

DS Smith Plc



17 October 2008

DS SMITH PLC PRE-CLOSE TRADING UPDATE

DS Smith Plc, the international packaging supplier and office products wholesaler, today issues the following trading update for the half year ending 31 October 2008.

Group

The overall trading performance in the first half of financial year 2008/09 has been broadly in line with our expectations at the time of our Interim Management Statement issued on 3 September 2008. As reported previously, the Group's operating results are being impacted by lower demand and higher input costs. In both Packaging and Office Products Wholesaling, market demand in the second quarter of the financial year has been weaker and more volatile than in the first.

Packaging

Margins in our Paper and Corrugated Packaging businesses continue to be affected by the weaker market conditions and higher energy and raw material costs. In the UK, we are implementing a further price increase for corrugated products to recover the most recent rises in input costs. The project to commission the lightweight corrugated case material (CCM) machine at Kemsley Mill in January 2009 remains on schedule. Our continental European corrugated businesses, which are net buyers of CCM, continue to make progress, assisted by the strength of the euro.

In Plastic Packaging, we have raised prices to recover higher input costs and we are benefiting from the actions taken in liquid packaging and dispensing. However, these factors have been more than offset by the effects of lower sales volumes, particularly in returnable transit packaging.

Office Products Wholesaling – Spicers

We have grown our sales strongly despite a slow-down in the major markets which we serve. In the UK, we continue to make progress in raising efficiency, though the planned profit growth has been affected by a highly competitive environment. On the continent, we have maintained encouraging progress in our development businesses.

Financing Facilities

During the first half, we have successfully extended our financing facilities with the renewal of our 5-year syndicated revolving credit facility of £287.5 million (previously £250 million). This has extended the weighted-average maturity of the Group's committed borrowing facilities to four years and eight months.

Outlook

We continue to expect the Group to achieve a robust performance in 2008/09, despite the level of demand in our markets and trends in input costs. Our priority remains to enforce tight operational discipline, focusing particularly on operating cash generation.

DS Smith will announce its results for the six months to 31 October 2008 on 3 December 2008.

Enquiries**DS Smith Plc****020 7932 5000**

Tony Thorne, Group Chief Executive

Steve Dryden, Group Finance Director

Peter Aubusson, Group Communications Manager

Financial Dynamics**020 7269 7121**

Andrew Dowler