



5 September 2007

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

In accordance with the UK Listing Authority's Disclosure and Transparency Rules, DS Smith Plc, the international packaging manufacturer and office products wholesaler, is today publishing its first Interim Management Statement, in respect of the period from 1 May 2007 to 31 July 2007. DS Smith will be holding its Annual General meeting today at 12 noon.

### **DS Smith Group**

DS Smith has continued to benefit from the better pricing environment in the paper and corrugated packaging market and the actions taken to strengthen the Group. Although input costs for the Packaging businesses have risen further, the positive trend in the Group's performance in the second half of the 2006/07 financial year has continued in the first quarter of 2007/08. The Group's balance sheet remains strong and there has been no significant change to the financial position of the Group since the publication of the Report and Accounts in respect of the year ended 30 April 2007.

### **Paper and Corrugated Packaging**

Demand for corrugated packaging in the European market in 2007 has remained generally good but growth has been lower than in 2006. The German and Eastern European markets have continued to grow strongly while the UK and French markets have been broadly flat. The industry supply position for recycled corrugated case material (CCM) remains balanced and this has underpinned the firmer pricing environment in both CCM and corrugated boxes. No significant CCM capacity additions are expected in western Europe in 2007 and 2008. A number of European CCM producers have recently announced their intentions to invest in new capacity which is expected to come on stream from 2009 onwards; the capacity announced to date would broadly be absorbed by current levels of market growth. Input costs of energy and waste paper, the principal raw material for recycled CCM, have remained high and, as a result of continued strong demand for waste paper from Asia, there have been further increases in its price.

Our Paper and Corrugated Packaging businesses have maintained their focus on growing sales in the higher value-added sectors of the market, such as retail-ready packaging, while seeking to recover the previous substantial increases in their input costs. They have raised box prices further through the spring and summer of 2007. With effect from the beginning of September 2007, our UK Paper business is implementing another increase in CCM prices in order to recover the recent rise in waste paper costs. Both in the UK and on the continent, our Corrugated Packaging businesses will be going out for further box price increases during the coming months to recover the higher costs in the supply chain.

In UK Paper and Corrugated Packaging, we have continued to benefit from the improved pricing in both paper and corrugated packaging; we are also benefiting from the extensive actions we have taken to raise efficiency. Our Continental European Corrugated Packaging segment is a net buyer of CCM; it has recovered a considerable proportion, but not all, of the previous cost increases and this shortfall has put a squeeze on its margins. The latest rise in CCM prices will result in further pressure on margins in our continental businesses until we are able fully to recover the higher input costs.

### **Plastic Packaging**

As we indicated in June, the Plastic Packaging segment has faced further increases in the costs of polymer, both virgin and recycled. Our efforts to recover these higher input costs through targeted price increases have met with limited success to date. In liquid packaging and dispensing, results have been affected by a combination of lower sales and competitive price pressure; the consultation with employees about the proposed restructuring of our European operations in this sector is continuing. At this early stage we are aiming for some progress in this segment over the year.

### **Office Products Wholesaling**

The Spicers UK business has performed in line with our plan to rebuild profits. The actions taken by the new management team have continued to enhance the sales mix, raise service levels and reduce costs. The closure of the Park Royal regional distribution centre (RDC) in London was concluded successfully in June with its business being transferred to other Spicers RDCs. The continental European businesses have continued to perform well and have made good progress.

### **Group Outlook for financial year 2007/08**

As stated at the time of our Preliminary Results in June, our priorities for this financial year are to continue to drive for recovery of the high input costs within our Packaging businesses and to raise profits at Spicers, particularly in the UK. The Board remains confident that the Group will make good progress this year.

The Group's interim results for the half year to 31 October 2007 will be released on 5 December 2007.

### **Enquiries**

#### **DS Smith Plc**

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#### **Financial Dynamics**

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A conference call for analysts and investors, hosted by Tony Thorne and Gavin Morris, will take place today, 5 September, at 8.15 am BST. The dial-in numbers are:

UK participants: 020 8817 9301  
International participants: +44 20 8817 9301  
Alternative back-up number: +353 1 436 4265

A recording of this conference call will be available by telephone from one hour after the call has ended until 17.00 BST on 12/9/07. The dial-in numbers for this recording are:

UK callers: 020 7769 6425  
International callers: +353 1 436 4267  
Replay security code: 1004563#

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 14.00 BST today.