



8 September 2009

## **DS SMITH PLC INTERIM MANAGEMENT STATEMENT**

DS Smith Plc, the international packaging supplier and office products wholesaler, today publishes its Interim Management Statement in respect of the period since 1 May 2009. DS Smith Plc will be holding its Annual General Meeting today at 12 noon.

### **DS Smith Group**

Overall trading in the first quarter of financial year 2009/10 has been ahead of management's expectations as described at the time of the Group's Full Year Results in June. This better performance reflects a slower erosion of selling prices and a faster reduction in operating costs.

Implementation of the Group's Action Programme to cut costs and conserve cash is well advanced. 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.

### **Outlook**

We have had a better than anticipated start to the year, but in looking forward we remain concerned about the level of demand across the majority of our market sectors and we are experiencing increases in input costs above our original expectations. As a result, it is too early to be certain that this better first quarter performance will be sustained for the full year. However, trading to date, together with the Group's strategy to build leadership positions, the implementation of our Action Programme and the strength of our balance sheet, underpin management's confidence in achieving its expectations for 2009/10.

### **Packaging**

The Group's strategy of growing our box converting operations and becoming a net buyer of paper is enabling the markedly lower profits in the UK paper business to be partially mitigated by the performance of our UK and Continental European corrugated box businesses.

The business continues to face reduced industry activity levels. In the first six months of calendar 2009, industry statistics show European demand for corrugated packaging (boxes) is down by 11% as compared to 2008. There continues to be a marked difference between market sectors; the decline in the fast moving consumer goods sector (FMCG) being substantially less than that in the industrial sector. As previously outlined, this lower overall demand has resulted in a very significant fall in corrugated case material (CCM) prices. The effect of this price fall on margins has been exacerbated by input costs remaining high, relative to finished product prices; a situation that is worsening as waste paper costs are now increasing. Box prices continue to decline albeit at a slightly slower rate than anticipated. The lower CCM prices are helping to reduce the impact of the lower levels of demand.

In our UK Paper and Corrugated Packaging Segment, demand for our new lightweight CCM is strong and the new machine is fully utilised. Industry statistics demonstrate that despite an overall decline in box sales we have grown market share. This is primarily due to our good position in the FMCG sector. Despite reductions in the level of available waste, Severnside Recycling has continued to expand its activities, gaining several important new retail customers. The Segment's overall profits have been affected by lower CCM prices and higher input costs. Given the lack of profitability in paper and the continuing rise in waste paper costs we have informed our UK customers of a CCM price rise.

The Continental European Corrugated Packaging Segment has a greater exposure to the industrial market and has seen a substantial fall in volumes. The impact of this has been partially mitigated by lower CCM prices; this Segment being a large purchaser of CCM.

Performance in the Plastic Packaging Segment is encouraging. There has been an uplift in the performance in Liquid Packaging and Dispensing; the sector benefiting from last year's restructuring actions.

### **Office Products Wholesaling**

Demand across Europe is down by (10)% to (20)% depending on the country and product sector. First quarter sales at Spicers compared to the prior year demonstrated a good performance compared to the market. Gross margin is down reflecting a changed sales mix and pricing pressure. Profits at our significant UK business remain low but the actions taken have strengthened substantially both its market position and cost base.

The Group plans to announce its results for the half-year to 31 October 2009 on 10 December 2009.

### **Enquiries**

#### **DS Smith Plc**

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Steve Dryden, Group Finance Director

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#### **Financial Dynamics**

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A conference call for analysts and investors, hosted by Tony Thorne and Steve Dryden, will take place today, 8 September 2009 at 8.15am BST. The dial-in numbers are:

UK participants: 020 8817 9301 or 0845 634 0041

International participants: +44 20 8817 9301

Confirmation number: 2013519

A recording of this conference call will be available by telephone from two hours after the call has ended until 23.59pm BST on 15 September 2009. The dial-in numbers for this recording are:

UK callers: 020 7769 6425

International callers: +44 20 7769 6425

Replay security code: 2013519#

A recording of the call will also be available through the Investor Relations section of our website: [www.dssmith.uk.com](http://www.dssmith.uk.com) from 15.00 BST, 8 September 2009.