Proposed acquisition of Otor

July 2010

DS Smith Plc

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Transaction highlights - summary

Transaction	▪ DS Smith will acquire Otor from The Carlyle Group and minority shareholders for total consideration in cash and assumption of debt of approximately €247m (c.£206m)[1]

Strategic rationale	▪ Otor – a market leading, FMCG focused, innovative, French corrugated packaging supplier
	▪ Substantial strategic and financial benefits:
	  ▪ Improves DS Smith's margins, reduces cyclicality, provides step change in market share in France
	  ▪ £7.7m pre-tax cost synergies per annum in the second full year
	  ▪ EPS accretive in first full year
	  ▪ Exceeds Group cost of capital in first full year
	  ▪ Excellent platform for further growth in France and in Continental Europe

Finance	▪ Consideration satisfied from existing and new debt facilities as well as the proceeds from a placing of up to 9.99%
Conditions	▪ Subject to shareholder approval and regulatory clearances - expected to complete in Q4 2010

[1] Using an exchange rate of 1.2 €/£

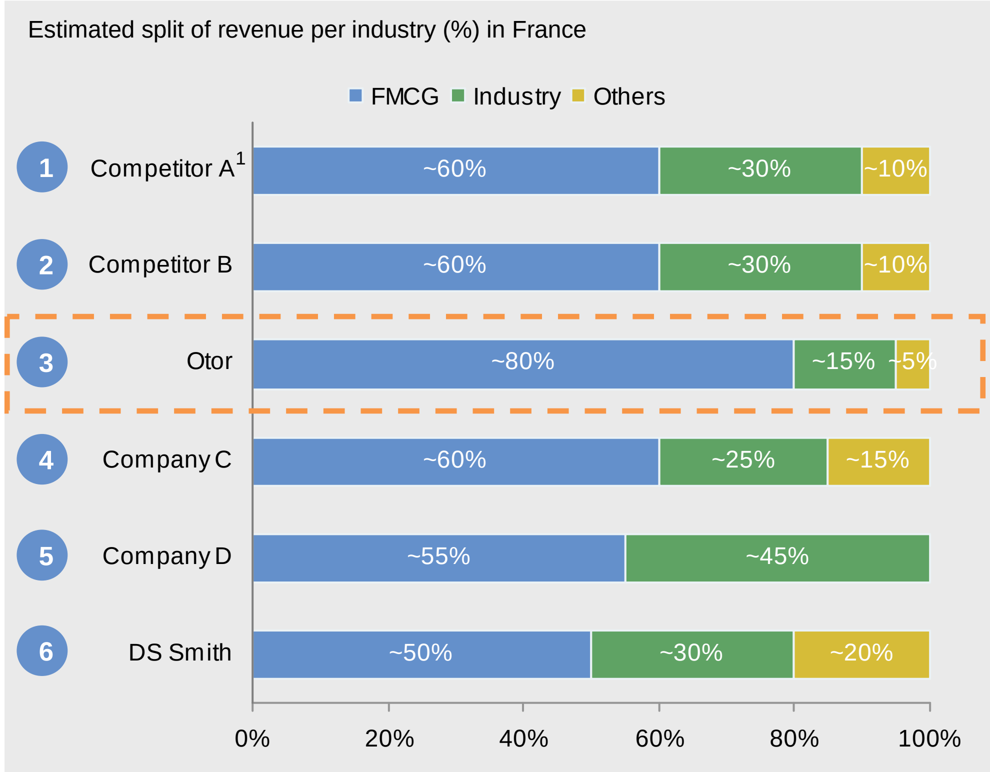
Transaction highlights – benefits

Five areas of focus for review:	Otor impact:
Business mix	✓ Growth, better margins, strong market position, lower cyclicality
Differentiation	✓ Market leading innovation, customer service and higher FMCG customer base
Efficiency	✓ Head office synergies, reduced operating costs, improved capital efficiency
Culture	✓ Existing strong financial discipline, strong management team focused in FMCG
Managing implementation risk	✓ Experienced and successful DS Smith team in France

Otor – customers

- Otor's primary market is the European FMCG sector
- Majority of customers are agri-food industrials supplying the retail industry
- Focus on higher margin, niche products and innovation to capture market share
  - Lightweighting
  - Shelf-ready packaging
  - High quality printing
- Product strategy to maintain a five year technological advance

Otor is well-positioned in the resilient FMCG sector



Source: Company websites, OC&C analysis
[1] Based on international figures

Otor – excellent capability overlap

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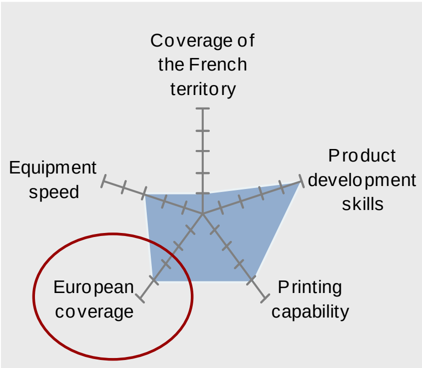
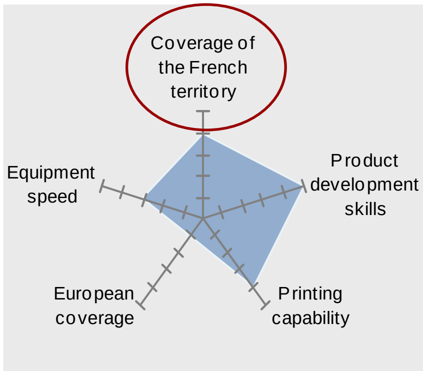


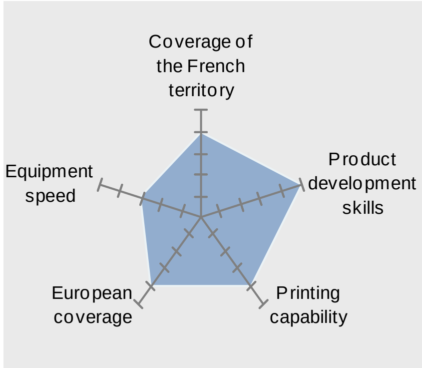
- Presence in the UK, France, Italy, Poland and Ukraine

Otor



- Integrated network of facilities located throughout France including six box plants

Enlarged Group



- Complementary fit, improved European coverage

Source: OC&C analysis

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Otor – financial performance

€m (Dec Year end)	2008	2009
Revenue	363.8	315.1
Current operating income (adjusted)[1]	30.7	28.7
Margin (%)	*8.4 %*	*9.1 %*
Cashflow from operating activities	42.2	70.9
Cash conversion (%)	*85.9%*	*159.7%*

- 2009 gross assets of €264.3 million
- 3 year average EBIT margin is c.8.6%
- Strong free cash flow

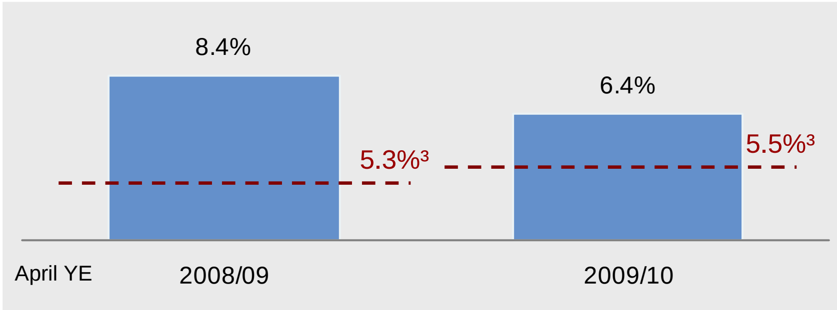
Source: Otor Finance S.A. Annual Reports
[1] EBIT adjusted for impairments

Otor – financial performance (cont'd)

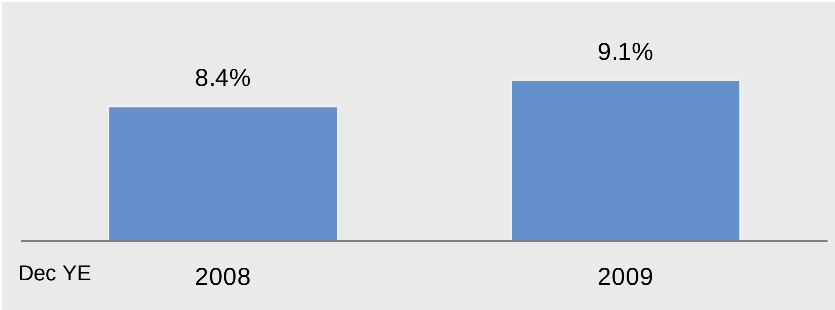
- Improved Group operating margins through product mix and cost synergies

- Otor margins significantly higher than DS Smith Group
- DS Smith Continental European Packaging margins, on average, over a 3 year period are 6.9% and ROACE is 12.7% over the same period[2]
- Group margin is further expected to benefit from significant cost synergies extracted from the combined businesses in France
  - £7.7m already identified

DS Smith adjusted EBIT margin (%)[1,2]

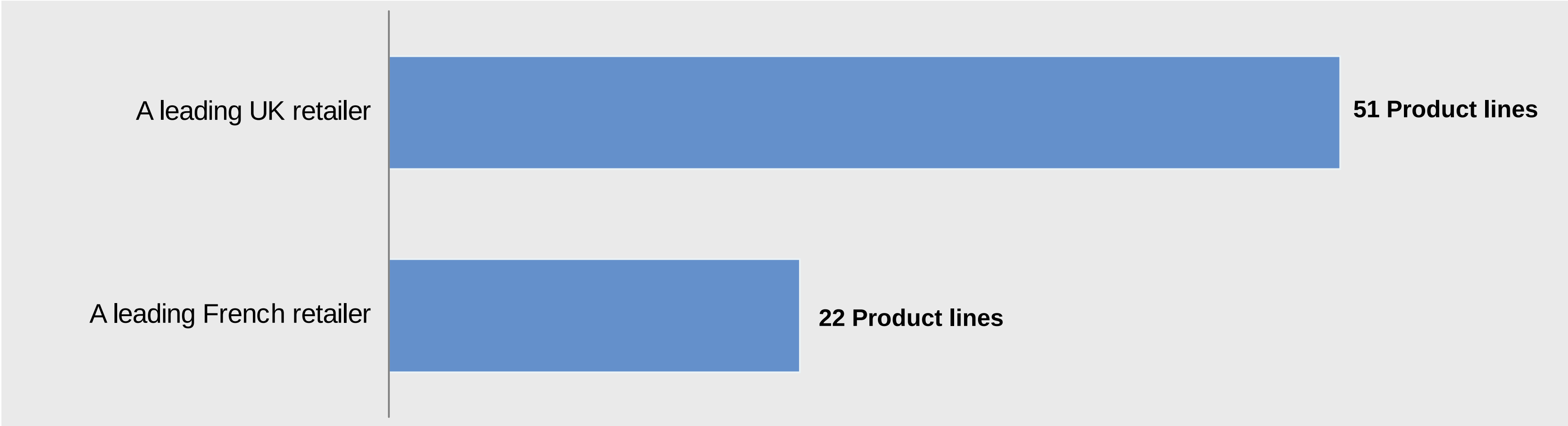


Otor current operating income margin (%)



[1] Continental European Packaging adjusted EBIT margin
[2] Before exceptional items
[3] DS Smith Group's Packaging adjusted EBIT margin

Strategic rationale – penetration of shelf-ready packaging in France vs. UK

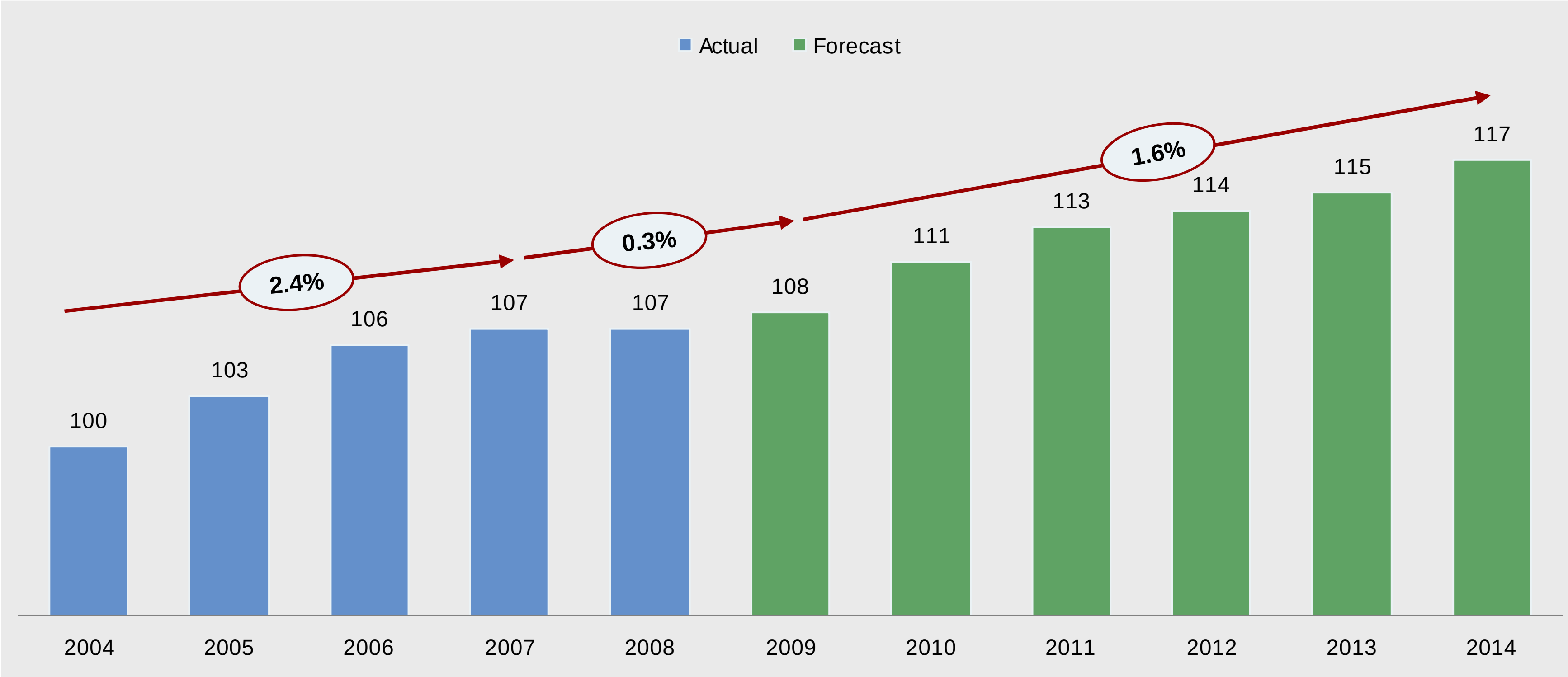


A leading UK retailer	■ 51 product lines merchandised in shelf-ready packaging (24 above 80%[1])
A leading French retailer	■ 22 product lines merchandised in shelf-ready packaging (5 above 40% but none have above 80%[1])

- French penetration of shelf-ready packaging is substantially less than the UK

[1] % refers to penetration of shelf-ready packaging into the product line

Strategic rationale – outlook for French FMCG sales



Source: OC&C analysis
Note: Shipment of FMCG corrugated board packaging–France (sqm), index 100 in 2004

After a 2-year slowdown due to the recession, FMCG corrugated packaging volumes are expected to return to a 1.6% annual growth rate in the coming years

Financial considerations – synergies

- Pre-tax cost synergies estimated at approximately £7.7m per annum from the second full year of ownership will principally be derived from:
  - Removing costs of a French stock market listing
  - Removal of duplicate head office costs
  - Purchasing synergies as a result of aggregating non-raw material costs
- Revenue synergies are expected to flow from enhanced support to major FMCG companies across Europe, from better geographic coverage and from Otor's designs and patents.

Financial considerations – financing

- The cash element of the consideration of c.€247m will be financed from existing and new debt facilities, and from a primary placing of up to 9.99%
- Debt:
    - $150m, 8/10 year term private placement shelf facility
    - £69m syndicate from 3 existing lenders – term loan to August 2013
- Equity:
    - Cash box placing of up to 9.99%, best efforts basis by JPMC

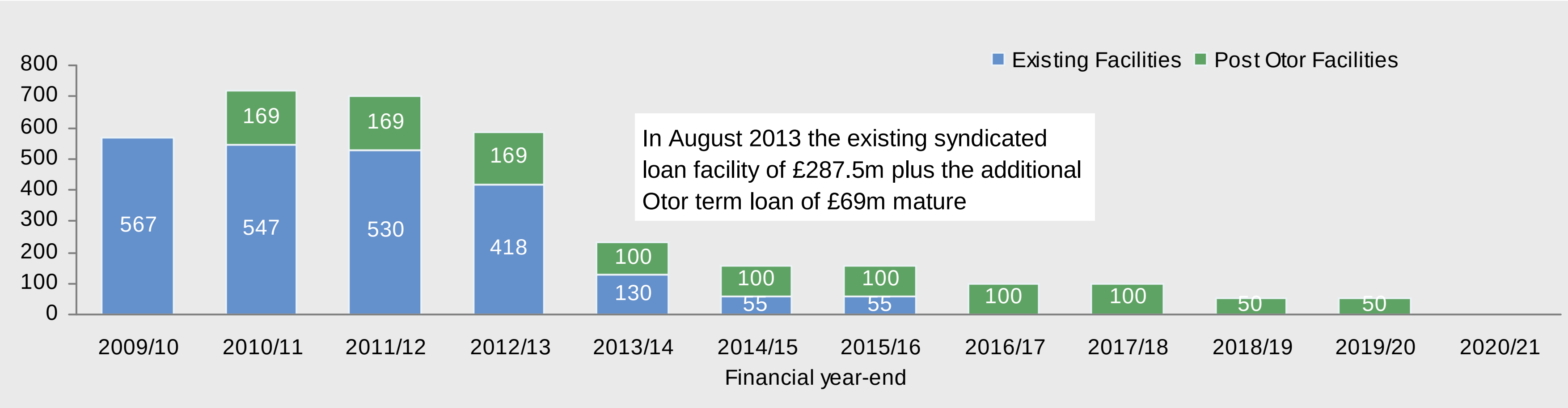
Financial considerations – debt

DS Smith pre transaction

£m	Actual 2009/10
Bank Facilities	**323**
Private Placements	**243**
Total Facilities	**566**
Net Assets > £360m	**619**
Net Debt: EBITDA must be < 3.25x	**1.4x**
Adjusted interest cover must be > 3.0x	**6.9x**

DS Smith post transaction

£m	Pro Forma 2010/11
Bank Facilities	**373**
Private Placements	**343**
Total Facilities	**715**
Pro Forma 2009/10	
Net Debt: EBITDA must be <3.25x	**2.0x[1]**



Source: Otor Finance S.A. and DS Smith Plc Annual Reports
[1] Assumes new debt of approximately £160m

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Financial considerations – current trading

- DS Smith results 24 June 2010 – "Current financial year has started well and is in line with our expectations. We are experiencing increasing sales volumes due to the continuing recovery in market conditions. We are also benefiting from the success of our service and product offering."

- Otor is trading in line with DS Smith's expectations based on its experience of the French market.

Integration

- Existing DS Smith French plants incorporated into Otor structure
- Integration team headed by existing DS Smith Divisional Chief Executive in Continental Europe
- Consolidated commercial and market approach for “one customer”
- Centralised functions for HR, finance and procurement
- Incorporate existing head office function into DS Smith Group functions
- Otor CEO to run combined French businesses

Expected timetable

- 7 July – Announcement of transaction and launch of placing
  - *Conditional upon shareholder approval and regulatory clearances*
- From 7 July – Works Council information process
- 12 July – Closing of placing
- 29 July – SPA expected to be signed by this date
- Mid-August – Circular posted to shareholders
- End August – General Meeting
- Q4 2010
  - *Anti-trust clearances*
  - *Close of purchase from The Carlyle Group*
  - *Mandatory public offer for minority shareholding*

Summary

- Increases exposure to FMCG sector
  - offers stable demand
  - growth potential
  - opportunity to be rewarded for service and innovation
- Improves position in France and opportunity for further Continental expansion
- Improves Group operating margins through product mix and cost synergies of £7.7 million per annum from second full year of ownership
- Increases manufacturing competitiveness
- Strengthens French and continental European management team
- Reduces Group exposure to the UK

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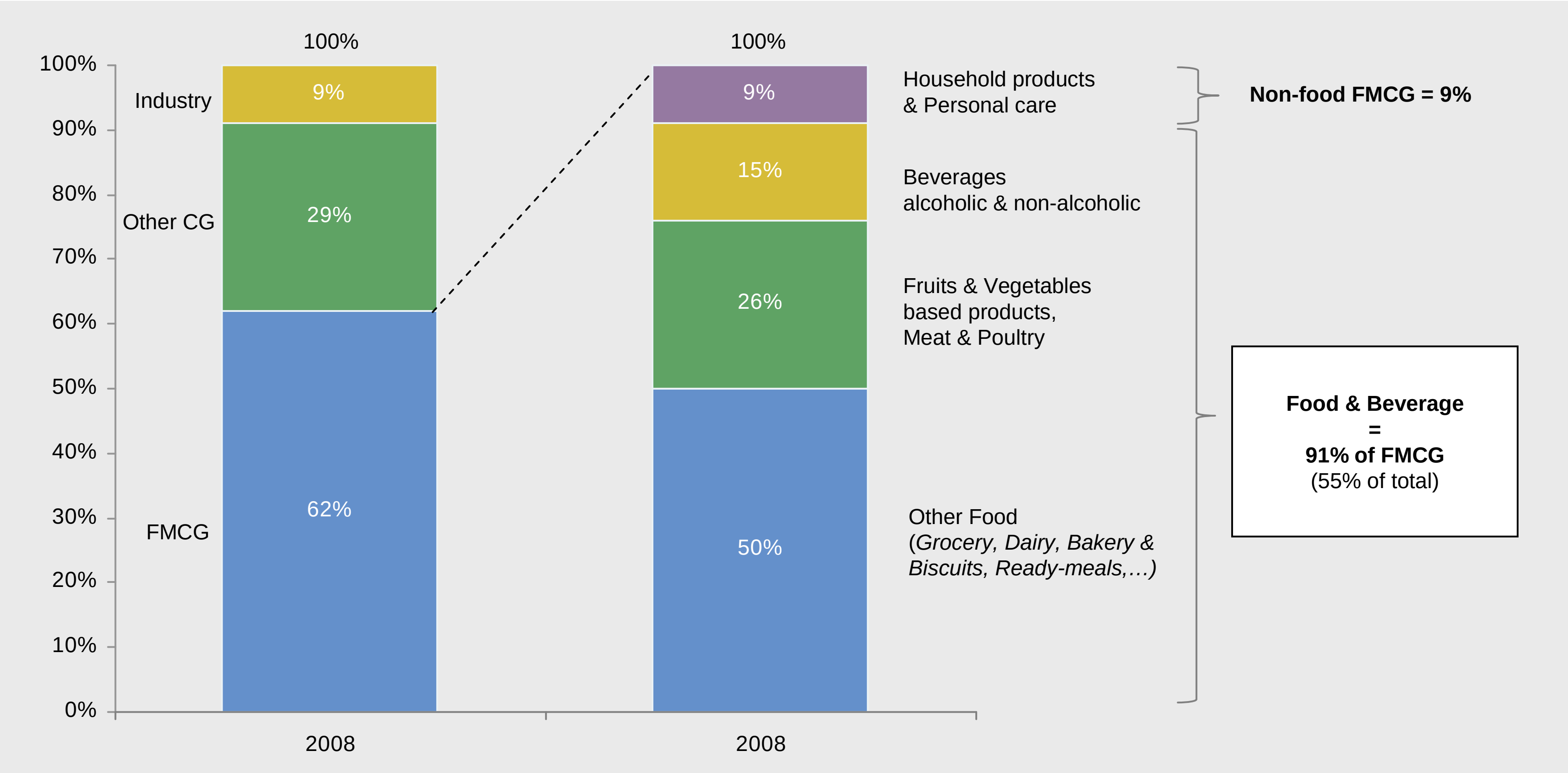
Appendix

French corrugated board sales

French corrugated board sales by end-user sector (% of total sales, 2008)



Source: FEFCO, OC&C analysis

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