

---

## PRESS RELEASE

**4 May:** Smurfit Kappa Group plc ('SKG', 'Smurfit Kappa' or 'the Group') today announced a trading update for the 3 months ending 31 March 2018.

### **First Quarter Overview – Significant year-on-year improvement across all key metrics**

- Group underlying<sup>1</sup> revenue growth of 7% year-on-year
- Group EBITDA growth of 22% year-on-year to €340 million
- EBITDA margin of 15.7%, significant year-on-year improvement
- Increased ROCE of 16.1%
- Improved net debt to EBITDA ratio of 2.2x; medium-term target of 1.75x to 2.5x
- Proposed final dividend for 2017 of 64.5 cent per share, a 12% increase year-on-year, payable on 11 May
- Full-year outcome expected to be materially better than 2017; delivering continued EBITDA growth

### **Performance Review**

Smurfit Kappa Group is pleased to report a strong performance with significant year-on-year improvement across all key metrics. Underlying revenue grew by 7% and reported EBITDA grew by 22% year-on-year resulting in a first quarter reported EBITDA of €340 million. These results reflect the ongoing benefits of our capital investment programme and strong demand in most markets where SKG is increasingly working with its customers to help them sell more and reduce their cost of doing business.

During the quarter, the Group continued to implement pricing initiatives and experienced good demand growth across most markets with reported revenue of €2,168 million. The first quarter outcome was positively influenced by lower average recovered fibre costs of €17 million year-on-year, which were largely offset by higher other costs and a negative currency translation impact primarily related to the fall in the US dollar versus the euro.

First quarter EBITDA translates to a first quarter EBITDA margin of 15.7%, an increase of 2.7 percentage points on a margin of 13.0% in the first quarter of 2017.

The Group's first quarter ROCE was 16.1% equalling the Group's previous record.

### **Regional Summary**

SKG again recorded solid demand across Europe during the quarter, notwithstanding an early Easter and some significant adverse weather conditions. On a days adjusted basis corrugated volume growth was 4%, or 3% net of acquisitions. Corrugated price recovery in the quarter was fully in line with our expectations. Moreover, SKG now expects additional corrugated price recovery through 2018 as we recover the latest containerboard price increases. Containerboard markets are tight and are expected to remain so for the foreseeable future. During the quarter, our Factice mill took planned extended maintenance downtime which had a negative year-on-year EBITDA impact of €9 million for the first quarter of 2018 and is expected to reduce to €5 million on a full year basis due to the absence of a second half shut.

For the quarter, the Americas reported strongly improved margins year-on-year, reflecting the recovery of key input costs incurred in 2017 which continues into 2018. The ongoing ramp up of the two mill investments in Mexico and Colombia in 2017 is progressing well.

---

<sup>1</sup> Underlying in relation to financial measures throughout this report excludes acquisitions, disposals, currency and hyperinflation movements where applicable

## Capital Resources and Cash Flow

Free cash flow for the first quarter was an inflow of €20 million, marginally up year-on-year reflecting the improved EBITDA performance offset by a higher working capital outflow, driven by volume growth, improved selling prices and lower average recovered fibre prices.

Net debt was €2,799 million at the end of March resulting in a net debt to EBITDA ratio of 2.2x. This compares to 2.3x at the end of December 2017 and 2.4x at the end of March 2017. The Group's balance sheet continues to provide considerable strategic and financial flexibility, subject to our stated leverage range of 1.75x to 2.5x.

## Commercial Offering and Innovation

Up to the end of April 2018 the Group's design and innovation capabilities continue to be acknowledged with 31 awards, the most recent at the EFIA's (European Flexographic Industry Awards) in April where the Group won in 14 categories.

During a week-long e-commerce event at the end of February, the Group launched an array of innovative new concepts and services designed to optimise performance in this rapidly growing sector. 140 visitors, including brand owners and e-tailers, came to the event which also included interactive exhibitions and demonstrations. Proven packaging design techniques were presented demonstrating an ability to drive sales across every channel.

The Group has continued to expand its network of Global Experience Centres bringing the total to 23 in March 2018 with the opening of our Mexico City Experience Centre. These experience centres provide a platform to deliver our industry leading portfolio of Smart applications that help our customers win in their marketplace by applying the Group's unrivalled scale and depth of data.

## Medium Term Outlook

The Group is implementing its medium-term plan announced in February 2018. In addition to a revised ROCE target of 17% and a lower leverage range of 1.75x to 2.5x EBITDA, the Group intends to invest €1.6 billion above base capital expenditure over the next four years. To the end of April, SKG has ordered or approved over €230 million of new investment as part of this plan. These orders and approvals include 23 corrugated conversion machines, 3 recycling depots, 34 automation projects, 57 machine systems and our recently announced Factice kraftliner expansion project. For 2018, SKG intends to invest over €600 million in capital expenditure.

These investments reflect the significant progress made in advancing the Group's medium-term strategy with returns expected in 2018 and beyond as we continue to execute the plan. As well as maintaining integration levels and driving efficiencies and cost reduction initiatives, these investments are intended to accelerate growth in the Group's chosen sectors and markets. This growth is supported by strong secular drivers such as the expansion of e-commerce and the discount retailers, the evolution of customers' omni-channel requirements, the development of corrugated packaging as a sustainable, renewable and bio-degradable solution and as a merchandising medium in the battle for the consumer.

## Tony Smurfit, Group CEO, commented:

*"Smurfit Kappa Group has again delivered a strong set of results with significant improvement across all key metrics. We have momentum in price recovery in our corrugated business, demand remains robust and paper markets remain tight.*

*"Paper-based packaging is the sustainable, renewable and recyclable packaging option for our customers and is increasingly used as a key merchandising medium across industries. We have what we consider to be the team, unique performance culture, asset base, innovation capability and financial capacity to capitalise on an increasingly attractive outlook for our business.*

*"Trading in the second quarter remains very encouraging with good demand across most regions, continued corrugated price recovery and lower sequential recovered fibre costs. For the year, while recovered fibre pricing remains uncertain, we have strong momentum in the business and expect continued corrugated price recovery and execution of our medium-term plan, further enhancing SKG's operating platform for sustained growth. We are excited about our prospects in the short, medium and long-term and expect our 2018 EBITDA to be materially better than 2017."*

## About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with around 46,000 employees in approximately 370 production sites across 35 countries and with revenue of €8.6 billion in 2017. We are located in 22 countries in Europe, and 13 in the Americas. We are the only large-scale pan-regional player in Latin America.

With our pro-active team, we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward-thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills.

[smurfitkappa.com](http://smurfitkappa.com)

Check out our microsite: [openthefuture.info](http://openthefuture.info)

Follow us on Twitter at [@smurfitkappa](https://twitter.com/smurfitkappa) and on LinkedIn at '[Smurfit Kappa](https://www.linkedin.com/company/smurfitkappa)'.

## Contacts

### Garrett Quinn

Smurfit Kappa

T: +353 1 202 71 80

E: [ir@smurfitkappa.com](mailto:ir@smurfitkappa.com)

### Melanie Farrell or Mark Kenny

FTI Consulting

T: +353 1 663 36 80

E: [smurfitkappa@fticonsulting.com](mailto:smurfitkappa@fticonsulting.com)

## Further Information

Each of the following statements contained in this announcement:

- "Group EBITDA growth of 22% year-on-year to €340 million";
- "Full-year outcome expected to be materially better than 2017; delivering continued EBITDA growth"; and
- "We are excited about our prospects in the short, medium and long-term and expect our 2018 EBITDA to be materially better than 2017".

constitutes a "profit forecast" for the purposes of Rule 28 of the Irish Takeover Rules. As required by Rule 28 of the Irish Takeover Rules, each profit forecast has been reported on by KPMG as reporting accountants to SKG and Citigroup Global Markets Limited ("Citi") and Davy Corporate Finance ("Davy") as financial advisers to SKG. Each of KPMG, Citigroup and Davy has given and has not withdrawn its consent to the publication of its name in the form and context in which it is included in this announcement.

This announcement is not intended to, and does not, constitute or form part of (1) an offer or invitation to purchase or otherwise acquire, subscribe for, tender, exchange, sell or otherwise dispose of any securities, (2) the solicitation of an offer or invitation to purchase or otherwise acquire, subscribe for, tender, exchange, sell or otherwise dispose of any securities, or (3) the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise.

The distribution of this announcement in, into, or from, certain jurisdictions other than Ireland and the United Kingdom may be restricted or affected by the laws of those jurisdictions. Accordingly, copies of this announcement are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into, or from any such jurisdiction. Therefore persons who receive this announcement (including without limitation nominees, trustees and custodians) and are subject to the laws of any jurisdiction other than Ireland and the United Kingdom who are not resident in Ireland or the United Kingdom will need to inform themselves about, and observe any applicable restrictions or requirements. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction.

## **Responsibility Statement**

The Directors of Smurfit Kappa accept responsibility for the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Citi, which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting as financial adviser exclusively for Smurfit Kappa and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Smurfit Kappa for providing the protections afforded to clients of Citi nor for providing advice in relation to any matter referred to herein.

Davy, which is authorised and regulated in Ireland by the Central Bank of Ireland, is acting exclusively for Smurfit Kappa and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Smurfit Kappa for providing the protections afforded to clients of Davy, or for providing advice in connection with the matters referred to in this announcement.

## **Forward-looking Statements**

This announcement includes certain "forward-looking statements" with respect to the business, strategy and plans of Smurfit Kappa and its expectations relating to Smurfit Kappa's future financial condition and performance. Statements that are not historical facts, including statements about Smurfit Kappa or Smurfit Kappa's belief and expectation, are forward-looking statements. Words such as "believes", "anticipates", "estimates", "expects", "intends", "aims", "potential", "will", "would", "could", "considered" and "likely", and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur and other factors, which are in some cases beyond the Group's control. Therefore actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements only speak as of the date on which they are made, and the events discussed in this announcement may not occur. Subject to compliance with applicable law and regulation, Smurfit Kappa is not under any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise.

## **Rule 8 – Dealing Disclosure Requirements**

Under the provisions of Rule 8.3 of the Irish Takeover Rules, if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of Smurfit Kappa or International Paper Company ("International Paper"), all "dealings" in any "relevant securities" of Smurfit Kappa or International Paper (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by not later than 3.30 pm (Irish time) in respect of the relevant securities of Smurfit Kappa and 3.30pm (New York time) in respect of the relevant securities of International Paper on the "business day" following the date of the relevant transaction. This requirement will continue until the date on which the "offer period" ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, either oral or written, to acquire an "interest" in "relevant securities" of Smurfit Kappa, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules.

Under Rule 8.1 of the Irish Takeover Rules, all dealings in relevant securities of Smurfit Kappa by International Paper, or relevant securities of International Paper by Smurfit Kappa, or by any party acting in concert with either of them must also be disclosed by no later than 12 noon (Irish/UK time) in respect of the relevant securities of Smurfit Kappa and 12 noon (New York time) in respect of the relevant securities of International Paper on the "business day" following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed can be found on the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie).

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Irish Takeover Rules, which can be found on the Irish Takeover Panel's website.

If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, please consult the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie) or contact the Irish Takeover Panel on telephone number +353 (0)1 678 9020; fax number +353 (0)1 678 9289.

**Profit Forecast/Asset Valuation**

Except as expressly stated, no statement in this announcement is intended to constitute a profit forecast for the purposes of Rule 28 of the Irish Takeover Rules. No statement in this announcement is intended to constitute an asset valuation.

**Publication on a website**

A copy of this announcement will be made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, on the Smurfit Kappa website at [www.smurfitkappa.com](http://www.smurfitkappa.com) and by no later than 12 noon on the business day following the date of the announcement. Neither the content of the websites referred to in this announcement, nor the contents of any other website accessible from hyperlinks on such websites, is incorporated into or forms part of this announcement.