

May 25, 2007: Smurfit Kappa Group plc (“SKG or the “Group”), one of the world’s largest integrated manufacturers of paper-based packaging products, with operations in Europe and Latin America, today announced key financial performance metrics for the quarter ended 31 March, 2007 and a trading update in respect of a four month period ended 30 April, 2007.

2007 First Quarter | Key Financial Performance Measures

€M	Q1, 2007	Q1, 2006	Change	Q4, 2006	Change
Revenue	€1,794	€1,731	+3.6%	€1,749	+2.6%
Pre-exceptional EBITDA	€254	€181	+40%	€254	Unch.
EBITDA Margin	14.2%	10.5%	+3.7pts	14.5%	(0.3pts)
Net Debt	€3,549	€5,011	(29%)	€4,882	(27%)
Net Debt to EBITDA (LTM)	3.7			5.5	(1.8 pts)

2007 First Quarter | Strategic, Operating & Financial Highlights

- Year-on-year EBITDA increase of 40%
- Initial Public Offering (IPO) successfully completed - gross proceeds of €1,495 million
- Net Debt reduced by €1,333 million from €4,882 million at December 2006 to €3,549 million at March 2007
- All primary IPO raising capital to optimise SKG’s capital structure and accelerate growth objectives
- Further synergy benefits achieved, with the programme ahead of target
- Continuing focus on efficient capacity management and improving asset quality

Outlook

Gary McGann, Smurfit Kappa Group CEO, commented “Demand is strong and capacity is increasingly coming into balance across each of our markets. Inventory levels, for both OCC and recycled containerboard, are significantly below prior year levels. While we are experiencing near-term margin compression, we are reporting a solid financial performance for the first quarter. SKG expects to deliver a FY 2007 outcome in line with current market expectations.”

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First Quarter, 2007: Year on year financial performance

For the first quarter of 2007, SKG is reporting net sales of €1,794 million which represents a 3.6% increase on net sales of €1,731 million in the first quarter of 2006. EBITDA, before exceptional items, of €254 million increased 40% against EBITDA of €181 million in the first quarter of 2006. This represents an EBITDA margin on net sales of 14.2% and 10.5% respectively.

Exceptional items in the first quarter of 2007 were €85 million, of which €75 million related to once-off IPO related costs, primarily in respect of the early paydown of debt.

First Quarter, 2007: Quarter on quarter financial performance

For the first quarter of 2007, SKG is reporting net sales of €1,794 million which represents a 2.6% increase on net sales of €1,749 million in the fourth quarter of 2006. EBITDA, before exceptional items, of €254 million was flat quarter-on-quarter with an EBITDA margin on net sales of 14.2% and 14.5% respectively.

First Quarter, 2007: Performance Review

SKG's first quarter performance represents a solid financial outcome for the period but does not fully reflect the expected earnings momentum within the Group's business. There were a number of factors, during the period, which limited EBITDA and EBITDA margin growth. These include higher than anticipated recovered paper and wood prices and increased kraftliner exports from the US, limiting price increases for European kraftliner.

Corrugated pricing is increasing which reflects the increases in recovered paper and containerboard pricing implemented during the first quarter. Current market conditions are supportive of continuing corrugated price increases. However, there has been some margin compression during the quarter as waste paper price increases are passed through to containerboard prices and subsequently to corrugated prices. This margin compression is reflected in the modest decline in SKG's EBITDA margin in the first quarter relative to the fourth quarter of 2006. SKG is committed to sensible product pricing and will seek to maximize the recovery of all of the implemented or announced paper prices increases on corrugated during 2007.

Capital Structure & Debt pay down

SKG successfully returned to public equity markets through the completion of an all primary IPO in March, 2007. The Group raised gross proceeds of €1,495 million through a global institutional offering which was significantly oversubscribed. This comprised an initial public offering of €1,300 million and the full exercise of over-allotment arrangements which raised an additional €195 million. Proceeds were applied to optimise SKG's capital structure. The Group's financial objective for 2007 is equity accretion through debt pay down as the expected benefits of a better pricing environment are realised.

Synergies & Re-structuring Costs

Following the conclusion of the merger of the operations of JSG and Kappa, one of the Group's key priorities was the delivery of defined synergy benefits of €160 million at the end of three years. Target synergy areas included paper mill rationalization, paper logistics and integration, optimization of the SKG corrugated system, specialties, purchasing savings and central and administrative overhead savings. SKG's synergy programme delivered approximately €87 million in 2006, ahead of the Group's target of €60 million. SKG's annualised synergy run rate, at the end of 2006, was approximately €124 million. This was also ahead of SKG's original expectation of a run rate of €95 million per annum by the end of 2006.

In the first quarter of 2007, SKG delivered synergy benefits of €34 million as against €9 million in the first quarter of 2006 and €31 million in the fourth quarter of 2006. The momentum behind the synergy programme continues and SKG's current objective is to deliver total synergy benefits, ahead of the original €160 million estimate, by the end of three years.

Efficient Capacity Management

During 2006, SKG rationalised 495,000 tonnes of high-cost recycled containerboard capacity, primarily through machine closures and through permanent grade switches to kraftliner and semi-chemical medium. In addition, SKG closed 60,000 tonnes of coated paper and 20,000 tonnes of folding boxboard. These closures and grade switches are contributing to an improving overall cost profile for SKG's existing mill system.

In March 2007, SKG announced the closure of a mill in Alaincourt, France, with capacity of 90,000 tonnes of recycled containerboard. SKG will use the machine from this mill to replace another machine within its system; however, the net reduction in tonnage will be a minimum of 60,000 tonnes. SKG also recently implemented the closure of two corrugated plants, a solid board machine, and a solid board packaging operation. Operating cost reduction and further improving the quality of the Group's existing asset base will be the subject of ongoing projects in 2007 and beyond.

The Group will also continue to assess opportunities to expand in Eastern Europe and Latin America, where SKG believes it can enhance its market position and earnings profile in what are attractive and high growth markets. Capital expenditure is expected to be approximately 90% of depreciation for the 2007 full year.

Trading update for four months to 30 April, 2007

Overall trading in the first four months of 2007 is significantly ahead of the same period in 2006. This reflects tight market conditions in recycled containerboard in Europe together with the benefit of a positive price environment. The benefit of higher containerboard pricing was partly offset in the period by higher raw material prices. Box prices are being progressively increased to recover containerboard price increases. The implementation of box price increases is, however, a slower process than the implementation of paper price increases. While overall price momentum is positive, there is some margin pressure within the Group's corrugated system as current box pricing does not yet reflect higher containerboard prices.

In Latin America, the Group's operations benefited from a combination of higher sales volumes and higher average selling prices during the first four months relative to the comparable period in 2006. Demand growth is generally positive across the region with overall corrugated volumes showing a significant year-on-year increase. A combination of strong demand and a generally better pricing environment is contributing to increased earnings growth for this region.

Packaging

The Group's packaging business comprises primarily its European and Latin American containerboard mills and corrugated container plants. Containerboard and corrugated volumes were relatively flat year-on-year in Europe during the first four months of 2007. This outcome is lower than market growth levels for the period. This reflects disposals and the closure of containerboard and corrugated capacity year-on-year and SKG's disciplined stance on product pricing. Revenue growth, for the packaging business, therefore, primarily reflects improved product pricing year-on-year.

Packaging: Europe

Five containerboard price increases were implemented in Europe from the fourth quarter of 2005 through to the end of 2006. This positive price momentum for recycled containerboard during 2006 continued into 2007 with a €30 per tonne increase for recycled containerboard being implemented during the first quarter. A second price increase, of €30 per tonne, has been announced for May/June, primarily to recover the significant increase in recovered fibre costs. Strong export demand has contributed to an increase in the cost of recovered paper prices while wood prices are also experiencing upward price pressure as competition from bio-mass projects increases.

For the quarter, European kraftliner pricing has been comparatively weaker reflecting an increased level of imports from the United States, caused by slow domestic US demand and relatively high European prices.

SKG's European mills have benefited from containerboard price increases during the first four months of 2007. However, as an integrated corrugated manufacturer, this has resulted in increasing input costs for the corrugated operations and near-term margin compression. Corrugated prices have increased considerably year-on-year, however, there continues to be a time lag in the recovery of the increases in paper on the corrugated box price. The demand environment in Europe is generally strong and SKG will continue to maintain its disciplined stance on pricing and seek to recover the necessary price increases for corrugated.

Higher recycled containerboard volumes were offset by lower kraftliner volumes, principally as a result of a temporary shut of PM-6, the brown kraftliner machine, at the Facture mill, following a fire in early January. The machine re-started production in early April, however, approximately 90,000 tonnes of production were lost during the closure period. Production from the Facture mill is being re-introduced without any evidence of the market being destabilized as a result. Current market conditions for kraftliner show initial indications of improvement.

Packaging: Latin America

While market conditions vary from country to country, demand growth was generally positive across the Latin American region with SKG's operations reporting higher revenue and earnings year-on-year. Overall containerboard and corrugated volumes were higher than the comparable period in 2006. Containerboard volume growth was impacted by capacity constraints in certain of the Group's mills, primarily in Colombia and Mexico.

Specialties: Europe

The Group's specialties business comprises those European mills which produce grades of paper other than containerboard together with related packaging operations. These principally comprise the Group's graphicboard mills, solidboard, boxboard and paper sack businesses and the Group's bag-in-box operations.

The financial performance of SKG's specialties business, in the four months to April 2007, was lower than the comparable period of 2006. This primarily reflects a reduced level of profitability in the solidboard operations against a backdrop of competitive market conditions and the absence, in 2007, of one solidboard operation, which was sold as required by the EU following the JSG/Kappa merger. The performance of the specialties business is also being impacted by rising recovered paper costs. Board prices in general have increased by over €40 per tonne year-on-year; however, further price initiatives are required to recover the increase in input costs. SKG will continue to focus on implementing these price increases to recover the rise in input costs. A broad based recovery for this business is expected towards the second half of 2007 as the benefits of the announced price increases and actions taken are realised.