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DS Smith Proposes Closure of its PM1 paper machine at Kemsley Mill

DS Smith's UK Paper division, St Regis, has today announced the proposed closure of its PM1 paper machine at Kemsley Mill in Kent. PM1 produces approximately 75,000 tonnes per annum of corrugated case material (CCM), which is used for producing corrugated packaging. It is proposed that the closure will be implemented by the end of April 2009. St Regis currently operates four paper machines on the Kemsley site, producing a total of over 800,000 tonnes per annum. PM1 is the oldest of St Regis's paper machines. Customer expectations regarding the specification of products produced by PM1 continues to increase and this means that considerable investment would be required to ensure the machine's future competitiveness. In addition there has been a decline in the overall demand for CCM in the UK. In the light of the investment cost and the expectation that the current difficult market conditions will continue for some time, PM1 is no longer considered to be viable.

Consultations have commenced with employees and their representatives at Kemsley Mill with a view to minimising the effects of the proposed closure of PM1. If the closure is confirmed, up to 40 roles may become redundant out of the total workforce on the Kemsley site of 575 people. Every effort will be made to assist the employees affected in finding alternative positions within the Group or with other employers in the area.

The costs of the proposed closure will be included within the circa £23 million of previously announced exceptional costs associated with the Group's action programme. The total programme will deliver an annual cash benefit of circa £25 million.

Kemsley Mill is one of the largest recycled CCM manufacturing sites in Europe, the foremost CCM producer in the UK and highly efficient. The mill includes the New Thames PM6 machine, which was recently modified to enable it to produce high-quality lightweight CCM. PM6 is the only facility in the UK capable of supplying significant volume for this segment of the market, which we expect to continue to grow over the longer-term.

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NOTES TO EDITORS

St Regis Paper Company

DS Smith's UK Paper division, St Regis, is the leading UK producer of recycled paper, producing almost 1.2 million tonnes per annum. Circa 70% of its output is used in the construction of corrugated boxes and trays. In addition to Kemsley Mill, St Regis has three other mills with five paper machines. The paper machines at Kemsley recycle over 850,000 tonnes of waste paper per annum, all of which is supplied by DS Smith's Severnside Recycling business.