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For immediate release

DS SMITH PLC
PROPOSED ACQUISITION OF SCA PACKAGING

CREATION OF A LEADING PAN-EUROPEAN RECYCLED PACKAGING BUSINESS

DS Smith Plc (“**DS Smith**” or “**the Company**”) today announces the proposed acquisition of the packaging division of Svenska Cellulosa Aktiebolaget SCA (publ) excluding the kraftliner assets (“**SCA Packaging**” or “**the SCA Packaging Group**”) for a net consideration of approximately €1.6 billion (c. £1.3 billion¹) (“**the Acquisition**”). The gross price will be €1.7 billion on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis and approximately €1.6 billion on a net basis after taking into account a pension price adjustment. DS Smith proposes to finance the Acquisition with existing and additional debt and new equity.

SCA Packaging is the second largest packaging business in Europe and the Acquisition represents a significant opportunity for DS Smith to achieve its stated strategic aim of becoming the leading supplier of recycled packaging for consumer goods in Europe.

The Board of DS Smith (“**the Board**”) believes that the Acquisition, if completed, will add value for DS Smith shareholders by:

- providing access to new geographical markets across continental Europe that better matches the location and scale of key pan-European fast moving consumer goods (“**FMCG**”) customers, given the complementary geographic business and customer fit between the two businesses;
- developing broader relationships with existing customers as well as the potential to win new customers through increased ability to supply and innovate new products and improve service levels;
- driving further benefits from the operational structure of the DS Smith Group as enlarged by the Acquisition and the equity proceeds (following completion of the Acquisition (“**Completion**”) and completion of the equity issue, respectively) (“**the Enlarged Group**”), utilising the strengthened resource in key commercial and operational functions of DS Smith’s business;
- delivering estimated annualised pre-tax cost synergies from procurement and operational efficiencies of at least €75 million per annum and cumulative capital expenditure and working capital benefits of at least €40 million by the end of the third full financial year following Completion;
- offering an expected return on capital above DS Smith’s weighted average cost of capital for the first full financial year of ownership with further improvement in the second and third full financial years;
- substantially enhancing DS Smith’s EPS²; and
- utilising a prudent financial structure for the Acquisition with net debt to EBITDA targeted to be back at 2.0x by the end of the first full financial year following Completion.

Owing to its size, the Acquisition constitutes a reverse takeover under the listing rules made by the FSA under section 73A of the Financial Services and Markets Act 2000, as amended (“**the Listing Rules**”) and upon Completion the listing of the ordinary shares with a nominal value of 10 pence each in the capital of DS Smith (“**the Ordinary Shares**”) will be cancelled pursuant to the Listing Rules. Application will be made to the UKLA and the London Stock Exchange for the Ordinary Shares in the Enlarged Group to be re-admitted to listing on the premium segment of the official list of the

¹ 1 Based on an exchange rate of €1.00 to £0.8263 on 16 January 2012.

² 2 This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of the DS Smith Group will necessarily be greater than the historic published figures.

UKLA and to trading on the main market of the London Stock Exchange, respectively. The Acquisition requires approval from holders of Ordinary Shares, and accordingly a general meeting of DS Smith will be convened for 3 February 2012. The Acquisition will also require, amongst other matters, certain regulatory clearances. It is currently expected that the Acquisition will complete during the second quarter of calendar 2012.

The Acquisition includes a formal offer to acquire the French companies of SCA Packaging which may be accepted following consultation with the relevant works councils for each of the French companies.

Commenting on the Acquisition, DS Smith's Group Chief Executive, Miles Roberts said:

“This Acquisition builds on DS Smith’s proven strategy and the successful acquisition of Otor S.A. (now DS Smith Packaging France). This is an exceptional opportunity to create value for shareholders by becoming the leading recycled packaging company across Europe – a company that will be better positioned to deliver even better service and innovation to our strong and growing FMCG customer base. SCA Packaging is a well invested business with long positions in recycling and packaging and short paper capacity that is very complementary to our strengths. It is a great step in DS Smith’s development and I look forward to working together with the team at SCA Packaging to create an outstanding supplier for our customers and making it a fulfilling place for our staff to work to deliver substantial value for our customers and shareholders.”

DS Smith's Chairman, Gareth Davis said:

“This Acquisition is a unique opportunity, offering the combination of a clear strategic rationale, potentially excellent financial returns and a step change in DS Smith’s capabilities to deliver the recycled packaging service that our customers increasingly want on a pan-European basis. We recognise both the opportunities and the challenges that the Acquisition will bring and we have planned and invested accordingly. We are focussed and determined to integrate, develop and grow these two excellent businesses as the platform for delivering superior returns for our investors over the years to come. ”

Definitions:

EBITDA earnings before interest, taxation, depreciation and amortisation

EPS earnings per share before goodwill, amortisation and exceptional items (including one-off costs associated with the integration of SCA Packaging)

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