

SKG: LN | SKG: ID

Medium Term Outlook

7 February 2018

Disclaimer

The presentation contains forward-looking statements, including statements about the Group'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.

Recipients of this presentation are therefore cautioned that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements.

Please refer to the Principal Risks and Uncertainties contained in the Q4 2017 Press Release for details.

Introduction



Agenda | Accelerating our vision

Medium Term Outlook

09.40 | Introduction | Tony Smurfit, CEO, Smurfit Kappa Group

10.00 | Financial & Operating Performance measures | Ken Bowles, CFO, Smurfit Kappa Group

10.20 | Wrap up | Tony Smurfit, CEO, Smurfit Kappa Group

10.30 | Q&A

Smurfit Kappa Group | Medium-term outlook

Tony Smurfit

Group Chief Executive Officer



- 32 years in industry
- 32 years with Smurfit Kappa

Ken Bowles

Group Chief Financial Officer



- 30 years in industry
- 24 years with Smurfit Kappa

Paul Regan

Group Treasurer



- 37 years in industry
- 23 years with Smurfit Kappa

Saverio Mayer

Europe, Chief Executive Officer



- 33 years in industry
- 33 years with Smurfit Kappa

Juan Guillermo Castaneda

The Americas, Chief Executive Officer



- 34 years in industry
- 34 years with Smurfit Kappa

Arco Berkenbosch

Europe, VP Innovation



- 23 years in industry
- 18 years with Smurfit Kappa

Our objective today | How SKG can

- ▶ Use its innovative market offering to open opportunities
- ▶ Capitalise on its leading sustainability credentials
- ▶ Deliver on multiple sources of earnings growth
- ▶ Deploy capital to deliver increased long-term returns
- ▶ Deliver our updated key metrics
- ▶ Develop packaging solutions today for the needs of tomorrow



Future success depends on what you're made of

As we release our latest results, we'd like to thank our customers and employees. They help us create the packaging solutions of today that meet the demands of tomorrow.

Biodegradable. Renewable. Recyclable.

Find out more at smurfitkappa.com

PAPER | PACKAGING | SOLUTIONS
LSE:SKG

Smurfit Kappa
Open the future

DRIVEN BY OUR PERFORMANCE CULTURE

**To be a globally admired
business, dynamically
delivering secure and superior
returns for all stakeholders**

Accelerating our vision

Innovation

- SKG's unique offering in the market to grow profitably
- SKG increasingly part of solving our customers challenges
- Changing how we are positioned in our customers world
- Generating demand for SKG and customer partnerships

Investment

- €1.6 billion above base capex 2018-2021*
- Agility to adjust quantum and timing of investment

M & A

- Significant capacity and capability for M&A
- Maintaining our disciplined approach

Investing
€1.6 billion*

New Medium Term
Target Metrics

ROCE
17%**

1.75x to 2.5x
Net Debt
to EBITDA

**Base capex is maintenance capex plus environmental capex, approximately €320 million per annum*

***Assumptions include incremental returns from increased capital spend, stable pricing, normal inflation offset by ongoing productivity gains, no impact of foreign exchange*

SKG | A leader in a long-term growth industry

Corrugated Packaging
a growth industry



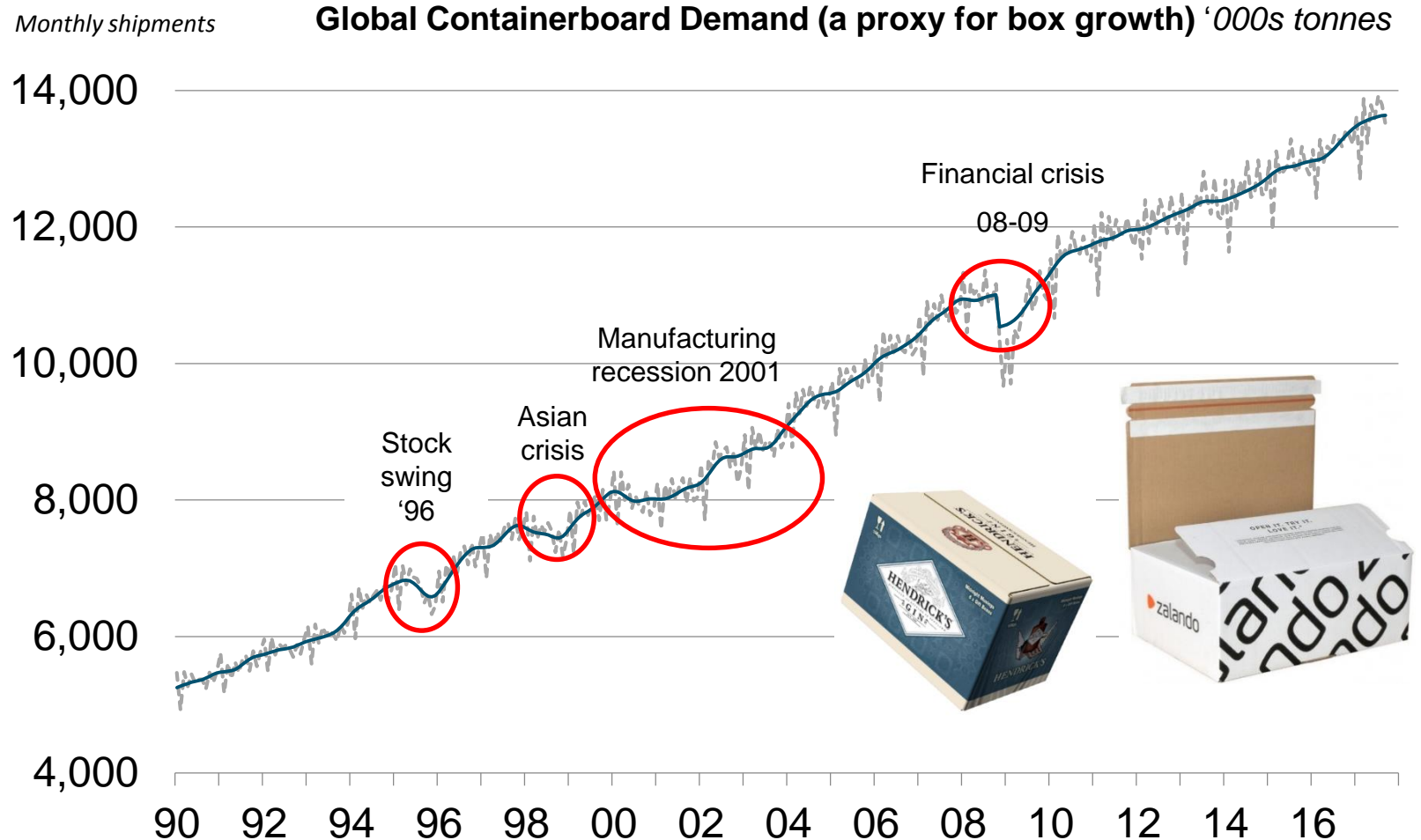
SKG is the European
& Pan American leader



Experienced
Management team



Leading the market



Source: Numera Analytics, December 2017

Strong underlying factors increasing box demand

Corrugated market growth driven by

- ▶ Development of customers omni-channel requirements
- ▶ E-Commerce
- ▶ Discount retailers
- ▶ Corrugated as a sustainable, renewable, bio-degradable solution
- ▶ Corrugated as a merchandising medium in the battle for consumers
- ▶ Highest growth channels are the largest consumers of corrugated
- ▶ General GDP+ nature of corrugated consumption

Corrugated is.....

READY FOR OMNI-CHANNEL



ADAPTABLE



SUSTAINABLE



Strong underlying factors increasing SKG box demand

SKG, SMART growth above the market

- ▶ Development of industry leading machine systems expertise
- ▶ SKG innovative SMART applications helping our customers “win”
- ▶ SKG’s security of supply via the integrated system
- ▶ SKG the leader in improving speed to market for our customers
- ▶ Consolidation of supplier lists by large FMCG companies
- ▶ SKG as a leader in sustainability

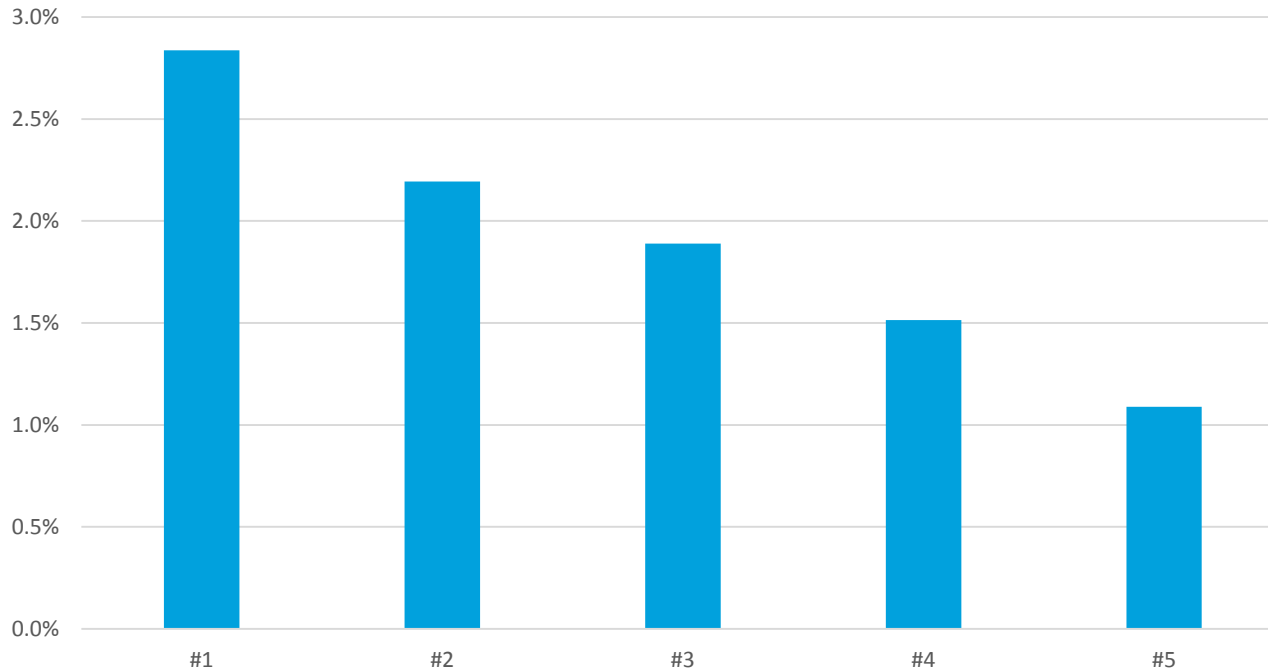
SupplySmart

eSmart

ShelfSmart

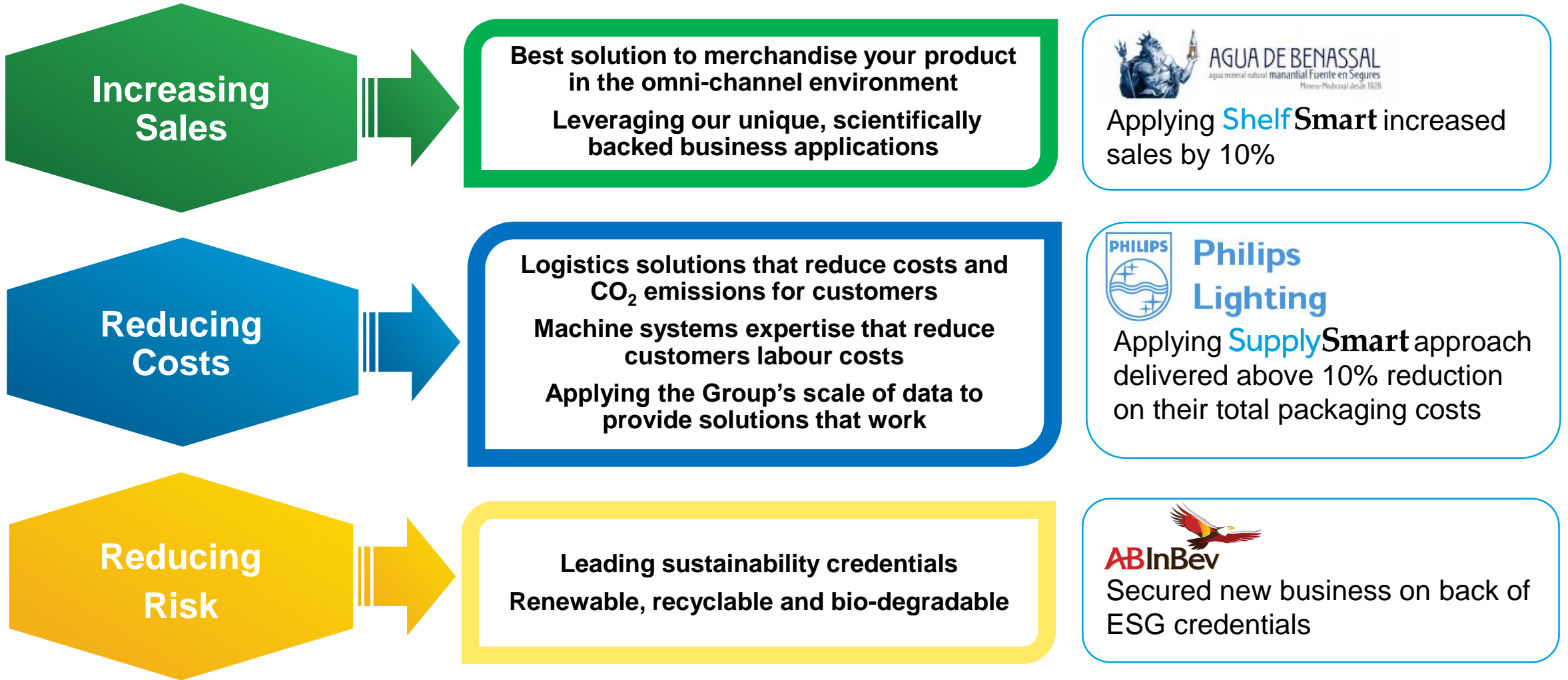
Diversified customer base | Over 64,000 customers worldwide

2017 Top 5 Customers, as % of total volume



▶ Top 5 customers **represent** less than 10% of our total volumes

SKG | solving our customers' business challenges



SKG | Leading the way



Working in partnership with one of Europe's largest and fastest growing e-Commerce companies



“Smurfit Kappa is our preferred packaging specialist, and they understand the Aldi business and our requirements better than anyone else.”

David Hills, Buying Director, Aldi UK

- ▶ 2012 Smurfit Kappa & Aldi collaborate to open Retail Insight Centre
- ▶ Smurfit Kappa UK sets the quality specifications for Aldi packaging
- ▶ Smurfit Kappa works directly with those who supply into Aldi

(refer to Appendix for more detail on case studies and awards)



One of the largest manufacturers of household appliances in the world, based in Mexico

- ▶ **Corrugated volume growth** in 2017 of **27%**



Replaced Expanded Polystyrene with Corrugated

SupplySmart



- ▶ **Speed to market** was key to the launch of a new product
- ▶ Launch of product was expedited by SKG combining its **machine systems** solution along with a bespoke retail packaging solution by SKG Italy
- ▶ Packing line speeds of 400 capsules per minute increasing **Lavazza efficiencies**
- ▶ **Lavazza commented:** “Being able to offer a complete packing solution and work on both the packaging format and packing line simultaneously saved a lot of time and got our product on the shelves quicker.”

SKG | An integrated approach

Key to delivering quality earnings



Control over sustainable sourcing and highest industry standards



Two profits (paper and box) from box demand growth



Optimised supply system

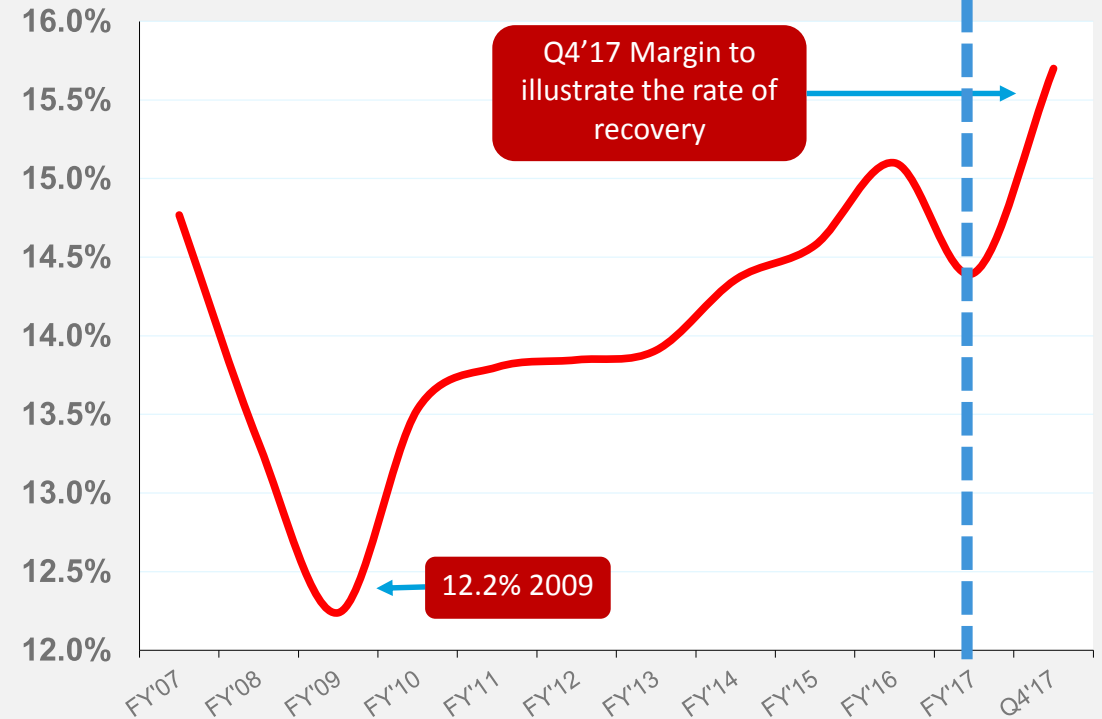


Delivers significantly less volatility in earnings & returns



Security of supply in all market conditions

EBITDA* Margin



*EBITDA is defined as earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net), impairment of assets and intangible assets amortisation

Our Containerboard system | Supporting our customer offering

- ▶ Recycling depots supporting the mill system
- ▶ Containerboard mills supporting box plants
- ▶ Targeted investment in our mill system
 - 2006-2017 closed 14 machines
 - 2017 production capacity maintained
 - Reduced cash cost by €20/T v 2006
- ▶ Security of supply for our box plants

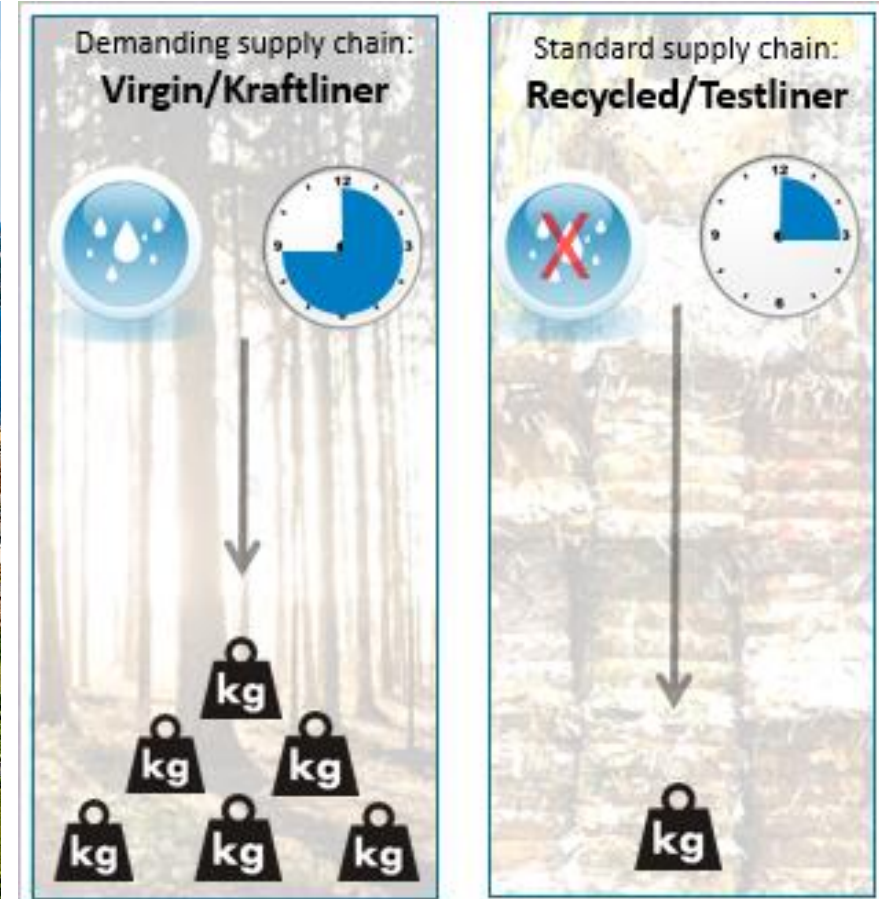
Overview of investments in our recycled system

- Townsend Hook, UK
- Los Reyes, Mexico
- Roermond, the Netherlands
- Hoya, Germany
- Saillat, France
- Papelsa, Colombia

Integrated over 400,000 additional low cost tonnes

Kraftliner | A unique competitive advantage

- ▶ Good fundamentals
- ▶ Kraftliner as a key material for e-Commerce & discount retailers
- ▶ Largest kraftliner system in Europe
- ▶ Increased European integration from 54% to 62%
- ▶ Forestry assets in Latin America of c.100,000 hectares
 - An opportunity for development
- ▶ Significant barriers to new capacity
- ▶ Replacement costs of c. €2.5 billion



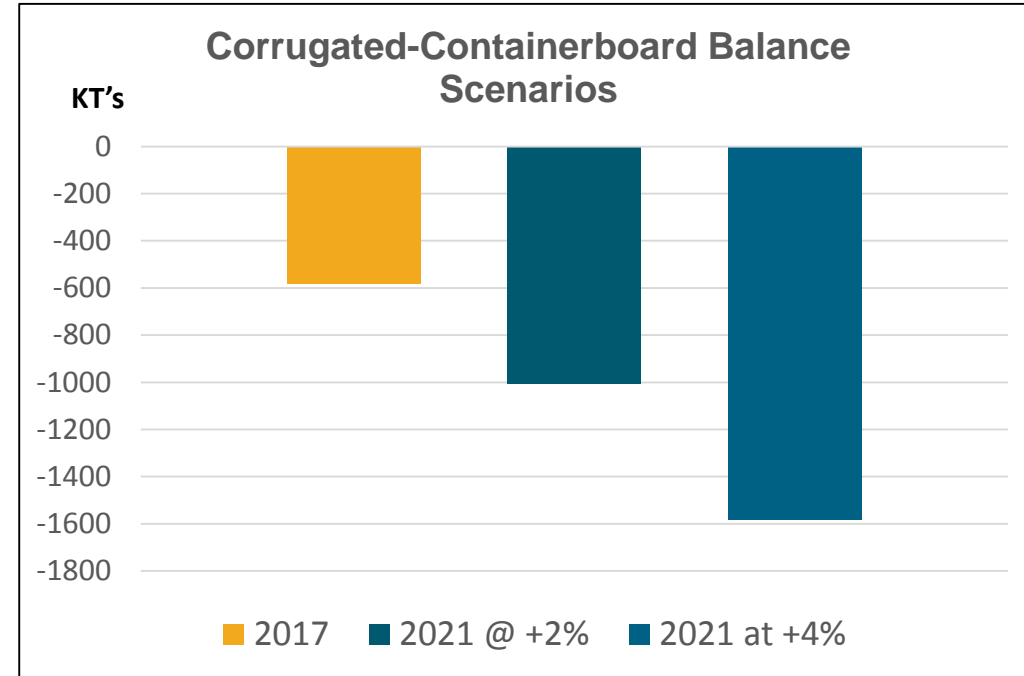
SKG a leader in CSR



- ▶ Invested over €5 million in **our local communities** in 2017
- ▶ Funding education, health, well-being and the environment in the communities we operate in
- ▶ Helping **our customers** reduce their environmental footprint
- ▶ Human capital development by investing in **our people**
- ▶ Sustainable sourcing and **circular business practices**

SKG | Resourcing growth to maintain our leadership position

- ▶ Increased box demand driven by market and SKG specific factors
- ▶ SKG will invest to maintain the strength of our integrated model
- ▶ SKG will invest to drive profitable growth and reduce our operating costs
- ▶ SKG will invest to maintain our market-leader position and security of supply



SKG Global short position or net corrugated-containerboard position

- Based on a short position in 2017 of circa 580,000 tonnes globally*
- Modelling 2 scenarios: corrugated growth at +2% and +4% per annum
- Modelling SKG's containerboard capacity growth at 0.5% creep per annum

**SKG's reliance on third paper supply grows significantly in both scenarios
SKG losing opportunity for increased integration and its associated profit**

*2017 net-short position of SKG's global combined kraftliner and testliner production based on circa 280KT's short in the Americas and 300KT's short in Europe (400KT's long kraftliner & 700KT's short testliner)

Resourcing Growth



Historical Performance in Context

Significantly improved financial performance driven by

- ▶ Innovation strategy generating improved corrugated margins
- ▶ High return capex programmes
- ▶ Accretive M&A

Along with

- ▶ Progressive dividend growth
- ▶ Ba1/ BB+ rating

We set and met our 2015 targets

- ▶ ROCE of 15% through the cycle
- ▶ Capex at depreciation plus €50m per annum (high return capex)
- ▶ Progressive dividend increased by 58% from 2014 baseline
- ▶ Ba1/ BB+ credit rating

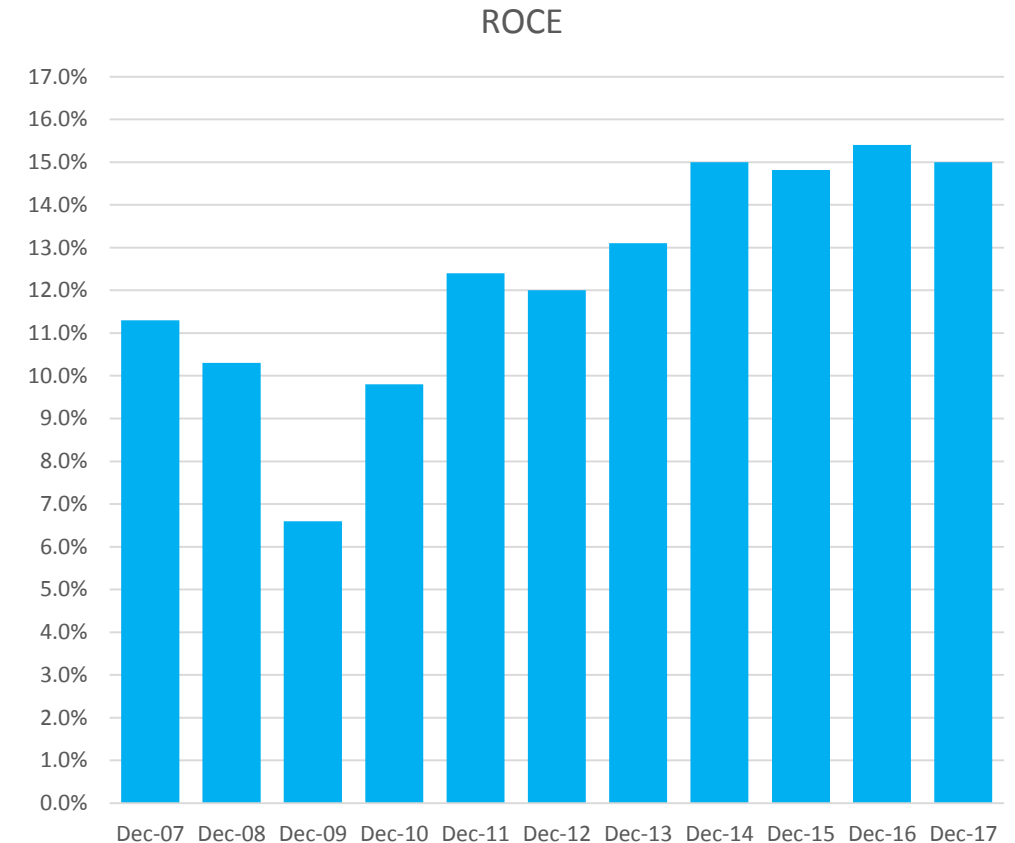
Metric	2007	2017
EBITDA (EUR M)	1,064	1,240
ROCE	11.3%	15.0%
Net Debt/ EBITDA	3.2x	2.3x
10 Year Cumulative		
Capex (EUR M)	3,639	
Dividends (EUR M)	795	
M&A (EUR M)	874	
Net Debt (EUR M)	(599)	



Opportunity now to drive growth through internal investment and disciplined M&A

SKG | A business with a long-term approach to value creation

- ▶ Our unique owner-operator culture drives our returns focus
- ▶ Unique market offering changing how corrugated is perceived in our customers' world
- ▶ Disciplined discretionary internal investment
- ▶ Disciplined acquisitions
- ▶ From a ROCE of 11.3% in 2007 to 15% at year-end 2017



How? | Resourcing growth

Priority on Increased Capital Spend

Maintaining a Progressive Dividend

Within Ba1/ BB+ Credit Rating

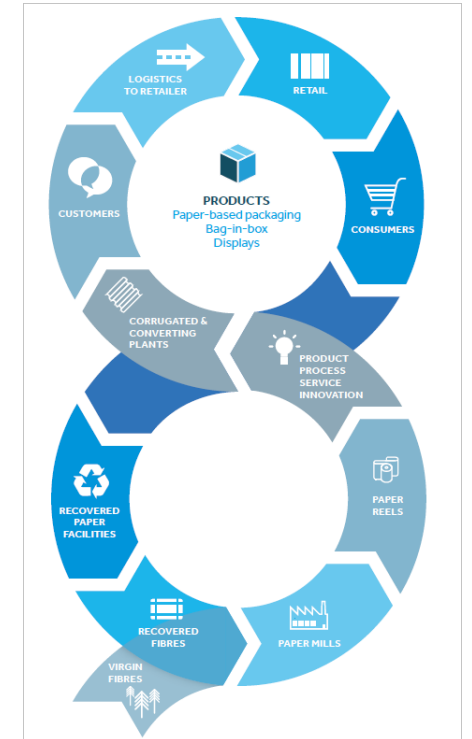
- ▶ Increased capital spend to drive enhanced returns
- ▶ Priority to Capex and M&A
- ▶ Net debt to EBITDA range from 1.75x to 2.5x
- ▶ Our approach will remain agile to avail of market opportunities
- ▶ Dividend policy remains progressive
- ▶ Underpinned by strong free cash flow generation

Resourcing Growth | Investment in our business

- ▶ Increased investment in the business through to 2021
- ▶ Capitalising on growth opportunities across the business
- ▶ Capitalising on cost reduction projects
- ▶ Maintaining the strength of the integrated model
- ▶ Current capex guidance of approx. €600m in 2018
- ▶ Financial flexibility to adjust quantum and timing



Integrated model



Ambitious

Agile

Achievable

Resourcing Growth | Continued disciplined M&A

- ▶ Firepower for M&A and also maintaining our new capital allocation objectives
- ▶ Agility to flex internal investment against M&A
- ▶ Continued opportunity for consolidation in most regions

M&A Criteria

- ▶ Opportunities benchmarked against all other capital projects
- ▶ Ability to apply the Group's existing expertise to drive synergies
- ▶ Focus on existing or adjacent markets
- ▶ Focus on strengthening our integrated model

Track record of delivery

Orange County (US & Mexico)

- Headline multiple 6.5x
- Post year 1 synergy multiple 5.2x

Bates (US, Texas)

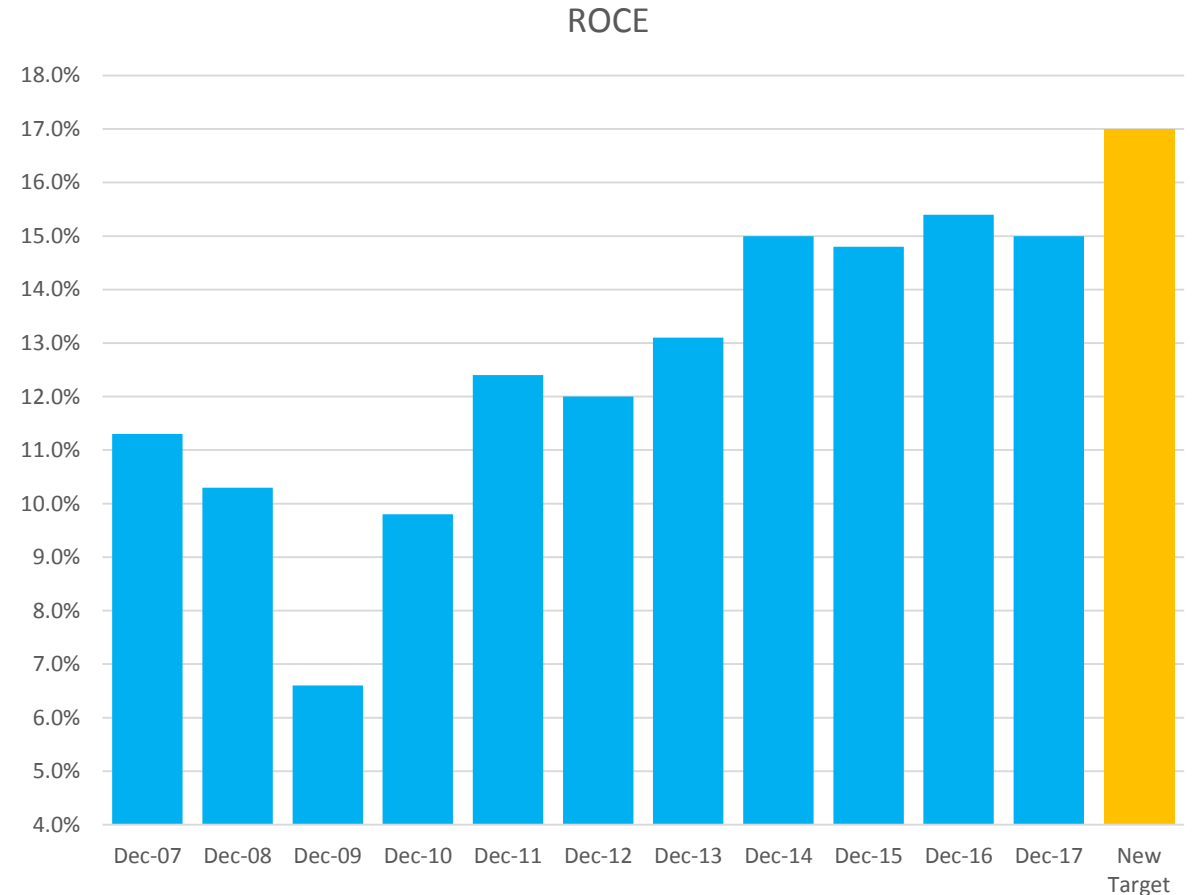
- Headline multiple 8.25x
- Post year 1 synergy multiple 5.7x

CYBSA (Central America)

- Headline multiple 8.2x
- Post year 1 synergy multiple 6.2x

Medium Term Outlook | Factors which maintain success

- ▶ Maintaining our disciplined approach
- ▶ Investment plan fundamentally based on
 - Innovation led demand for our boxes
 - Disciplined and profitable growth applying our applications and expertise
 - Growing our market led, competitive footprint in converting
 - Investing to maintain the strength of the integrated model
 - Reducing the Americas dependence on third party paper purchases
- ▶ Financial flexibility to adjust quantum and timing
- ▶ Record of delivery



Source: Smurfit Kappa

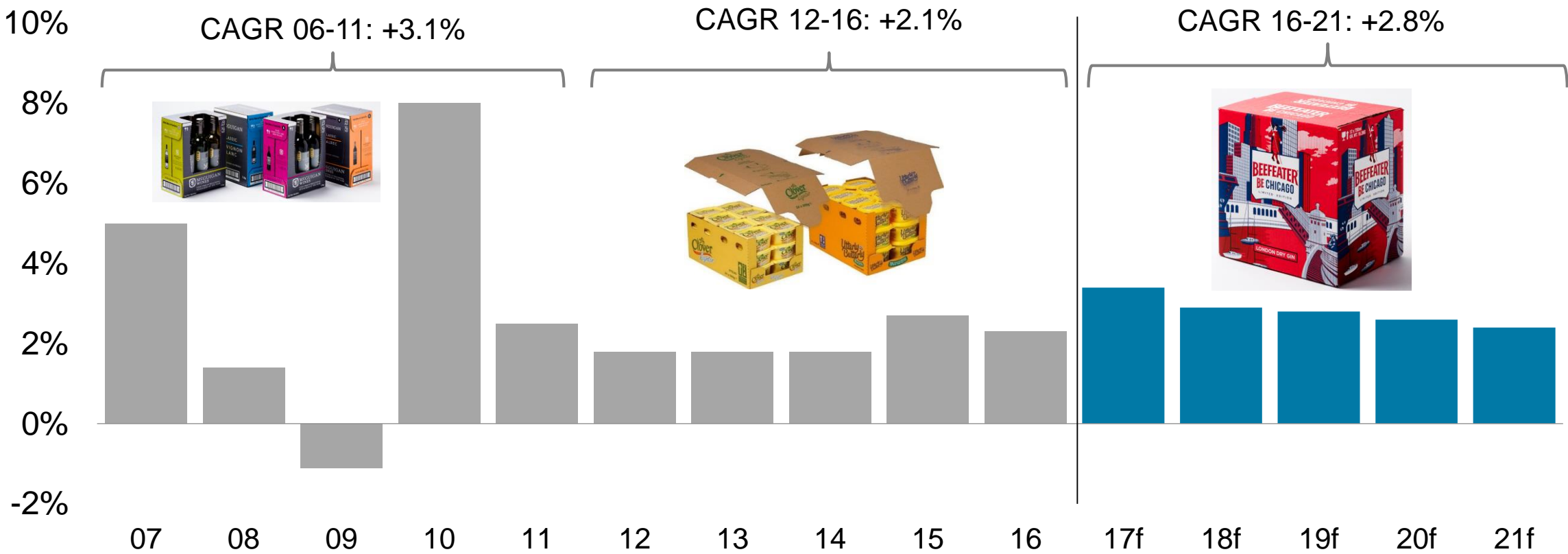
WRAP-UP



**To be a globally admired
business, dynamically
delivering secure and superior
returns for all stakeholders**

Global demand projected to grow ~24 million (metric tonnes)

Global Containerboard (proxy for Box demand) Demand Yearly growth rate (%)



Source: Numera Analytics, December 2017

Our investment Plans 2018-2021 | Supporting our customer offering

100+ conversion machines to satisfy both growth and added value trends

Additional Paper integration through organic investment and/ or M&A

Up to 5 new box plants to improve market positioning

7+ new recycling depots sustaining our grip on recovered fibre as we grow

40+ automation & 10+ warehousing investments to reduce SKG's cost base

800+ machine systems installations to reduce our customers' cost of production

Multiple sources of Earnings growth

Significant EBITDA uplift potential beyond internal investment



Innovation

- SKG key part of solving customers' challenges
- Expansion of Experience Centre network
- Leveraging SKG applications



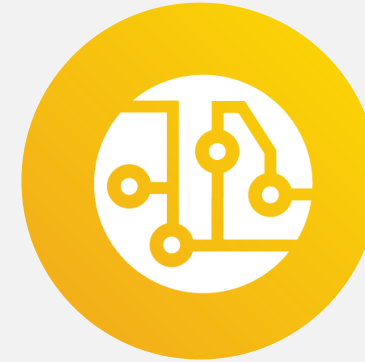
Growth Investment

- To meet customer expectations
- Opening new markets
- Focus on added value capacity additions



Strategic Investment

- Sustaining SKG's integrated model
- Catering for growing system shortfall



Cost take-out

- Focus on high labour cost areas
- Automation



M&A

- Ambition to acquire
- Disciplined approach
- Balance sheet strength for M&A

SKG in 5 years.....

A clear global leader in paper based packaging

- An optimised integrated model
- Increased geographic diversity
- Continued balance sheet strength to seize opportunities
- Delivering secure and superior returns

Investing*
€1.6 billion

New Medium Term
Target Metrics

ROCE
17%**

1.75x to 2.5x
Net Debt to
EBITDA

DRIVEN BY OUR PERFORMANCE CULTURE

**€1.6 billion is in addition to base capex, which is maintenance capex plus environmental capex, approximately €320 million per annum*

***Assumptions include incremental returns from increased capital spend, stable pricing, normal inflation offset by ongoing productivity gains, no impact of foreign exchange*

Q & A



Appendix

- Slide 35: About us
- Slide 36: 2017 Awards overview
- Slide 37: Overview of business applications
- Slide 38: Overview of SKG products
- Slide 39: Importance of Global Experience Network
- Slide 40: Omni-Channel Needs
- Slide 41-45: Case studies for SKG working with customers to help them win



SKG | About us



46,000
Employees



370
Operating facilities



64,000
Customers



3
Continents



35
Countries



34,000
Boxes made every minute



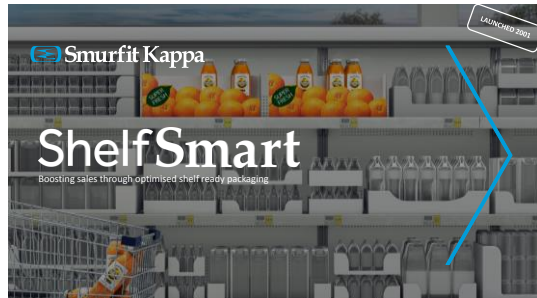
43 Awards won across our Operations in 2017



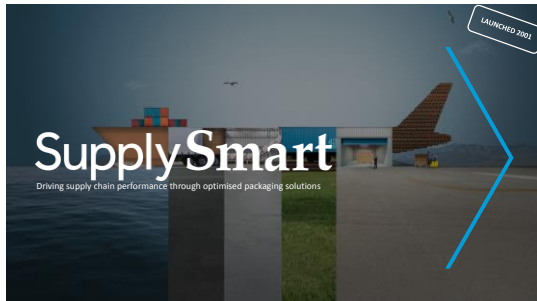
WORLDSTAR
WINNER 2017



Smart Applications and Machine systems expertise help our customers win in their marketplace



- Increasing the visibility and on shelf presence of our customers' product
- Increased visibility improves the probability of the product being purchased
- Supported by real consumer insights
- Scientifically backed approach
- Early adopters seeing their sales increase by over 10% (reference Appendix)



- Analysing supply chains to give credible cost take out options
- Ensuring that your packaging is fit for purpose, not just lower cost
- Enabling logistics savings beyond packaging spend
- Scientifically backed approach
- Supported by industry leading depth of data



- Building machine systems since 1967
- 8,200 machines installed
- Enabling customers to increase productivity and reduce labour costs
- Enabling customers to optimise their packaging design for on shelf presence
- Supported by industry leading depth of data

Smurfit Kappa Product offering

Largest paper based portfolio in the industry



eCommerce Packaging



Retail Packaging



Consumer Packaging



Food Packaging



Industrial Packaging



Hexacomb



Point-of-Sale Displays



Standard Packaging



Machine Systems



Protective Packaging



Bag-in-Box



Sheets

Global Network of Experience Centres

Helping change how corrugated packaging is perceived



- ▶ Vastly improved speed to market for customers
- ▶ Increased perception of value in use of corrugated
- ▶ Change in development of corrugated packaging solutions

Omni-channel solutions driving corrugated growth

Packaging is seen as a growth enabler by all sales channels

Super/ Hypermarket

Driving use of Shelf Ready Packaging to improve in-store logistic efficiency and the shopping experience



Discounters

Driving use of Shelf Ready Packaging to improve efficiency and the shopping experience



E-commerce

Driving use of eReady Packaging to improve the supply chain efficiency and unboxing experience



Zalando – one of Germany’s largest e-Commerce companies

E-Commerce Packaging



Their Challenge

- ▶ Time is money – focus on speed of manual packing process
- ▶ Opening and closing for return should be as simple as possible for the customers



Our Approach

- ▶ E-Commerce packaging that can easily be erected and closed without any tools
- ▶ Great opening experience with high recognition value:
 - packaging as an important branding element
 - packaging can be opened without scissors
 - glue strip enables easy return without additional tape



The Result



- 1 Easy to close
- 2 Easy to open
- 3 Easy to return

Lavazza

A market leader in the coffee industry



Their Challenge

- ▶ Lavazza wanted to launch a new product (coffee capsules) into the market in the shortest possible time
- ▶ The packaging still had to be designed by the Lavazza marketing team and the packaging machinery could not be ordered until every aspect of the pack was finalised
- ▶ They had to look for a packaging partner who could both develop and then supply their packaging and machinery simultaneously

Our Approach

- ▶ Smurfit Kappa worked with Lavazza's marketing team to define the required packaging formats
- ▶ At the same time Lavazza's engineers and Smurfit Kappa Machine Systems worked together to develop the automated packing line
- ▶ Lavazza was able to launch its new coffee capsules in brand new packaging formats in less than 10 months
- ▶ The packaging line meets the run speeds requested and can run the 3 brand new folding carton formats (10,30,100) plus 3 new shelf ready wraparound formats

The Result



"The brief was challenging but Smurfit Kappa turned it around and provided both the consumer and retail packaging as well as the machine system that could pack 400 capsules per minute"

Paolo Zonca, R&D Engineer, Lavazza

Less than
10 months
to launch new
product

400
capsule/min
packing line
and **6 new**
packaging
formats

Agua de Benassal

A fast growing, premium brand, bottled water company



Their Challenge

- ▶ Agua de Benassal needed to increase visibility and brand awareness in store
- ▶ In the mineral-water aisle at the retailer, corrugated is primarily in the form of interlayers and trays
- ▶ Corrugated has a big impact on the cost in this low margin, fast growing, competitive market
- ▶ The Agua de Benassal brand was hidden by the shrink wrap and therefore really difficult to differentiate from the competition

Our Approach

- ▶ Smurfit Kappa designed high impact visual sheets which instantly engage the shopper by clearly conveying the brand messaging
- ▶ The intermediate sheets fit neatly between the layers of bottles
- ▶ Smurfit Kappa were also able to reduce the material costs and the savings made were used to create the printed display, making the solution cost neutral

The Result



Business Case: Aldi UK

“Smurfit Kappa is our preferred packaging specialist, and they understand the Aldi business and our requirements better than anyone else.”

David Hills, Buying Director, Aldi UK

- ▶ Significant player in European discount retail growth
- ▶ Aldi 5th largest grocery retailer in the UK (by sales)
- ▶ 2012 Smurfit Kappa & Aldi collaborate to open Retail Insight Centre
- ▶ Smurfit Kappa UK sets the quality specifications for Aldi packaging
- ▶ Smurfit Kappa works directly with those who supply into Aldi



Living in our customers world

Sustaining long-term partnerships



**Philips
Lighting**

"We are working with Smurfit Kappa for 54 years. It is a long, true partnership. It is not a simple 'customer – supplier' relationship but a real partnership.

What we really appreciate is the huge contribution of Smurfit Kappa in terms of value engineering, design for excellence, reducing integral warehouse and distribution costs for Philips Lighting

We especially like the innovative part of Smurfit Kappa and the capabilities of your teams within the innovation and R&D departments which really fits into our Company's needs"

**Philips Lighting, head of Global Packaging
Competence team**



Pernod Ricard

"Today Smurfit Kappa is our number one supplier on 'shipper cases' which are a key resource for our products

For Pernod Ricard it is not about taking the cost out only, by far not, again it's really making sure that we do provide the best premium or even prestige product to our final customers.

Our two companies are structured the same way; decentralized and living entrepreneurial behaviours locally, working in different parts of the world being leaders in our categories, family oriented too- it's very important.

So for me what is really interesting is that when we say we are partners, it is not a word to please, a relation customer-supplier but it's real partnership, I would say between cousins, really. It's what strikes me a lot between our two companies"

Pernod Ricard, Head of Procurement for Media and Floor Displays

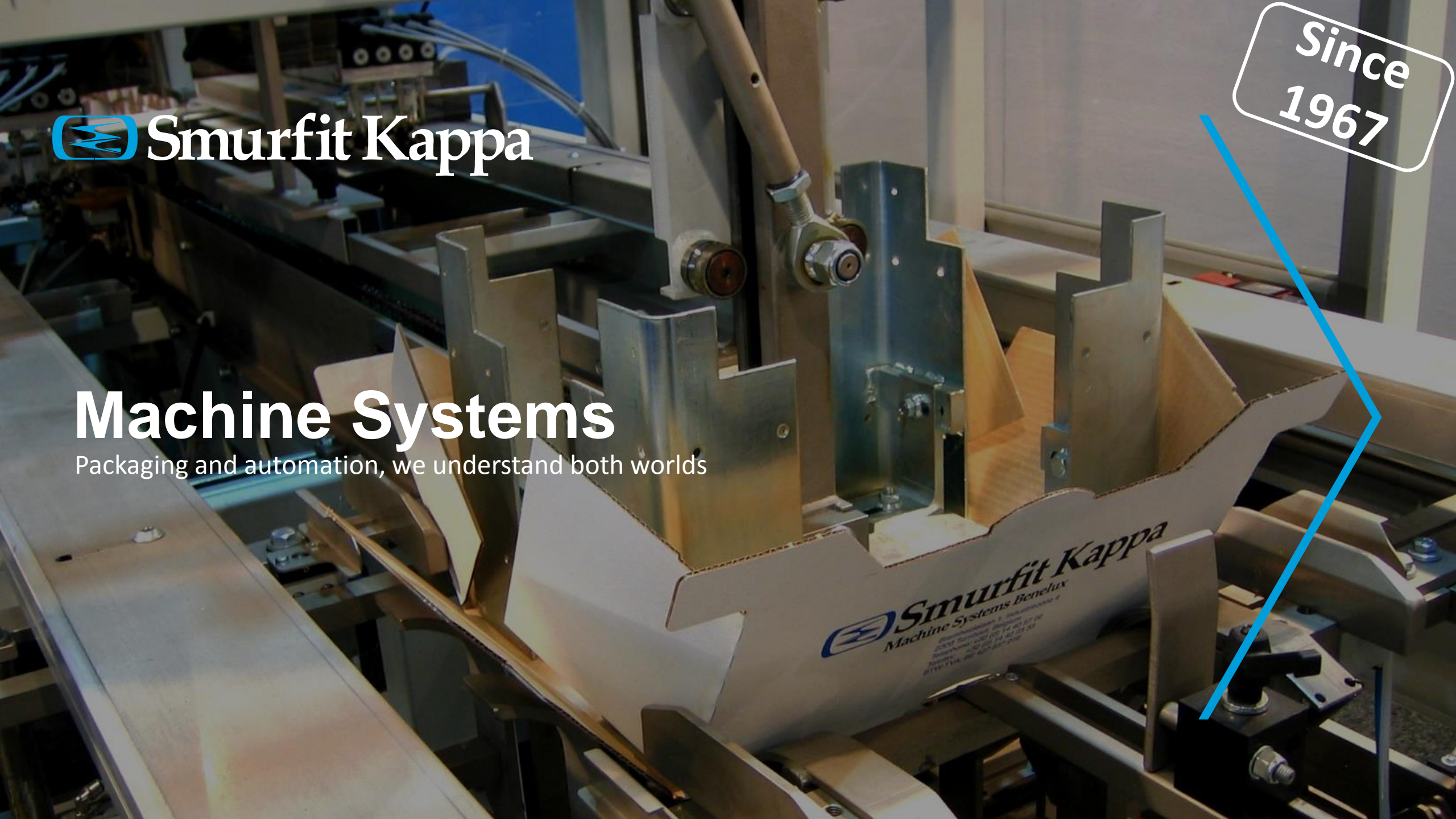


Smurfit Kappa

Since
1967

Machine Systems

Packaging and automation, we understand both worlds



Smurfit Kappa
Machine Systems Benelux
Boulevard de l'Industrie 1, 1300 Wavre
2000 Tervuren, Belgium
Tel: +32 (0) 27 24 24 24
Fax: +32 (0) 27 24 24 24
E: info@smurfitkappa.com