

**14 May, 2004:** JSG Funding plc (the 'Group') today announced results for the 3 months ended 31 March, 2004.

	1Q '04 €m	1Q '03 €m	Change %	1Q '04 €m	4Q '03 €m	Change %
Net sales	1,200	1,178	2%	1,200	1,174	2%
EBITDA*	142	155	(9%)	142	151	(6%)
Free cash flow	13	11	18%	13	35	(63%)
Pre-tax (loss)/profit	(3)	6	-	(3)	(19)	84%

*\*Pre-exceptional EBITDA of subsidiaries only*

#### First Quarter, 2004: Year-on-year performance

First quarter net sales of €1,200 million increased 2% against €1,178 million in the first quarter of 2003. Excluding the effect of acquisitions, disposals and currency movements, sales were in line with the comparable period in 2003.

First quarter EBITDA, before exceptional items, of €142 million decreased 9% against €155 million in the first quarter of 2003. Excluding the effect of acquisitions, disposals and currency movements, EBITDA, before exceptional items, decreased €17 million or 11% on the comparable period in 2003. EBITDA, before exceptional items, of €142 million represents a margin of 11.8% on net sales against 13.2% in the first quarter of 2003.

#### First Quarter, 2004: Quarter-on-quarter performance

First quarter net sales increased €26 million or 2% on the fourth quarter of 2003. Excluding the effect of currency movements and disposals, first quarter sales increased €42 million or 3.6% on the fourth quarter of 2003.

First quarter EBITDA, before exceptional items, of €142 million decreased 6% against €151 million in the fourth quarter of 2003. Excluding the effect of currency movements and disposals, EBITDA, before exceptional items, decreased €7 million or 5% on the fourth quarter of 2003. EBITDA, before exceptional items, of €142 million represents a margin of 11.8% on net sales against 12.8% in the fourth quarter of 2003.

#### First Quarter, 2004: Summary Cash Flows & Capital Structure

Free cash flow in the first quarter of €13 million compares to €11 million in 2003. First quarter free cash flow reflects a lower seasonal working capital outflow offset by increased capital expenditure and tax payments.

Net borrowing at 31 March 2004, was €3,118 million (including €28 million of capital leases). The relative weakening of the euro since December 2003 increased the value of non-euro debt and resulted in a currency translation loss of €28 million in the quarter. Net debt to capitalisation was 78% at 31 March 2004.

## **Product Market Overview: Europe**

The first quarter financial performance reflects the continuing weak economic environment in Europe, price pressure in European kraftliner markets and the continued strength of the euro. European volumes of containerboard and corrugated, excluding acquisitions, increased on 2003 levels but were offset by lower average prices year-on-year. First quarter results were positively impacted by the acquisition of SSCC's former European packaging assets (acquired at the end of March 2003) and the consolidation of our holding in former Spanish associate Papelera Navarra (acquired in June 2003). These transactions, valued at €345 million, contributed €18 million of EBITDA in the first quarter of 2004 and also positively impacted volume growth. This was offset in Canada by the absence of €10 million of EBITDA for Smurfit MBI.

Demand for kraftliner improved year-on-year with an 8% volume increase on the first quarter of 2003. This reflects in part, a rise in sales volumes in advance of our announced April price increase. In the first quarter of 2003 demand was relatively weak. Recycled containerboard volumes increased 6% on the first quarter of 2003 principally driven by increases in France and the UK. Corrugated volumes, excluding acquisitions, increased 2% on the first quarter of 2003.

Kraftliner prices declined during the first quarter and were well below first quarter 2003 levels. We have announced a price increase of €50 per tonne for kraftliner from 1 April, reflecting rising input costs, which is currently being implemented. Recycled containerboard prices have started to recover and we implemented a price increase of €40 per tonne during the quarter. First quarter average recycled containerboard prices, however, were also lower than the comparable period in 2003. Corrugated prices, which were relatively stable throughout the second half of 2003, remained stable during the first quarter of 2004. Corrugated prices are now being increased to reflect rising paper prices and other cost increases.

## **Product Market Overview: Latin America**

Latin American performance during the quarter was positive across all countries of operation. First quarter volumes for the region, in containerboard and corrugated, increased in all countries on the first quarter of 2003. The Mexican economy is showing signs of recovery. This performance reflects improving domestic demand and some benefit from the improvement in the US economy. Our first quarter performance in Mexico, our largest country of operation in the region, was better than expected. This reflects the slowly recovering economy and improved operating performance following a re-structuring of our management team.

Colombia continues to show steady growth year-on-year. Cost increases, following the unexpected currency revaluation during the quarter, impacted performance but are now being passed through on both containerboard and corrugated prices. Our operations in Venezuela and Argentina continue to improve year-on-year benefiting from the unique economic environment in Venezuela and steady economic progress in Argentina. Venezuela's 6 week national strike, in the first quarter of 2003, also positively impacted year-on-year performance.

## **First Quarter, 2004: Cash Flows & Capital Structure**

Free cash flow in the first quarter of €13 million compares to €11 million in 2003. Depreciation, depletion and amortisation, at €78 million compared with €73 million in the first quarter of 2003 reflects the acquisition of the former SSCC operations and adjustments following the completion of a fair value exercise at the end of 2003. Capital expenditure, at €39 million for the first quarter, represented approximately 59% of depreciation and compares to €32 million (51% of depreciation) in the first quarter of 2003. Our target for 2004 is approximately 80% of depreciation, consistent with our capital expenditure in 2002 and 2003.

Working capital increased by €13 million in the first quarter with higher debtors due to higher activity levels towards the end of the quarter partly offset by higher creditors. Working capital, as a percentage of annualised net sales, at the end of the first quarter was approximately 9.5% compared to 10.7% at the end of the first quarter of 2003.

Financing and investment outflows in the first quarter of 2004 were modest. As outlined in our full year 2003 results, at the time of the Madison Dearborn acquisition of JSG, the ownership of certain non-cash generative and non-strategic assets was transferred to the 'newcos' (fellow subsidiaries of Jefferson Smurfit Group Limited). During 2003 substantial progress was made on the disposal of these assets. The disposal programme is ahead of schedule and the €125 million debt associated with the newcos was fully paid down prior to the end of 2003. In the first quarter of 2004, we reported an inflow of approximately €11 million in surplus funds from the newcos. In March 2003 we completed the asset swap with SSCC and exchanged our investment in Smurfit MBI together with €185 million in cash for their European packaging operations. Of the €185 million, €88 million was reported under the purchase of subsidiaries and investments and represents the amount paid for equity while €97 million is shown within the movements in net borrowings as the repayment of SSCC inter-company debt.

Tax payments in the first quarter amounted to €19 million, compared to €17 million in 2003, reflecting the different geographic spread of profits.

The relative weakening of the euro increased the value of non-euro debt and resulted in a currency translation loss of €28 million in the quarter. As a result net borrowing at 31 March 2004, was €3,118 million (including €28 million of capital leases) compared to €3,101 million at 31 December 2003 (including €28 million of capital leases). Net borrowing at 31 March 2003, was €3,266 million (including €30 million of capital leases). Net debt to capitalisation of 78% at 31 March compares to 77% at December 2003 and 79% at 31 March, 2003.

Summary cash flows for the first quarter are set out in the following table:

	<b>3 months to 31 Mar 2004</b>	3 months to 31 Mar 2003
	<b>€ Million</b>	€ Million
	<b>Unaudited</b>	Unaudited
(Loss) / Profit before tax – subsidiaries	<b>(6)</b>	4
Depreciation and depletion	<b>66</b>	63
Goodwill amortisation	<b>12</b>	10
Non cash interest expense	<b>15</b>	14
Working capital change	<b>(13)</b>	(23)
Capital expenditure	<b>(39)</b>	(32)
Change in capital creditors	<b>(7)</b>	(8)
Sales of fixed assets	<b>4</b>	1
Tax paid	<b>(19)</b>	(17)
Other	<b>-</b>	(1)
<b>Free cash flow</b>	<b>13</b>	11
Investments	<b>(1)</b>	(88)
Sale of businesses and investments	<b>-</b>	7
Dividends paid to minorities	<b>(1)</b>	(4)
Transfer of cash from/(to) affiliates	<b>11</b>	(4)
Deferred debt issue costs	<b>-</b>	(8)
Transaction Fees	<b>(1)</b>	(12)
<b>Net cash inflow/(outflow)</b>	<b>21</b>	(98)
Net cash/(debt) acquired/disposed	<b>-</b>	41
SSCC intercompany debt repaid	<b>-</b>	(97)
Non-cash interest accrued	<b>(10)</b>	(10)
Currency translation adjustments	<b>(28)</b>	41
<b>(Increase) in net borrowing</b>	<b>(17)</b>	(123)

**A reconciliation of net loss to EBITDA, before exceptional items is set out in the following table:**

	<b>3 months to 31 Mar 2004</b>	3 months to 31 Mar 2003
	<b>€000</b>	€000
	<b>Unaudited</b>	Unaudited
Net (loss)	<b>(26,846)</b>	(24,317)
Equity minority interests	<b>3,712</b>	5,666
Taxation	<b>19,688</b>	24,155
Share of associates' operating profit	<b>(2,669)</b>	(1,982)
Reorganisation and restructuring costs	<b>-</b>	5,346
Total net interest	<b>69,905</b>	73,921
Depreciation, depletion and amortisation	<b>78,169</b>	72,659
EBITDA before exceptional items	<b>141,959</b>	155,448

**Performance Review and Outlook**

Gary McGann, CEO commented "Business conditions in Europe in the first quarter were challenging for our industry. The continued relative strength of the euro, weak demand, and excess capacity negatively impacted product pricing year-on-year. While sentiment is improving, industry recovery is not yet established. Performance in this environment requires a continuing focus on the issues we can control; cost effectiveness, productivity improvements, service, quality and pricing. In contrast with Europe, business conditions in Latin America have improved. Most of our markets are showing positive macro economic trends and our businesses are well positioned to benefit from an industry upturn.

Over the last 18 months, we have made continued progress on the factors we can manage. We divested a series of non-cash generative or non-strategic assets. We continue to focus on cost take-out, effective working capital management and judicious capital expenditure. We now have a focused business which is delivering improved and sustainable cashflow and are well positioned to take advantage of a market upturn. Our financial priority remains to maximise the cashflow generation capability of the business for rapid and progressive debt paydown."

**Website access to reports**

The Registrant's annual report on Form 20-F, current reports on Form 6-K, the April 2003 registration statement on Form F-4 and all amendments to those reports are made available free of charge through the Registrant's website ([www.smurfit-group.com](http://www.smurfit-group.com)) as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

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## JSG Funding plc

### Summary Group Profit and Loss Account

	<b>JSG Funding</b>	JSG Funding
	<b>3 months to</b>	3 months to
	<b>31 Mar 2004</b>	31 Mar 2003
	<b>€000</b>	€000
	<b>Unaudited</b>	Unaudited
Turnover	<b>1,199,935</b>	1,178,330
Cost of sales	<b>870,172</b>	856,898
Gross profit	<b>329,763</b>	321,432
Net operating expenses	<b>261,940</b>	235,423
Reorganisation and restructuring costs	-	5,346
Operating profit subsidiaries	<b>67,823</b>	80,663
Share of associates' operating profit	<b>2,669</b>	1,982
Total operating profit	<b>70,492</b>	82,645
Group net interest	<b>(69,802)</b>	(73,677)
Share of associates' net interest	<b>(103)</b>	(244)
Total net interest	<b>(69,905)</b>	(73,921)
Other financial expense	<b>(4,033)</b>	(3,220)
(Loss) / profit before taxation	<b>(3,446)</b>	5,504
Taxation		
Group	<b>19,787</b>	24,072
Share of associates	<b>(99)</b>	83
	<b>19,688</b>	24,155
(Loss) after taxation	<b>(23,134)</b>	(18,651)
Equity minority interests	<b>3,712</b>	5,666
Net (loss)	<b>€(26,846)</b>	€(24,317)

## JSG Funding plc

### Segmental Analyses

#### Sales - third party

	<b>JSG Funding 3 months to 31 Mar 2004 €000</b>	<b>JSG Funding 3 months to 31 Mar 2003 €000</b>
Packaging	<b>785,253</b>	655,031
Specialities	<b>250,687</b>	257,421
Europe	<b>1,035,940</b>	912,452
United States and Canada	-	104,355
Latin America	<b>163,995</b>	161,523
	<b>€1,199,935</b>	€1,178,330
Associates' third party sales	<b>€6,919</b>	€56,924
Share of associates' third party sales	<b>€14,177</b>	€23,008

## JSG Funding plc

### Segmental Analyses

#### (Loss) / profit before taxation

	<b>JSG Funding 3 months to 31 Mar 2004 €000</b>	<b>JSG Funding 3 months to 31 Mar 2003 €000</b>
Packaging	35,161	56,328
Specialities	19,535	17,719
Associates	1,893	2,282
Europe	56,589	76,329
Packaging	-	7,775
United States and Canada	-	7,775
Packaging	28,447	17,172
Associates	776	(300)
Latin America	29,223	16,872
Unallocated central costs	(7,607)	(6,594)
Profit before unallocated goodwill, interest, exceptional items and taxation	78,205	94,382
Unallocated Goodwill	(11,746)	(9,611)
Group net interest	(69,802)	(73,677)
Share of associates' net interest	(103)	(244)
(Loss) / profit before exceptional items	(3,446)	10,850
Reorganisation and restructuring costs	-	(5,346)
(Loss) / profit before taxation	€(3,446)	€5,504

## JSG Funding plc

### Summary Group Balance Sheet

	<b>JSG Funding</b> <b>31 Mar 2004</b> <b>€000</b> <b>Unaudited</b>	JSG Funding 31 Mar 2003 €000 Unaudited
<b>Assets Employed</b>		
<b>Fixed Assets</b>		
Intangible assets	<b>1,430,411</b>	1,793,132
Tangible assets	<b>2,422,496</b>	2,196,613
Amounts due by fellow subsidiaries (newcos)	<b>266,626</b>	238,516
Amounts due by Jefferson Smurfit Group Ltd.	<b>3,448</b>	3,579
Financial assets	<b>83,092</b>	141,982
	<b>4,206,073</b>	4,373,822
<b>Current Assets</b>		
Stocks	<b>470,397</b>	497,660
Debtors	<b>969,970</b>	1,084,596
Amounts due by fellow subsidiaries (newcos)	<b>356</b>	8,713
Cash at bank and in hand	<b>161,430</b>	150,330
	<b>1,602,153</b>	1,741,299
Creditors (amounts falling due within one year)	<b>1,211,176</b>	1,283,925
Net current assets	<b>390,977</b>	457,374
Total assets less current liabilities	<b>€4,597,050</b>	€4,831,196
<b>Financed by</b>		
Creditors (amounts falling due after more than one year)	<b>3,020,137</b>	3,139,583
Government grants	<b>14,768</b>	11,445
Provisions for liabilities and charges	<b>225,523</b>	243,808
Pension liabilities (net of deferred tax)	<b>360,403</b>	458,997
	<b>3,620,831</b>	3,853,833
<b>Capital and Reserves</b>		
Called up share capital	<b>40</b>	40
Other reserves	<b>916,526</b>	891,793
Profit and loss account	<b>(59,130)</b>	(31,748)
Group shareholders' funds (equity interests)	<b>857,436</b>	860,085
Minority interests (equity interests)	<b>118,783</b>	117,278
	<b>976,219</b>	977,363
	<b>€4,597,050</b>	€4,831,196