



6 September 2006

Chairman's Statement to the Annual General Meeting

DS Smith Plc, the international packaging manufacturer and office products wholesaler, today issued the following statement at its Annual General Meeting.

As indicated in the June announcement of the Group's Preliminary Results, profits in the first half of the current financial year are being adversely affected by both high input costs within Packaging and stronger competition in UK Office Products Wholesaling. However, we expect the strategic and operational actions we have taken to positively impact results in the second half and that trading performance for the full year will be as previously outlined.

In Paper and Corrugated Packaging, the market has been relatively strong during the summer period although the UK continues to be weaker than continental Europe. The net cost of waste paper, our principal raw material, has continued to increase as a result of rising demand from Asia and the falling value of Packaging Recovery Notes. The increase in the Group's underlying energy costs in 2006/07 is expected to be in line with previous indications. To mitigate the ongoing high level of input costs, we have implemented another paper price increase and we are also raising box prices further in both the UK and continental Europe.

We recently announced another important strategic step towards raising the returns of the Group's Paper operations through the proposed closure of Taplow Mill and the sale of the Taplow site with a substantial net cash benefit.

In Plastic Packaging, the improving trend of results in the second half of 2005/06 has continued in the early months of 2006/07.

As previously indicated, Spicers' results in the first half of 2006/07 are expected to be significantly lower than in the same period of last year. An immediate priority is to raise profits in the important UK business and an extensive action programme is under way. We expect to see the initial benefits of this programme in the second half of the financial year. Spicers' continental European businesses continue to perform satisfactorily.

As is our normal practice, we will issue a trading update in mid October, prior to the close of the first half of the financial year.

Antony Hichens
Chairman

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