

# Smurfit Kappa Group

Q1 2008 Results – May 2008

people  
market leader  
innovative  
latin america  
europe  
growth  
integrated



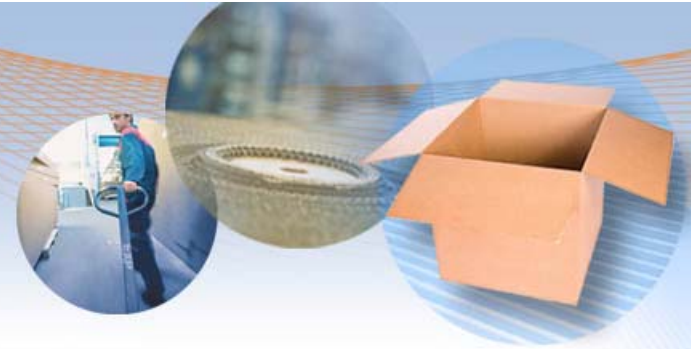
**Smurfit Kappa Group**

# Presentation Agenda

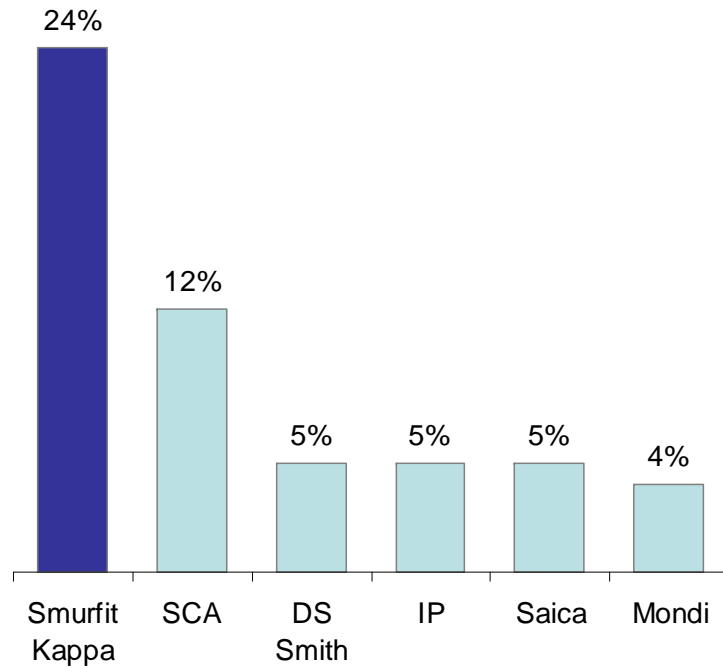


- Business Overview
- Performance Highlights
- Operating and Market Review
- Debt structure
- Strategy & Outlook

# SKG | Corrugated Industry Leader

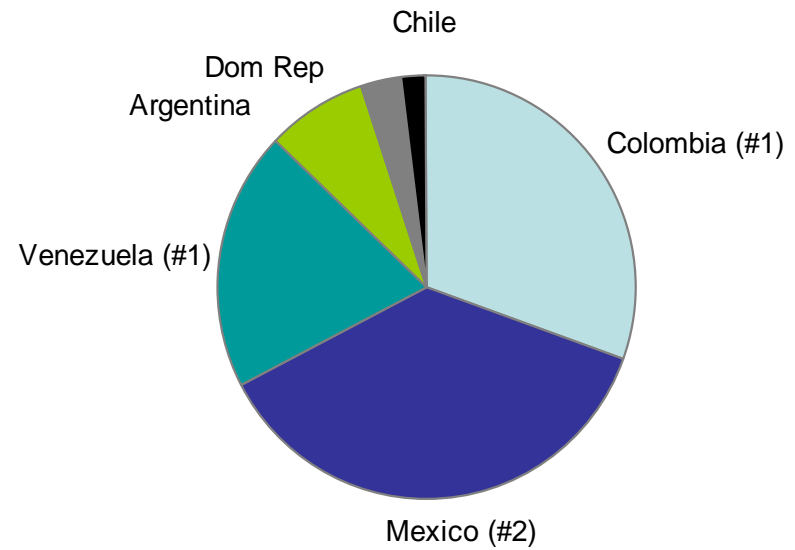


## Focused European leader

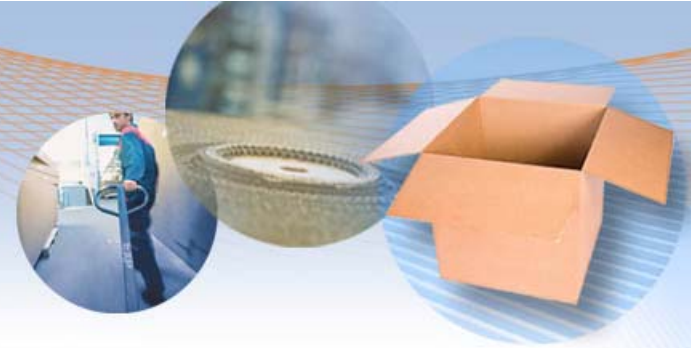


Source: 2005 production - RISI, company estimates based on Europe excl Russia

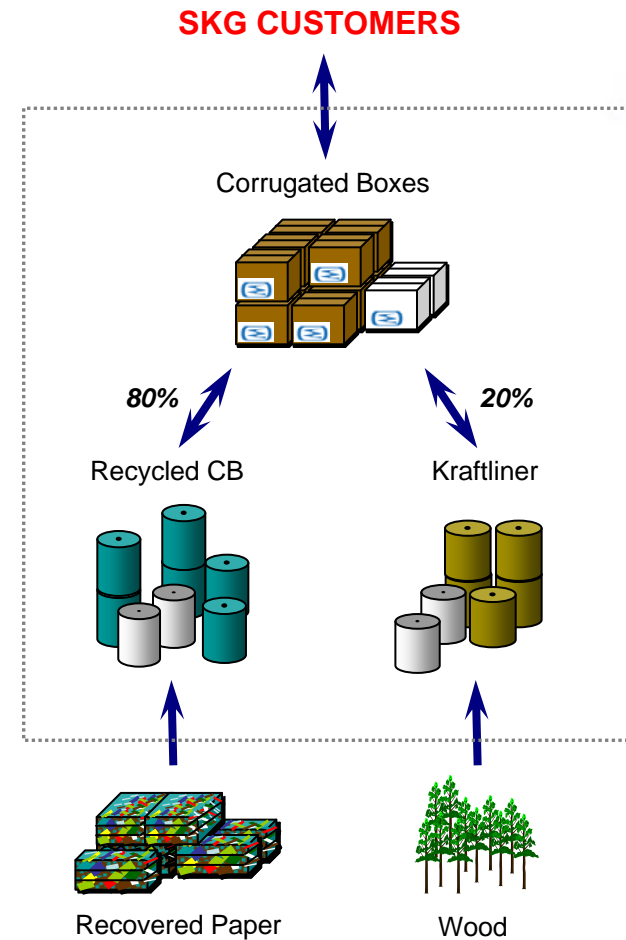
## The only Pan Lat-Am player



# SKG | Integrated business model



- Corrugated/Containerboard
  - Over 80% of total business
- Geographic diversity, high product focus
- Positive corrugated demand in Europe
  - Corrugated demand growth generally > GDP
  - 60% of SKG business in food & beverage
- Enhanced earnings stability through integration
- Superior growth and profitability in Latin America



# Performance Highlights

people

innovative

market leader

latin america

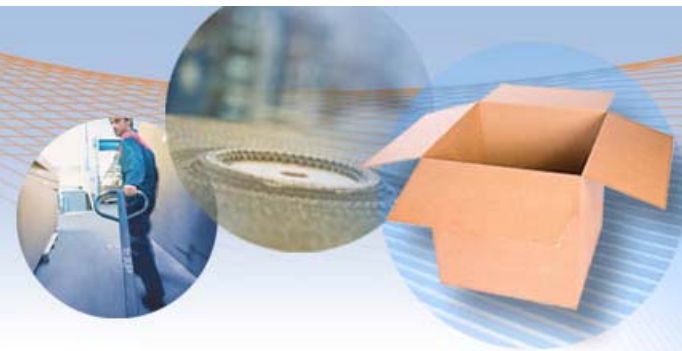
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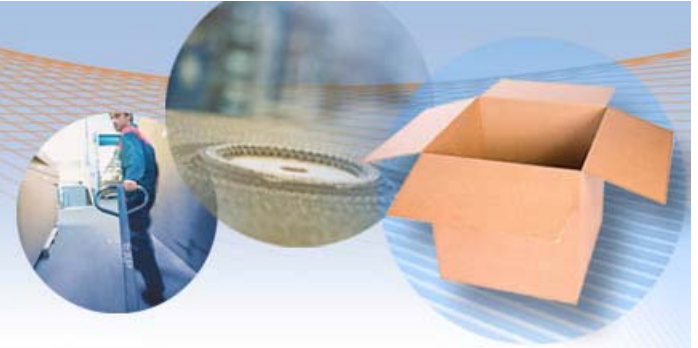
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## Financial Highlights | 2008 Q1



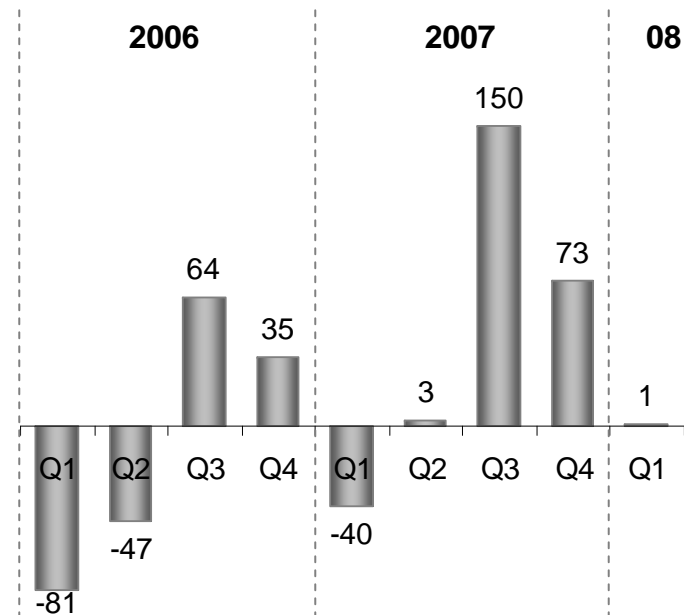
		Q1 2008	Q1 2007	Increase Y-on-Y
Revenue	(€m)	1,832	1,794	+2%
Pre-Exceptional EBITDA	(€m)	257	254	+1%
PBT before exceptional	(€m)	90	43	+107%
Free cash flow	(€m)	1	(40)	NM

# Strong Free Cash Flow generation



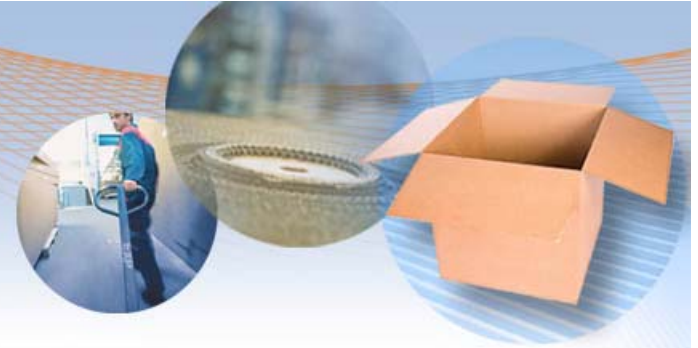
- Judicious capital expenditure
- Best in class W. Capital to Sales
- Sustainable low cash tax
- Strong free cash flow

## SKG Free Cash flow generation

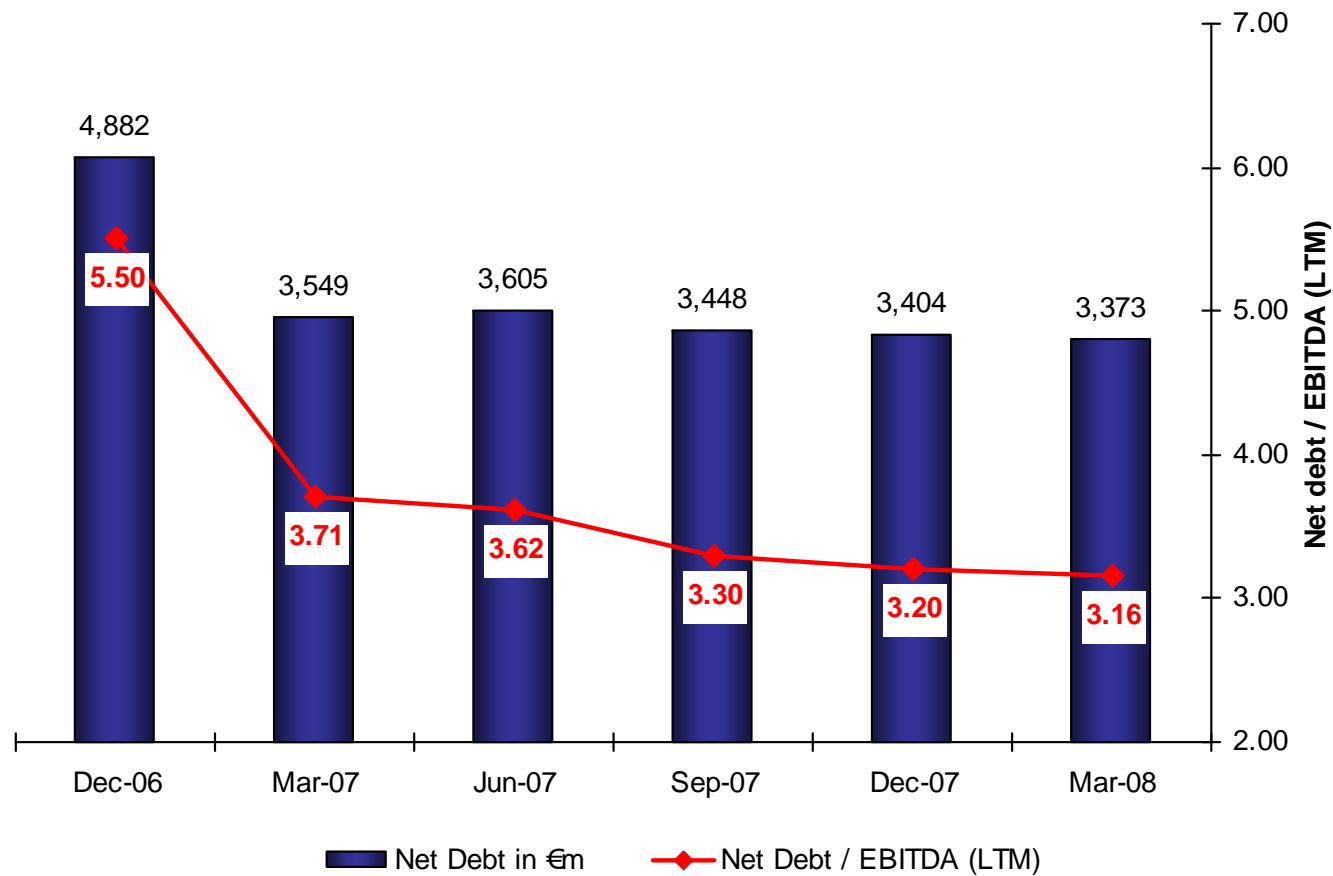


Source: company data

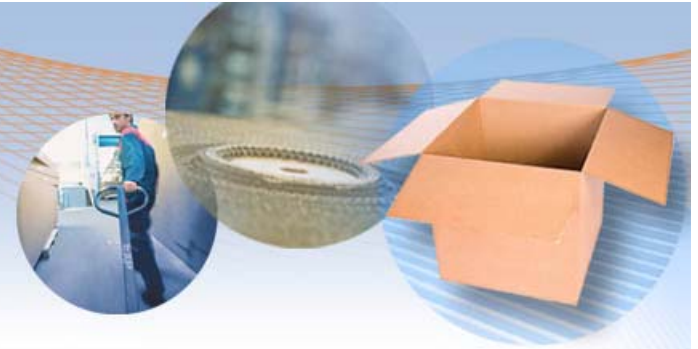
# Initial debt paydown objectives exceeded



## Significant & continued net debt reduction

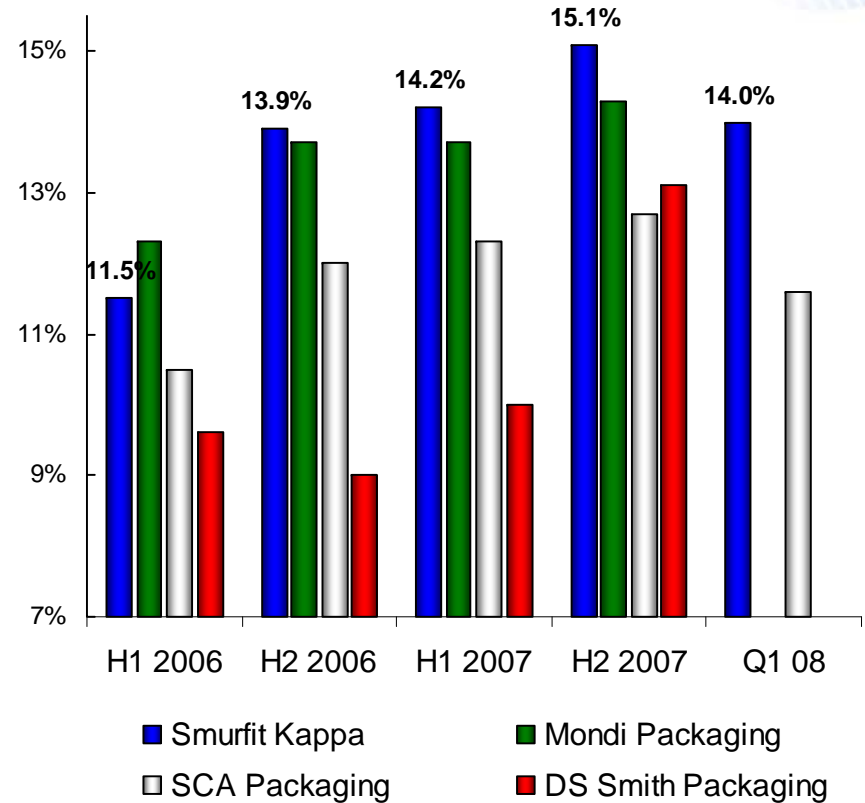


# Superior EBITDA margins



- Pricing focus
- Optimised integrated system
- Driving synergies / cost take out
- Synergy target exceeded
- Superior LatAm margins

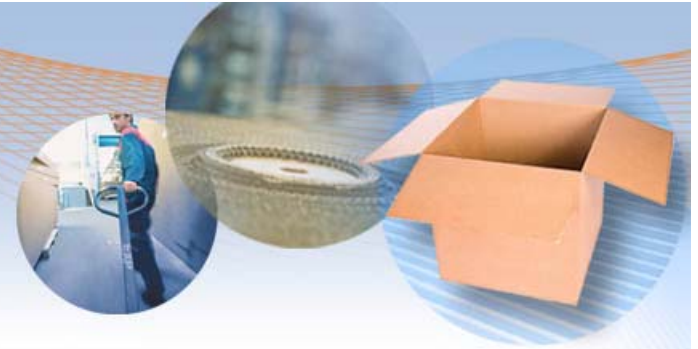
## Comparative EBITDA Margins



Source: SKG data, SCA, Mondi and DS Smith Annual and Q1 08 Reports

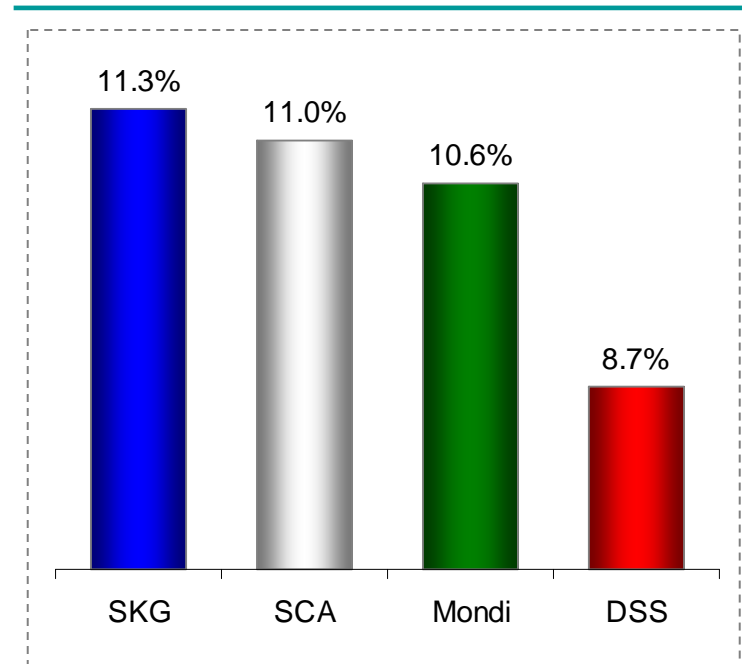
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# Superior ROCE



- SKG Group ROCE = 11.3% in 2007
- Latin American ROCE > 20% in past 4 years
- Well invested asset base

## 2007 Group ROCE



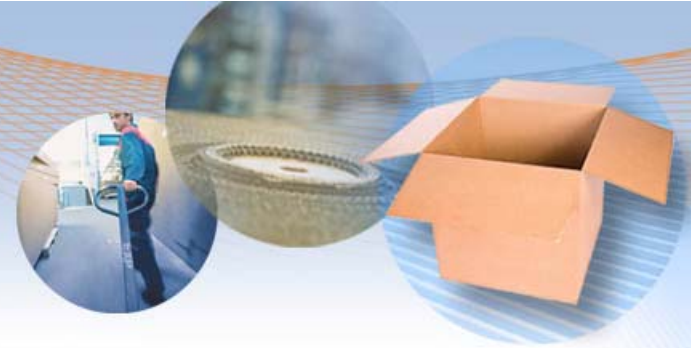
Source: company 2007 annual reports

# Operating & Market review

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# European Packaging



## ➤ Recycled Containerboard

- Emerging pricing pressure in Q1 2008
- Downtime to limit inventory increase

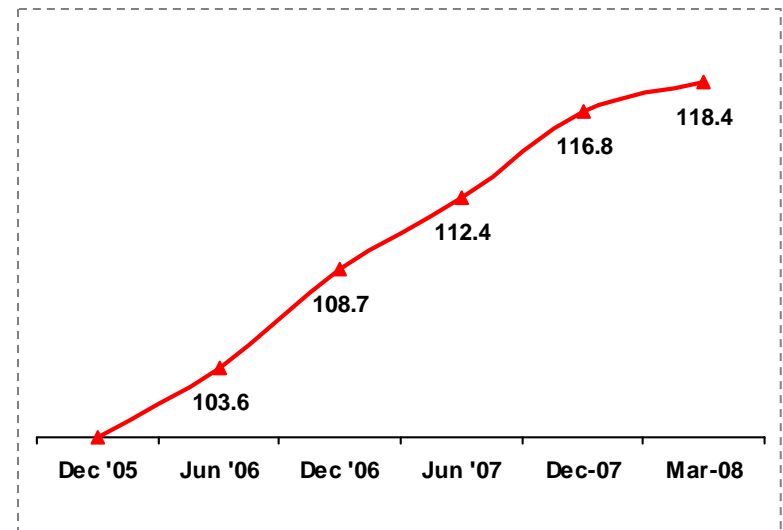
## ➤ Kraftliner

- Pressure on pricing due to US Imports
- Wood costs increase easing in Scandinavia

## ➤ Corrugated

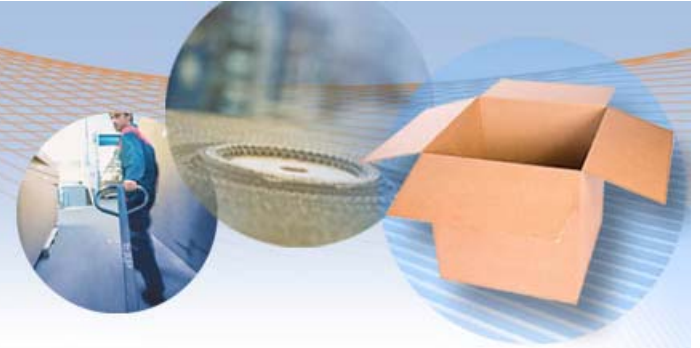
- Positive demand year to date end April
- Achieved price increase target for recovery of 2006/07 input costs increase

## SKG Corrugated Price Increase



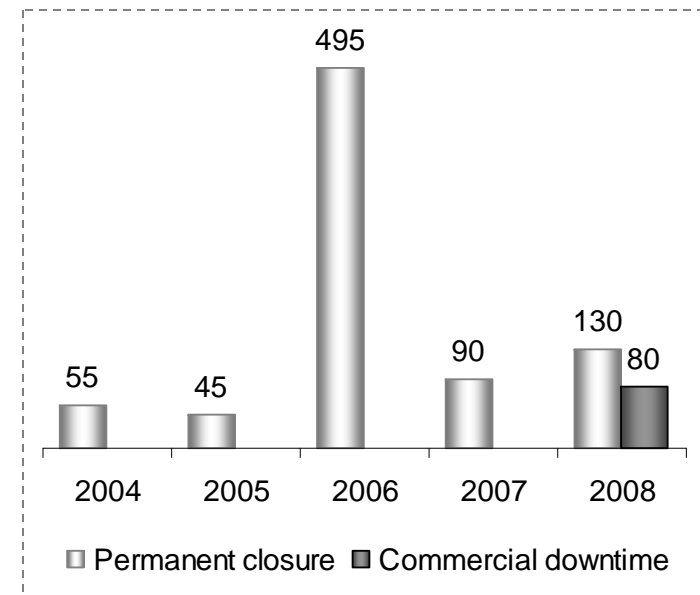
# European Packaging

## Efficient Capacity Management



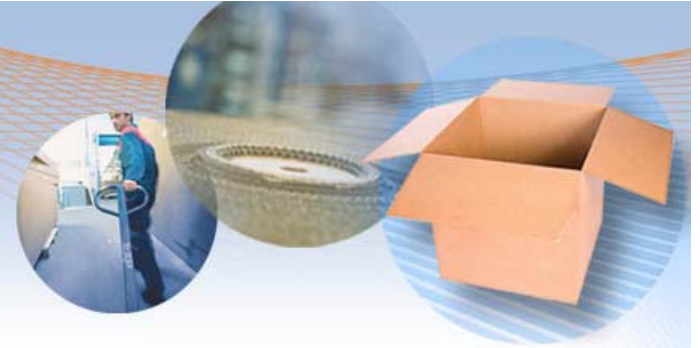
- SKG | Responsible leader
  - Permanent closure of 130ktons in Q2 2008
  - Commercial downtime of 80ktons for 2008
  - Already 43ktons of downtime taken by end Apr
- Emerging industry actions...
  - Initial commercial downtime from peers
  - Identified high-cost tonnage for closure
- ... new capacity starting in 09/10

**SKG Capacity management ('000 tons)**



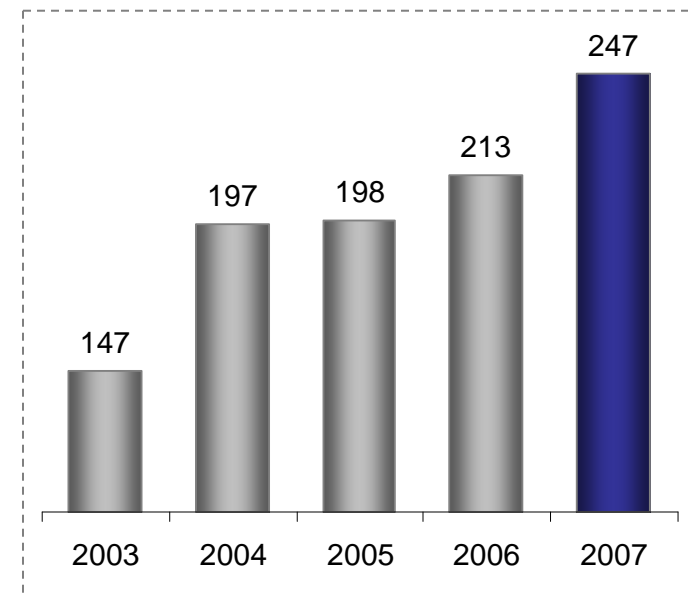
Source: company data, 2006 figure includes grades switch

# Latin America | Superior earnings growth



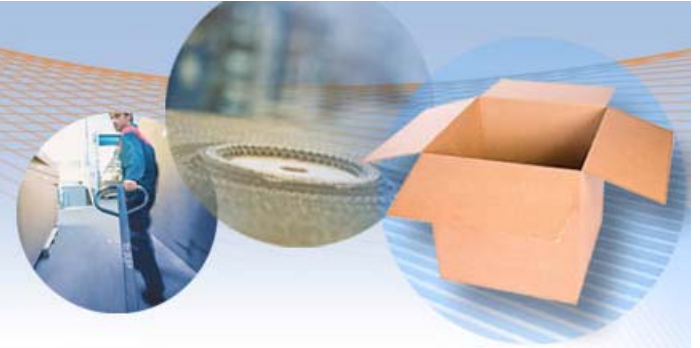
- Strong regional demand growth
- Leading market positions
- Sustainable high margins
- Portfolio of businesses and markets
- Track record of cash extraction
- Focus on growth

**Latin American EBITDA (US\$m)**



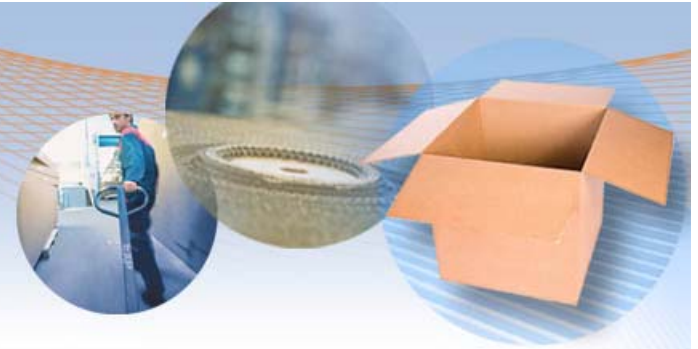
Source: company data




# Specialties Division



- 7% EBITDA growth year-on-year in Q1 2008
- Solidboard & boxboard:
  - Converting volumes increase following competitor bankruptcy
  - Recovery of strong input cost increase remains challenging
- Sacks & Sack kraft:
  - Tight market & pricing momentum for sack kraft paper
  - Weakening demand for converting following building downturn in W. Europe
- Bag-in-Box:
  - Continued growth & superior profitability
  - Growth opportunities

# Cost evolution



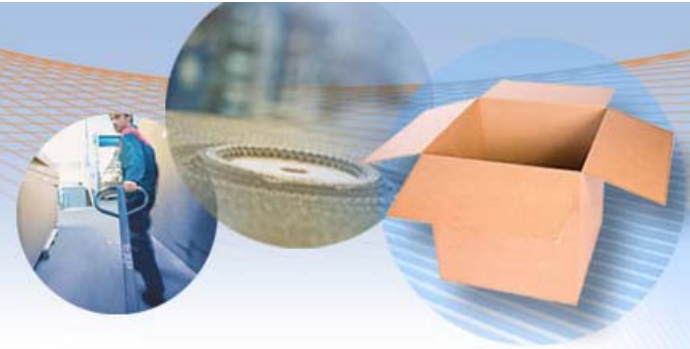
	Underlying cost movement (Q1 08 vs. Q1 07)	Trend FY 2008
OCC	27%	Higher on average, volatility driven by Asian demand
Energy	7%	
Wood	10%	
Labour	2%	
Distribution	Flat	-
<b>Overall cost increase (excl. fiber &amp; energy)</b>		<b>c. 2.5%</b>

# Debt structure

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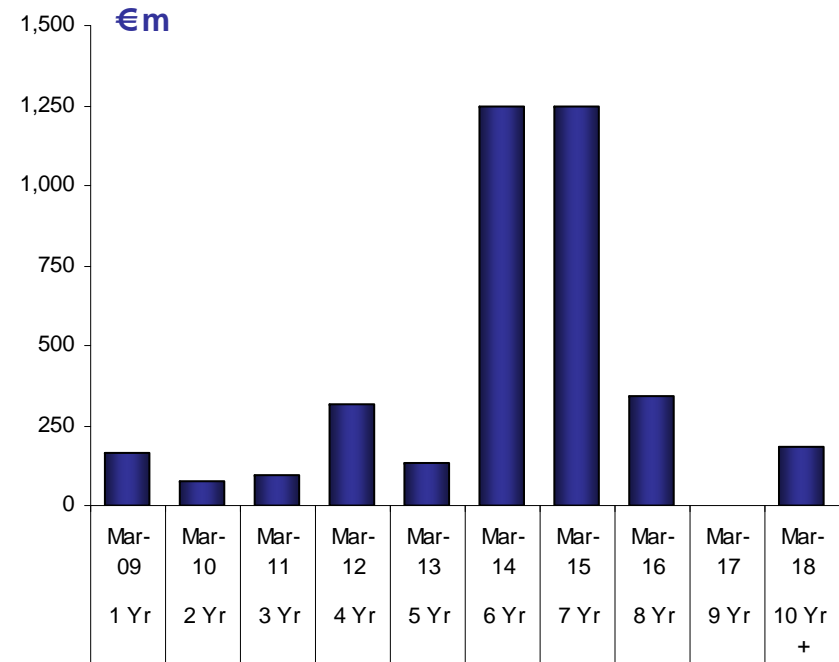
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# Effective Debt Structure



- S&P and Fitch upgrade in 2008
- Average interest cost = 6.1%
- Flexible covenant structure
- Strong liquidity

### SKG Debt Maturity Profile



# Strategy & Outlook

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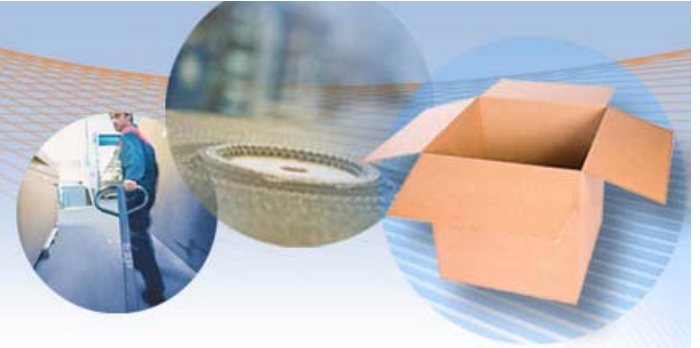
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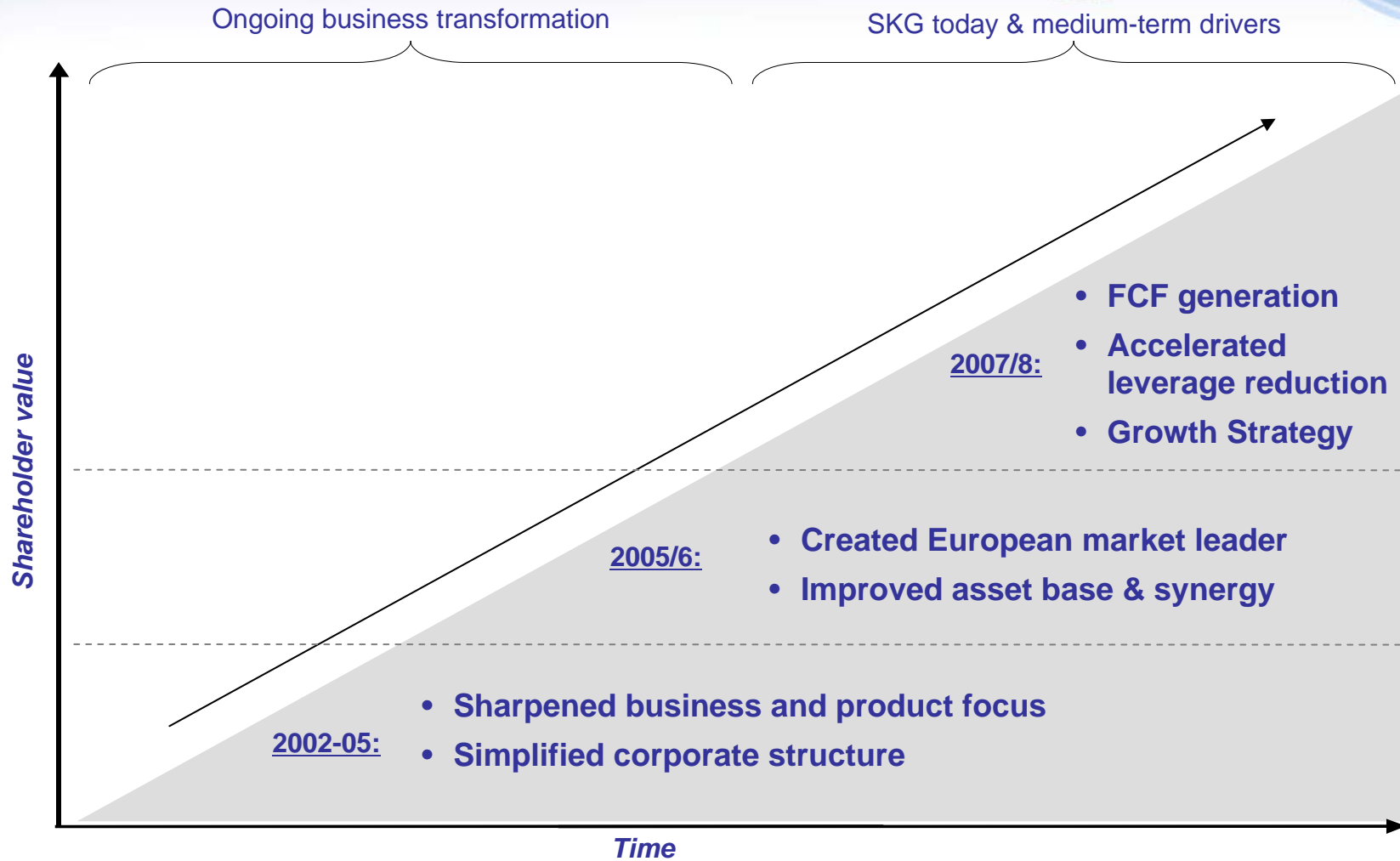
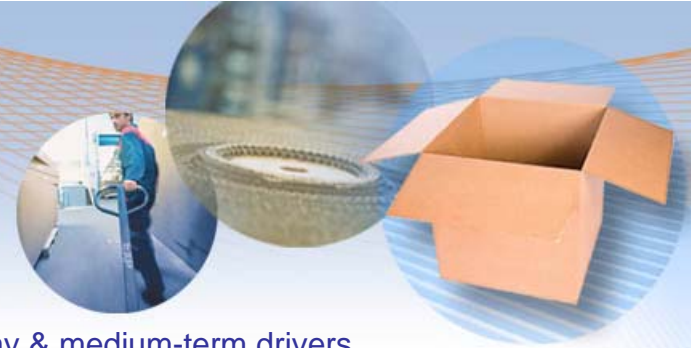
## SKG Outlook



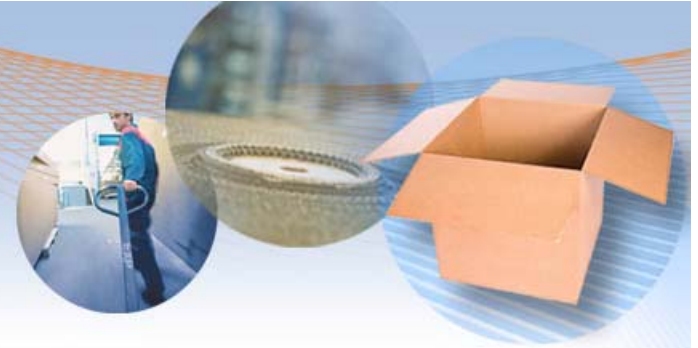
“SKG anticipates that a combination of factors will contribute to greater than expected margin pressure throughout the remainder of 2008. These factors include a slowdown in demand growth for corrugated, continued weakness of the value of the US\$ and further cost inflation.

In 2008 and beyond, SKG will continue to exercise restraint in its capital programmes, base production decisions on a realistic assessment of demand, and participate selectively in consolidation opportunities. SKG will also seek to opportunistically increase its geographic reach and exposure to higher growth markets.”

# Medium-term value drivers



## Medium-term value drivers



- Management has a proven ability to manage through industry cycles
  
- Strengthening financial platform
  - Strong free cash flow generation
  - Initial debt paydown objectives exceeded
  - Effective debt structure
  
- Proven track record for acquiring & integrating well invested assets
  - Acquisitions at optimum points in industry cycle
  - Synergy targets exceeded

Resource to increase exposure to higher growth markets

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