



SK Yate Site Visit

Ian Curley, 2 May 2014

Disclaimer

The presentation contains forward-looking statements, including statements about the Company's intentions, beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as the Company's expectations of external conditions and events.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any such statements in light of new information or future events, except to the extent required by any applicable law or regulation.

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Please refer to the Principal Risks and Uncertainties contained in the Q1'14 Press Release for details.

Agenda

- ▶ **Group Performance and Capital Allocation**

- Ian Curley, Group CFO

- ▶ **Making Our Difference Count**

- Mike Drummond, VP Pan European Sales

- ▶ **Q&A**



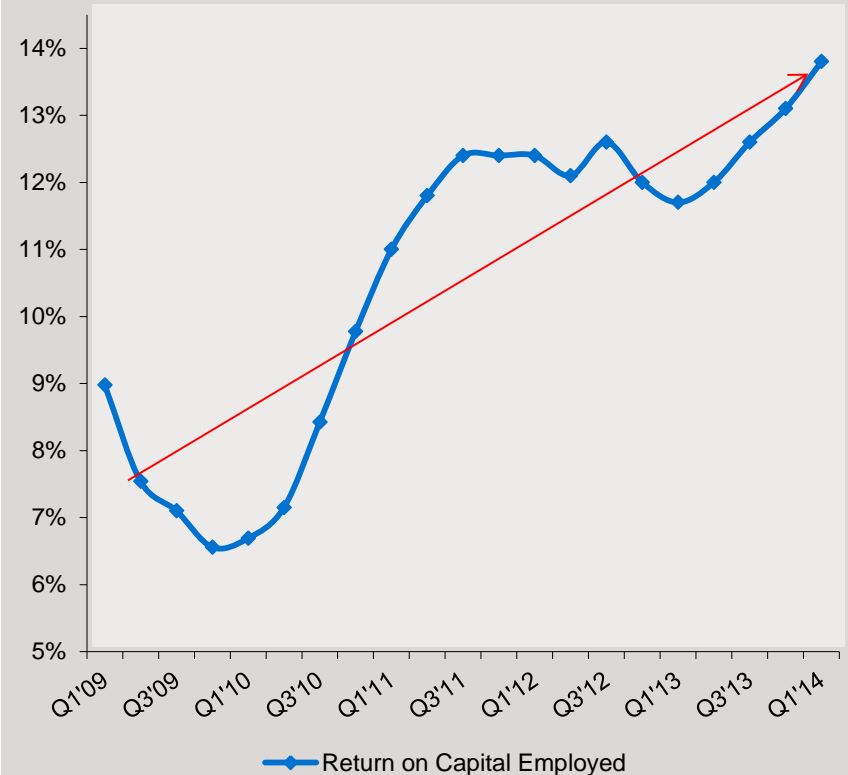
Performance driving returns

 Smurfit Kappa

Longer term returns focus driving investment decisions

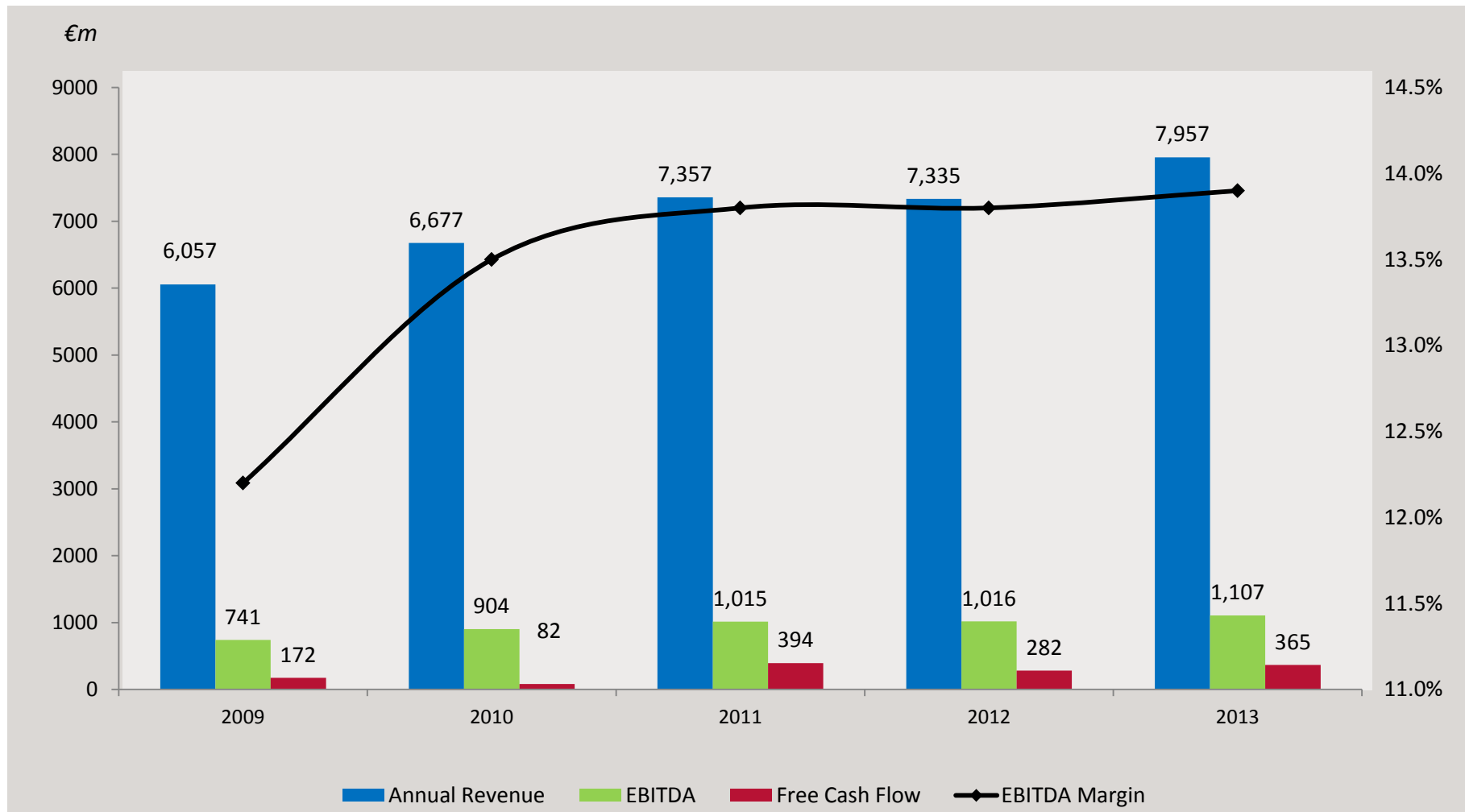
- ▶ Consistent focus on returns reflected in positive progression in ROCE to 13.8%
- ▶ Group earnings growth driven by improved operational delivery and lower financing costs
- ▶ Capital base actively managed with IRR thresholds for capital investment
- ▶ Long-term capital allocation strategy to strengthen and sustain shareholder value
 - Consistent generation of free cash flow to drive capital allocation measures
 - Continued earnings and EPS progression through growth and financial management

Improving Returns



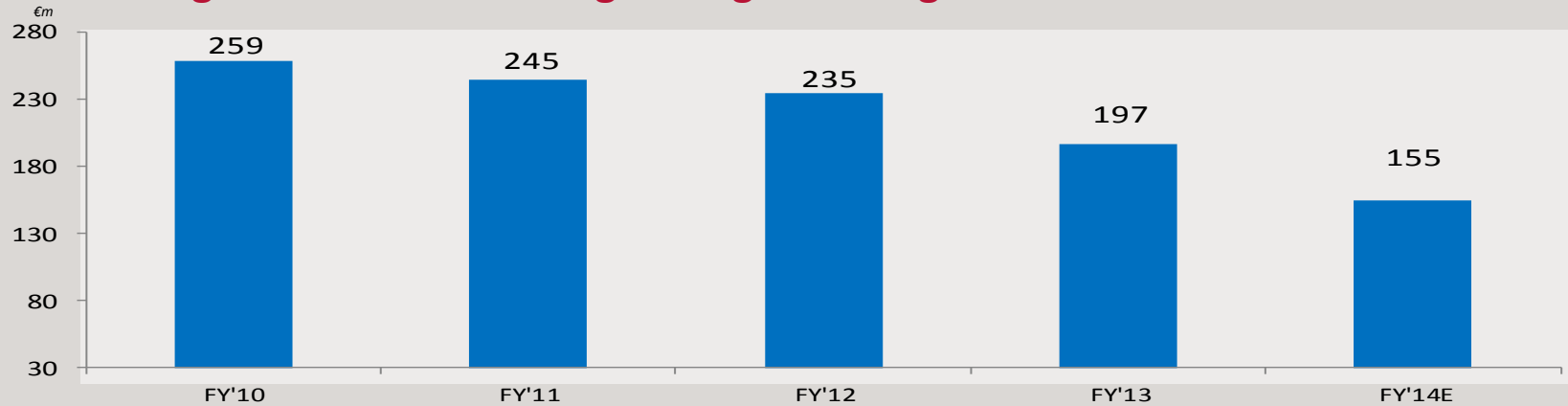
Source: Smurfit Kappa

Earnings growth and consistent FCF generation

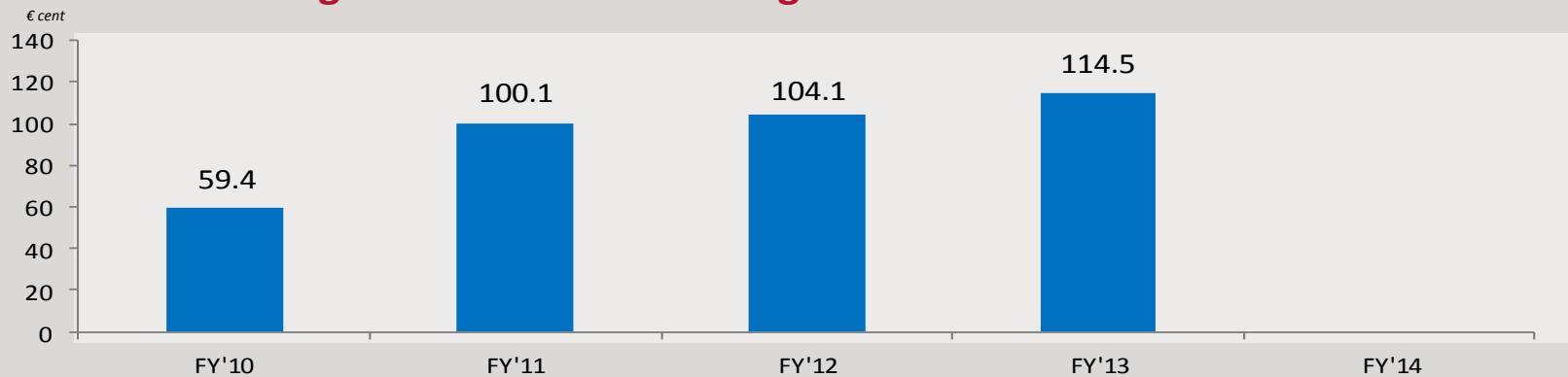


Decreasing cash interest to drive accelerating free cash flow

Decreasing cash interest flowing through to EPS growth



Free Cash Flow generation to drive EPS growth



Source: Smurfit Kappa

Strength and depth of product portfolio servicing all packaging needs

Expertise in retail solutions and supply chain optimisation

Effective innovation based on customer and consumer insight

Leading supplier to Pan European customers

Commitment to highest standards and practices in sustainability

Widest geographic coverage with market leading position

Capital allocation

Capital Allocation

Dividends

1

50% increase in 2013 final dividend to 30.75 cent

Efficient capital structure

2

Achieved **BB+** credit rating

Capital Expenditure

3

Additional Capex of €150 million over three years with IRRs of 20%+

M&A

4

Focus on earnings growth through accretive M&A



Capital Allocation

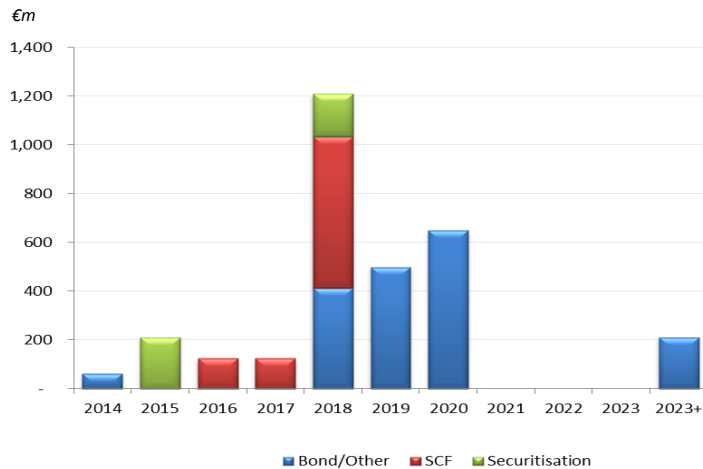
Capital allocation | Dividend policy

- ▶ The dividend is regarded as an important part of the Group's investment proposition
- ▶ Since reinstatement, the final dividend has been increased by 105% to 30.75 cent
- ▶ Current level supported by solid business fundamentals and strong free flow cash generation
- ▶ Reflects confidence in SKG's business model
- ▶ The Group will maintain a progressively increasing dividend stream as earnings grow

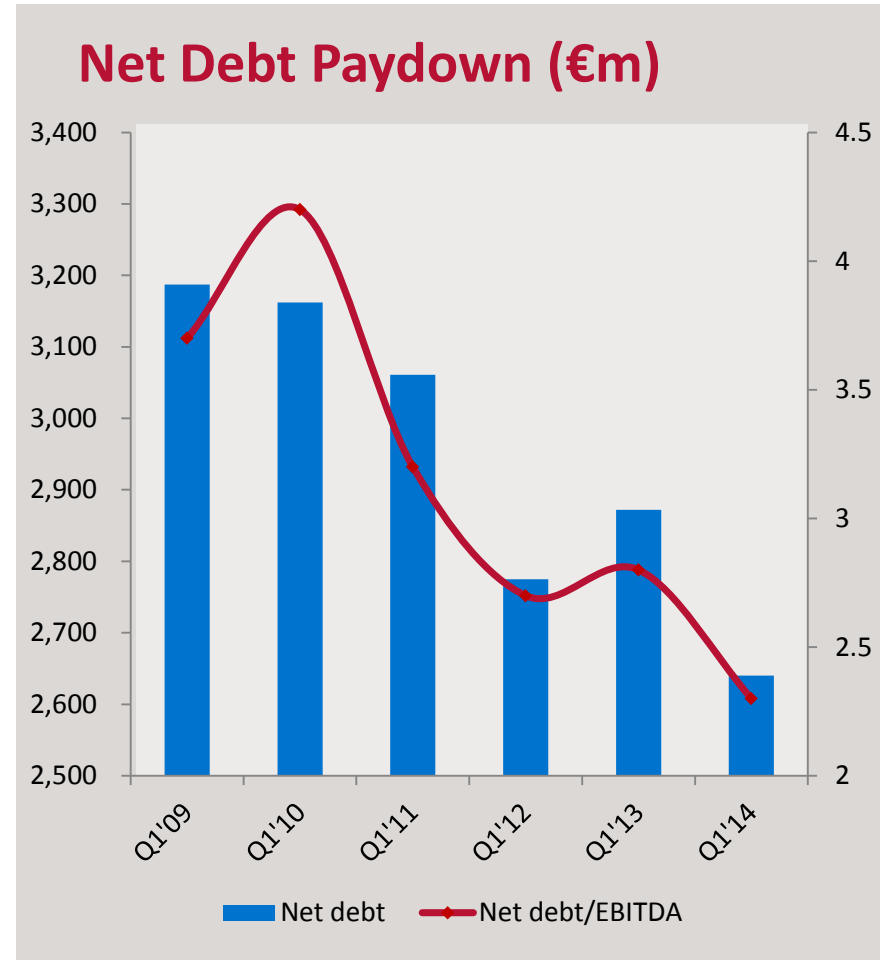
Capital allocation | Efficient capital structure maintenance

- ▶ Net debt reduced by almost €800m since 2007
- ▶ Net debt to EBITDA of 2.3x at Mar'14
- ▶ Net debt to EBITDA 2.0x – 3.0x through cycle
- ▶ Achieved ratings target of BB+

Debt Maturity Profile



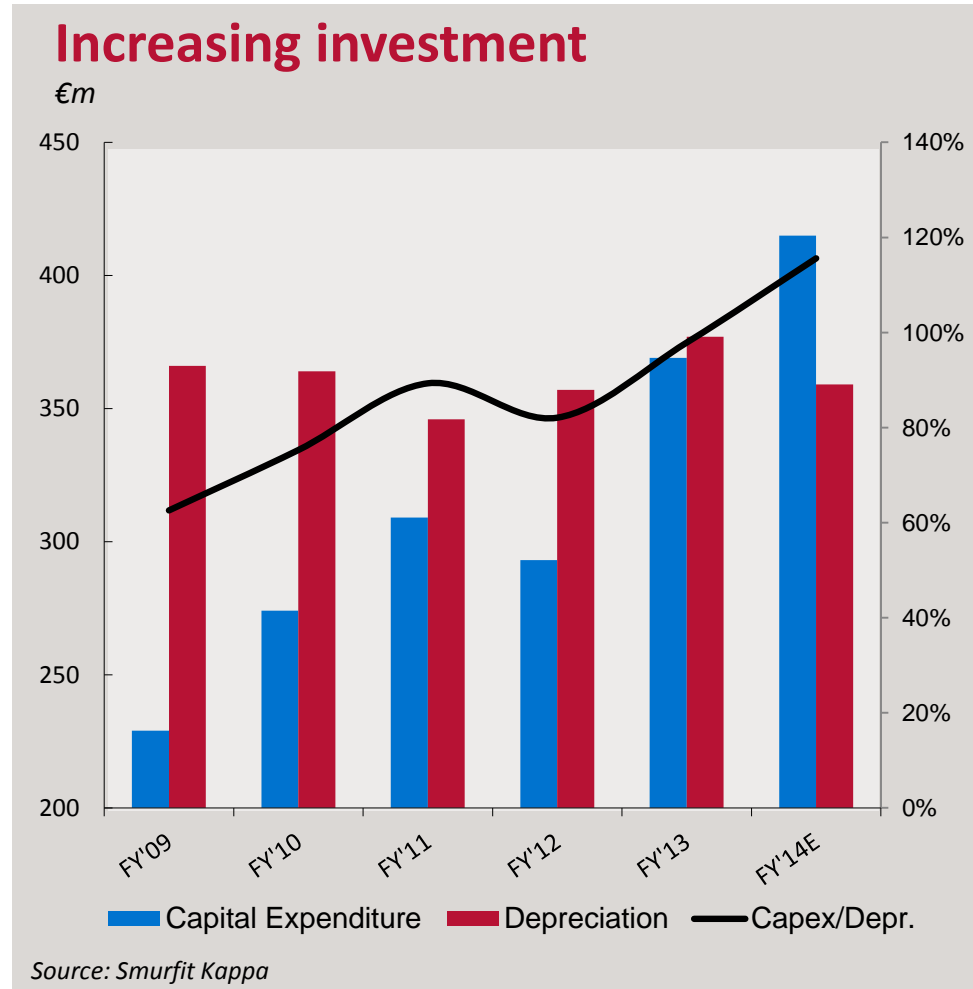
Source: Smurfit Kappa



Source: Smurfit Kappa and Standard & Poors

Capital allocation | Capital expenditure

- ▶ History of judicious capital investment
- ▶ Continuous improvement in asset quality
- ▶ Programme of high return projects
- ▶ Increasing capital expenditure by €150 million over three years with IRRs of 20%+



M&A Criteria

| | | |
|--------------------|---|-------------------------|
| Rationale | 1 | Earnings growth |
| Focus | 2 | Operational enhancement |
| Financial capacity | 3 | €300 million per annum |
| Required return | 4 | IRR of 15% - 25% |

In the absence of accretive M&A, the company will return capital to the shareholders

SKG | A repositioned business delivering performance and growth

- ▶ Sharply increased EPS growth driven by higher EBITDA and lower interest expense
- ▶ Continuing improvement to Return on Capital Employed with 13.8% at the end of Q1 2014
- ▶ Strong free cash flows will underpin the delivery of medium term capital allocation measures
- ▶ S&P upgrade to BB+ rating reflecting significantly improved credit metrics
- ▶ Commitment to continue driving returns through internal capital investment and accretive acquisitions while delivering certainty of value through a progressive dividend stream



Making Our Difference Count

Mike Drummond, 6 May 2014

Smurfit Kappa difference

- ▶ **More than 64,000 customers trust Smurfit Kappa daily for packing their product**
- ▶ **True and practical understanding of our customers' markets and consumer needs**
- ▶ Industry leader with largest product portfolio and geographical coverage
- ▶ Partners to our customers in a rapidly changing environment
 - ▶ Shelf retail ready packaging
 - ▶ Machine Systems and Online printing offering
 - ▶ Positioned for growth in E-Commerce
- ▶ Collective Intelligence:
 - Optimise Customers supply Chain
 - Support and Enhance Customers Brand

Largest European product portfolio and geographical coverage

- ▶ Retail Ready Packaging
- ▶ Consumer Packaging
- ▶ Food Packaging
- ▶ Point of Sale Displays
- ▶ Industrial Packaging
- ▶ Bag-in-box
- ▶ Machine Systems



World market position

2

for the production of
corrugated packaging

European market position

1

in corrugated packaging,
containerboard, solidboard
and solidboard packaging

Customer needs are changing



The quiet revolution

Smurfit Kappa difference



Innovation



THAT WORKS

Collective Intelligence

Benchmarking

Science to add value



Making Our Difference Count

Shelf Retail Ready Packaging

 Smurfit Kappa

Smurfit Kappa meets, exceeds and defines customer needs

- ▶ Smurfit Kappa changes the way of retail packaging development

▶ Innovation

▶ Innobook



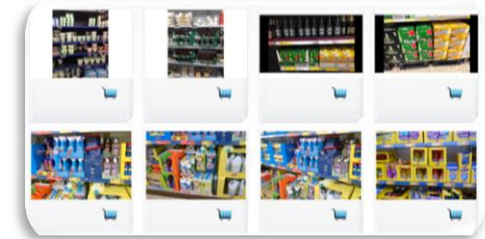
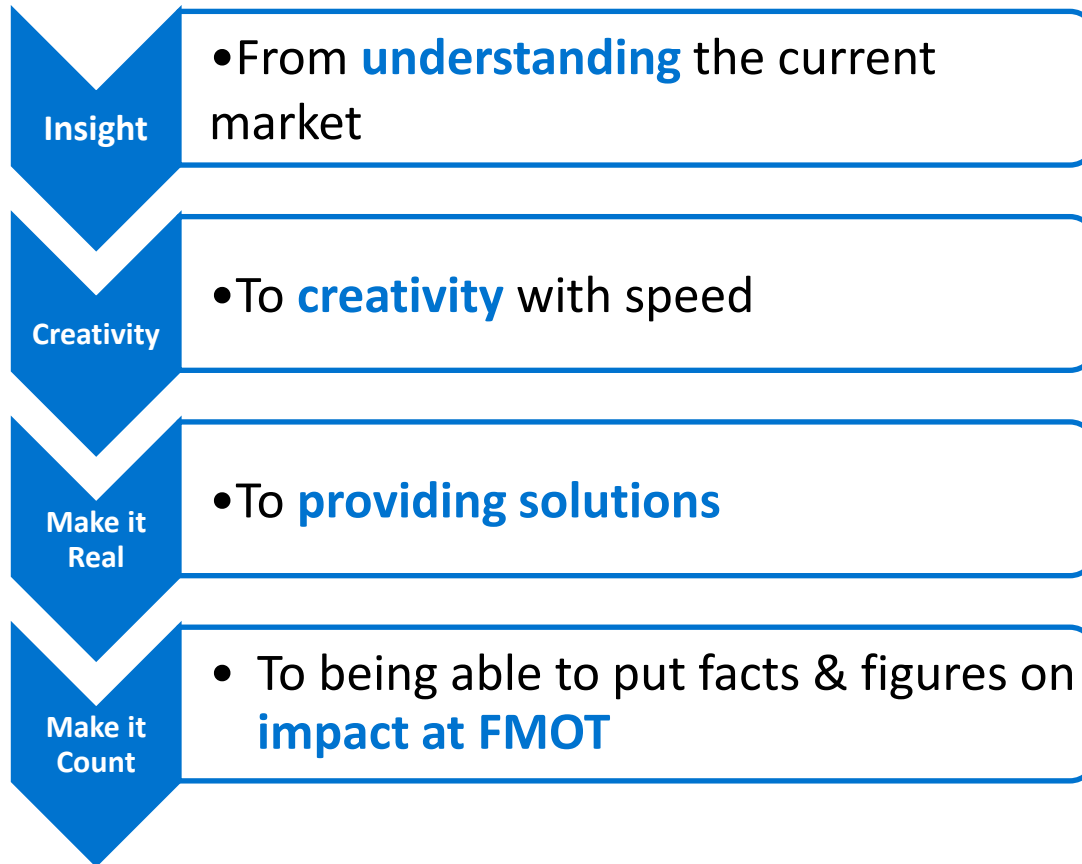
▶ THAT WORKS

- ▶ Retail Test Centre
- ▶ Shelf Viewer
- ▶ Store Visualizer
- ▶ EyeSee

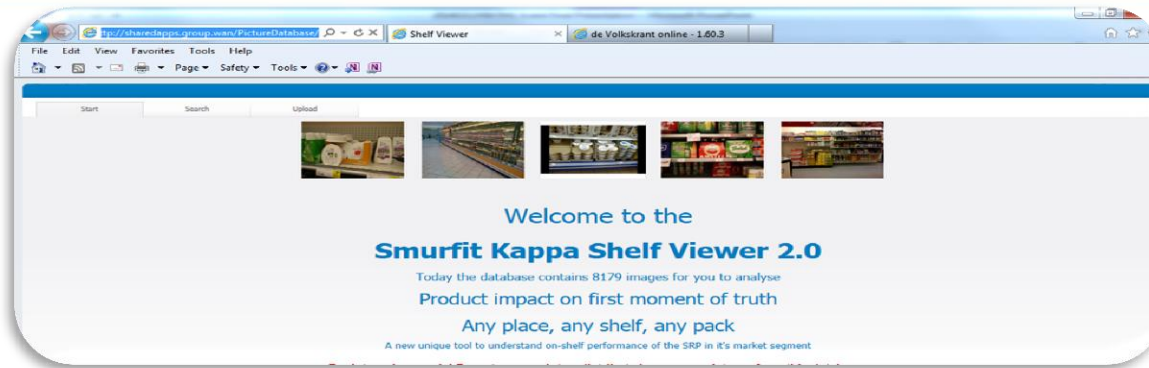


Shelf Ready Packaging | Increased and measured impact at FMOT

► SKG's unique 4 step approach:



Step 1 | Insight into the marketplace



Step 1 | Insight into the marketplace

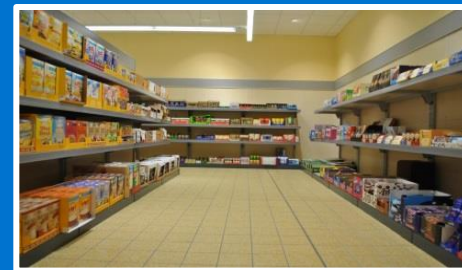
- ▶ Customer requirement: improved brand performance at the FMOT
- ▶ Smurfit Kappa offer: unique retail know-how and industry's largest retail network

- ▶ Smurfit Kappa is continuously increasing Retailer Insight programmes

- ▶ More than 20 partnerships worldwide



Smurfit Kappa and Aldi opened in 2013 the Aldi Insight Centre in Smurfit Kappa Preprint UK



Step 2 | Harnessing creativity throughout the Group

► In excess of 5,500 unique solutions in our Innobook

The grid displays 12 unique packaging solutions, each with a 3D rendering, a KPIs radar chart, and a checklist of implementation factors. The solutions are:

- Open top Corner tray**: Shaped front, colour inside. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Slim tray**: Open top or with lid, shaped front. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Tray & Splittable Hood**: Optimised tray height, shaped front, stackable after opening. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Stackable Patricia case**: Clean cut facing, stackable after opening. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- RSC with optimised perforation**: Easy open, maximum view on primary. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- F0200 + U Shape Hood**: Open top, maximum view on primary. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Overview**: Discourser (High quality cart, Ultra media, No gap), Retailer (Shaped front, White or other view). KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Colour inside**: By folding. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Colour inside**: Inside-out tray. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Shelf stand-out**: "Left pack" with stopper. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Shaped L-tray with removable top**: Promoting load bearing bottles. KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.
- Last minute differentiation**: Basic RSC with separate lid front (offset, embossed, metallic...). KPIs: Cost efficiency, Retail ready, Sustainability, Supply chain efficiency. Checklist: Packaging, Production, Complexity, Supply chain, Tools, Machine modification, New machine.

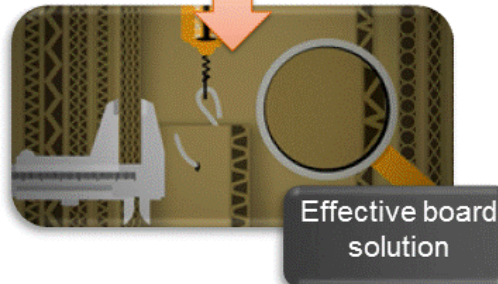
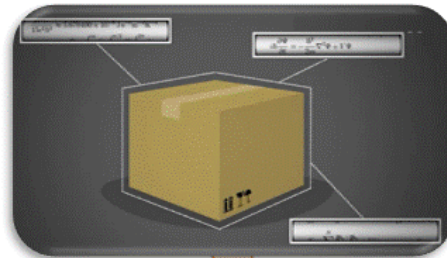
Step 2 | Harnessing creativity throughout the Group

- ▶ Smurfit Kappa changed the way of structural board design

- ▶ Smurfit Kappa introduced state-of-the-art science to the industry

- **Proven:** By benchmarking millions of samples and updating with the latest scientific insights
- **Unique** combination of scientific insights and analysis of more than 20,000 supply chains with more added every year

Paper To Box™



Pack Expert



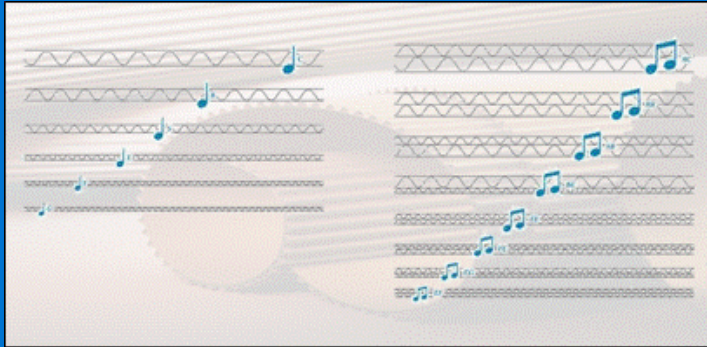
Packaging requirements

Step 2 | Harnessing creativity throughout the Group

- ▶ Smurfit Kappa changed the way of structural board design

▶ Innovation

- ▶ Complete paper portfolio
- ▶ > 22 different flute types



▶ THAT WORKS

- ▶ 20,000 supply chains
- ▶ 8 billion boxes
- ▶ State-of-the-art science
- ▶ Supply chain testing



• Storage



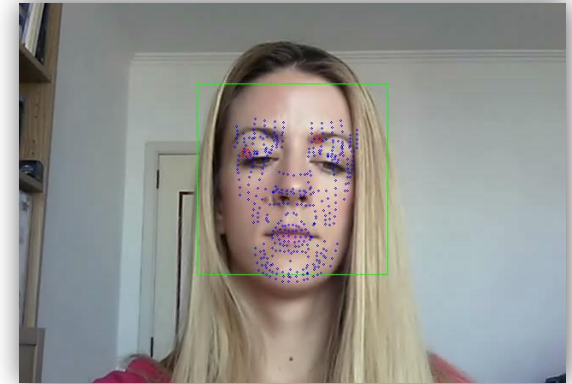
• Transport



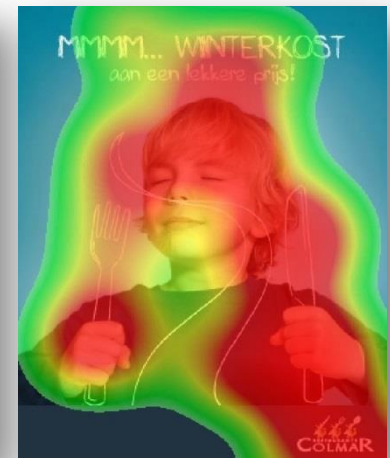
• Handling



- ▶ Eye tracking and facial recognition
- ▶ We can see where people see
 - Online eye-tracking
 - Online facial encoding / emotions
- ▶ Broad panel base
 - Gender, age, country
 - Focused on your target group
- ▶ Measurable results



Using webcam technology



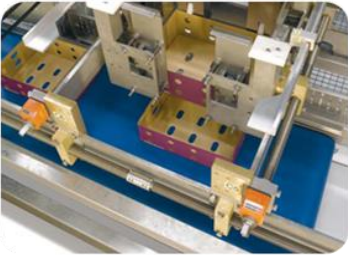


Making Our Difference Count

Machine systems and Online Printing Offering

 Smurfit Kappa

Machine Systems | Product offering



Tray

Tray erectors- Traypackers



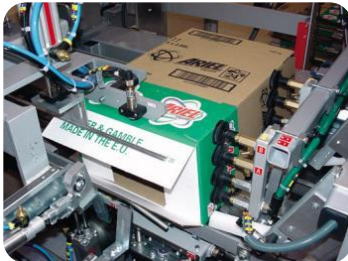
Folding and Solid

Cartoning – Tray erectors
– Wrap around



Lid

Lid formers & applicators



RSC

Case erectors & sealers –
Top loaders – Side loaders



Special & Other

Robotics – Tailor made



Wrap Around

Case Packers –
Tray & Hood



Bag in Box

Filling machines

Late stage differentiation and flexibility through Online Printing

- ▶ By using online printing we enable our customers:
 - To act with **flexibility** on promotions and fit consumer/retail needs
 - With a very **short leadtime**



Limitronic Demo Machine





Making Our Difference Count

Positioned for growth in E-Commerce



E-Commerce | UK market size and growth prospects

- ▶ Total UK Market value of €110 billion in 2013
- ▶ Growth of 16% to 17% per annum
- ▶ Second largest market in the world
- ▶ Over 1.2 billion e-retail parcels delivered annually from the UK
- ▶ 150,000 online retail businesses sell from the UK
- ▶ E Retail accounts for 21% of the Retail market! Source IMRG



E-Commerce | Core trends

Technology

- ▶ Growth in Mobile/Tablet shopping
 - 4 out of 10 website visits via M/T.
 - 82% of M/T sales come from tablets
 - Mobile sales have risen 136% in 2013

Routes to Market

- ▶ Click and Collect vs. Delivery
 - 25% of total e retail sales for JLP
 - 61% year-on-year rise in C&C for John Lewis

Customer Experience

- ▶ Return strips - People want to try things on and emulated the shopping in store experience
- ▶ 74% of people interviewed said an improved delivery experience would encourage them to repeat purchase
 - £851m cost of annual failed online deliveries (IMRG)

Branding

- ▶ Move to inside printing to enhance brand

Features

- 👍 Flexibility of contents
- 👍 Severe supply chain survival
- 👍 Tamper evident
- 👍 Marketing
- 👍 Returnable package
- 👍 Sustainable



Smurfit Kappa meets, exceeds and defines customer needs

- ▶ Smurfit Kappa changes the way of retail packaging development

▶ Innovation

- ▶ > 350 unique designs in 3 different product lines

E-Stretch

- Corrugate + film
- Not Capital
- Partially Blind to Shape
- 2 materials



E-Air

- Corrugate + film
- Capital (air system)
- Blind to Shape
- 2 materials



E-Paper

- Paper based
- Not capital
- Partially Blind to Shape
- Mono material



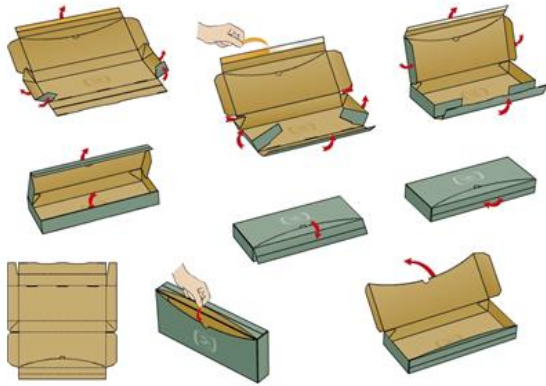
▶ THAT WORKS

- ▶ Certified Parcel Delivery Test Centre

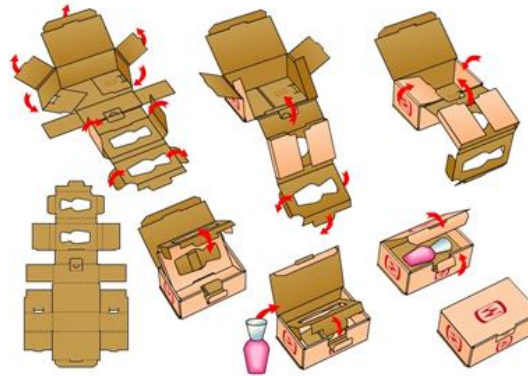


Smurfit Kappa innovation for E-Commerce

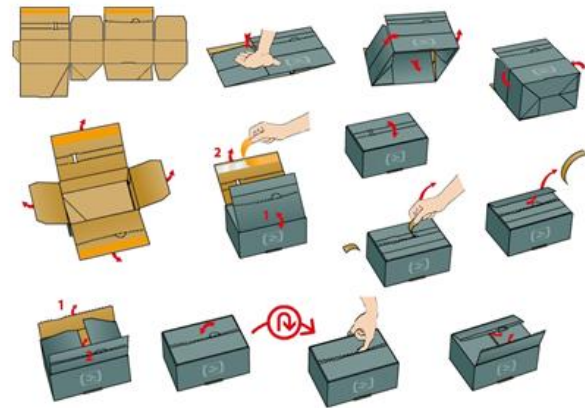
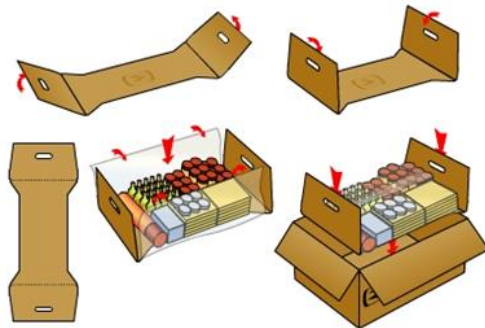
- ☑ Tamper evident box for e-commerce



- ☑ Returnable box with narrow width for E-Commerce



- ☑ Unblock – insert to hold product



Smurfit Kappa's Value Proposition

INNOVATION PROCESS

| Research | Observe | Define | Develop | Implement |
|---------------------|----------------------|---------------------|------------------------|------------------------------------|
| Researcher: Lead | Observation: Problem | Definition: Concept | Development: Prototype | Implementation: Change and Control |
| Researcher: Analyst | Observation: Problem | Definition: Concept | Development: Prototype | Implementation: Change and Control |
| Researcher: Analyst | Observation: Problem | Definition: Concept | Development: Prototype | Implementation: Change and Control |
| Researcher: Analyst | Observation: Problem | Definition: Concept | Development: Prototype | Implementation: Change and Control |
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Paper to Box
by Smurfit Kappa

Pack Expert



The UK E Commerce Market

- Total UK Market value: £76.4 bn (2012)
- Growth: 18% per annum
- 2nd largest market in the world
- Over 2.2 billion e-retail parcels delivered annually from the UK
- 150,000 online retail businesses sell from the UK
- Very fragmented market



Smurfit Kappa