



14 October 2004

PRE-CLOSE TRADING UPDATE

DS Smith Plc, the international packaging manufacturer and office products wholesaler, is releasing the following trading update prior to the half year end on 31 October 2004.

As indicated at the outset of our financial year, trading conditions have been highly competitive, particularly in Paper, and input costs have risen. Recent increases in energy and polymer costs are significant, greater than expected, and show no signs of abating. We are taking action, where possible, to mitigate these higher input costs.

Paper and Corrugated Packaging

The corrugated packaging market across Europe has been slightly stronger during calendar year 2004 but it remains patchy and prices are under pressure throughout the supply chain. Our Corrugated Packaging businesses in the UK and continental Europe have continued to make good progress, benefiting from operational improvement and their focus on higher value added segments. However, this only partially offsets much lower results in our Paper business, which continues to be significantly affected by the cyclical downturn in the European market for corrugated case material paper. We have achieved good production volumes in Paper but the squeeze on margins from lower prices is being compounded by substantial increases in gas costs.

We await the final report of the Competition Commission's inquiry into our completed acquisition of LINPAC Containers following its provisional findings that the transaction is not expected to lead to a substantial lessening of competition. LINPAC Containers continues to be operated separately and is performing in line with our expectations.

Plastic Packaging

In Plastic Packaging, sales of returnable transit packaging have been flat, while slower demand from European beverage customers during the summer has affected our liquid packaging and dispensing business. The division's profits continue to be affected by the results of our smaller businesses. Polymer cost increases in the first quarter of the financial year have largely been recovered. The extent to which we will be able, during this financial year, to recover recent further substantial polymer cost increases, is uncertain.

Office Products

Market conditions for office products have improved slightly but prices remain under pressure. Spicers has performed solidly in its major UK and French businesses and it has continued to grow in Germany and Spain. In Italy, preparations are well advanced for a successful launch in November 2004. The stationery manufacturing business, John Dickinson, continues to be affected by the market trend towards own-label products and greater price pressure.

DS Smith's Interim results for the half year to 31 October 2004 will be announced on 8 December 2004.

Enquiries

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