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3 March 2004

DS SMITH PLC

PROPOSED ACQUISITION OF LINPAC CONTAINERS FOR £170M

CREATING THE UK LEADER IN CORRUGATED PACKAGING

AND RIGHTS ISSUE TO RAISE £71M

DS Smith, the international packaging manufacturer and office products wholesaler, announces that it has agreed with LINPAC Group Holdings Limited the terms of the acquisition of the LINPAC Containers Group for £170 million in cash. As at 31 December 2003 LINPAC Containers had pro forma net cash of £3.5 million.

The Acquisition is being funded through DS Smith's existing debt facilities and a new loan facility from The Royal Bank of Scotland plc. This new debt will be reduced using the proceeds of a fully underwritten Rights Issue which has also been announced today and which will raise £71.0 million (net of expenses).

Acquisition Summary

Following the Acquisition, DS Smith will be the UK leader in corrugated packaging, in addition to its existing leading UK positions in corrugated case material paper (CCM) and the collection of recovered paper. The Board expects to derive the following key benefits from the Acquisition:

- a broader customer base and a major presence in the large and more resilient, fast-moving consumer goods (FMCG) segment of the corrugated packaging market;

- strengthening of DS Smith's position as a major European buyer and seller of CCM, resulting in a better market mix and a reduction in the effect of the paper cycle on the Group;

- total synergies of £14.5 million in the second full financial year of ownership resulting from cost reduction, better capacity utilisation and improved paper margins; and

- substantial earnings enhancement and a return on the investment in LINPAC Containers Group above DS Smith's weighted average cost of capital, in the second full financial year of ownership.

In view of its size, the Acquisition requires the approval of DS Smith Shareholders at an extraordinary general meeting to be held on 22 March 2004 but is not conditional on the Rights Issue.

Rights Issue Summary

The Rights Issue is expected to raise £71.0 million (net of expenses) on the following basis:

- One new share for every five existing shares
- Issue price of 112p at a discount of 38.8% to yesterday's closing price of 183p
- The Rights Issue is neither conditional on the Acquisition being completed nor on shareholder approval.

Commenting on the acquisition, Tony Thorne, Group Chief Executive of DS Smith, said:

"We are delighted to be acquiring LINPAC Containers, a high quality business with good market positions and an experienced management team. On completion, DS Smith will become the largest producer of corrugated packaging in the UK, complementing existing leadership positions in CCM manufacture and the collection of recovered paper. We believe that by combining LINPAC Containers with our existing business we will be able to generate substantial synergies.

"This move is in line with our strategy to develop our strong European regional positions in Paper and Corrugated Packaging and is an excellent opportunity to enhance the Group's earnings and increase shareholder value."

UBS is acting as financial adviser to DS Smith. Cazenove is acting as underwriter and broker to DS Smith. UBS and Cazenove are joint sponsors.

Enquiries

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A presentation for analysts and institutions will be held at 9.00 a.m. today at UBS, 1 Finsbury Avenue, London EC2M 2PP.

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The Acquisition is being funded through DS Smith's existing debt facilities and a new loan facility from The Royal Bank of Scotland plc. This new debt will be reduced using the proceeds of a fully underwritten Rights Issue which has also been announced today and which will raise £71.0 million (net of expenses).

In view of its size, the Acquisition requires the approval of DS Smith Shareholders at an extraordinary general meeting to be held on 22 March 2004 but is not conditional on the Rights Issue. The Rights Issue is not conditional on completion of the Acquisition and does not require approval from DS Smith Shareholders.

Background to the Acquisition

Strategy

DS Smith's strategy remains the achievement of operational improvement and the development of its two principal activities, Packaging and Office Products Wholesaling. In Paper and Corrugated Packaging, the largest segment within Packaging, the focus is on developing the Group's strong European regional positions including its existing key UK position. In the second Packaging segment, Plastic Packaging, the Group is growing in the two focused markets of liquid packaging and dispensing and industrial returnable transit packaging. The Company's goal in Office Products is to rebuild profits in the UK while rolling out the business model in continental Europe.

The Group is implementing its strategy through organic development and acquisitions; in the last two and a half years the Group has invested approximately £80 million in acquisitions.

DS Smith's Paper and Corrugated Packaging Business

The Group produces 1.1 billion square metres per annum of corrugated packaging at 25 factories in the UK and 12 factories in continental Europe. It has a leading position in UK corrugated packaging, a strong established position in France and developing positions in the higher growth markets of Eastern Europe and Italy. It manufactures 1.2 million tonnes of paper per annum at six mills in the UK and three mills in continental Europe; of this, 1.1 million tonnes is made from recycled recovered paper. Approximately 0.9 million tonnes of the paper produced is CCM which is used for manufacturing corrugated board and is sold both to DS Smith's corrugated packaging manufacturing operations and to third parties on the open market. DS Smith is the leading UK producer of CCM and the leading UK collector and merchant of recovered paper.

In UK Corrugated Packaging, DS Smith has strengthened its position in recent years through increased operational efficiency and focusing on higher margin segments. DS Smith's share of the UK corrugated packaging market is estimated to be approximately 13 per cent. Approximately 60% of DS Smith's corrugated packaging sales are for the FMCG sector with the remainder being for the consumer durables and industrial sectors. In 2001, the Group acquired and successfully integrated a number of corrugated plants which had previously been owned by Danisco Pack Limited, enabling it to gain both a substantial presence in the growing lightweight speciality sheetboard segment and to strengthen its network of sheet plants that convert corrugated board into boxes. These operations were combined with existing Group businesses and the intended synergies were captured within the planned timescale, resulting in returns on the investment well in excess of the Group's cost of capital.

The UK Corrugated Packaging Market
The Group estimates the UK market for Corrugated Packaging to be £1.8 billion or 4.8 billion square metres of corrugated board per annum. The trend in demand is influenced by overall economic activity and manufacturing output; compound annual growth between 1996 and 2002 was 2.1%, although in the economic downturn between 2000 and 2002, it was -0.7% (source: European Federation of Corrugated Board Manufacturers). Price erosion has been a feature of the market due to the purchasing power of retailers and direct customers. Within the total market, the growth rates of the different segments have varied considerably. Corrugated packaging usage in parts of the industrial manufacturing segment has declined as a result of the transfer of manufacturing from the UK to lower cost countries, while usage for FMCG, which accounts for approximately 50% of the corrugated market, has been relatively strong due to the continuing growth of this sector of the economy. Other growth segments have been the home delivery of products, particularly from internet purchases, the substitution of wood by corrugated packaging and the increased use of lightweight (microflute) board which can be used as both transit and display packaging.

Information on LINPAC Containers Group

The LINPAC Containers Group is the leading UK independent manufacturer of corrugated packaging and has an estimated market share of approximately 11%. It has no paper manufacturing capacity. In the year ended 31 December 2003, the LINPAC Containers Group's continuing operations had sales of £164 million, almost entirely to UK customers. 94% of the LINPAC Containers Group's total continuing revenue for the year ended 31 December 2003 was generated by corrugated packaging with the remainder being accounted for by its two smaller businesses: LINPAC Sacks, which is a leading UK supplier of paper sacks, and Ralegh, a leading manufacturer of dies for cutting boxes out of corrugated board and polymer plates, used in the production of printed packaging. The majority of Ralegh's output is for in-house use.

LINPAC Containers began trading as a supplier of corrugated packaging in 1959 from a site in Louth, Lincolnshire and has developed into a national player, largely through organic expansion. The corrugated packaging operations employ approximately 1,320 people, convert approximately 265,000 tonnes of paper per annum and produce approximately 550 million square metres of corrugated packaging per annum from eight factories:

- six conventional plants which produce corrugated board and convert it into boxes (Louth, Featherstone, Devizes, Glasgow, Rawcliffe and Erith);

- one sheet feeder plant at Louth which manufactures corrugated board to sell to independent sheet plants; and

- one sheet plant which converts board into boxes at Louth.

The LINPAC Containers Group's box making facilities are well-invested; the Louth plant was built on a green field site in 1995 at a cost of approximately £30 million and is one of the most advanced box making plants in the UK. The LINPAC Containers Group's sales are particularly focused on packaging for FMCG products such as beverages, foodstuffs, cosmetics and pet food. Major FMCG manufacturers account for over 85% of turnover and the top ten customers in aggregate represent about 30% of sales. No individual customer represents more than 5% of sales.

The LINPAC Containers Group is owned by LINPAC Group Holdings Limited which was acquired by Montagu Private Equity in August 2003.

Financial Information on LINPAC Containers Group

Summary financial information for the continuing operations of the LINPAC Containers Group for the three years ended 31 December 2003 is set out below:

	Year ended 31 December (£m)		
	2001	2002	2003
Turnover	167.9	163.2	164.0
EBITDA	13.9	15.2	21.9
Operating profit	5.4	6.8	13.4
Net assets	52.1*	49.9*	38.4

* Includes discontinued operations

Reasons for the Acquisition

The Board of DS Smith believes that the Acquisition is an exceptional opportunity to consolidate DS Smith's position by creating the leading corrugated packaging company in the UK. This belief is supported by DS Smith's knowledge of the LINPAC Containers Group, gained through the companies' important trading relationship over more than 30 years. The Board believes that the key benefits of the Acquisition are:

Improved market position
The Acquisition will broaden DS Smith's customer base and the markets it serves. The LINPAC Containers Group has high quality customers including a number of major FMCG companies, to which it is sole or joint supplier. The Enlarged Group will have a greater participation in the important FMCG segment, which has been more resilient than other areas of packaging. The Enlarged Group will also continue to supply the higher added value market segments.

Strengthened paper position
The Acquisition will strengthen the Group's position as a major buyer and seller of CCM. The Enlarged Group's European operations, excluding Turkey, will purchase from DS Smith's own paper mills and third parties approximately 940,000 tonnes of CCM per annum compared with approximately 675,000 tonnes per annum previously. DS Smith will continue to sell approximately 910,000 tonnes of CCM per annum to the corrugated operations of DS Smith, LINPAC Containers and open market customers. This strengthened position will result in a better market mix and a reduction in the effect of the paper cycle on the Group.

Increased manufacturing competitiveness
Combining and consolidating DS Smith's and the LINPAC Containers Group's corrugated packaging operations will enable the Enlarged Group to be highly competitive, through increased efficiency and a lower cost base. The geographic locations of the LINPAC Containers Group's and DS Smith's manufacturing sites complement each other well, which will enable the Enlarged Group to derive benefit from their integration. The LINPAC Containers Group's plants are well-invested, efficient and customer-responsive and it has pioneered 24 hours a day, seven days per week working within the UK corrugated packaging industry.

Experienced management team
The LINPAC Containers Group has high quality staff and an experienced management team who will contribute to the further success of the Enlarged Group. The Board's current intention is that the management of the LINPAC Containers Group's and DS Smith's UK corrugated operations will be merged to form a strong team to implement the integration of the businesses and to take the combined UK corrugated packaging operations forward.

The Board believes that the Acquisition will deliver substantial value for DS Smith Shareholders.

Operational Synergies and Financial Effects of the Acquisition

DS Smith intends to integrate the LINPAC Containers Group's operations and facilities with its existing operations, generating significant commercial and operational synergies.

The Board estimates that the total pre-tax operating synergies from the Acquisition will be £14.5 million per annum (before integration costs as detailed below) with £8 million being achieved within the first full financial year following the Acquisition. All synergies are expected to be reflected in the cash flow. These synergies will arise from:

- cost reduction through rationalisation of facilities and the elimination of duplicate head office functions;
- better capacity utilisation in both corrugated packaging and paper; and
- improved paper margins from a better market mix as a result of the strengthening of DS Smith's position as a major buyer and seller of CCM.

The estimated integration and rationalisation costs of £10 million (of which approximately £2 million will be non-cash) will be incurred predominantly between Completion and the end of the first full financial year. In addition, there will be an investment in capital expenditure of approximately £7 million and in working capital of approximately £2 million incurred predominantly between Completion and the end of the first full financial year.

The Board believes that the Acquisition, after taking into account the Rights Issue and including the synergies referred to above, will be earnings enhancing in the first full financial year of ownership and substantially earnings enhancing in the second full financial year of ownership (but before taking into account the goodwill amortisation and the integration costs referred to above). The Acquisition is expected to achieve a return in excess of the Group's weighted average cost of capital in the second full financial year.

Upon completion of the Acquisition and the Rights Issue, DS Smith will have pro forma net borrowings of approximately £315.3 million.

Current Trading and Prospects

Current trading of DS Smith

The Group produced a robust result in the first half of the financial year to 30 April 2004 despite margins in the paper business being significantly affected by the cyclical downturn in the paper market. The Group's focus on raising operational performance was reflected in further profit improvements in Corrugated Packaging and at Spicers.

Since the interim results, sales volumes have been generally satisfactory but pricing has remained under pressure. Paper margins have continued to be squeezed, being additionally affected by increased energy and starch prices. Recovered paper prices in the UK are now rising, following recent price increases on the continent. Responding to these cost pressures, the Group has announced a paper price increase effective from the end of March, although the benefits of this will not fully offset these higher costs during the balance of this financial year. The Board anticipates delivering results for the full year to 30 April 2004 for DS Smith's existing businesses broadly in line with its current expectations, which are consistent with the statement made at the time of the interim results announcement in December 2003.

As previously indicated the Board is reviewing the funding arrangements of its existing UK pension scheme and now expects to incur a charge to the profit and loss account from financial year 2004/05.

Current trading of the LINPAC Containers Group

The LINPAC Containers Group traded strongly in the closing period of its financial year to 31 December 2003. This trend has continued in the early weeks of this year and results have been in line with the expectations of LINPAC Containers' management and the assumptions made by the Board in its assessment of the Acquisition. The Board is confident about the prospects for the LINPAC Containers Group in its current financial year.

Prospects for the Enlarged Group

The Acquisition will generate significant opportunities for synergies and the Board is confident about the prospects for the Enlarged Group.

Dividends

As stated in the 2003 Annual Report, the Board attaches considerable importance to the Group's capacity to pay its shareholders a reliable and significant dividend consistent with its objective of sustaining around two times dividend cover over the course of the business cycle. DS Smith intends to adjust ordinary dividend payments to take account of the bonus element of the Rights Issue.

Principal Terms and Conditions of the Acquisition

Under the Acquisition Agreement, DS Smith has agreed to purchase all of the LINPAC Containers shares for a consideration of £170 million in cash. As at 31 December 2003 LINPAC Containers had pro forma net cash of £3.5 million. Payment will be made upon Completion to LINPAC Group Holdings Limited, owner of all of LINPAC Containers' share capital.

The Acquisition Agreement is conditional on the passing of the Resolution at the EGM but not on completion of the Rights Issue, nor on clearance by the competition authorities. The Board believes that there are no substantive competition issues that will have a negative impact on the transaction.

The Acquisition Agreement contains warranties provided by the Seller to DS Smith relating to the business of the LINPAC Containers Group.

Financing the Acquisition

The Acquisition will be fully financed through a combination of drawings under DS Smith's existing loan facilities and a new loan facility of £140 million from The Royal Bank of Scotland plc.

The Company intends to apply the proceeds of the Rights Issue to paying down debt. The loan facilities available to the Group will be reduced accordingly.

Summary of the Rights Issue

DS Smith is proposing to raise approximately £71.0 million (net of expenses) by the issue of 64,540,651 New Ordinary Shares at a price of 112 pence per New Ordinary Share. The Issue Price represents a discount of 38.8% to the closing middle market price of 183 pence per Ordinary Share (ex dividend) on 2 March 2004, the last business day prior to the date of announcement of the Rights Issue. The issue is being made by way of a Rights Issue to Qualifying Shareholders on the basis of:

One New Ordinary Share for every five existing Ordinary Shares

held on the Record Date.

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with the existing issued Ordinary Shares, including the right to receive all dividends or distributions made, paid or declared after the date of this document. The New Ordinary

Shares will not rank for the interim dividend of 2.8 pence per Ordinary Share in respect of the six months ending 31 October 2003 announced on 10 December 2003 and payable on 9 March 2004 to shareholders on the register at the close of business on 6 February 2004. Further details of the Rights Issue will appear in the circular to shareholders which will be posted shortly. The Provisional Allotment Letter will be sent at the same time. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and the aggregated fractions will not be allotted to DS Smith Shareholders but will be sold for the benefit of the Company.

The Rights Issue is conditional upon:

- Admission taking place not later than 8.30 a.m. on 5 March 2004 or on such other later time and/or date as DS Smith and Cazenove may agree; and

- the Underwriting Agreement having become unconditional in all respects (save for the conditions relating to Admission) before commencement of dealings in the New Ordinary Shares, nil paid.

The Rights Issue is not conditional on the Acquisition being completed and does not require approval from DS Smith Shareholders. If Completion does not take place, the Directors' current intention is that the net proceeds of the Rights Issue will be used to pay down existing debt.

The Rights Issue has been fully underwritten by Cazenove.

Directors' Intentions

The Directors intend to take up their rights in full in relation to the Rights Issue.

Appendix

Expected timetable of principal events:

Record date for the Rights Issue	1 March 2004
Announcement of the Acquisition	3 March 2004
Posting of the shareholder circular	4 March 2004
Dealing in Nil Paid Rights	5 March 2004
Nil Paid Rights enabled in CREST	As soon as practicable after after 8 a.m. on 5 March 2004
Extraordinary General Meeting	22 March 2004
Completion of the Acquisition	22 March 2004
Latest time and date for acceptance, payment in full	26 March 2004
New Ordinary Shares credited to CREST Stock accounts 8 a.m. on (uncertificated shareholders only)	29 March 2004

Despatch of definitive share certificates for The New Ordinary Shares in certificated form	By 2 April 2004

Definitions

“Acquisition”	The proposed acquisition of LINPAC Containers on the terms and subject to the conditions set out in the Acquisition Agreement.
“Acquisition Agreement”	The sale and purchase agreement dated 2 March 2004 between the Seller and DS Smith.
“Admission”	The admission of the New Ordinary Shares, nil paid: (i) to the Official List; and (ii) to trading on the London Stock Exchange’s market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the admission and Disclosure Standards.
“Admission and Disclosure Standards”	The requirements contained in the publication “Admission and Disclosure Standards” dated April 2002 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities.
“Board”	The Directors of DS Smith.
“Cazenove”	Cazenove & Co. Ltd.
“Completion”	The completion of the Acquisition.
“CREST”	The relevant system, as defined in the CREST Regulations (in respect of which CRESTCo. is operator as defined in the CREST Regulations).
“CRESTCo”	CrestCo Limited, the operator of CREST.
“CREST Regulations”	The Uncertified Securities Regulations 2001 (SI 2001/3755), as amended.
“DS Smith” or the “Company”	DS Smith Plc.
“Group”	DS Smith and its subsidiaries and subsidiary undertakings (other than the LINPAC Containers Group).
“DS Smith Shareholder”	A holder of Ordinary Shares.
“EBITDA”	Earnings before interest, tax, depreciation and amortisation.
“EGM”	The extraordinary general meeting of DS Smith to be held on 22 March 2004.
“Issue Price”	112 pence per New Ordinary Share.
“LINPAC Containers”	LINPAC Containers Limited.
“LINPAC Containers Group”	LINPAC Containers and its subsidiaries and subsidiary undertakings.
“Listing Rules”	The Listing Rules made under section 74 of the Financial Services and Markets Act 2000.
“London Stock Exchange”	London Stock Exchange plc.
“New Ordinary Shares”	The New Ordinary Shares to be allotted and issued pursuant to the Rights Issue.
“Nil Paid Rights”	Rights to acquire the New Ordinary Shares, nil paid.

"Official List"	The Daily Official List of the UK Listing Authority.
"Overseas Shareholders"	Qualifying Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom.
"Provisional Allotment Letter"	The renounceable provisional allotment letters expected to be sent to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue.
"Qualifying non-CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares in certificated form.
"Qualifying Shareholders"	Holders of Ordinary Shares on the register of members of DS Smith at the Record Date.
"Record Date"	Close of business on 1 March 2004.
"Seller"	LINPAC Group Holdings Limited.
"UBS"	UBS Limited.
"Underwriting Agreement"	The underwriting agreement dated 3 March 2004 between DS Smith and Cazenove relating to the Rights Issue.

This announcement does not constitute, or form part of, an offer or solicitation of an offer, to purchase or subscribe for any rights, shares or other securities in DS Smith. Any such offer will be made by means of a Prospectus to be published in due course in connection with the Rights Issue and the Acquisition and any acquisition of rights, shares or other securities in DS Smith should be made on the basis of information that will be contained in such Prospectus.

This announcement is not an offer for sale of securities in or into the United States, Canada, Japan, Australia, the Republic of South Africa or in any other jurisdiction. The securities referred to herein may not be offered or sold in or into the United States as such term is defined in Regulation S under the US Securities Act 1933, as amended (the "Securities Act") absent registration under, or an exemption from such registration under, the Securities Act. There will be no public offer of securities in the United States.

UBS Limited ("UBS" or "UBS Investment Bank") is acting for DS Smith in connection with the Acquisition and no one else and will not be responsible to anyone other than DS Smith for providing the protections afforded to clients of UBS nor for providing advice in relation to the Acquisition.

Cazenove is acting exclusively for DS Smith and no one else in connection with the Acquisition and the Rights Issue and will not be responsible to anyone other than DS Smith for providing the protections afforded to clients of Cazenove nor for providing advice in relation to the Acquisition and the Rights Issue.

This announcement contains certain forward-looking statements. Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. These include, among other factors: conditions in the markets and market position, of DS Smith and LINPAC Containers, earnings, financial position, tax rates, cash flows, return on capital and operating margins; anticipated investments in capital expenditures; the success of the Acquisition as planned by DS Smith, including anticipated synergies and cost savings; changing business or other market conditions; and general economic conditions. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. DS Smith disclaims any obligation to update any forward-looking statements contained herein, except as required pursuant to applicable law.