

Smurfit-Stone



Innovation
Drives
Excellence

FINANCIAL HIGHLIGHTS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	2004	2003	2002
Summary of Operations			
Net sales	\$ 8,291	\$ 7,722	\$ 7,483
Income from operations	263	47	462
Interest expense, net	(343)	(341)	(355)
Income (loss) from continuing operations before cumulative effect of accounting change	(46)	(198)	59
Net income (loss) available to common stockholders	(57)	(208)	54
Basic Earnings per Share			
Income (loss) from continuing operations before cumulative effect of accounting change	\$ (.23)	\$ (.85)	\$.20
Net income (loss) available to common stockholders	(.23)	(.85)	.22
Weighted average shares outstanding (in millions)	253	246	244
Diluted Earnings per Share			
Income (loss) from continuing operations before cumulative effect of accounting change	\$ (.23)	\$ (.85)	\$.20
Net income (loss) available to common stockholders	(.23)	(.85)	.22
Weighted average shares outstanding (in millions)	253	246	246
Other Financial Data			
Net cash provided by operating activities	\$ 273	\$ 162	\$ 503
Capital investments and acquisitions	232	238	570
Working capital, net	290	282	590
Property, plant, equipment and timberland, net	4,682	4,974	5,182
Total assets	9,725	10,102	10,805
Long-term debt	4,498	4,807	4,990
Stockholders' equity	2,259	2,270	2,320
Number of employees	35,300	36,700	38,600

OUR VISION

Smurfit-Stone's vision is embodied in our CustomerONESM operating philosophy: Smurfit-Stone will be recognized as North America's premier packaging company working as ONE team to deliver exceptional value to our customers, employees, shareholders, and the communities in which we do business.

CustomerONESM

INDUSTRY SAFETY LEADER

Safety continues to be Smurfit-Stone's top operating priority, and is one of the core values represented in our CustomerONESM philosophy. Our objective is to achieve an accident-free workplace, and we subscribe to the belief that safety is everyone's responsibility.

Smurfit-Stone led the industry in safety performance for the fourth consecutive year in 2004. Our Smurfit-Stone Accident-Free Environment (SAFE) process is the linchpin of our safety efforts. With SAFE, we have developed a model for building a workplace where continuous improvement is the normal operating procedure, supported by comprehensive employee training and the commitment to working safely with every job we do.

Smurfit-Stone is more than just a packaging company.

We have a deep involvement in product development and a commitment to innovation.

We are taking new directions at Smurfit-Stone, providing significant value to our customers.

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BOARD OF DIRECTORS AND CORPORATE OFFICERS p.16

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AN INNOVATIVE PACKAGING PORTFOLIO

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Smurfit-Stone's strategy is to provide products and services that help our customers grow, and to deliver shareholder value by innovating — through our products, our services and our business practices.

DELIVERING VALUE TO CUSTOMERS

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Smurfit-Stone has the expertise and infrastructure to rapidly spot new trends and reenergize brands. We are creating fresh packaging concepts and speeding them to market. In the process, we are changing customer perceptions of what packaging can do and what Smurfit-Stone can deliver.

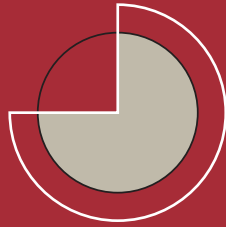
INNOVATIVE SOLUTIONS

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Smurfit-Stone is poised to take advantage of the increased influence of retailers and the willingness of customers to pay for creativity and innovation. Smurfit-Stone is better positioned to capitalize on those trends than any other provider in the packaging industry.

2004 At A Glance...

Smurfit-Stone Container Corporation is the industry's leading integrated manufacturer of paperboard packaging. Smurfit-Stone is the leading producer of containerboard, including white top linerboard; corrugated containers; multiwall and specialty bags; and clay-coated recycled boxboard. We are one of the world's largest paper recyclers, annually processing and selling more than 6.5 million tons. Smurfit-Stone is a leading producer of solid bleached sulfate, folding cartons, flexible packaging, labels, and point-of-purchase displays. The company operates more than 250 facilities and employs approximately 35,300 people.



Containerboard and corrugated containers represent 75% of Smurfit-Stone's business.

2004 Revenue: \$6,224 million

Containerboard and Corrugated Containers

Containerboard and corrugated containers represent Smurfit-Stone's largest business segment. We are the largest containerboard manufacturer, and offer the most comprehensive line of board substrates. Smurfit-Stone is North America's leading corrugated container manufacturer, providing innovative packaging solutions to global consumer products companies, regional and local customers.

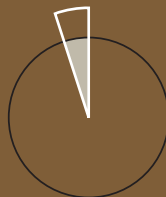


Consumer packaging represents 20% of Smurfit-Stone's business.

2004 Revenue: \$1,656 million

Consumer Packaging

The consumer packaging division offers a wide portfolio of primary packaging products and solutions that includes folding cartons, multiwall and specialty bags, flexible packaging, Lithoflute™ labels and contract packaging. The various operations within this business segment share many of the same customers and serve the same consumer product markets, with high-impact graphics printing as a core manufacturing competency. With cross-trained sales teams supported by creative and technical resources, the consumer packaging division delivers added value to our customers.



Recycling represents 5% of Smurfit-Stone's business.

2004 Revenue: \$383 million

Recycling

Smurfit Stone's recycling operations provide a secure source of recovered fiber for the company's mills and have a broad product line that includes all grades of recovered paper. The company also offers extensive services in aluminum and glass recycling. Smurfit-Stone Waste Reduction Services (SWRS) provides single-source waste management and recycling solutions to businesses.

An Innovative Packaging Portfolio



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a INNOVATIVE DESIGN

Smurfit-Stone's structural and graphic design capabilities, combined with its network of boxboard mills and packaging plants, enable the company to provide folding cartons to many of the world's most recognized consumer products companies.

b DISPLAY BOXES MADE EASY

Corrugated containers are used for all types of packaging solutions. In this case, Ocean Spray Cranberries, Inc., was looking for a display tray to promote their 6 oz. Craisin® Pouches.

The design needed to be stackable and capable of supporting 1,300 pounds, able to be shopped from three sides with no internal dividers to hide product, printed with five-color graphics and be cost effective.

c "NO LABEL" LOOK

Smurfit-Stone's DI-NA-CAL® heat transfer label group played a pivotal role in the national product launch of the Procter & Gamble Company's Downy® Simple Pleasures™ fabric softener. Smurfit-Stone brings a cost-effective, durable, high-quality "no label" look to products.

d COOK AND SERVE PACKAGING

The Family Time Snacks Perfect Popper was a design first that effectively met all the requirements of an extremely demanding microwave popcorn application. The consumer needs only to pop-up the carton and cook in the microwave. The carton fills with popcorn, the lid peels back, and the carton becomes an instant bowl.

e PRINTING TECHNIQUES

Smurfit-Stone's printing techniques, such as high-definition printing and Rub n Smell™ scented varnish, help packaging sell the product.



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f CANISTER PACKAGING

An ideal alternative to bag-in-box packaging, Smurfit-Stone offers canister packaging with a unique appearance, high performance, and consumer appeal.

g IN-LINE PERFORATED LABELS

Smurfit-Stone's litho label group has developed an innovative in-line perforation feature for cut and stacked paper labels. This offers greater flexibility when developing coupon and promotional programs, including multi-directional perforations.

h MAXIMUM ON-SHELF IMPACT

Smurfit-Stone offers a multitude of specialty lamination options that create maximum on-shelf impact and influence purchase decisions by consumers at point of sale. The upscale image conveyed by this laminated packaging enhances brand appeal, and provides important barrier properties.

i BAG-IN-BOX PACKAGING™

Smurfit-Stone's product line of bag-in-box, ready-to-serve beverage packaging is becoming a high-demand convenience service container. Our JoeBox™ lineup features three different size packages: The BigJoe™ 3-gallon size, the RegularJoe™ 128-ounce size, and the LittleJoe™ 96-ounce size.



Containerboard and Corrugated Containers

- Largest containerboard producer
- Largest white top linerboard producer
- Largest corrugated container supplier

CONTAINERBOARD OPERATIONS

(North American Production)

- Containerboard: 7,438,000 Tons
- Solid bleached sulfate (SBS) and bleached paperboard: 276,000 Tons
- Market pulp: 549,000 Tons
- Kraft paper: 259,000 Tons

CORRUGATED CONTAINER OPERATIONS

(North American Shipments)

- 86.5 Billion Square Feet
- 5,443,000 Tons



Consumer Packaging

- Leading supplier of folding cartons
- Largest producer of clay-coated recycled boxboard
- Industry's largest producer and marketer of bag packaging products, including multiwall, consumer and specialty bags

FOLDING CARTON AND BOXBOARD MILL OPERATIONS

- Folding cartons shipped: 517,000 Tons
- Coated recycled boxboard produced: 560,000 Tons

BAG PACKAGING OPERATIONS

- Multiwall bags shipped: 1,157 Million Bags



Recycling

- One of the largest collectors and marketers of recovered fiber.

(Recycled Volume Processed)

- Recovered fiber: 6,542,000 Tons
- Non-fiber: 87,000 Tons
- Open market shipments: 3,637,000 Tons

FACILITIES

- 21 containerboard mills in the U.S. and Canada
- Approximately 150 corrugated container operations in the U.S., Canada, and Mexico

PRODUCT LINES

- Kraft linerboard
- White top linerboard
- Coated white top linerboard
- Semi-chemical and recycled medium
- Solid bleached sulfate (SBS)
- Bleached linerboard and paperboard
- Market pulp
- Kraft paper
- Corrugated containers
- Displays

CAPABILITIES

- Full range of corrugated containers
- Innovative packaging solutions
- High-quality graphics printing
- Graphic and structural design expertise
- Point-of-purchase display consulting, design, and manufacturing
- Full line of specialty products and custom die-cut boxes to display packaged merchandise
- Pre-print and post-print flexography and label applications
- Bulk packaging

- 17 folding carton plants
- 4 clay-coated recycled boxboard mills
- 11 bag plants
- 1 bag packaging equipment plant
- 5 flexible packaging plants
- 2 heat-transfer label plants
- 2 litho label plants
- 2 lamination plants
- 1 technical and graphics center
- 1 contract packaging facility

- Folding cartons
- Clay-coated recycled boxboard
- Bag packaging
- Flexible packaging
- Labels
- Laminations
- Lithoflute™

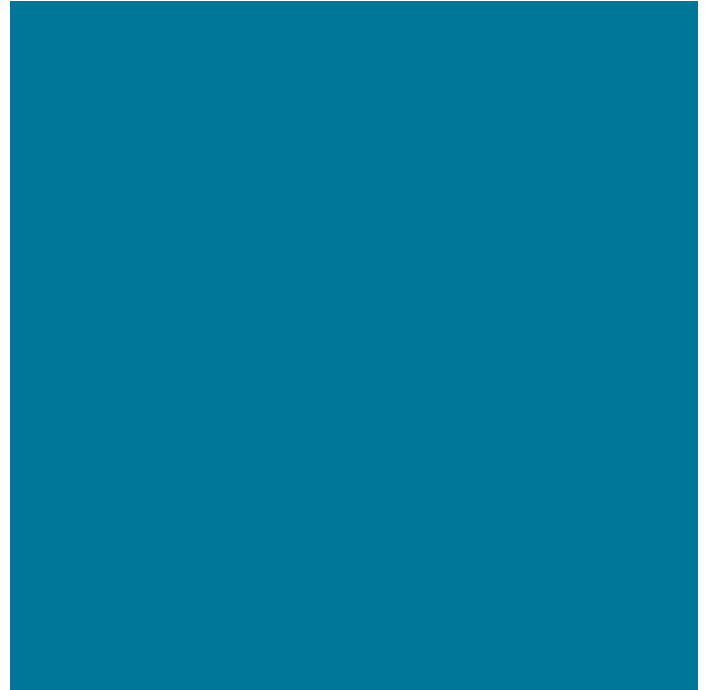
- **Folding cartons:** converting capabilities include gluing, tray forming, windowing, waxing, and laminating
- **Bag packaging:** multiwall, consumer, and specialty bags
- **Flexible packaging:** polyethylene bags, pouches, and sheeting and tubing
- **Labels:** foil, printed paper and heat-transfer labels, including high-speed heat-transfer labels for plastic containers
- **Laminations:** film, foil, and paper
- **Lithoflute™:** combines corrugated strength with folding carton graphics printability

- 23 collection centers
- 13 sales offices in North America
- 1 sales office in Shanghai, China

- Old corrugated containers
- Old newspapers
- Mixed papers
- Aluminum cans, glass, and plastic

- Smurfit-Stone Waste Reduction Services: single-source waste management and recycling solutions

DELIVERING VALUE TO CUSTOMERS



“Smurfit-Stone
is extending our leadership through
innovative thinking, operational and
financial discipline, and outstanding
customer service.”

PATRICK J. MOORE
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER



ELLOW STOCKHOLDERS

Our business recovered in 2004 from a four-year cycle of declining demand for packaging. We started to realize the benefits of our ongoing restructuring initiatives, and we intensified our focus on reducing costs and delivering value-added packaging products and services to our customers. In addition, we targeted growth markets and refocused our resources on fostering innovation throughout our organization.

The longest downturn in decades was exacerbated by a strong U.S. dollar and the steady exodus of manufacturing off-shore. Smurfit-Stone confronted these market realities with a restructuring plan first announced in late 2003. We eliminated non-strategic and underperforming operating assets, realigned production to meet customer demand, and leveraged our scale to reduce costs. Our rightsizing efforts largely offset inflation pressures and positioned us to benefit from steady volume and price improvement throughout the year. To further improve our financial flexibility, we strengthened our balance sheet and simplified our capital structure. The business climate remains extremely competitive.

We continued to identify developing retailing trends. The growing influence of the mega-retailer has fundamentally redefined the role of packaging and presented a host of branding and execution challenges for traditional consumer products manufacturers. Today's shoppers expect to buy in bulk, experiment with private label items and save money along the way. In this self-service retail environment, packaging plays a crucial, if not decisive, role in buying decisions. Consumer products manufacturers, in turn, increasingly view packaging as part of any comprehensive marketing campaign. Never before have manufacturers required more customer service, product quality, packaging strength and shelf appeal. We face a vastly different competitive environment than was present in previous business cycles.

With our markets in transition, we are encountering new challenges and new opportunities. Smurfit-Stone's strategy is to provide products and services that help our customers grow and to deliver shareholder value by innovating — through our products, our services and our business practices. For example:

- We have made innovation central to our growth strategy by forming our new i2ism operating unit. With i2ism — “innovation to implementation” — we are organized to connect directly with marketing and branding decision makers. This new unit helps us provide packaging solutions that span the entire value chain, from brand creation and marketing to fulfillment. In our highly competitive business, we can sell more packaging by helping our customers sell more

products. With i2ism, we go far beyond merely marketing boxes, cartons or bags. We are building brands.

- We have formalized our innovation strategy and aligned resources to create a collaborative team approach that works one on one with customers.
- We are at the forefront of research and development in next-generation technologies such as radio frequency identification (RFID) tagging. RFID uses a radio wave to automatically identify items, and promises to offer a more sophisticated way of tracking products through the supply chain. It could become the barcode of the 21st century.
- We have assembled a greater depth of capabilities, from product development and graphic design to technical service and supply chain efficiencies.
- Our mill and packaging network spans North America.
- We are seizing more high-margin, value-added business.
- Despite the company's successful cost-cutting and consolidation efforts, we recognize that a changing market landscape and inflationary pressures require us to do even more. We are embarking on a companywide exercise to further identify cost reduction and strategic growth opportunities.

As North America's largest paperboard packaging company, Smurfit-Stone has the expertise and infrastructure to rapidly spot new trends and reenergize brands. We are creating fresh packaging concepts and speeding them to market. In the process, we are changing customer perceptions of what packaging can do and what Smurfit-Stone can deliver. In 2005, we will do more to deliver the full promise of this company to shareholders. We will do more to seize profitable business and contain costs. We also will do more to foster a culture of innovation and collaboration. I will address these topics in greater detail.

INANCIAL PERFORMANCE

For the full year, Smurfit-Stone reported a net loss attributable to common shareholders of \$57 million, or \$0.23 per diluted share, compared to a net loss of \$208 million, or \$0.85 per diluted share, in 2003. We achieved a significant improvement in operating results in 2004. Excluding the following items, net income would have been \$.04 per diluted share for the full year 2004:

- An impairment charge of \$73 million, or \$0.19 per diluted share, attributable to the write down of non-core pulp mill fixed assets;

DELIVERING VALUE TO CUSTOMERS

- A charge of \$22 million, or \$0.05 per diluted share, from the impact of a non-cash foreign currency translation loss;
- A \$16 million, or \$0.04 per diluted share, restructuring charge for plant closures;
- A charge of \$11 million, or \$0.03 per diluted share, from early debt extinguishment; and
- A tax benefit of \$10 million, or \$0.04 per diluted share.

Sales for the full year were \$8.3 billion, compared to \$7.7 billion in 2003. Reflecting sound market fundamentals, our shipments trended upward in all of our major product lines. Smurfit-Stone's North American corrugated shipments rose 1.8 percent on a per day basis in 2004. We also realized steady price increases for our mill and packaging products during the second half of the year. Our containerboard mills increased production, while inventories were, at times, near 20-year lows. Smurfit-Stone mill operating rates improved substantially during the year, reflecting a healthy demand climate. For the full year, containerboard operating rates were 93.8 percent, compared to 88.7 percent in 2003.



As the industry's leading bag packaging producer, Smurfit-Stone provides solutions that capture the consumer's interest as well as protect the package's product.

We continued to confront stubbornly high costs — notably increased pension and employee benefits charges and higher fiber, freight, and energy costs. While the recovery in our business gathered steam, we benefited from ongoing cost reductions and process improvements totaling \$159 million from the cost reduction program first announced in October 2003. We realized rewards from our ongoing efforts to restructure our asset base. Throughout the year, we closed a number of redundant and inefficient operations, including nine corrugated container plants. All of these steps set the stage for the company to benefit from the economic momentum that built throughout 2004.

A STRONGER BALANCE SHEET

In the fourth quarter of 2004, we merged our two operating subsidiaries — Jefferson Smurfit Corporation (U.S.) and Stone Container Corporation — into one company, Smurfit-Stone Container Enterprises, Inc. The merger enabled us to complete a comprehensive refinancing of our bank debt and accounts receivable financing programs. These transactions will reduce our annual interest expense by \$8 million. Earlier in the year, we refinanced our highest coupon debt and reduced annual interest expense by another \$7 million.

Our top financial priority remains dedicating available free cash flow to debt reduction. We reduced our debt levels by \$168 million in the second half of 2004, exceeding our debt reduction targets. Some might consider this a good performance; we believe it is only a good start. We are committed to paying down more debt. Our goal is to generate sufficient free cash flow to reduce debt by \$400 million in 2005.

OUR STRATEGY FOR GROWTH: INNOVATION DRIVES EXCELLENCE

Our growth strategy rests on our ability to win customers who prize our extensive capabilities, who appreciate innovative solutions and who will pay more for greater value. We have identified many of these customers. Finding more will be a major focus for the coming year. As I mentioned earlier, we are undertaking an intensive evaluation of our existing customer base to more effectively pursue longer-term, higher margin business prospects. Packaging customers demand turnkey solutions at rapid turnaround times. Smurfit-Stone is uniquely positioned to deliver. We offer the broadest array of packaging products, substrates and services in the business.

At the same time, we are pursuing niche markets. For example, we built the most complete family of high-impact graphics containerboard grades, and we complement our open

market containerboard sales with a bundle of marketing, process improvement, product testing, safety training and technical consulting services called Smurfit-Stone *Customer Cares*. Notably, our *Customer Cares* initiative comes from listening to our customers and responding to their requirements.

On the corrugated packaging front, we are just as responsive. As the market for U.S.-made durable goods eroded, we redirected our sales resources toward domestic customers with non durable product lines in the food, pharmaceuticals and personal care markets. Our preprint business provides a compelling case study. In the early 1990s, Smurfit-Stone invested heavily in preprint technology to meet growing demand for cost-effective, high-impact graphics packaging for electronics products and similar goods. When many of these manufacturers relocated abroad, Smurfit-Stone responded by reinventing our business model. We pursued customers who were less likely to move to Asia. We enhanced process efficiencies and value-added services. We embraced state-of-the-art technologies, from digital flexographic plate printing to automatic defect detection. Today, we move forward with robust preprint sales and a sound vision for the future.



The Jacksonville, FL, preprint facility employs state-of-the-art technologies such as digital flexographic plate printing and automatic defect detection, and is recognized for its high-impact graphics packaging, process efficiencies, and value-added services.

SETTING THE STANDARD IN PACKAGING INNOVATION

Innovative, eye-catching packaging has never been more important as a means to influence decisions at the point-of-purchase, and we are making creativity core to our strategy with the formation of our innovation to implementation — or i2iSM — unit. Name brands are sharing more and more shelf space with in-store, or private label, alternatives. With one in five items sold in the U.S. now a private label product, today's mega-retailers are major consumer products merchandisers by design. As these retailers exert influence deep into the supply chain, packaging companies face a choice. We can either let our customers dictate merchandising and packaging decisions to us, or we can become a part of the decision making process.

With i2iSM, we made that choice. We are building on a proven business model we developed in Asia, where Smurfit-Stone established packaging solutions centers in Hong Kong and Shanghai five years ago — and each became a one-stop brand development shop for many multinationals. Our i2iSM business replicates this model in North America and supplements Smurfit-Stone's manufacturing muscle with strategic brand development and creative design services.

The i2iSM mandate is to bring together all the aspects of a powerful private label product campaign, from structural design and graphics expertise to logistics and quality control services. For example, when one major retailer set out to increase sales of private label toy and clothing lines, i2iSM created a new packaging design that commands attention on the store shelf. In the process, i2iSM delivered greater distribution efficiencies, improved packaging integrity and optimized material usage. Mega-retailers need this type of integrated packaging solution.

Within our consumer packaging division, we have developed a structured approach to supporting innovation and aligned internal resources to focus on delivering new packaging solutions. Whether the solution creates new aesthetic appeal or provides the opportunity for alternative packaging materials, our collaborative approach is designed to ensure that we provide new ideas that meet the needs of consumers and ultimately our customers.

In support of these efforts, our Carol Stream, IL, innovation center was created to provide a venue for developing a pipeline of new packaging concepts. The center showcases innovative packaging and offers a place for customers to brainstorm with graphic and structural designers, materials professionals, R&D experts, our innovation group, and business development teams.

Continued on page 14

Multiplying Value Through Innovation

Innovative packaging can differentiate the product, enhance brand loyalty, create value to the customer by satisfying a need or desire, and increase the customer's market share. As the science of box making continues to evolve into the art of packaging, Smurfit-Stone's innovation group regularly helps the company "reinvent" what it does. As North America's premier packaging company, Smurfit-Stone stays abreast of consumer, retail, and technology trends; provides unique market-place insights; and establishes and shares packaging innovation best practices across its businesses.



Through its innovation group, Smurfit-Stone leverages and integrates its creative resources with manufacturing, sales, marketing, business development, and R&D to create a collaborative approach to providing innovative packaging and business solutions to customers.

META™: Providing a Single Point of Contact for Packaging Needs

Deli products company, Boar's Head Provisions Co., leased six of Smurfit-Stone's META™ machines — an initiative that enabled Boar's Head to achieve significant materials and handling efficiencies, while supporting the company's identity as a premium deli brand. The unique, eight-sided META™ box, coupled with Smurfit-Stone's high quality double-wall corrugated material, improved package performance through increased compression strength at all Boar's Head facilities. META's™ quarterly audits, 24/7 technical support, and training contribute to a 99.6 percent up-time performance record. META™ is a total packaging system, which means Boar's Head has one point of contact for all of its packaging needs. The META™ System unites technical innovation and business opportunity in ways that fulfill Smurfit-Stone's core strategy to become a true packaging solutions partner.



Innovation group members (from left) Eric Lemanski, Jean Gaytan, and Karl Kohler brainstorm a solution.



Darrell Boyd (left) from Boar's Head collaborates with Smurfit-Stone's Rohan Kerr.

Investing in Packaging Solutions

Innovation and technology go hand in hand in the paperboard and packaging business. Technology applied to Smurfit-Stone's production processes, for example, helps keep manufacturing costs relatively stable despite considerable cost increases in raw materials, wages and transportation. Through its research & development group, Smurfit-Stone has taken the development lead in radio frequency identification (RFID) tags. An RFID tag, also known as a smart tag, contains a chip with an antenna that communicates using radio waves. Unlike bar codes, smart tags don't need to be manually swiped, and they don't require a line of sight to be read.

Smurfit-Stone has identified and developed relationships with the right partners, from the hardware and software vendors to tag suppliers, and is experimenting with ways to minimize the cost of applying RFID tags. Once in place, smart tags should enable significant supply chain savings.



Joe LeBlanc (left) and Richard House are two Smurfit-Stone R&D experts who help create forward-thinking packaging solutions.

i2iSM: Transforming Marketing and Branding Strategies

Smurfit-Stone's innovation to implementation division — i2iSM — combines the creativity of the company's packaging solutions centers, the capabilities of its packaging facilities, and externally sourced products and services to deliver strategic brand development and creative design to customers.

Retailers are increasing their influence deeper into the supply chain, redefining the way packaging is used, placed, and promoted. With i2iSM, Smurfit-Stone transforms these marketplace challenges into profitable growth opportunities.

i2iSM provides Smurfit-Stone customers with merchandising solutions that help build their market share.



Irina Liao (left), Andrew Giambroni, and Pam Nagel are part of Smurfit-Stone's new i2iSM business unit.

DELIVERING VALUE TO CUSTOMERS

In this central locale, we are able to leverage the many resources of Smurfit-Stone to generate packaging prototypes that focus on providing solutions such as improved functionality, aesthetic enhancements, convenience and portability. Customers come away with solutions that uniquely respond to their needs.

Our innovation group has presented many new concepts to a variety of customers. A case in point: when we conducted an innovation fair for representatives from Procter & Gamble Company, our creativity prompted P&G to partner with Smurfit-Stone's DI-NA-CAL® label group for the national launch of Downy® Simple Pleasures™ fabric softener.

Smurfit-Stone expanded its role in this product introduction from supplying labels and machinery to a range of value-added services, including graphic design support and logistics expertise.

Our groundbreaking VPS and META™ packaging systems demonstrate how Smurfit-Stone draws on an integrated product line to offer inventive answers to tough inventory management and efficiency challenges. The systems are designed around the rigors of the retailing environment, installed at the customer's location and supplied and serviced by Smurfit-Stone. With any container, the stacking strength is in the corners. Our META™ box offers up to eight sides and delivers excellent merchandising efficiencies for bottled and bagged products. Sales have doubled in the past year. Our VPS design targets the produce industry by maximizing package strength, while minimizing material use. VPS boxes can endure the journey from produce packers to the retail store intact, and still provide visual punch in the produce aisle. Perhaps most important, each VPS or META™ purchase represents an ongoing corrugated contract and a long-term customer partnership.

RESEARCH AND DEVELOPMENT

To maintain these successful customer relationships, we must invest in new ideas and embrace new technologies. Smurfit-Stone's ongoing research and development efforts give us a competitive edge. Our progress exploring RFID technology illustrates the point. A microchip that transmits a unique electronic product code, the RFID "smart" tag tells a story as a product travels through the distribution process. Radio signals reveal how quickly a particular product sells out and inform the retailer when to restock. The result is improved inventory turns, logistical savings, and, ultimately, more comprehensive marketing data. While RFID will likely first appear at the case and pallet levels, its potential is boundless.

Smurfit-Stone is at the forefront of RFID research. We are building RFID expertise and experience in our Carol Stream, IL, product testing laboratory. Our RFID consultants craft solutions that make sense for each customer's supply chain.

EMPLOYEE DEVELOPMENT

We continue to unify all our activities and operations behind a performance culture we call CustomerONE™. CustomerONE™ is an operating philosophy focused on performance excellence, lean manufacturing and continuous improvement as a way of life. At its core, CustomerONE™ is about fully utilizing our employees' talents and experience. In the past, investors calculated a corporation's market value almost solely on the basis of physical assets. For today's investors, human resources are part of the equation.

To out-innovate the competition, we challenge our people to ask questions and take qualified risks.

We have vigorously pursued a succession planning initiative to identify individuals with leadership potential and give them a stake in Smurfit-Stone's success. We have worked hard to foster a continuity of leadership. For example, at the end of 2004, Bill Wandmacher, vice president and general manager of our containerboard mill and forest resources division, retired after nearly four decades of service in the packaging business. Our management succession plan enabled us to identify Bill's successor — Smurfit-Stone veteran Sonny Jackson. Sonny worked side-by-side with Bill to enable a smooth transition.



Smurfit-Stone's mill system produces high-quality board substrates that are converted into countless types of end-use packaging solutions.



Smurfit-Stone worked with Domino's Pizza to develop eye-catching, consumer friendly packaging such as the patented Buffalo Chicken Kickers box, with cup holders designed for easy use with a variety of dipping sauces.

Building a more diverse organization is part of the innovation equation, and we are working aggressively to attract more women and minorities. We have launched a comprehensive supplier diversity program to provide certified minority and woman-owned businesses with equitable opportunities to compete for contracts. Our diversity initiatives are bringing fresh perspectives and new leadership styles to the table.

SAFETY, GOVERNANCE AND CITIZENSHIP

Safety — Perhaps the best measure of our commitment to coworkers remains our safety record. For four consecutive years, Smurfit-Stone has set the industry standard in safety. In fact, *Occupational Hazards*, the leading magazine of safety, health and loss prevention, named Smurfit-Stone one of America's safest companies. Our goal is to be the safest company in any industry — and ultimately, accident-free.

Governance — Following the 2003 departure of our largest shareholder, Jefferson Smurfit Group, we embarked on an 18-month effort to reconstitute our board of directors. With the election of Gene Sit, chairman, CEO and chief investment officer of Sit Investment Associates, and Connie Duckworth, an investment banker and former partner at Goldman, Sachs & Co., we rounded out our 10-member board in 2004. Our corporate governance principles are designed to promote full disclosure, transparency, accuracy and integrity in our financial reporting, and we remain in full compliance with all emerging regulations and standards.

Citizenship — We demonstrate environmental responsibility everywhere we operate, and give back to the communities where we live and work. In 2004, Smurfit-Stone contributed to worthy organizations across North America, and our employees made numerous personal donations and volunteered valuable time to help neighbors in need.

OUTLOOK: VALUE CREATION

Packaging may be a mature business — but it is also a very dynamic one. As North America's largest paperboard packaging company, Smurfit-Stone is at the epicenter of emerging trends in retailing, and the broader structural changes in our markets are here to stay. To overcome inflationary pressures and build market share, we are marshaling our internal resources, and we are reaching outside the company for fresh perspectives on potential efficiency enhancements and underserved market segments.

We have anticipated and quickly adjusted to volatile market conditions. We made many right choices in difficult situations. We assembled an enviable array of product and service capabilities. We know we must out-innovate and out-execute the competition to continue to earn our leadership standing.

I am optimistic about Smurfit-Stone's future. As we enter 2005, our strategic focus on value creation remains unchanged. We expect to achieve volume growth at or above the industry rate in our major markets. We are challenging our managers to offset inflationary pressures with ongoing process improvements and asset utilization initiatives. We will continue to apply available free cash flow to reduce our debt and strengthen our financial condition. And, we will continue to make strides in customer service and new product development.

We are driven by a sense of tremendous opportunity. We have organized Smurfit-Stone to innovate, to anticipate developing trends and to seize profitable business. We will continue working on your behalf to build a solid foundation for the future.

PATRICK J. MOORE

Chairman, President and Chief Executive Officer

BOARD OF DIRECTORS
AND CORPORATE OFFICERS



Smurfit-Stone's Board of Directors Front row (left to right): Connie K. Duckworth, Patrick J. Moore, and Alan E. Goldberg. Back row (left to right): William D. Smithburg, Thomas A. Reynolds, III, William T. Lynch, Jr., James J. O'Connor, James R. Boris, Jerry K. Pearlman, and Eugene C. Sit.

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Smurfit-Stone Container
Corporation

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Retired
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James J. O'Connor
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Consumer Packaging Division

David C. Stevens
Senior Vice President
and General Manager
Recycling Division

CHAIRMAN EMERITUS

Dr. Michael W. J. Smurfit

STOCKHOLDER INFORMATION

Stockholders' Annual Meeting

May 11, 2005 at 10:00 a.m.
University of Chicago Gleacher Center
450 N. Cityfront Plaza Drive
Chicago, IL 60611

Registrar and Transfer Agent

Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: (800) 676-0896
www.melloninvestor.com/isd

Common Stock

Smurfit-Stone Container Corporation Common Stock is traded on The Nasdaq National Market under the symbol: SSCC

Preferred Stock

Smurfit-Stone's 7% Series A Cumulative Exchangeable Redeemable Convertible Preferred Stock is traded on Nasdaq under the symbol: SSCCP

Investor Information

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Smurfit-Stone Container Corporation
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St. Louis, MO 63105
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Timothy McKenna
Senior Vice President, Investor Relations and Communications
St. Louis, MO: (314) 746-1254
Chicago, IL: (312) 580-4637

Corporate Headquarters

Smurfit-Stone Container Corporation
150 North Michigan Avenue
Chicago, IL 60601
Telephone: (312) 346-6600

DIVISION OFFICERS

CORRUGATED CONTAINER DIVISION

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Vice President
and Regional Manager

John P. Crimmin
Vice President
and Regional Manager

Richard E. Flamm
Vice President
and Regional Manager

Stephen P. Folan
Vice President
and Area Manager

James A. Henderson
Vice President
and Regional Manager

Charles H. Holland
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and Director of Manufacturing

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Vice President
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Vice President
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Corporate Sales

Donald A. Petri
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and Regional Manager

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and General Manager
Smurfit-MBI

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Label Products

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and General Manager
Bag Packaging Group

Jeffrey Deitch
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Technology
Flexible Packaging Group

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Lamination

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Boxboard Mills

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and Regional Manager
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Vice President
CPD Sales

James B. Laurence
Vice President of Sales
Bag Packaging Group

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and Regional Manager
Folding Cartons

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Vice President
CPD Marketing

Gary D. McDaniel
Vice President
and General Manager
Flexible Packaging and Labels

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Vice President
and General Manager
Folding Cartons

Michael L. Weisheit
Vice President
and Regional Manager
Folding Cartons

CONTAINERBOARD MILL & FOREST RESOURCES DIVISION

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Mill Operations
Central Region

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Sales and Marketing

Michael L. Butler
Vice President
North American
Containerboard Sales

John E. Davis
Vice President
Forest Resources

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Mill Operations
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Product Management
and Technical Services

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Kraft Sales
and National Accounts

i2i DIVISION

Lane W. Hunter
Vice President
and General Manager
i2i – merchandising business

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Michael R. Oswald
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Vice President
South Region

James W. Pope
Vice President
International/West Sales

Edward V. Tucciarone
Vice President
Eastern Sales

OTHER

Joseph V. LeBlanc
Vice President
Research and Development

Mark A. Polivka
Vice President
Procurement

William C. Wanner
Vice President
Supply/Demand Operations

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