



3 September 2008

## **DS SMITH PLC INTERIM MANAGEMENT STATEMENT**

DS Smith Plc, the international packaging supplier and office products wholesaler, today publishes its Interim Management Statement in respect of the period since 1 May 2008. DS Smith Plc will be holding its Annual General Meeting today at 12 noon.

### **DS Smith Group**

Overall trading in the first quarter of financial year 2008/09 has been in line with management's expectations as described at the time of the Group's Preliminary Results in June. The Group's total operating result in the quarter was also in line with that of the same period in the previous year. As previously reported, operating performance is being impacted by slowing demand and higher input costs, particularly in our UK businesses. To date, the effect of this has been offset by better results from our continental European businesses.

As part of its ongoing funding programme, the Group has further strengthened its balance sheet by recently renewing, for a period of five years, its syndicated revolving credit facility. The Group now has a facility of £287.5 million (2007/08: £250 million) expiring in 2013 (2007/08: 2010). Save for the refinancing referred to above, there has been no significant change to the financial position of the Group since the publication of the results for the financial year to 30 April 2008.

### **Packaging**

European demand for corrugated packaging (boxes) is slowing; industry statistics indicate that in the first six months of 2008 the market was down by over 1% on the same period in 2007, with the second quarter being weaker than the first. This lower demand has resulted in a significant fall in corrugated case material (CCM) prices in continental Europe, although CCM prices in the UK have remained firmer due to the strength of the euro. The high level of energy and waste paper input costs is exerting pressure on CCM margins throughout the industry; a number of continental producers have recently announced CCM price increases to recover these costs. In box manufacturing, the continuing move towards higher value-added retail-ready boxes is contributing to a greater level of capacity utilisation, especially in the UK.

In our UK Paper and Corrugated Packaging segment, we have outperformed the market in boxes and are benefiting from the actions taken to strengthen our position in the fast-moving consumer goods sector of the market. The segment's overall results have been affected by lower CCM sales and higher input costs. The project to commission the lightweight CCM machine at Kemsley Mill in January 2009 remains on schedule.

The Continental European Corrugated Packaging segment, which is a net buyer of CCM, has made substantial progress. The Polish business has achieved good growth, particularly in higher value-added products, supported by further investment. Sales have also advanced well

in Italy, while the French business is benefiting from operational improvements at its main facilities.

In Plastic Packaging, performance in liquid packaging and dispensing has been encouraging, while in returnable transit packaging it has been more variable depending upon the market sector served. A programme to recover the recent further increases in polymer costs through price increases is underway.

### **Office Products Wholesaling**

Against a backdrop of slowing demand for office products, Spicers' has experienced a decline in volumes of traditional office products. Sales of electronic office supplies have grown strongly as Spicers has increased its participation in this important, although lower margin, sector of the market. We maintain our drive to rebuild profits in the UK and continue the progress of our continental European businesses.

### **Outlook**

It is still early in the Group's financial year. Despite the tough trading environment, the Group's good market positions, continued tight operational discipline and strong balance sheet underpin the Board's confidence in achieving a robust performance in 2008/09.

The Group plans to announce its results for the half year to 31 October 2008 on 3 December 2008.

### **Enquiries**

#### **DS Smith Plc**

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#### **Financial Dynamics**

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Andrew Dowler

A conference call for analysts and investors, hosted by Tony Thorne and Steve Dryden, will take place today, 3 September, at 8.15 am BST. The dial-in numbers are:

UK participants: 020 8817 9301 or 0845 634 0041

International participants: +44 20 8817 9301

A recording of this conference call will be available by telephone from one hour after the call has ended until 17.00 BST on 10/9/08. The dial-in numbers for this recording are:

UK callers: 020 7769 6425

International callers: +44 20 7769 6425

Replay security code: 1379541#

A recording of the call will also be available through the Investor Relations section of our website: [www.dssmith.uk.com](http://www.dssmith.uk.com) from 15.00 BST today.