7	215.2
Property, plant and equipment		618.7	517.5	607.1
Investments in associates		32.5	32.6	30.0
Other investments		1.5	0.5	1.5
Deferred tax assets		66.9	20.6	31.4
Other receivables		0.8	2.3	0.8
Derivative financial instruments		6.7	1.5	10.2
Total non-current assets		946.0	767.7	896.2
Current assets				
Inventories		178.5	161.7	187.7
Other investments		0.1	0.1	0.1
Income tax receivable		2.0	0.9	1.6
Trade and other receivables		428.2	388.0	406.9
Cash and cash equivalents		101.9	72.4	69.7
Derivative financial instruments		17.8	2.0	7.3
Total current assets		728.5	625.1	673.3
Total assets		1,674.5	1,392.8	1,569.5
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings		(344.0)	(206.3)	(260.7)
Post-retirement benefits	4	(173.0)	(11.2)	(75.9)
Other payables		(5.2)	(5.8)	(4.0)
Provisions		(15.3)	(8.7)	(15.7)
Deferred tax liabilities		(94.3)	(80.5)	(71.2)
Derivative financial instruments		(7.8)	(37.9)	(41.2)
Total non-current liabilities		(639.6)	(350.4)	(468.7)
Current liabilities				
Bank overdrafts		(9.2)	(13.6)	(13.7)
Interest-bearing loans and borrowings		(3.8)	(4.3)	(6.4)
Trade and other payables		(474.0)	(396.8)	(455.0)
Income tax liabilities		(13.1)	(24.0)	(9.7)
Provisions		(5.7)	(8.0)	(13.3)
Derivative financial instruments		(0.5)	(1.4)	(0.8)
Total current liabilities		(506.3)	(448.1)	(498.9)
Total liabilities		(1,145.9)	(798.5)	(967.6)
Net assets		528.6	594.3	601.9
Equity				
Issued capital		39.3	39.3	39.3
Share premium		263.1	263.1	263.1
Reserves		225.8	293.6	299.3
DS Smith Plc shareholders' equity	11	528.2	596.0	601.7
Minority interests		0.4	(1.7)	0.2
Total equity		528.6	594.3	601.9

Condensed Consolidated Cash Flow Statement

	Note	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Operating activities				
Cash generated from operations	9	80.4	66.1	179.8
Interest received		0.2	0.9	2.6
Interest paid		(11.1)	(8.7)	(19.4)
Dividends received from associate		-	-	1.0
Income tax paid		(8.6)	(7.6)	(27.8)
Net cash from operating activities		60.9	50.7	136.2
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents acquired		(1.3)	(0.3)	(89.2)
Disposal of subsidiary businesses, net of cash and cash equivalents disposed of		-	1.0	2.0
Capital expenditure payments		(44.4)	(37.7)	(66.5)
Proceeds from the sale of property, plant and equipment and intangibles		3.4	5.5	8.2
Proceeds from the sale of investments in associates and other investments, net of additions of nil, (half-year to 31 October 2007:nil; year to 30 April 2008: £1.0m)		-	-	1.1
Cash flows from investing activities		(42.3)	(31.5)	(144.4)
Financing activities				
Proceeds from issue of share capital		-	0.2	0.2
Purchase of own shares		(0.2)	(0.2)	(2.0)
New borrowings/(repayment)		42.0	(19.7)	10.6
Repayment of finance lease obligations		(0.4)	(0.2)	(0.4)
Dividends paid		(24.3)	(23.5)	(33.7)
Cash flows from financing activities		17.1	(43.4)	(25.3)
Net increase/(decrease) in cash and cash equivalents		35.7	(24.2)	(33.5)
Net cash and cash equivalents at 1 May		56.0	81.6	81.6
Exchange gains on cash and cash equivalents		1.0	1.4	7.9
Net closing cash and cash equivalents		92.7	58.8	56.0

Notes to the Accounts

1 Basis of preparation

The half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting', International Financial Reporting standards 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 2008, 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 237 (2) or (3) of the Companies Act 1985.

The Interim Financial Statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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

	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Revenue			
UK Paper and Corrugated Packaging	437.0	367.1	753.2
Continental European Corrugated Packaging	191.2	165.0	346.0
Plastic Packaging	123.9	109.6	223.4
Packaging	752.1	641.7	1,322.6
Office Products Wholesaling	350.7	301.0	644.9
Group total	1,102.8	942.7	1,967.5
Adjusted operating profit ¹			
UK Paper and Corrugated Packaging	28.8	39.9	68.5
Continental European Corrugated Packaging	16.1	8.0	20.3
Plastic Packaging	4.0	5.7	10.7
Packaging	48.9	53.6	99.5
Office Products Wholesaling	5.5	6.8	20.1
Group total	54.4	60.4	119.6
Period-end capital employed ²			
UK Paper and Corrugated Packaging	526.2	453.9	503.8
Continental European Corrugated Packaging	185.2	170.4	190.0
Plastic Packaging	124.1	120.5	119.4
Packaging	835.5	744.8	813.2
Office Products Wholesaling	117.5	116.3	123.6
Group total	953.0	861.1	936.8
Adjusted return on sales – % ¹			
UK Paper and Corrugated Packaging	6.6%	10.9%	9.1%
Continental European Corrugated Packaging	8.4%	4.8%	5.9%
Plastic Packaging	3.2%	5.2%	4.8%
Packaging	6.5%	8.4%	7.5%
Office Products Wholesaling	1.6%	2.3%	3.1%
Group total	4.9%	6.4%	6.1%
Adjusted return on average capital employed – % ^{1,3}			
UK Paper and Corrugated Packaging	10.6%	17.2%	14.3%
Continental European Corrugated Packaging	16.1%	9.1%	10.9%
Plastic Packaging	6.1%	9.2%	8.4%
Packaging	11.2%	14.0%	12.6%
Office Products Wholesaling	8.4%	10.8%	15.1%
Group total	10.8%	13.6%	12.9%

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 primary 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.

In the half-year ended 31 October 2008, the Group recorded no pre-tax exceptional items (half-year to 31 October 2007: none). An exceptional charge of £1.9m was recorded in the year to 30 April 2008. The charge related to the restructuring of our European liquid packaging and dispensing operations within Plastic Packaging.

4. Post-retirement benefits

	Half year ended 31 October 2008 £m
Gross deficit 1 May 2008	(75.9)
Employment benefit finance income	0.2
Expense recognised in income statement	(5.3)
Contributions	8.4
Actuarial loss	(100.4)
Gross deficit at 31 October 2008	(173.0)
Deferred tax asset	48.7
Net deficit at 31 October 2008	(124.3)

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

As a consequence of the decline in global equity prices since 30 April 2008 the gross pension deficit has increased to £173.0m from £75.9m. The decrease in asset values has been partially mitigated by an increase in the discount rate based on the AA rated corporate bond. The rate has increased from 5.9% at 30 April 2008 to 6.4% at 31 October 2008.

5. Finance costs

Finance costs for the half-year ended 31 October 2008 of £14.7m (half-year to 31 October 2007: £12.5m; year to 30 April 2008: £24.1m) include a charge of £0.2m (half-year to 31 October 2007: £2.7m; year to 30 April 2008: £3.1m) 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 increased by £4.7m.

6. Taxation

Tax on profits has been charged at an underlying rate, before exceptional items and share of profits of associates, of 31.0% (half-year to 31 October 2007: 27.8% (32.1%, excluding a one-off release of deferred tax of £2.4m following the change in the UK tax rate from 30% to 28%); year to 30 April 2008: 29.2%), being the expected full-year underlying rate. The tax charge for the current period has been increased by an exceptional deferred tax charge of £12.9m following amendments to the UK industrial buildings allowance regime which were substantively enacted in the Finance Act 2008, which was effective from 21 July 2008.

The tax charge on profit before exceptional items and share of profits of associates for the period of £13.5m (half-year to 31 October 2007: £15.0m; year to 30 April 2008: £31.6m) consists of UK taxation of £4.2m (half-year to 31 October 2007: £7.0m; year to 30 April 2008: £15.1m) and overseas taxation of £9.3m (half-year to 31 October 2007: £8.0m; year to 30 April 2008: £16.5m).

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 £17.3m (half-year to 31 October 2007: £40.7m; year to 30 April 2008: £76.6m) and on 391.0m ordinary shares (half-year to 31 October 2007: 391.7m; year to 30 April 2008: 391.5m), being the weighted average number in issue and fully paid during the period.

Diluted earnings per share is 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 392.3m (half-year to 31 October 2007: 397.5m; year to 30 April 2008: 393.9m).

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 31 October 2008		Half-year ended 31 October 2007		Year ended 30 April 2008	
	£m	pence per share	£m	pence per share	£m	pence per share
Basic earnings	17.3	4.4	40.7	10.4	76.6	19.6
Add back exceptional items after tax	12.9	3.3	-	-	1.2	0.3
Adjusted earnings	30.2	7.7	40.7	10.4	77.8	19.9

8. Dividends

The following dividends were paid by the Group:

		£m
September 2007	Final dividend for the 2006/07 year of 6.0 pence per share	23.5
March 2008	Interim dividend for the 2007/08 year of 2.6 pence per share	10.2
September 2008	Final dividend for the 2007/08 year of 6.2 pence per share	24.3

The Directors have proposed an interim dividend for the 2008/09 year of 2.6 pence per share, totalling £10.2m.

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

	Half-year ended 31 October 2008	Half-year ended 31 October 2007	Year ended 30 April 2008
	£m	£m	£m
Profit for the period	17.7	41.1	78.2
Adjustments for:			
- Exceptional item charged to income statement	-	-	1.9
- Cash outflow for exceptional items	(1.3)	(2.5)	(5.8)
- Depreciation and amortisation	34.4	30.1	62.0
- Profit on sale of non-current assets	(0.6)	(1.5)	(4.4)
- Share-based payment expense	0.9	1.2	2.1
- Share of profit of associates	(0.6)	(2.0)	(3.4)
- Employment benefit net finance income	(0.2)	(4.3)	(8.8)
- Finance income	(3.6)	(1.9)	(3.3)
- Finance costs	14.7	12.5	24.1
- Foreign exchange and fair value movements	-	-	(1.3)
- Income tax expense	26.4	15.0	30.9
	87.8	87.7	172.2
Changes in:			
- inventories	9.9	0.7	(11.8)
- trade and other receivables	(23.5)	(35.3)	(20.1)
- trade and other payables	15.3	16.5	45.1
- provisions and employee benefits	(9.1)	(3.5)	(5.6)
Cash generated from operations	80.4	66.1	179.8

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 2008	Cash flow	Acquisitions and disposals	Other non- cash	At 31 October 2008
	£m	£m	£m	£m	£m
Cash and cash equivalents	69.7	31.2	-	1.0	101.9
Overdrafts	(13.7)	4.5	-	-	(9.2)
Net cash and cash equivalents	56.0	35.7	-	1.0	92.7
Interest-bearing loans and borrowings due after one year	(255.3)	(44.6)	-	(38.9)	(338.8)
Interest-bearing loans and borrowings due within one year	(5.5)	2.6	-	(0.1)	(3.0)
Finance leases	(6.3)	0.4	(0.1)	-	(6.0)
Derivative financial instruments					
- assets	0.4	-	-	(0.4)	-
- liabilities	(41.1)	-	-	34.2	(6.9)
	(307.8)	(41.6)	(0.1)	(5.2)	(354.7)
Total net debt	(251.8)	(5.9)	(0.1)	(4.2)	(262.0)

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.

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 movements in shareholders' equity

	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Opening shareholders' equity	601.7	569.4	569.4
Profit for the period	17.3	40.7	76.6
Actuarial losses recognised in the pension schemes	(100.4)	-	(73.0)
Movement on deferred tax relating to the actuarial losses	27.3	-	21.4
Currency translation differences (after tax)	0.8	5.9	24.3
Changes in the fair value of cash flow hedges (after tax)	5.1	2.3	14.5
New share capital issued	-	0.2	0.2
Purchase of own shares	(0.2)	(0.2)	(2.0)
Share-based payments (after tax)	0.9	1.2	0.9
Dividends paid to shareholders	(24.3)	(23.5)	(33.7)
Transactions with minority interest	-	-	3.1
Closing shareholders' equity	528.2	596.0	601.7

12. Reconciliation of net cash flow to movement in net debt

	Note	Half-year ended 31 October 2008 £m	Half-year ended 31 October 2007 £m	Year ended 30 April 2008 £m
Operating profit before exceptional items		54.4	60.4	119.6
Depreciation and amortisation		34.4	30.1	62.0
Adjusted EBITDA		88.8	90.5	181.6
Working capital movement		1.7	(18.1)	13.2
Exceptional cash costs		(1.3)	(2.5)	(5.8)
Other		(8.8)	(3.8)	(9.2)
Cash generated from operations	9	80.4	66.1	179.8
Capital expenditure payments		(44.4)	(37.7)	(66.5)
Proceeds from sales of assets and investments		3.4	5.5	9.3
Tax paid		(8.6)	(7.6)	(27.8)
Net interest paid		(10.9)	(7.8)	(16.8)
Dividends received from associate		-	-	1.0
Free cash flow before net disposals/(acquisitions) and dividends		19.9	18.5	79.0
Dividends paid		(24.3)	(23.5)	(33.7)
Net (acquisitions)/disposals of subsidiaries		(1.3)	0.7	(87.2)
Net cash flow		(5.7)	(4.3)	(41.9)
Proceeds from the issue of share capital		-	0.2	0.2
Purchase of own shares		(0.2)	(0.2)	(2.0)
Net debt acquired		(0.1)	-	(1.3)
Foreign exchange and fair value movements		(4.2)	(3.0)	(25.6)
Net debt increase		(10.2)	(7.3)	(70.6)
Opening net debt		(251.8)	(181.2)	(181.2)
Closing net debt	10	(262.0)	(188.5)	(251.8)

13. Acquisitions

On 2 September 2008 the trade and certain assets of Vale Paper Limited, a waste paper collection business, were purchased for £1.8m. The consideration comprised £1.3m cash and £0.5m deferred consideration. The deferred consideration will be paid in February 2010 if certain sale conditions are met. The acquisition did not generate any goodwill.

On 30 September 2005, the Group acquired 100% of the voting share capital of Timmermans NV. In the year to 30 April 2008 additional deferred consideration of £2.5m became due following certain performance criteria being met. This amount was paid in October 2008.

14. 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 catalogue launches at the start of the calendar year.

15. Related parties

There have been no related party transactions or changes to the related party transactions, as described in the 2008 Annual Report, that would have a material effect on the financial position or performance of the Group for the half-year ended 31 October 2008.