

DS Smith Plc



14 October 2009

DS SMITH PLC PRE-CLOSE TRADING UPDATE

DS Smith Plc, the international packaging supplier and office products wholesaler, today issues the following pre-close statement for the half year ending 31 October 2009.

Group

The first quarter's stronger than expected performance, which we noted in the Interim Management Statement on 8 September 2009, has continued during the second quarter. Profit before tax in the first six months of 2009/10 will be substantially ahead of expectations, although lower than 2008/09 levels. This reflects a slower erosion of selling prices within packaging and a faster reduction in Group operating costs than originally envisaged.

Implementation of the Group's Action Programme to cut costs and conserve cash is contributing to this better result. The planned annual cost savings of £26m will be achieved this financial year. A sustained reduction in working capital is contributing to lower debt levels and reduced financing costs.

We remain cautious about the second half of the year, principally due to the impact of the previously advised input cost increases which have begun to affect our results. We are implementing price increases to recover these costs, but given the usual delay, full cost recovery will take us beyond the end of the financial year. The speed of recovery of the costs will be a significant factor in determining the outturn for the second half. Management is confident of achieving its expectations for the full year.

Packaging

The business has had a stronger than expected performance in the first half for the reasons described above. It continues to be affected by weaker market demand and is now incurring increased raw material costs. In our UK Paper and Corrugated Packaging segment, returns have continued to be affected by low CCM prices. Given the lack of profitability in paper and the continuing rise in waste paper costs, we have informed our customers of CCM price increases. The Continental European Corrugated Packaging Segment, which sources paper from third parties is expected to see its CCM costs increase. Our UK and Continental box prices will have to be raised to recover these additional costs. We will experience the usual delay in recovery.

Performance in the Plastic Packaging Segment remains encouraging. This performance reflects the benefit from last year's restructuring actions, particularly within Liquid Packaging and Dispensing.

Office Products Wholesaling

Demand for office products across Europe continues to be significantly reduced. However, Spicers' first half revenues will demonstrate a good performance compared to the market. Gross margin will be lower than the prior year reflecting a changed sales mix and pricing pressure. Profits for our UK business remain low but the actions taken have strengthened substantially both its market position and cost base.

DS Smith will announce its results for the six months to 31 October 2009 on 10 December 2009.

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