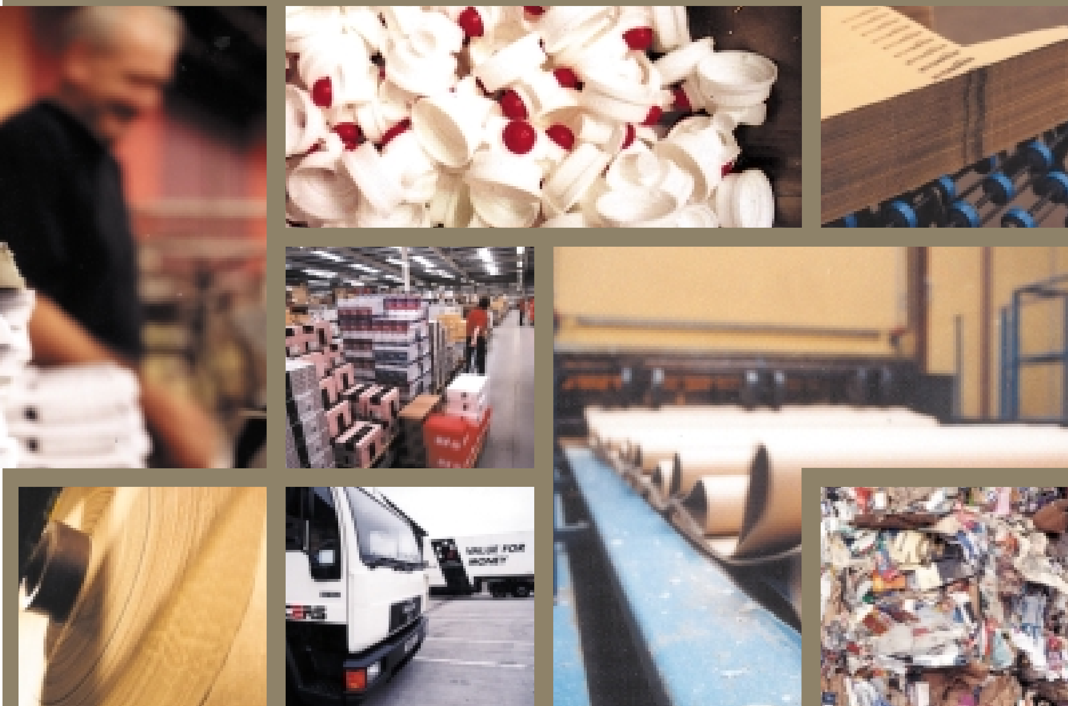
David S. Smith (Holdings) PLC

Interim Report 2000/01



David S. Smith (Holdings) PLC is an international Group focused on the production of packaging and paper and the distribution and manufacture of office products.

The Group's packaging operations are fibre or polymer based and its paper operations use waste paper for the majority of their raw material.

The Group holds strong positions in many of the markets in which it operates. It is a market leader in the production of heavy duty corrugated, bag-in-box and corrugated plastic packaging in Europe, and is a leading producer of recycled paper and corrugated packaging in the UK and France. In the office products market it is the leading European wholesaler of office supplies and the largest manufacturer of envelopes, books and pads in the UK.

The strategy of the Group is to develop its core activities through organic growth and acquisitions to create value for shareholders.

Interim statement

The Group made good progress in all areas during the first half of the financial year. The packaging and paper business was bolstered by strong paper markets while the office products business benefited from robust sales growth in the wholesaling division.

Highlights

The Group made good progress in all areas during the first half of the financial year. The packaging and paper business was bolstered by strong paper markets while the office products business benefited from robust sales growth in the wholesaling division.

Group turnover for the half year to 28 October 2000 increased by 16.0% to £689.2 million from £594.2 million in the same period last year. Operating profit before goodwill amortisation increased by 59% to £45.0 million from £28.3 million and Group operating margins rose to 6.5% from 4.8%.

Profit before tax, exceptional items and goodwill amortisation was £39.4 million, up from £23.7 million for the same period last year. The underlying effective tax rate was unchanged at 30%.

Earnings per share before exceptional items and goodwill amortisation were 8.5p compared with 5.1p for the first half of last year.

Exceptional items in the period amounted to a loss of £2.2 million, mainly comprising closure costs at the Bracknell corrugated box plant.

Net borrowings rose to £200.6 million from £185.0 million at this time last year. Gearing increased slightly to 40.0% from 38.5% and interest cover increased to 8.2 times from 6.3 times.

Working capital was higher than usual due to the timing of the half year end. Expenditure on acquisitions in the first half amounted to £8.3 million. Capital expenditure totalled £23.9 million compared to £15.9 million for the same period last year.

Interim Dividend

The Board announces an increase in the interim dividend to 2.8p from 2.7p last year. The interim dividend will be paid on 14 March 2001 to ordinary shareholders on the register at the close of business on 19 January 2001.

Packaging

Total sales for the packaging businesses increased by 18.8% to £434.6 million. Operating profit before goodwill amortisation improved by 70.3% to £34.4 million and operating margins rose to 7.9% from 5.5% for the same period last year. The return on capital employed increased to 12.3% from 7.7%.

Corrugated and Paper

The corrugated and paper segment of Packaging increased sales by £52.0 million to £358.4 million. Operating profit before goodwill amortisation advanced to £29.9 million from £16.0 million and operating margins rose to 8.3% from 5.2%.

The European market for corrugated packaging was very strong earlier in the year with growth of 4% for the first nine months of the calendar year. The growth rate has now slowed to approximately 1% for the third calendar quarter reflecting both slower economic growth in Europe and the strong quarter last year; the UK market has been notably weaker than the rest of Europe during the year. Growth in Europe in the final quarter of the year will look weak as it is comparable with a period last year that included the pre-millennium stock build.

European waste paper prices reduced during the summer after strong rises earlier in the year. Corrugated case material (CCM) price increases were implemented during the first half of the calendar year and corrugated box plants, particularly in continental Europe, have had reasonable success in raising their prices to recover these cost increases. Margins at box plants, however, remain low.

David S Smith Packaging

Industry data for the UK for the first nine months of the calendar year reveals a fall in demand for corrugated board of 3.7%. David S Smith Packaging has seen its overall growth fall back in line with the industry with significant progress only being made in the conventional corrugated operations. The UK market remains extremely competitive creating a difficult environment in which to fully recover the CCM cost increases from earlier in the year. In addition, the time lag in achieving selling price increases weighed on operating margins during the first half.

The strength of sterling has been an additional problem for the Tri-Wall heavy duty business and the decorative operations have also come under pressure. Despite falls in volume, both sectors have recovered CCM cost increases. The Abbey sheet feeding business has also been adversely affected by the weak market, but selling price increases have been successfully implemented.

The loss-making Bracknell corrugated box plant was shut in June with much of the work from this plant successfully absorbed by other Group operations.

The management of the division has been re-organised with Bob McLellan, previously Managing Director of the Group's Abbey Corrugated operation, appointed as Chief Executive. Other management changes are taking place to further strengthen the team. Management efforts are concentrating on improving the division's operating efficiencies and lowering its cost base.

Kaysersberg Packaging

Kaysersberg Packaging, the Group's continental European corrugated and paper division, has experienced strong sales growth for the first half of the year with turnover up by 33%. Operating margins are significantly improved as paper price increases have been fully recovered by most corrugated box plants and the Polish operation has returned to profit as a result of the recent investment programme and improved operational efficiencies.

The French and German corrugated markets remained buoyant with growth of 5% and 6% respectively for the first three quarters of the calendar year although the rate of growth is now slowing. Kaysersberg's corrugated board operations grew in line with the market and the paperboard mills also benefited from increased demand with improved sales and operating margins.

Our Italian corrugated operation, Toscana Ondulati, has again performed well with sales growing by 45%. Our Turkish operation, Çopikas, has also grown sales but has struggled to fully recover increased raw material costs; significant productivity gains are being achieved in this operation.

St Regis Paper

St Regis has made a strong start to the year. CCM selling price increases were successfully implemented. Operational efficiencies continue to be achieved at all mills with Kemsley again performing particularly well. Strong economic growth in continental Europe led to reduced CCM imports into the UK despite the weakness of the euro. Recent energy cost rises will impact the second half.

The specialist mills continue to experience poor market conditions compounded by pricing pressure from continental European competitors. Coreboard sales, however, remain strong albeit at unsatisfactory price levels and the development of plasterboard liner is progressing in difficult markets.

Severnside, the division's waste paper collection business, has benefited from the rise in demand for waste paper and increased price levels from earlier this year. The UK packaging waste regulations have again been reviewed by the Government and targets for recycling and recovery of packaging waste in 2001 have been substantially increased. As a result the value of Packaging Recovery Notes (PRNs) will increase which should encourage greater collection and recycling of paper packaging. The division is well placed to contribute to this effort to expand the recovery of packaging waste.

Plastics and Logistics

Turnover in the plastics and logistics businesses increased by 28.5% to £76.2 million from £59.3 million in the first half of last year. Operating profit before goodwill amortisation rose 7.1% to £4.5 million compared with £4.2 million and operating margins reduced to 5.9% from 7.1%.

The division made a positive start to the year with good sales growth. Operating margins reduced due to rising costs, particularly for polymers, the continued weakness of the euro and start up costs associated with projects. The acquisition of Rapak, a US bag-in-box packaging systems supplier, was completed in August and its integration into the division is going as planned.

The transit packaging businesses have performed well and the DW Plastics crate production operation has successfully started in the Dominican Republic. The Kaysersberg extruded plastic sheet business has grown strongly in the period despite difficulties in securing some polymer supplies. The flexibles and dispensing businesses have also made a good start to the year, benefiting from the strong demand for press taps. The logistics operations have suffered lower demand than expected and delays in starting new projects whilst still incurring related development costs.

Office Products

Turnover in the office products business increased by 11.4% to £254.6 million from £228.5 million in the first half of last year. Operating profit rose to £10.6 million from £8.1 million and operating margins advanced to 4.2% from 3.5%. Return on capital employed increased to 13.3% from 11.1%.

Wholesaling

Spicers' sales were £228.7 million for the half year, an increase of 15.2% on the same period last year. Operating profit rose to £10.3 million from £9.1 million although operating margins dropped slightly to 4.5% compared with 4.6%.

Sales rose strongly in all regions. The UK and Ireland operations increased sales by 11.6% with growth in both electronic office supplies (EOS) and traditional office products. EOS accounted for an increased proportion of the sales mix which, along with higher operating costs arising from restructuring and servicing difficulties, contributed to the slight reduction in operating margins.

The new northern England Regional Distribution Centre (RDC) at Heywood was opened during the summer and has replaced the Manchester and Leeds warehouses. The Dublin warehouse, which has been at full stretch for some while, will be replaced by a new, enlarged RDC which will open early in the new year and will provide improved service to the Irish market.

Spicers France has again performed well, recording sales growth of 29% year on year for the first half and gaining market share. Traditional office products have grown alongside EOS to help improve operating margins.

In Germany, Spicers has made good progress with sales up 80% over the same period last year. Operating performance has improved and the business is now capacity constrained until the new Nuremburg RDC becomes operational in late spring 2001.

Oscarnet, the division's e-commerce module, has recently been extended to France and Germany. Uptake by dealer customers has been positive with over 80 dealers in Germany and 60 in France already signed up to the system. Spicers has now purchased the exclusive rights to use and develop the software system in the office products market.

Work is well advanced on establishing a wholesaling operation in Spain and a Managing Director has been appointed for this business.

Manufacturing

John Dickinson Stationery has continued to make slow but steady progress. Although sales fell by 7.3% to £35.8 million from £38.6 million for the same period last year, operating profit of £0.3 million compares favourably to a loss of £1.0 million while operating margins improved from a negative 2.6% to a positive 0.8%.

The UK market remains very competitive due to the high level of imported products. Further consolidation in the envelope market has taken place during the period and several small manufacturers have closed. Against this background, operational performance in John Dickinson Stationery is gradually improving and the overall business continues on an upward trend. The John Dickinson Ledbury business and Spicer Hallfield have again performed creditably, with higher operating profits than last year.

The Group has had a good first half with progress in all divisions and despite further strengthening of sterling against the euro. We enter the second half encouraged by the progress we have made, particularly as a result of our cost reduction and efficiency improvement programmes.

People

As announced at the AGM in September there are a number of changes to senior management and the Board. Tony Thorne joins the Group in January 2001 as Chief Operating Officer, reporting to Peter Williams. It is anticipated that Tony will take over as Group Chief Executive early in the next financial year at which point Peter will become Deputy Chairman. Tony brings a wealth of international business experience having previously worked for Shell and latterly as President of SCA Packaging's Corrugated Business Division.

Michael Pragnell stepped down as a non-executive Director at the AGM due to increased external responsibilities. Since then the Board has been strengthened by the appointment, effective from 5 December 2000, of Bob Beeston as a non-executive Director. Bob is Chief Executive of FKI plc and a former non-executive Director of Arjo Wiggins Appleton plc.

Stuart Russell will take early retirement at the end of the financial year and we thank him for his valuable contribution to the Group's success over the past 12 years. Carolyn Cattermole has joined the Group as Company Secretary having previously held that position at Courtaulds Textiles plc.

As mentioned previously Bob McLellan has been appointed as Chief Executive of the David S Smith Packaging Division, and Don Coates, formerly Managing Director of the Group's conventional corrugated box plants, has been appointed as Chief Executive of St Regis Paper.

With the appointments made over the last year we believe we have in place a strong management team, largely promoted from within, that will drive the Group forward.

Outlook

The Group has had a good first half with progress in all divisions and despite further strengthening of sterling against the euro. We enter the second half encouraged by the progress we have made, particularly as a result of our cost reduction and efficiency improvement programmes. We recognise that the recent reductions in international waste paper prices may impact papermaking margins. The Board nevertheless believes that the Group will produce a satisfactory outcome for the year as a whole.

Antony Hichens Chairman

J Peter Williams Group Chief Executive
6 December 2000

Group profit and loss account

	Note	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Turnover	2	689.2	594.2	1,217.7
Operating profit				
Before goodwill amortisation	2	45.0	28.3	67.8
Goodwill amortisation		(0.4)	(0.3)	(0.6)
Group operating profit		44.6	28.0	67.2
Share of losses of associated undertakings		(0.1)	(0.1)	(0.2)
Total operating profit		44.5	27.9	67.0
Exceptional loss on termination of operations	3	(2.2)	(5.3)	(6.9)
Profit on ordinary activities before taxation		42.3	22.6	60.1
Interest				
Net interest payable		(5.5)	(4.5)	(9.9)
Exceptional charge	4	–	–	(1.6)
		(5.5)	(4.5)	(11.5)
Profit on ordinary activities before taxation				
Before exceptional items and goodwill amortisation		39.4	23.7	57.7
Exceptional items and goodwill amortisation		(2.6)	(5.6)	(9.1)
		36.8	18.1	48.6
Tax on profit on ordinary activities	5			
Tax on profit before exceptional items		(11.8)	(7.1)	(15.6)
Exceptional		0.7	1.6	5.1
		(11.1)	(5.5)	(10.5)
Profit on ordinary activities after taxation		25.7	12.6	38.1
Minority interests – equity		(0.4)	(0.3)	(0.5)
Profit for the period		25.3	12.3	37.6
Dividends		(8.9)	(8.7)	(27.2)
Retained profit for the period		16.4	3.6	10.4
Earnings per share:				
Basic	6	7.9p	3.8p	11.7p
Diluted	6	7.9p	3.8p	11.7p
Adjusted	6	8.5p	5.1p	13.0p
Dividends per share		2.8p	2.7p	8.5p

Statement of total recognised gains and losses

	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Profit for the period	25.3	12.3	37.6
Exchange differences on foreign currency net investments	2.0	(1.7)	(5.5)
Total recognised gains and losses	27.3	10.6	32.1

Reconciliation of movements in shareholders' funds

	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Profit for the period	25.3	12.3	37.6
Dividends	(8.9)	(8.7)	(27.2)
Retained profit for the period	16.4	3.6	10.4
Exchange differences on foreign currency net investments	2.0	(1.7)	(5.5)
New share capital issued	–	–	0.1
Increase in shareholders' funds	18.4	1.9	5.0
Opening shareholders' funds	483.3	478.3	478.3
Closing shareholders' funds	501.7	480.2	483.3

The difference between reported and historical cost profits for the periods reported above is not material.

Group balance sheet

	At 28 October 2000 (unaudited) £m	At 30 October 1999 (unaudited) £m	At 29 April 2000 £m
Fixed assets	558.9	549.4	546.5
Current assets			
Stocks	140.0	124.0	130.1
Debtors	339.8	292.9	296.4
Short term investments	15.7	14.1	4.4
Cash at bank and in hand	11.6	15.2	12.4
	507.1	446.2	443.3
Creditors: amounts falling due within one year			
Trade and other creditors	(289.6)	(263.2)	(289.6)
Borrowings	(19.6)	(79.8)	(80.7)
Net current assets	197.9	103.2	73.0
Total assets less current liabilities	756.8	652.6	619.5
Creditors: amounts falling due after more than one year			
Borrowings	(208.3)	(134.5)	(98.5)
Other	(8.1)	(1.9)	(1.8)
Provisions for liabilities and charges	(34.3)	(31.9)	(31.9)
	506.1	484.3	487.3
Minority interests – equity	(4.4)	(4.1)	(4.0)
Net assets	501.7	480.2	483.3
Capital and reserves			
Called up share capital	32.1	32.1	32.1
Share premium account	188.0	187.9	188.0
Revaluation reserve	10.7	10.6	10.7
Profit and loss account	270.9	249.6	252.5
Shareholders' funds – equity	501.7	480.2	483.3
Gearing (net debt expressed as a percentage of shareholders' funds)	40.0%	38.5%	33.6%

Group cash flow statement

	Note	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Net cash inflow from operating activities	7	19.8	28.6	94.7
Returns on investments and servicing of finance		(5.9)	(5.0)	(10.3)
Taxation		7.3	(6.8)	(13.6)
Capital expenditure and financial investment	8	(27.8)	(21.7)	(50.2)
Acquisitions and disposals	10	(8.3)	(10.4)	(18.0)
Equity dividends paid		(18.6)	(17.6)	(26.2)
Net cash outflow before use of liquid resources and financing		(33.5)	(32.9)	(23.6)
Management of liquid resources		(11.2)	9.9	18.8
Financing – issue of ordinary shares		–	–	0.1
– net increase in debt		45.7	23.3	(7.0)
Increase/(decrease) in cash in the period		1.0	0.3	(11.7)

Reconciliation of net cash flow to movement in net debt

(See note 9)

	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Increase/(decrease) in cash in the period	1.0	0.3	(11.7)
(Increase)/decrease in debt financing	(45.7)	(23.3)	7.0
Increase/(decrease) in liquid resources	11.2	(9.9)	(18.8)
Increase in net debt resulting from cash flows	(33.5)	(32.9)	(23.5)
Net debt acquired with subsidiary undertaking	(4.2)	(0.9)	(0.9)
Exchange differences	(0.5)	3.1	16.3
Increase in net debt in the period	(38.2)	(30.7)	(8.1)
Opening net debt	(162.4)	(154.3)	(154.3)
Closing net debt	(200.6)	(185.0)	(162.4)

Notes to the accounts

1 Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in the Group's 2000 statutory accounts. The half year figures are unaudited.

The Group's results for the financial year ended 29 April 2000 have been extracted from the statutory accounts filed with the Registrar of Companies which contained an unqualified audit report and no adverse statement under Section 237(2) or (3) of the Companies Act 1985.

2 Analysis of Group turnover, profit and capital employed

		Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Turnover				
Packaging:	Corrugated and Paper	358.4	306.4	620.5
	Plastics and Logistics	76.2	59.3	123.1
		434.6	365.7	743.6
Office products:	Wholesaling	228.7	198.5	419.4
	Manufacturing	35.8	38.6	74.5
	Intra-segment sales	(9.9)	(8.6)	(19.8)
		254.6	228.5	474.1
		689.2	594.2	1,217.7
By origin:	United Kingdom	449.2	401.8	813.7
	Rest of World	240.0	192.4	404.0
		689.2	594.2	1,217.7
Operating profit (see below)				
Packaging:	Corrugated and Paper	29.9	16.0	37.4
	Plastics and Logistics	4.5	4.2	8.2
		34.4	20.2	45.6
Office products:	Wholesaling	10.3	9.1	23.0
	Manufacturing	0.3	(1.0)	(0.8)
		10.6	8.1	22.2
		45.0	28.3	67.8
By origin:	United Kingdom	31.7	19.7	47.8
	Rest of World	13.3	8.6	20.0
		45.0	28.3	67.8

Operating profit is stated before goodwill amortisation.

2 Analysis of Group turnover, profit and capital employed continued

		Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Capital employed (see below)				
Packaging:	Corrugated and Paper	487.3	472.6	459.4
	Plastics and Logistics	73.4	55.0	59.4
		560.7	527.6	518.8
Office products:	Wholesaling	123.3	106.5	104.8
	Manufacturing	36.4	39.0	36.1
		159.7	145.5	140.9
		720.4	673.1	659.7
By origin:	United Kingdom	519.9	489.4	484.0
	Rest of World	200.5	183.7	175.7
		720.4	673.1	659.7

Capital employed excludes goodwill, fixed asset investments, net borrowings, deferred consideration due in respect of acquisitions, corporation tax, dividends payable and minority interests.

3 Exceptional loss on termination of operations

The costs of closure in the period relate mainly to the closure of the Group's Bracknell corrugated packaging plant. The exceptional loss on termination of operations in the financial year ended 29 April 2000 relates to the closure of two UK paper mills.

4 Interest

The interest charge for the financial year ended 29 April 2000 includes an exceptional charge of £1.6m relating to the write off of the whole of the Group's investment in a Far Eastern packaging company.

5 Tax charge

Tax on profits before exceptional items and goodwill amortisation has been charged at an effective rate of 30% (half year to 30 October 1999: 30%, year to 29 April 2000: 27%), being the expected full year effective rate.

The tax charge for the period consists of UK taxation of £7.1m (half year to 30 October 1999: £2.6m, year to 29 April 2000: £5.5m) and overseas taxation of £4.0m (half year to 30 October 1999: £2.9m, year to 29 April 2000: £5.0m). The UK tax charge is stated net of a tax credit of £0.7m (half year to 30 October 1999: £1.6m credit, year to 29 April 2000: £2.1m credit) relating to the exceptional items. The UK tax charge for the financial year ended 29 April 2000 is also stated net of a £3.0m exceptional adjustment in respect of prior years.

6 Earnings per share

The basic earnings per share have been calculated on the profit for the period of £25.3m (half year to 30 October 1999: £12.3m, year to 29 April 2000: £37.6m) and on 320.3m (half year to 30 October 1999: 320.3m, year to 29 April 2000: 320.3m) ordinary shares, being the weighted average in issue and fully paid during the period.

The adjusted earnings per share excludes the effect of exceptional items and goodwill amortisation and has been calculated on the adjusted profit for the period of £27.2m (half year to 30 October 1999: £16.3m, year to 29 April 2000: £41.6m).

7 Reconciliation of operating profit to net operating cash flow

	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Operating profit before goodwill amortisation	45.0	28.3	67.8
Depreciation	28.9	28.3	57.0
Profit on sale of tangible fixed assets	–	(0.2)	(3.2)
Working capital	(51.1)	(24.4)	(19.7)
Decrease/(increase) in provisions	(0.3)	0.9	(0.2)
Other non cash operating items	0.2	0.4	–
Cash flow from operating activities before exceptional items	22.7	33.3	101.7
Operating cash flow relating to exceptional items (see below)	(2.9)	(4.7)	(7.0)
Net cash inflow from operating activities	19.8	28.6	94.7

The operating cash flows relating to exceptional items comprise the cash costs of closing operations.

8 Capital expenditure and financial investment

	Half year ended 28 October 2000 (unaudited) £m	Half year ended 30 October 1999 (unaudited) £m	Year ended 29 April 2000 £m
Purchase of tangible fixed assets	(33.4)	(22.1)	(52.6)
Sale of tangible fixed assets	5.8	1.1	2.8
Purchase of fixed asset investments	(0.2)	(0.7)	(0.6)
Sale of fixed asset investments	–	–	0.2
	(27.8)	(21.7)	(50.2)

9 Analysis of net debt (unaudited)

	At 29 April 2000 £m	Acquired £m	Cash flow £m	Exchange differences £m	At 28 October 2000 £m
Cash at bank and in hand	12.4	0.5	(1.3)	–	11.6
Overdrafts	(17.7)	–	2.3	0.1	(15.3)
	(5.3)	0.5	1.0	0.1	(3.7)
Debt due after one year	(96.2)	(5.1)	(105.6)	1.0	(205.9)
Debt due within one year	(62.6)	–	59.7	(1.1)	(4.0)
Finance leases	(2.7)	(0.2)	0.2	–	(2.7)
	(161.5)	(5.3)	(45.7)	(0.1)	(212.6)
Short term investments	4.4	0.6	11.2	(0.5)	15.7
Total	(162.4)	(4.2)	(33.5)	(0.5)	(200.6)

10 Acquisition

On 11 August 2000, the Group acquired the entire membership interests of Packaging Systems, L.L.C., which trades as Rapak, and is a leading supplier of bag-in-box liquid packaging based in Chicago, USA. The guaranteed consideration for the acquisition, net of acquired debt of £4.8m, was £12.3m of which £4.3m is deferred for three years. A further amount of up to US$18m may become payable after three years dependent on Rapak's profits in this period.

Shareholder information

Financial Diary 2000/01

6 December 2000	Announcement of interim results for the six months ended 28 October 2000
19 January 2001	Record date for interim dividend
14 March	Payment of interim dividend
28 April	Financial year end
28 June*	Preliminary announcement of results for the year ended 28 April 2001
17 August*	Record date for final dividend
5 September*	Annual General Meeting
3 October*	Payment of final dividend

*Subject to confirmation

The financial diary is regularly updated and can be checked on the Company's website at www.dssmith.uk.com/share.htm#diary.

Interim Report

This Interim Report is being sent to shareholders and copies are available to the public from the Company's registered office at 4-16 Artillery Row, London SW1P 1RZ. Copies can also be downloaded or viewed on the Company's website at www.dssmith.uk.com.

Shareholder enquiries

Any queries regarding shareholdings, dividends, transfers, etc should be directed to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Tel 01903 502541, Ext 3018.

Other queries regarding the Group should be directed to the Company Secretary, David S. Smith (Holdings) PLC, 4-16 Artillery Row, London SW1P 1RZ. Tel 020 7932 5000.

Contact can also be made with the Company through its website at www.dssmith.uk.com.

www.dssmith.uk.com

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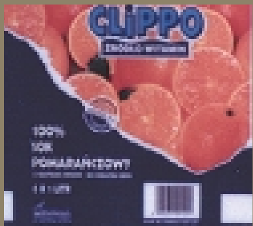

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