

DS Smith Plc



29 April 2009

DS SMITH PLC PRE-CLOSE TRADING UPDATE

DS Smith Plc, the international packaging supplier and office products wholesaler, today issues the following trading update ahead of its full-year results announcement for the year to 30 April 2009.

Group

The Group's overall trading performance in the second half of 2008/09 has been broadly in line with management's expectations at the time of our Interim Management Statement issued on 17 February 2009. As reported previously, the Group's operating results continue to be adversely affected by volatile and weaker demand in almost all our markets.

The Group's action programme, focused on cost reduction and cash generation, is well-advanced and is now being further extended. We previously announced that the programme was expected to have an annual cash benefit of circa £25 million and an up-front cash cost of circa £23 million, the majority of which will be incurred in financial year 2008/09. It is now anticipated that a further £5 million of cash cost will be incurred in financial year 2009/10 on the restructuring of a number of smaller businesses which have moved into losses. All these cash costs will be recognised as exceptional items.

Despite significant capital expenditure and the cash costs associated with the above action programme, the Group remains cash generative. This has been assisted by our continued focus on reducing further the Group's working capital.

Packaging

Our Paper and Corrugated Packaging businesses continue to be impacted by a combination of the lower demand for boxes and by a continued fall in the UK price of corrugated case material (CCM) during the second half of our financial year. The Group's strategy of being a net buyer of paper and focusing on boxes for the fast-moving consumer goods sector of the market has mitigated the impact of the lower CCM prices. The weaker performance of the UK paper business has been partially offset by a stronger overall performance in corrugated packaging, where we have additionally benefited from the effects of the strength of the euro on the reported results of our continental European businesses.

In Plastic Packaging, the returnable transit packaging business continues to be especially affected by weaker demand due to its considerable involvement with particular industry sectors such as automotive and construction.

Office Products Wholesaling

The slow-down in the European market continues. This is particularly in traditional office products but electronic office supplies are also affected. Spicers' overall sales performance remains relatively strong but is being progressively impacted by the weakening market. In the UK, we have reinforced our market position but margins are under considerable pressure, reflecting the competitive trading environment. The performance of our continental European business is good, being enhanced by the effects of currency translation.

Associate – Ukraine

We continue to work with our Ukrainian associate, Rubezhansk, and its banks to resolve the position in relation to its US dollar denominated loan. In our February IMS we described in detail the circumstances relating to the loan and how the outcome of the current review may affect the Group's Income Statement. Rubezhansk continues to trade profitably and to generate cash.

DS Smith Plc plans to announce its results for financial year 2008/09 on 25 June 2009.

Enquiries

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