



18 April 2007

DS SMITH PLC PRE-CLOSE TRADING UPDATE

In the light of its recent trading, DS Smith Plc, the international packaging manufacturer and office products wholesaler, is today advancing the release of its trading update ahead of its preliminary results announcement for the year to 30 April 2007.

DS Smith Group

As indicated at the time of our interim results in December 2006, DS Smith is benefiting from both a better pricing environment in the paper and corrugated packaging market and the strategic and operational actions taken to improve our underlying business base. These actions have enhanced the Group's business mix, increased operational efficiency and lowered operating costs. There has been an improving trend in the Group's performance through the second half of the financial year and we anticipate that the pre-exceptional profit before tax for the full year 2006/07 will be ahead of market expectations and no less than £70 million (2005/06: £53.4 million).

The exceptional costs associated with the Group's restructuring programme are expected to be approximately £15 million in 2006/07. These costs were more than offset during the financial year by an exceptional profit of £20.5 million resulting from the sale of the Taplow paper mill site, announced in August 2006.

Paper and Corrugated Packaging

European demand for corrugated packaging has remained buoyant through the second half of the financial year. This, combined with the tightened supply position for recycled corrugated case material (CCM), has contributed to a firmer pricing environment in both CCM and corrugated boxes. Although market energy prices in the UK have eased to some extent, the benefits to date of this have been partly offset by continuing energy price increases on the continent and the effects of lagged price increases resulting from the long-term energy contracts for some of our operations. The net cost of waste paper has recently risen further due to strong demand from Asia and the low price of paper Packaging Recovery Notes.

In both the UK and continental Europe, we continue to seek to recover the previous substantial increases in our input costs of energy and waste paper. During the second half of the financial year, we have increased CCM and box prices further while maintaining strong sales volumes in all the countries in which we operate. In the UK Paper and Corrugated Packaging segment, which is a net seller of paper, we have made encouraging progress in rebuilding margins. In Continental European Corrugated Packaging, which is a net buyer of paper, margins continue to be affected by the higher cost of CCM and energy which we have not yet been able fully to recover through increased box prices. Looking ahead, in the UK we will drive for further improvement, while on the continent we will look to recover more fully the higher CCM and energy costs.

Plastic Packaging

In Plastic Packaging, we expect the level of results in the first half of 2006/07 to be broadly maintained in the second half. As indicated in December, sales volume in returnable transit packaging has been affected by the project-related uneven nature of demand for certain of its products. The division is benefiting from action taken to strengthen the product range and to improve operating performance. The result for the full year 2006/07 will be well ahead of 2005/06 and we will push for further steady progress in 2007/08.

Office Products Wholesaling

As previously indicated, Spicers' result in the seasonally stronger second half of the year will reflect some initial benefits of the ongoing UK turnaround programme as well as the continued development of the continental businesses. Action taken by the strengthened UK management team is improving the sales mix, raising service levels and lowering costs. Consultation is in progress with employees with a view to further streamlining the UK distribution network through the proposed closure of one of our London depots. Spicers' continental European businesses continue to perform satisfactorily. In 2007/08, we will focus on improving performance through the UK turnaround programme and further development on the continent.

Group Outlook

As we enter 2007/08, we are maintaining our drive for better pricing to recover the high input costs of energy, waste paper and polymer. We expect to make further progress in the coming year.

The Group's preliminary results for financial year 2006/07 will be released on 28 June 2007.

Enquiries

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A conference call for analysts and investors, hosted by Tony Thorne and Gavin Morris, will take place today 18 April at 9.00am BST. The dial-in numbers are:

UK participants: 0845 634 0047

International participants: +44 20 7154 2638

Alternative back-up number: +353 1 436 4259

A recording of this conference call will be available by telephone from one hour after the call has ended until 17.00 BST on 25/4/07. The dial-in numbers for this recording are:

UK callers: 020 7769 6425

International callers: +44 20 7769 6425

Replay security code: 902596#

A recording will also be available through the Investor Relations section of our website: www.dssmith.uk.com from 14.00 BST today.