

11 November 2009: 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 results for the 3 months and 9 months ending 30 September 2009.

2009 Third Quarter & First Nine Months | Key Financial Performance Measures

€m	YTD 2009	YTD 2008	change	Q3 2009	Q3 2008	change	Q2 2009	change
Revenue	€4,517	€5,431	(17%)	€1,515	€1,753	(14%)	€1,498	1%
EBITDA before Exceptional Items and Share-based Payment ⁽¹⁾	€555	€745	(26%)	€192	€231	(17%)	€184	4%
EBITDA Margin	12.3%	13.7%	-	12.7%	13.2%	-	12.3%	-
Operating Profit before Exceptional Items	€266	€443	(40%)	€96	€131	(27%)	€87	10%
Basic (Loss)/Earnings Per Share (€ cent)	(14.2)	73.5	-	(20.9)	16.8	-	3.0	-
Free Cash Flow ⁽²⁾	€143	€226	(37%)	€125	€149	(16%)	€18	594%
Net Debt	€3,034	€3,192	(5%)	€3,034	€3,192	(5%)	€3,164	(4%)
Net Debt to EBITDA (LTM)	4.0x	3.1x	-	4.0x	3.1x	-	4.0x	-

(1) EBITDA before exceptional items and share-based payment expense is denoted by EBITDA throughout the remainder of the management commentary for ease of reference. A reconciliation of net income for the period to EBITDA before exceptional items and share-based payment expense is set out on page 28.

(2) Free cash flow is set out on page 8. The IFRS cash flow is set out on page 16.

Key points | Third quarter

- EBITDA margin of 12.7% reflects ongoing benefits from cost take-out actions
- Strong cash flow performance and net debt reduction of €130 million in the quarter
- Industry inventory levels remain at 2-year lows, supporting recent pricing recovery
- Announcing bond issue to repay bank debt and further extend debt maturities

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "The Group is pleased to report a strong cash flow performance and net debt reduction of €130 million in the third quarter, supported by a 4% sequential increase in EBITDA to €192 million. This result demonstrates our commercial focus and commitment to efficiency programmes, together with our strong working capital management and continued capital expenditure discipline.

Demand for the Group’s products was generally stable through the third quarter. The improved EBITDA margin of 12.7% again outlines the continuing benefits of our integrated business model, our effective cost take-out actions and the strong contribution from our Latin American business. These positives were somewhat offset, as expected, by higher recovered fibre costs and continued pressure on corrugated pricing in Europe.

While sentiment has improved across our markets, a consumer-led economic recovery and return to demand growth for corrugated packaging has yet to materialise. Due to the unsustainably low levels of paper pricing that prevailed in 2009, capacity rationalisation decisions were taken by a number of industry players. These broad-based supply curtailments contributed to reduce inventory levels to a two-year low at the end of September.

The lower inventory level combined with increased input cost pressure created the conditions for SKG to announce a number of containerboard price increases, the majority of which has been successfully implemented throughout the market. Despite higher containerboard prices, further less-efficient capacity closures are expected in the industry, given the continued upward trend in input costs, especially for recovered fibre.

As is normal, higher containerboard prices will generate some near-term margin compression in our corrugated and converting businesses, but will lead to corrugated price increases. The Group will continue to focus on increasing its operating efficiency, and creating shareholder value by maximising cash flow generation for continued net debt reduction.

Finally, following the successful negotiation of amendments to our senior credit facility in July, we have today announced the launch of a bond issue with the proceeds being used to pay down senior debt and extend the overall maturity profile of our debt. The bond issue is subject to a separate press release.”

About Smurfit Kappa Group

Smurfit Kappa Group is a world leader in paper-based packaging with operations in Europe and Latin America. Smurfit Kappa Group operates in 21 countries in Europe and is the European leader in containerboard, solidboard, corrugated and solidboard packaging and has a key position in several other packaging and paper market segments, including graphicboard, sack paper and paper sacks. Smurfit Kappa Group also has a good base in Eastern Europe and operates in 9 countries in Latin America where it is the only pan-regional operator.

Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

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2009 Third Quarter & First Nine Months | Performance Overview

In the challenging operating environment that prevailed in the first nine months of 2009, the Group successfully increased its EBITDA margins from a low of 11.9% in quarter one to 12.7% in quarter three. The resilience of the Group's margins reflects, amongst other things, the greater stability of the integrated model through the cycle, and SKG's ongoing focus on cost reduction.

In the third quarter SKG's European corrugated volumes were 7% lower than in the same period in 2008, an improvement from the 12% year-on-year decline experienced in the first half. SKG corrugated volumes were sequentially flat in the third quarter, despite quarter two being a seasonally stronger period for the Group's business.

The weak containerboard pricing environment that prevailed in the first half of the year generated downward pressure on European corrugated prices in the third quarter, negatively impacting the Group's earnings in the period. Higher recovered fibre prices also affected earnings, with price levels gradually increasing through the quarter. The pressure on recovered fibre prices continued into the early part of the fourth quarter.

These negatives were more than offset by lower energy and wood costs in quarter three, together with €40 million of savings benefits in the period from SKG's formal cost take-out programme. Our Latin American business delivered stable EBITDA margins of around 20% in the third quarter, contributing to the Group's overall higher margins.

SKG is maintaining its focus on optimising its cost efficiency by addressing underperforming operations. Following the closure of three corrugated plants in Europe in the first half of the year, in the third quarter the Group announced the rationalisation of a corrugated plant in Ireland, and plans to cease production at its 200,000 tonnes semi-chemical fluting mill located in Slovakia.

From an industry perspective, the progressively deteriorating operating conditions that prevailed since the middle of 2008 in the containerboard market have generated significant capacity rationalisation actions. These included an increasing number of permanent closures of less-efficient paper machines, and a material amount of market-related downtime, especially since March 2009.

Widespread supply curtailment facilitated a 32% decline in containerboard inventory levels across the market from March to August 2009, despite the simultaneous introduction of new capacity in Eastern Europe. Inventories remained stable in September, which, combined with increasing input cost pressure, is supporting the containerboard pricing momentum.

Since the beginning of September, public market indices have confirmed increases of €80 per tonne for recycled containerboard, and €50 per tonne for kraftliner. Higher containerboard prices are expected to generate some near-term margin compression within the Group's corrugated system. As a result, SKG is announcing corrugated price increases with its customers.

The third quarter again demonstrated the Group's strong cash flow generation capability. Year to date in 2009, SKG has reduced its net debt by just over €150 million, the equivalent of 5%. The Group also maintains a long-term debt profile, with no material maturities before the end of 2013. To further strengthen its capital structure, today the Group is announcing the launch of a bond issue to repay some of its existing bank debt maturing between now and 2014, and further extend its average debt maturity.

2009 Third Quarter | Financial performance

At €1,515 million for the third quarter of 2009, sales revenue was 14% lower than in the third quarter of 2008. However, allowing for the negative impact of currency of €45 million and net disposals and closures of €8 million, revenue shows an underlying decrease of €185 million, the equivalent of approximately 11%.

At €192 million for the third quarter, EBITDA was €39 million lower than in 2008 (17%). Allowing for the negative impact of currency of €6 million and for the benefit of closed loss-making operations of €1 million, the underlying decrease in EBITDA was €34 million, the equivalent of 15%.

Compared to the second quarter of 2009, EBITDA in the third quarter was €8 million higher. The impact of currency was negligible quarter-on-quarter. The higher absolute level of EBITDA in the third quarter reflects stable demand and higher margins, and the Group's ongoing cost reduction efforts.

Exceptional items in the third quarter of 2009 amounted to almost €50 million and related to the closure of our Sturovo semi-chemical fluting mill in Slovakia and to the rationalisation of our Cork corrugated plant in Ireland. No exceptional items were charged in the third quarter of 2008.

2009 First Nine Months | Financial performance

Revenue of €4.5 billion in the first nine months of 2009 represents a decrease of 17% on the comparable period in 2008. However, allowing for the impact of currency, acquisitions and closures, revenue shows an underlying decrease of €748 million, the equivalent of approximately 14%.

EBITDA of €555 million in the first nine months of 2009 was €190 million, or 26% lower than in the comparable period in 2008. Currency reduced comparable EBITDA by €20 million, while the absence of loss-making operations added €2 million, leading to an adjusted decrease of €172 million, the equivalent of 23%. The lower earnings primarily reflect reduced demand and margin pressure within SKG's total system, offset by the continuing benefits from the Group's cost reduction programme.

The exceptional items of €50 million charged in the nine months to September 2009 arose entirely in the third quarter. In the first nine months of 2008, exceptional items amounted to €28 million and related entirely to the closure of our Valladolid recycled containerboard mill in Spain.

2009 Third Quarter and First Nine Months | Debt Reduction

In the third quarter of 2009, the Group's net debt reduced by €130 million, to just over €3.03 billion. Despite the year-on-year drop in EBITDA in quarter three, the Group's net debt to EBITDA ratio of 4.0x at the end of September was the same as June 2009 levels, reflecting SKG's strong ongoing cash generation.

Year-on-year, the Group reduced its net debt by just over €158 million, the equivalent of approximately 5%. The Group's financial priority continues to be to maximise free cash flow generation and debt reduction through the cycle.

2009 Third Quarter and First Nine Months | Capital structure

In July 2009, the Group secured amendments to its Senior Credit Facility, which further enhanced its financial flexibility in light of the ongoing uncertainty of the global economic environment. These amendments provided SKG with increased covenant headroom for the next three years, and extended the maturity of a major portion of its Revolving Credit Facility, previously maturing in December 2012, by one year.

The amendments also provided the Group with the ability to raise up to €1 billion of longer dated secured bonds to repay its existing bank debt at par, thereby further extending its debt maturities and diversifying its sources of funding. In that context, SKG is announcing today the launch of a bond issue. For further details on that transaction, please refer to the Group's related press release, available for download from SKG's website at www.smurfitkappa.com.

SKG maintains a strong liquidity position, with no material debt maturities until December 2013, and €668 million in cash on its balance sheet at the end of September. In addition, the Group has undrawn committed credit facilities of approximately €525 million, of which €373 million mature in December 2013, with the remainder maturing a year earlier.

Following the amendments to its Senior Credit Facility, SKG has an even stronger capital structure, allowing it to continue to focus on the market, its customers, and further optimise its operating efficiency to maintain its leadership position and maximise shareholders' returns through the cycle.

2009 Third Quarter and First Nine Months | Free Cash Flow

While EBITDA in the first nine months of 2009 was €190 million lower than in the same period in 2008, free cash flow at €143 million was down by a significantly lesser amount of €83 million. This positive outcome primarily reflects the Group's continued strong working capital control, together with reduced capital expenditure.

In response to the conditions prevailing in the industry and the economy in general, the Group remains committed to reducing its level of capital expenditure towards 60% of depreciation in 2009. In that context, SKG's capital expenditure of €48 million in the third quarter of 2009 represented approximately 58% of depreciation, compared to 86% in the third quarter of 2008. In the first nine months of 2009, capital expenditure at €161 million was €41 million lower than in the comparable period in 2008, and represented 64% of depreciation.

The Group's strong cash generation in the first nine months of 2009 was supported by a working capital inflow of €86 million, compared to a €9 million inflow in the equivalent period in 2008. Working capital of €488 million at the end of September 2009 represented 8.0% of annualised net revenue, compared to 9.6% at September 2008 and 9.8% at June 2009. The working capital inflow in the third quarter primarily reflects SKG's ongoing working capital control together with the normal seasonality in our business. Year to date in 2009, SKG also benefited from a one-off working capital inflow of circa €30 million as a result of a change in payment term regulations in France.

Cash interest of €161 million in the first nine of 2009 was €21 million lower than in the same period in 2008. Following the amendments to its capital structure finalised in July, the Group's bank debt margins were increased by 1.25%. Despite that increase, cash interest of €61 million in the third quarter was broadly similar to the level of the third quarter of 2008. This primarily reflects the benefits of the lower interest rate environment and the Group's lower average net debt year-on-year.

As part of its Senior Credit Facility amendments, the Group also agreed to repay €100 million of its bank debt at par in the second half of 2009. In that context, SKG repaid €84 million of bank debt in the third quarter. The remaining €16 million will be repaid in quarter four. This bank debt repayment also contributed to reduce cash interest in the period. For the full year 2009, SKG expects its cash interest cost to be lower than in 2008.

Tax payments in the first nine months of 2009 were €21 million higher than in the comparable period in 2008, with the increase arising largely from some one-off events.

2009 Third Quarter and First Nine Months | Cost Take-Out programme

Early in 2008, the Group initiated a cost take-out programme to further strengthen the competitiveness of its operations in the challenging circumstances facing the Group and the industry at that time. In the full year of 2008, this programme delivered €72 million of sustainable cost savings.

In light of the further deteriorating economic environment that prevailed in late 2008 and into 2009, the Group has increased its cost reduction efforts even further, and raised its formal cost take-out objective from €200 million over the years 2008-2010 to €250 million.

In the first nine months of 2009, SKG delivered €100 million of cost take-out, (with €40 million delivered in quarter three) and expects to deliver approximately €140 million for the full year of 2009.

2009 Third Quarter and First Nine Months | Performance Review

Packaging: Europe

Despite ongoing pressure on pricing and volumes, the Group's positive EBITDA outcome in the first nine months of 2009 primarily reflects the resilience of SKG's integrated model, together with intensified cost take-out efforts. Cost take-out sources include reduction of production waste, optimisation of distribution flows within our total system, and closure or rationalisation of underperforming operations.

In that context, following the closure of three corrugated plants in the first half of the year, the Group continued to optimise its operating efficiency in the third quarter, by rationalising a further corrugated plant and announcing plans to cease production at its 200,000 tonnes Sturovo mill (Slovakia) in March 2010.

The Sturovo mill closure is driven by the substitution by the market of semi-chemical fluting with lower cost high performance fluting. It is also affected by the current excess capacity in the containerboard market, together with unfavourable currency movements and, in SKG's view, unwarranted subsidies for new capacity additions in Central and Eastern Europe. The Group's future high performance fluting needs will be mainly supplied from its own recycled mills, thereby further optimising production within its integrated system, and sustainably reducing SKG's overall cost position.

The Group's continued restructuring actions, the integration activity from acquisitions made to date, and our judicious capital allocations to energy efficiency investments and for the acquisition of corrugated equipment to support our customers' developments, are, in our view, the factors that underpin our leadership in the paper packaging industry. Innovation and design are also key strengths within SKG and as a recognition of this, one of the Group's designs was awarded the "Supreme Award" at the annual "Flexotech Print" competition, that took place in London in October 2009.

The Group's resilient margins in the first nine months of the year also reflect a material reduction in energy and wood costs. On the other hand, recovered fibre costs increased by approximately €15 per tonne through the second quarter, and by a further €15 per tonne in the latter half of the third quarter. This resulted from renewed buying from China, combined with increased demand within Europe ahead of new recycled capacity starting in the third quarter of 2009.

With containerboard prices under significant pressure since the second quarter of 2008, increasing recovered fibre costs amplified the margin pressure throughout the industry in 2009. Consequently, approximately 1.6 million tonnes of less-efficient containerboard capacity have been permanently closed over the past 18 months, and an additional 0.4 million tonnes have been announced for closure within the next six months. In total, these closures represent circa. 9% of the corresponding European capacity.

In addition to permanent closures, widespread temporary downtime has been taken across the industry year to date. As a result of those significant production curtailments, and notwithstanding the start-up of new paper machines, containerboard inventory levels across the market reduced by 32% from the peak in March to the end of August. In September, inventories remained stable at two-year low levels.

Lower inventory levels combined with higher input costs supported strong pricing momentum for containerboard since the beginning of September. To the end of October, price increases of €80 per tonne have been implemented for recycled containerboard, and €50 per tonne for kraftliner. These represent increases of approximately 35% and 15% respectively.

Overall, SKG took in excess of 250,000 tonnes of downtime within its European containerboard system in the first nine months of 2009 (80,000 tonnes in quarter three). The Group is continuing to match its output to the actual level of demand, in order to maintain its inventories at a low level, and support its containerboard pricing.

The sustainability of higher containerboard price levels in the medium-term will depend on the prevailing supply-demand balance in the European market, bearing in mind the planned start-up of a further recycled containerboard machine in the second quarter of 2010.

On the kraftliner side, the recent pricing momentum has been supported by significant downtime in Europe and a 30% reduction in US imports in the first eight months of the year. Despite the weakening Dollar, significant containerboard capacity closures of 1.8 million tonnes announced in the US in October should prevent any material rise in imports from North America into Europe.

Latin America

The continued resilience of the Group's earnings confirms the ongoing benefits of its geographical diversity. SKG's Latin American business maintained its performance, reporting EBITDA margins of 18.9% in the first nine months of 2009.

However, Latin America is not immune from the global weakness in the economic environment, and this is reflected in the 9% year-on-year decline in the Group's corrugated volumes in the first nine months of 2009. Following a 12% decline in the first half, demand levelled off in quarter three, but remained approximately 5% lower than in the comparable period in 2008.

Despite lower deliveries, SKG's Latin American EBITDA in the first nine months was approximately 12% higher year-on-year in euro terms. This solid financial outcome primarily reflects higher earnings in Venezuela and in Mexico, and to a lesser extent Colombia, offset by weaker profitability in Argentina.

In Venezuela, although the high inflationary environment is challenging for business, it was more than offset by SKG's commercial and operating efficiencies in the first nine months of 2009. In Argentina, SKG's earnings were affected by reduced pricing for all grades, reflecting the continuing challenges facing the economy.

The improved Mexican performance reflects a significantly lower cost base, supported by reduced energy prices and lower containerboard purchases from the United-States. Lower imports were compensated by higher integration levels and some domestic purchases, taking advantage of the weaker Mexican Peso.

In Colombia, pricing and volumes remain under pressure, especially on export markets. In euro terms however, the Group's EBITDA slightly improved year-on-year in quarter three, reflecting lower energy costs, and easier comparators due to major maintenance work in quarter three of 2008 at our Cali complex, for the installation of a new recovery boiler.

Overall, SKG continues to benefit from its portfolio of countries in the region. Operating efficiencies and cost take-out efforts remain a major focus in all our Latin American operations during this economic downturn. Overall, Latin America represented approximately 17% of the Group's revenue in the first nine months of 2009 and 25% of its EBITDA.

Specialties: Europe

In the first nine months of 2009, profitability in the Group's sacks and solidboard businesses declined year-on-year, while our bag-in-box business delivered significant earnings growth over the period. Overall, SKG's specialties EBITDA declined by 17% in the first nine months of 2009.

The improved performance of our bag-in-box division reflects a particularly strong demand in the second and third quarter, benefiting from good weather in Europe and some market share gains at the expense of other liquid packaging solutions, especially for wine applications in France, Russia and Canada.

The Group's sack division continued to underperform in the third quarter, primarily driven by lower sack kraft paper prices and very weak converting volumes. To restore some profitability within this division, SKG has announced a €70 per tonne price increase for sack kraft paper.

SKG's solidboard business was affected by lower volumes on the converting side, but solidboard mills reported a satisfactory result in the first nine months of 2009, primarily benefiting from SKG's continuing cost take-out activity. To compensate for the margin pressure arising from the recent increase in recovered fibre costs, the Group is currently implementing a €50 per tonne price increase for solidboard. This increase should support SKG's solidboard earnings into 2010.

Summary Cash Flows

Summary cash flows for the third quarter and nine months are set out in the following table.

	3 months to 30-Sep-09 € Million	3 months to 30-Sep-08 € Million	9 months to 30-Sep-09 € Million	9 months to 30-Sep-08 € Million
Pre-exceptional EBITDA	192	231	555	745
Exceptional Items	(3)	(4)	(3)	(4)
Cash interest expense	(61)	(60)	(161)	(182)
Working capital change	95	92	86	9
Current provisions	(3)	-	(14)	(23)
Capital expenditure	(48)	(74)	(161)	(202)
Change in capital creditors	2	3	(45)	(16)
Sale of fixed assets	1	1	4	4
Tax paid	(42)	(28)	(79)	(58)
Other	(8)	(12)	(39)	(47)
Free cash flow	125	149	143	226
Gain on debt buy-back	-	-	9	-
Sale of businesses and investments	-	-	-	56
Investments	-	(15)	-	(15)
Derivative termination (payments)/receipts	(2)	3	(1)	-
Dividends	(1)	(1)	(4)	(41)
Net cash inflow	122	136	147	226
Deferred debt issue costs amortised	(8)	(3)	(17)	(11)
Currency translation adjustments	16	(40)	21	(3)
Decrease in net debt	130	93	151	212

(1) The summary cash flow is prepared on a different basis to the cash flow statement under IFRS.

The principal difference is that the summary cash flow details movements in net debt while the IFRS cash flow details movement in cash and cash equivalents. In addition, the IFRS cash flow has different sub-headings to those used in the summary cash flow. A reconciliation of the free cash flow to cash generated from operations in the IFRS cash flow is set out below.

	9 months to 30-Sep-09 € Million	9 months to 30-Sep-08 € Million
Free cash flow	143	226
Add back:		
Cash interest	161	182
Capital expenditure	161	202
Change in capital creditors	45	16
Tax payments	79	58
Less:		
Sale of fixed assets	(4)	(4)
Profit on sale of assets and business – non exceptional	(5)	(13)
Receipt of capital grants (in "Other")	(2)	(2)
Dividends received from associates (in "Other")	(1)	(4)
Cash generated from operations	577	661

Capital Resources

The Group's primary sources of liquidity are cash flow from operations and borrowings under the revolving credit and restructuring facilities. The Group's primary uses of cash are for debt service and capital expenditure.

At 30 September 2009 Smurfit Kappa Funding plc had outstanding €217.5 million 7.75% senior subordinated notes due 2015 and US\$200 million 7.75% senior subordinated notes due 2015. In addition Smurfit Kappa Treasury Funding Limited had outstanding US\$292.3 million 7.50% senior debentures due 2025 and the Group had outstanding €210 million floating rate notes issued under an accounts receivable securitisation program maturing in 2011.

Smurfit Kappa Acquisitions and certain subsidiaries are party to a Senior Credit Facility. The Senior Credit Facility comprises a €357 million amortising A Tranche maturing in 2012, a €1,223 million B Tranche maturing in 2013 and a €1,222 million C Tranche maturing in 2014. In addition, as at 30 September 2009, the facility included a €525 million revolving credit facility of which there were €13.5 million in letters of credit issued in support of other liabilities.

The following table provides the range of interest rates as of 30 September 2009 for each of the drawings under the various Senior Credit Facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	3.678% - 4.502%
Term Loan B	EUR	3.818% - 4.729%
	USD	3.809%
Term Loan C	EUR	3.173% - 4.577%
	USD	4.059%

Borrowings under the revolving credit facility are available to fund the Group's working capital requirements, capital expenditures and other general corporate purposes.

Senior Credit Facility Amendment

On 2 July 2009 an amendment to the terms of the Senior Credit Facility became effective. Lenders comprising in excess of 98% of the Facility consented to the proposed amendments, providing the Group with (i) the ability to raise longer dated financing, as and when market conditions are attractive, to refinance a portion of its existing bank facilities and (ii) increased leverage and interest cover covenant headroom.

In addition, lenders holding 75% of the Group's revolving credit facility ("RCF") elected to extend their commitments by one year. The original €600 million RCF maturing in December 2012 has therefore been converted into two tranches totalling €525 million of which €152 million ("RCF1") matures in December 2012 and €373 million ("RCF2") in December 2013 (SKG had targeted a minimum RCF amount of €200 million to be extended to December 2013).

Effective on the date of the amendment the margins applicable to the Senior Credit Facility have been amended to the following:

Net Debt/EBITDA ratio	Tranche A and RCF1	Tranche B	Tranche C	RCF2
Greater than 4 : 1	3.25%	3.375%	3.625%	3.50%
4 : 1 or less but more than 3.5 : 1	3.00%	3.125%	3.375%	3.25%
3.5 : 1 or less but more than 3.0 : 1	2.75%	3.125%	3.375%	3.00%
3.0 : 1 or less	2.50%	3.125%	3.375%	2.75%

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. At 30 September 2009 the Group had fixed an average of 62% of its interest cost on borrowings over the following twelve months.

Our fixed rate debt comprised mainly €217.5 million 7.75% senior subordinated notes due 2015, US\$200 million 7.75% senior subordinated notes due 2015 and US\$292.3 million 7.50% senior debentures due 2025. In addition the Group also has €1,930 million in interest rate swaps with maturity dates ranging from October 2009 to July 2014.

Our earnings are affected by changes in short-term interest rates as a result of our floating rate borrowings. If LIBOR interest rates for these borrowings increase by one percent, our interest expense would increase, and income before taxes would decrease, by approximately €16 million over the following twelve months. Interest income on our cash balances would increase by approximately €7 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group uses foreign currency borrowings, currency swaps, options and forward contracts in the management of its foreign currency exposures.

Group Income Statement – Nine Months

	<u>Unaudited</u>			<u>Unaudited</u>		
	9 Months to 30-Sep-09			9 Months to 30-Sep-08		
	Pre- Exceptional 2009 €000	Exceptional 2009 €000	Total 2009 €000	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000
Continuing operations						
Revenue	4,516,730	-	4,516,730	5,431,319	-	5,431,319
Cost of sales	(3,227,015)	(32,464)	(3,259,479)	(3,865,985)	(10,950)	(3,876,935)
Gross profit	1,289,715	(32,464)	1,257,251	1,565,334	(10,950)	1,554,384
Distribution costs	(384,229)	-	(384,229)	(440,822)	-	(440,822)
Administrative expenses	(641,699)	-	(641,699)	(683,073)	-	(683,073)
Other operating income	2,020	-	2,020	1,264	-	1,264
Other operating expenses	-	(17,194)	(17,194)	-	(17,318)	(17,318)
Operating profit	265,807	(49,658)	216,149	442,703	(28,268)	414,435
Finance costs	(299,630)	-	(299,630)	(327,337)	-	(327,337)
Finance income	87,188	8,428	95,616	123,112	-	123,112
Loss on disposal of associate	-	-	-	-	(6,905)	(6,905)
Share of associates' (loss)/profit (after tax)	(256)	-	(256)	2,746	-	2,746
Profit before income tax	53,109	(41,230)	11,879	241,224	(35,173)	206,051
Income tax expense			(30,365)			(27,080)
(Loss)/profit for the financial period			(18,486)			178,971
<i>Attributable to:</i>						
Equity holders of the Company			(30,964)			160,315
Minority interest			12,478			18,656
(Loss)/profit for the financial period			(18,486)			178,971
Earnings per share:						
Basic (loss)/earnings per share (cent per share)			(14.2)			73.5
Diluted (loss)/earnings per share (cent per share)			(14.2)			73.4

Group Income Statement – Third Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 30-Sep-09			3 Months to 30-Sep-08		
	Pre- Exceptional 2009 €000	Exceptional 2009 €000	Total 2009 €000	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000
Continuing operations						
Revenue	1,515,086	-	1,515,086	1,753,313	-	1,753,313
Cost of sales	(1,074,985)	(32,464)	(1,107,449)	(1,258,262)	-	(1,258,262)
Gross profit	440,101	(32,464)	407,637	495,051	-	495,051
Distribution costs	(130,880)	-	(130,880)	(144,766)	-	(144,766)
Administrative expenses	(213,597)	-	(213,597)	(219,679)	-	(219,679)
Other operating income	382	-	382	419	-	419
Other operating expenses	-	(17,194)	(17,194)	-	-	-
Operating profit	96,006	(49,658)	46,348	131,025	-	131,025
Finance costs	(109,587)	-	(109,587)	(86,353)	-	(86,353)
Finance income	35,372	-	35,372	16,161	-	16,161
Share of associates' profit (after tax)	462	-	462	195	-	195
(Loss)/profit before income tax	22,253	(49,658)	(27,405)	61,028	-	61,028
Income tax expense			(12,799)			(12,168)
(Loss)/profit for the financial period			(40,204)			48,860
<i>Attributable to:</i>						
Equity holders of the Company			(45,676)			36,712
Minority interest			5,472			12,148
(Loss)/profit for the financial period			(40,204)			48,860
Earnings per share:						
Basic (loss)/earnings per share (cent per share)			(20.9)			16.8
Diluted (loss)/earnings per share (cent per share)			(20.9)			16.6

Group Statement of Comprehensive Income

	<u>Unaudited</u> 9 months to 30-Sep-09 €000	<u>Unaudited</u> 9 months to 30-Sep-08 €000
(Loss)/profit for the financial period	(18,486)	178,971
Other comprehensive income:		
Foreign currency translation adjustments	58,786	(16,123)
Defined benefit pension schemes:		
- Actuarial (loss)	(132,341)	(36,639)
- Movement in deferred tax	34,180	7,275
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	6,358	(11,517)
- New fair value adjustments into reserve	(27,674)	9,685
- Movement in deferred tax	1,942	-
Change in fair value of available-for-sale financial assets	447	(412)
Total other comprehensive income	<u>(58,302)</u>	<u>(47,731)</u>
Comprehensive income and expense for the financial period	<u>(76,788)</u>	<u>131,240</u>
<i>Attributable to:</i>		
Equity holders of the Company	(99,058)	108,595
Minority interest	22,270	22,645
	<u>(76,788)</u>	<u>131,240</u>

Group Balance Sheet

	Unaudited 30-Sep-09 €000	Unaudited 30-Sep-08 €000 Restated	Audited 31-Dec-08 €000 Restated
Assets			
Non-current assets			
Property, plant and equipment	2,937,653	3,149,715	3,038,207
Goodwill and intangible assets	2,153,066	2,376,778	2,154,212
Available-for-sale financial assets	31,034	42,878	30,651
Investment in associates	12,438	15,876	14,038
Biological assets	85,294	77,958	78,166
Trade and other receivables	4,252	4,695	4,098
Derivative financial instruments	-	5,795	153
Deferred income tax assets	283,133	278,267	228,061
	5,506,870	5,951,962	5,547,586
Current assets			
Inventories	564,823	685,818	623,185
Biological assets	8,575	6,901	8,122
Trade and other receivables	1,153,839	1,403,328	1,210,631
Derivative financial instruments	4,835	25,411	14,681
Restricted cash	44,991	19,548	19,408
Cash and cash equivalents	623,017	708,952	699,554
	2,400,080	2,849,958	2,575,581
Non-current assets held for sale	10,482	10,960	10,482
Total assets	7,917,432	8,812,880	8,133,649
Equity			
Capital and reserves attributable to the equity holders of the Company			
Equity share capital	229	229	229
Capital and other reserves	2,361,928	2,524,278	2,329,613
Retained earnings	(808,349)	(390,175)	(679,224)
Total equity attributable to equity holders of the Company	1,553,808	2,134,332	1,650,618
Minority interest	163,160	140,013	144,723
Total equity	1,716,968	2,274,345	1,795,341
Liabilities			
Non-current liabilities			
Borrowings	3,569,907	3,782,871	3,751,361
Employee benefits	634,556	490,252	516,665
Derivative financial instruments	127,160	102,004	107,463
Deferred income tax liabilities	313,111	419,128	324,563
Non-current income tax liabilities	15,654	24,989	18,538
Provisions for liabilities and charges	43,198	60,332	48,343
Capital grants	13,008	14,223	13,026
Other payables	3,642	4,244	3,591
	4,720,236	4,898,043	4,783,550
Current liabilities			
Borrowings	131,879	137,989	152,193
Trade and other payables	1,235,136	1,420,282	1,311,012
Current income tax liabilities	12,382	29,456	24,926
Derivative financial instruments	48,313	3,732	20,671
Provisions for liabilities and charges	52,518	49,033	45,956
	1,480,228	1,640,492	1,554,758
Total liabilities	6,200,464	6,538,535	6,338,308
Total equity and liabilities	7,917,432	8,812,880	8,133,649

Group Statement of Changes in Equity (Unaudited)

	Capital and other reserves							Retained earnings €000	Total equity attributable to equity holders of the Company €000	Minority interests €000	Total equity €000
	Equity share capital €000	Share premium €000	Reverse acquisition reserve €000	Available-for-sale reserve €000	Cash flow hedging reserve €000	Foreign currency translation reserve €000	Reserve for share-based payment €000				
At 1 January 2009	229	1,928,066	575,427	(214)	(27,037)	(204,165)	57,536	(679,224)	1,650,618	144,723	1,795,341
Total comprehensive income and expense	-	-	-	447	(19,374)	48,994	-	(129,125)	(99,058)	22,270	(76,788)
Share-based payment expense	-	-	-	-	-	-	2,248	-	2,248	-	2,248
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(3,833)	(3,833)
At 30 September 2009	229	1,928,066	575,427	233	(46,411)	(155,171)	59,784	(808,349)	1,553,808	163,160	1,716,968
At 1 January 2008	228	1,927,947	575,427	585	15,538	(34,613)	53,163	(486,126)	2,052,149	137,443	2,189,592
Shares issued	1	157	-	-	-	-	-	-	158	-	158
Total comprehensive income and expense	-	-	-	(412)	(1,832)	(20,112)	-	130,951	108,595	22,645	131,240
Dividends paid to shareholders	-	-	-	-	-	-	-	(35,000)	(35,000)	-	(35,000)
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(5,833)	(5,833)
Purchase of minorities	-	-	-	-	-	-	-	-	-	(14,242)	(14,242)
Share-based payment expense	-	-	-	-	-	-	8,430	-	8,430	-	8,430
At 30 September 2008	229	1,928,104	575,427	173	13,706	(54,725)	61,593	(390,175)	2,134,332	140,013	2,274,345

Group Cash Flow Statement

	<u>Unaudited</u> 9 months to 30-Sep-09 €000	<u>Unaudited</u> 9 months to 30-Sep-08 €000
Cash flows from operating activities		
(Loss)/profit for the financial period	(18,486)	178,971
<i>Adjustment for</i>		
Income tax expense	30,365	27,080
Profit on sale of assets and businesses – continuing operations	(4,846)	(12,573)
Amortisation of capital grants	(2,020)	(1,263)
Impairment of property, plant and equipment	32,464	10,950
Equity settled share-based payment transactions	2,248	8,430
Amortisation of intangible assets	35,224	33,240
Share of loss of associates & loss on disposal of associates	256	4,159
Depreciation charge	243,323	257,011
Net finance costs	204,014	204,225
Change in inventories	63,440	(6,332)
Change in biological assets	8,530	4,078
Change in trade and other receivables	65,178	(15,405)
Change in trade and other payables	(42,806)	30,287
Change in provisions	(728)	(24,660)
Change in employee benefits	(37,988)	(33,457)
Foreign currency translation adjustments	(1,154)	(3,746)
Cash generated from operations	577,014	660,995
Interest paid	(168,367)	(205,333)
Income taxes paid:		
Irish corporation tax paid	(9,242)	(10,560)
Overseas corporation tax (net of tax refunds) paid	(69,480)	(47,209)
Net cash inflow from operating activities	329,925	397,893
Cash flows from investing activities		
Interest received	7,942	27,496
Business disposals	-	1,154
Purchase of property, plant and equipment and biological assets	(198,765)	(211,648)
Purchase of intangible assets	(6,604)	(6,446)
Receipt of capital grants	1,641	1,353
Purchase of available-for-sale financial assets	(5)	(6)
(Increase) in restricted cash	(25,144)	(6,453)
Disposal of property, plant and equipment	8,388	16,817
Disposal of investments	70	217
Dividends received from associates	1,279	4,433
Investments in/disposal of associates	(30)	54,969
Purchase of subsidiaries and minorities	104	(15,100)
Deferred and contingent acquisition consideration paid	(28)	-
Net cash (outflow) from investing activities	(211,152)	(133,214)
Cash flow from financing activities		
Proceeds from issue of new ordinary shares	-	158
(Decrease)/increase in interest-bearing borrowings	(151,551)	109,359
Repayment of finance lease liabilities	(10,614)	(10,997)
Derivative termination (payments)/receipts	(674)	27
Deferred debt issue costs	(34,024)	-
Dividends paid to shareholders	-	(35,000)
Dividends paid to minority interests	(3,833)	(5,833)
Net cash (outflow)/inflow from financing activities	(200,696)	57,714
(Decrease)/increase in cash and cash equivalents	(81,923)	322,393
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	682,692	375,390
Currency translation adjustment	7,449	(477)
(Decrease)/increase in cash and cash equivalents	(81,923)	322,393
Cash and cash equivalents at 30 September	608,218	697,306

1. General Information

Smurfit Kappa Group plc (“SKG plc”) (“the Company”) and its subsidiaries (together “the Group”) manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products such as solidboard and graphicboard. The Company is a public limited company incorporated and tax resident in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, Ireland.

On 14 March 2007 SKG plc completed an IPO with the placing to institutional investors of 78,787,879 new ordinary shares. This offering, together with the issue of an additional 11,818,181 ordinary shares, generated gross proceeds of €1,495 million. The additional shares were issued on admission by Deutsche Bank acting as stabilising manager under an over-allocation option and represent the permitted maximum 15% of the total number of shares in the IPO. The issue proceeds, net of costs, were used to repay certain debt obligations of the Group and to repay the shareholders PIK note issued in connection with the Group's 2005 acquisition of Kappa Packaging. Trading in the shares on the Irish Stock Exchange and the London Stock Exchange commenced on 20 March 2007.

2. Basis of Preparation

The annual consolidated financial statements of SKG plc are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the EU, and with those parts of the Companies Acts applicable to companies reporting under IFRS. IFRS is comprised of standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently approved by the IASB and remain in effect.

The financial information presented in this report has been prepared to comply with the requirement to publish an “Interim management statement” for the third quarter, in accordance with the Transparency Regulations which were signed into Irish law on 13 June 2007. The Transparency Regulations do not require interim management statements to be prepared in accordance with International Accounting Standard 34 – “Interim Financial Information” (“IAS 34”). Accordingly the Group has not prepared this financial information in accordance with IAS 34.

The financial information has been prepared in accordance with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the financial statements included in the Group's annual report for the year ended 31 December 2008 which is available on the Group's website www.smurfitkappa.com. The accounting policies and methods of computation and presentation adopted in the preparation of the financial information in this report are consistent with those described and applied in the annual report for the financial year ended 31 December 2008, with the exception of the application of the standards described below.

IFRS 8 *Operating Segments* replaces IAS 14 *Segment Reporting* and is mandatory for the Group from the beginning of 2009. IFRS 8 sets out the requirements for disclosure of financial and descriptive information about the Group's operating segments, products, the geographical areas in which we operate and major customers. This new standard changes the requirements for identification of reportable segments. As more fully explained in Note 3, under IAS 14 the Group had two reportable segments - Packaging and Specialties, however, under IFRS 8 the Group has identified three reportable segments – Packaging Europe, Specialties Europe and Latin America. IFRS 8 is a disclosure standard and does not affect the measurement of the Group's reported financial position or financial performance.

IAS 1 *Presentation of Financial Statements*, as amended requires the presentation of all owner changes in equity in a statement of changes in equity. In addition all non-owner changes in equity (or comprehensive income) may be presented either in one statement of comprehensive income or, in two statements – a separate income statement and a statement of comprehensive income. The Group has elected the two statement option. IAS 1 does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. IAS 1 was also amended to clarify the classification of certain financial assets and liabilities. The effect of this amendment is that non-hedging derivatives are not required to be classified as current simply because they fall in the 'held for trading' category in IAS 39. This means that financial assets/liabilities should only be presented as current if realisation/settlement within 12 months is expected; otherwise they should be classified as non-current. Previously the Group accounted for all non-hedging derivatives as current. Non-hedging derivatives are now accounted for as current or non-current based on expected realisation/settlement. As a result of this amendment the Group have reclassified

€88 million of derivative liabilities from current to non-current at 31 December 2008 (30 September 2008: €100 million).

IAS 23 *Borrowing Costs*, as amended requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of the asset. Qualifying assets are those assets that take a substantial period of time to get ready for use. The Group has applied IAS 23 as amended from 1 January 2009. To date no material amount of borrowing costs has been capitalised.

The following new standards, amendments to standards and interpretations became effective in the current financial year, however, they do not have an effect on the Group Financial Statements or are not currently relevant for the Group:

- IFRS 2 (amendment), *Share-based payment*
- IAS 32 (amendment), *Financial instruments: Presentation*
- IAS 41 (amendment), *Agriculture*
- IAS 19 (amendment), *Employee Benefits*
- IAS 29 (amendment), *Reporting in Hyperinflationary Economies*
- IFRIC 13, *Customer loyalty programmes*
- IFRIC 15, *Agreements for the construction of real estate*
- IFRIC 16, *Hedges of a net investment in a foreign operation*
- IFRIC 18, *Transfers of Assets from Customers*.

As discussed more fully in our 2008 annual report, the following new or amended standards will become effective for the Group from 1 January 2010. They do not have an effect on the Group interim financial information.

- IFRS 3 (revision), *Business Combinations*
- IAS 39 (amendment), *Financial instruments: Recognition and measurement*
- IFRIC 17, *Distributions of Non-cash Assets to Owners*
- IAS27 (R), *Consolidated and separate financial statements*

The financial information includes all adjustments that management considers necessary for a fair presentation of such financial information. All such adjustments are of a normal recurring nature.

The condensed financial information presented does not constitute full group accounts within the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland insofar as such group accounts would have to comply with all of the disclosure and other requirements of those Regulations. Full Group accounts for the year ended 31 December 2008 have been filed with the Irish Registrar of Companies. The audit report on those Group accounts was unqualified.

3. Segmental Analyses

IFRS 8 *Operating Segments* applies to the Group's 2009 annual financial statements. IFRS 8 sets out the requirements for disclosure of financial and descriptive information about the Group's operating segments, products, the geographical areas in which we operate and major customers. In accordance with IFRS 8 the Group has identified three operating segments on the basis of which performance is assessed and resources are allocated: 1) Packaging Europe, 2) Specialties Europe and 3) Latin America.

The Packaging segment is highly integrated. It includes a system of mills and plants that produces a full line of containerboard that is converted into corrugated containers. Our Specialties segment comprises activities dedicated to the needs of specific and sometimes niche markets. These include bag-in-box, solidboard and paper sacks. The Latin America segment comprises all forestry, paper, corrugated and folding carton activities in a number of Latin American countries. Inter segment revenue is not material.

Segment disclosures in accordance with IAS 34, and based on operating segments identified under IFRS 8, are made in this third quarter report. Segment profit is measured based on earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payment expense (pre-exceptional EBITDA). Segmental assets consist primarily of property, plant and equipment, biological assets, goodwill and intangible assets, inventories, trade and other receivables, and cash and cash equivalents.

The Group previously identified Packaging and Specialties as its primary format (business segmentation) in accordance with IAS 14 *Segment Reporting*.

	9 months to 30-Sep-09				9 months to 30-Sep-08			
	Packaging Europe €000	Specialties Europe €000	Latin America €000	Total €000	Packaging Europe €000	Specialties Europe €000	Latin America €000	Total €000
Revenue and Results								
Third party revenue	3,144,706	625,233	746,791	4,516,730	3,989,249	730,557	711,513	5,431,319
EDITDA before exceptional items Segment	369,678	68,314	140,864	578,856	562,092	82,540	126,327	770,959
exceptional items	(17,194)	-	-	(17,194)	(17,318)	-	-	(17,318)
EBITDA after exceptional items	352,484	68,314	140,864	561,662	544,774	82,540	126,327	753,641
Unallocated centre costs				(23,724)				(25,497)
Share-based payment expense				(2,248)				(8,430)
Depreciation and depletion (net)				(251,853)				(261,089)
Amortisation				(35,224)				(33,240)
Impairment of assets				(32,464)				(10,950)
Share of associates' (loss)/profit (after tax)				(256)				2,746
Finance costs				(299,630)				(327,337)
Finance income				95,616				123,112
Loss on disposal of associate				-				(6,905)
Profit before income tax				11,879				206,051
Income tax expense				(30,365)				(27,080)
(Loss)/profit for the financial period				(18,486)				178,971
Assets								
Segment assets	5,053,637	916,084	1,037,942	7,007,663	5,773,848	1,007,236	1,003,546	7,784,630
Investment in associates	1,829	-	10,609	12,438	3,055	-	12,821	15,876
Group centre assets				897,331				1,012,374
Total assets				7,917,432				8,812,880

	3 months to 30-Sep-09				3 months to 30-Sep-08			
	Packaging Europe €000	Specialties Europe €000	Latin America €000	Total €000	Packaging Europe €000	Specialties Europe €000	Latin America €000	Total €000
Revenue and Results								
Third party revenue	<u>1,028,061</u>	<u>220,930</u>	<u>266,095</u>	<u>1,515,086</u>	<u>1,271,333</u>	<u>242,925</u>	<u>239,055</u>	<u>1,753,313</u>
EDITDA before exceptional items	122,883	28,904	53,813	205,600	167,202	27,160	44,209	238,571
Segment exceptional items	<u>(17,194)</u>	-	-	<u>(17,194)</u>	-	-	-	-
EBITDA after exceptional items	<u>105,689</u>	<u>28,904</u>	<u>53,813</u>	<u>188,406</u>	<u>167,202</u>	<u>27,160</u>	<u>44,209</u>	<u>238,571</u>
Unallocated centre costs				(13,696)				(7,286)
Share-based payment expense				(490)				(2,380)
Depreciation and depletion (net)				(82,757)				(86,942)
Amortisation				(12,651)				(10,938)
Impairment of assets				(32,464)				-
Share of associates' profit (after tax)				462				195
Finance costs				(109,587)				(86,353)
Finance income				<u>35,372</u>				<u>16,161</u>
(Loss)/profit before income tax				<u>(27,405)</u>				<u>61,028</u>
Income tax expense				<u>(12,799)</u>				<u>(12,168)</u>
(Loss)/profit for the financial period				<u>(40,204)</u>				<u>48,860</u>

4. Exceptional Items

The following items are regarded as exceptional in nature:

	9 Months to 30-Sep-09	9 Months to 30-Sep-08
	€000	€000
Reorganisation and restructuring costs	(17,194)	(17,318)
Impairment of property, plant and equipment	(32,464)	(10,950)
Total exceptional items included in operating costs	(49,658)	(28,268)
Exceptional items included in finance income	8,428	-
Loss on disposal of associate	-	(6,905)

The reorganisation and restructuring costs for 2009 relate to the rationalisation of our corrugated plant in Cork, Ireland and the planned closure of the semi-chemical fluting mill in Sturovo, Slovakia.

The impairment of property, plant and equipment in 2009 relates entirely to the Sturovo mill in Slovakia.

The exceptional financial income of €8 million relates to the gain on the Group's debt buy-back. In February, the Group launched an auction process to buy-back up to €100 million of its Senior bank debt. In total, just over €100 million of offers were received, of which €43 million were accepted at an average discount of 24% to par.

For 2008, the reorganisation and restructuring costs and impairment of property, plant and equipment related entirely to the closure of our Valladolid recycled containerboard mill in Spain.

The loss on disposal of associate in 2008 resulted from the sale of the Group's investment in Duropack AG.

5. Finance Costs and Income

	9 Months to 30-Sep-09	9 Months to 30-Sep-08
	€000	€000
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	138,823	168,484
Interest payable on finance leases and hire purchase contracts	3,289	4,110
Interest payable on other borrowings	42,359	47,411
Impairment loss on available-for-sale financial assets	25	1,419
Unwinding of discount element of provisions	539	1,577
Foreign currency translation loss on debt	6,350	25,551
Fair value loss on other derivatives not designated as hedges	35,985	1,858
Interest cost on employee benefit plan liabilities	72,260	76,927
Total finance cost	299,630	327,337
<i>Finance income</i>		
Other interest receivable	7,943	27,167
Foreign currency translation gain on debt	26,846	10,704
Gain on debt buy-back	8,428	-
Fair value gain on commodity derivatives not designated as hedges	1,153	55
Fair value gain on other derivatives not designated as hedges	63	18,740
Expected return on employee benefit plan assets	51,183	66,446
Total finance income	95,616	123,112
Net finance cost	204,014	204,225

6. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	9 Months to 30-Sep-09 €000	9 Months to 30-Sep-08 €000
Current taxation:		
Europe	6,843	41,077
United States and Canada	(295)	166
Latin America	32,459	23,416
	<u>39,007</u>	<u>64,659</u>
Deferred taxation	(8,642)	(37,579)
Income tax expense	<u>30,365</u>	<u>27,080</u>

Current tax is analysed as follows:

Ireland	6,057	9,457
Foreign	32,950	55,202
	<u>39,007</u>	<u>64,659</u>

Income tax recognised directly in equity

	9 Months to 30-Sep-09 €000	9 Months to 30-Sep-08 €000
Arising on actuarial gains and losses on defined benefit plans	(34,180)	(7,275)
Arising on qualifying derivative cash flow hedges	(1,942)	-
	<u>(36,122)</u>	<u>(7,275)</u>

The deferred tax credit to the Group Income Statement in 2009 of €9 million was €29 million lower than the same period in 2008. This was due to the recognition in 2008 of deferred tax assets in relation to losses in a number of European countries, not previously recognised.

7. Employee Post Retirement Schemes – Defined Benefit Expense

The table below sets out the components of the defined benefit expense for the period:

	9 Months to 30-Sep-09 €000	9 Months to 30-Sep-08 €000
Current service cost	28,299	32,011
Past service cost	3,519	936
(Gain) on settlements and curtailments	(2,296)	(444)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	153	1,571
	29,675	34,074
Expected return on scheme assets	(51,183)	(66,446)
Interest cost on scheme liabilities	72,260	76,926
Net financial expense	21,077	10,480
Defined benefit expense	50,572	44,554

Included in cost of sales, distribution costs and administrative expenses is a defined benefit expense of €30 million for the first nine months of 2009 (2008: €34 million). Expected Return on Scheme Assets of €51 million (2008: €66 million) is included in Finance Income and Interest Cost on Scheme Liabilities of €72 million (2008: €77 million) is included in Finance Costs in the Group Income Statement.

The amounts recognised in the Group Balance Sheet were as follows:

	30-Sep-09 €000	31-Dec-08 €000
Present value of funded or partially funded obligations	(1,390,125)	(1,210,486)
Fair value of plan assets	1,154,206	1,080,129
Deficit in funded or partially funded plans	(235,919)	(130,357)
Present value of wholly unfunded obligations	(398,637)	(386,308)
Net employee benefit liabilities	(634,556)	(516,665)

The employee benefits provision has increased from €517 million at 31 December 2008 to €635 million at 30 September 2009. The rise in provision was mainly as a result of the fall in AA Corporate Bond yields over the year.

8. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	3 Months to 30-Sep-09 €000	3 Months to 30-Sep-08 €000	9 Months to 30-Sep-09 €000	9 Months to 30-Sep-08 €000
(Loss)/profit attributable to equity holders of the Company	(45,676)	36,712	(30,964)	160,315
Weighted average number of ordinary shares in issue ('000)	218,024	218,023	218,023	218,013
Basic (loss)/earnings per share (cent per share)	(20.9)	16.8	(14.2)	73.5

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares which comprise convertible shares issued under the Management Equity Plan and the Share Incentive Plan.

	3 Months to 30-Sep-09 €000	3 Months to 30-Sep-08 €000	9 Months to 30-Sep-09 €000	9 Months to 30-Sep-08 €000
(Loss)/profit attributable to equity holders of the Company	(45,676)	36,712	(30,964)	160,315
Weighted average number of ordinary shares in issue ('000)	218,024	218,023	218,023	218,013
Potential dilutive ordinary shares assumed	814	2,847	328	329
Diluted weighted average ordinary shares	218,838	220,870	218,351	218,342
Diluted (loss)/earnings per share (cent per share)	(20.9)	16.6	(14.2)	73.4

9. Property, Plant and Equipment

	Land and Buildings €000	Plant and Equipment €000	Total €000
Nine months ended 30 September 2009			
Opening net book amount	1,108,189	1,930,018	3,038,207
Reclassification	12,377	(15,008)	(2,631)
Acquisitions	-	14	14
Additions	1,465	142,545	144,010
Depreciation charge for the period	(34,480)	(208,843)	(243,323)
Impairment losses recognised in the Group Income Statement	(12,455)	(20,009)	(32,464)
Retirements and disposals	(2,397)	(1,029)	(3,426)
Foreign currency translation adjustment	10,251	27,015	37,266
At 30 September 2009	1,082,950	1,854,703	2,937,653
Year ended 31 December 2008			
Opening net book amount	1,176,694	2,074,785	3,251,479
Reclassification	28,867	(30,594)	(1,727)
Additions	10,019	312,900	322,919
Depreciation charge for the year	(49,719)	(294,763)	(344,482)
Impairment losses recognised in the Group Income Statement	(12,977)	(53,009)	(65,986)
Retirements and disposals	(2,728)	(2,908)	(5,636)
Foreign currency translation adjustment	(41,967)	(76,393)	(118,360)
At 31 December 2008	1,108,189	1,930,018	3,038,207

10. Dividends

During 2008, a final dividend for 2007 of 16.05 cent per share was paid to the holders of ordinary shares.

11. Investment in Associates

	9 Months to 30-Sep-09 €000	12 Months to 31-Dec-08 €000
At 1 January	14,038	79,307
Additions	45	-
Share of (loss)/profit for the period	(256)	2,731
Dividends received from associates	(1,279)	(4,528)
Loss on disposal of associate	-	(6,905)
Disposals	(15)	(55,418)
Foreign currency translation adjustment	(95)	(1,149)
At end of period	12,438	14,038

12. Share-based Payment

In March 2007 upon the IPO becoming effective, all of the then class A, E, F and H convertible shares and 80% of the class B convertible shares vested and were converted into D convertible shares. The class C, class G and 20% of the class B convertible shares did not vest and were re-designated as A1, A2 and A3 convertible shares.

The A1 and A2 convertible shares vested on the first and second anniversaries respectively of the IPO. The A3 convertible shares will automatically convert on a one-to-one basis into D convertible shares on the third anniversary of the IPO, provided their holder remains an employee of the Group at the relevant anniversary. The D convertible shares resulting from these conversions are convertible on a one-to-one basis into ordinary shares, at the instance of the holder, upon the payment by the holder of the agreed conversion price. The life of the D convertible shares arising from the vesting of these new classes of convertible share ends on 20 March 2014.

The plans provide for equity settlement only, no cash settlement alternative is available.

In March 2007, SKG plc adopted the 2007 Share Incentive Plan (the "2007 SIP"). The 2007 SIP was amended in May 2009. Incentive awards under the 2007 SIP are in the form of new class B and new class C convertible shares issued in equal proportions to participants at a nominal value of €0.001 per share. On satisfaction of specified performance criteria the new class B and new class C convertible shares will automatically convert on a one-to-one basis into D convertible shares. The D convertibles may be converted by the holder into ordinary shares upon payment of the agreed conversion price. The conversion price for each D convertible share is the market value of an ordinary share on the date the participant was invited to subscribe less the nominal subscription price. Each award has a life of ten years from the date of issuance of the new class B and new class C convertible shares. The performance period for the B and C convertible shares is three financial years.

The performance conditions for the B and C convertible shares awarded under the 2007 SIP prior to 2009 are as follows. The B convertible shares will automatically convert into D convertible shares if the growth in the Company's earnings per share over the performance period is a percentage equal to at least 5% per annum plus the annual percentage increase in the Consumer Price Index of Ireland, compounded. The C convertible shares are subject to that same performance condition. In addition, the C convertible shares are subject to a performance condition based on the Company's total shareholder return over the three-year period relative to the total shareholder return of a peer group of companies ("TSR Condition"). Under that condition, 30% of the C convertible shares will convert into D convertible shares if the Company's total shareholder return is at the median performance level and 100% will convert if the Company's total shareholder return is at or greater than the upper quartile of the peer group. A sliding scale will apply for performance between the median and upper quartiles. Current market conditions will make it extremely

difficult for the Company to satisfy the performance conditions applicable to the awards made in 2007 and 2008.

For B and C convertible shares awarded in 2009, the B and C convertible shares will convert into D convertible shares if the TSR condition is satisfied. However, notwithstanding that the TSR condition applicable to any such award may have been satisfied, the Compensation Committee retains an overriding discretion to disallow the vesting of the award, in full or in part, if, in its opinion the Company's underlying financial performance or total shareholder return (or both) has been unsatisfactory during the performance period.

The Compensation Committee determined the performance conditions for awards granted under the 2007 SIP to date after consultation with the Irish Association of Investment Managers (IAIM).

As of 30 September 2009 SKG plc had a total of 17,491,669 convertible shares in issue in total, 10,114,029 under the 2002 Plan, as amended and 7,377,640 under the 2007 SIP.

A summary of the activity under the 2002 Plan, as amended, for the period from 31 December 2008 to 30 September 2009 is presented below.

Shares 000's	Class of Convertible shares				
	D	A1	A2	A3	Total
Balance December 2008	9,035.0	-	539.5	539.5	10,114.0
Vested into D	561.6	-	(539.5)	(22.1)	-
Balance September 2009	9,596.6	-	-	517.4	10,114.0
Exercisable September 2009	9,596.6	-	-	-	9,596.6

The weighted average exercise price for all D and A3 convertible shares at 30 September 2009 was €4.56. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 30 September 2009 was 3.22 years.

A summary of the activity under the 2007 SIP, for the period from 31 December 2008 to 30 September 2009 is presented below:

Shares 000's	Class of Convertible shares		
	New B	New C	Total
Balance December 2008	2,598.2	2,598.2	5,196.5
Allocated	1,090.6	1,090.6	2,181.2
Balance September 2009	3,688.8	3,688.8	7,377.6

As at 30 September 2009 the weighted average exercise price for all new B and new C convertible shares upon conversion would be €10.43. The weighted average remaining contractual life of all the awards issued under the 2007 SIP at 30 September 2009 was 8.72 years. No shares were exercisable at September 2009 or December 2008.

13. Analysis of Net Debt

	30-Sep-09 €000	31-Dec-08 €000
Senior credit facility		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 3.25% on RCF1 and +3.5% on RCF 2 ⁽⁶⁾	(13,885)	(8,506)
Tranche A term loan ^(2a) —interest at relevant interbank rate + 3.25% ⁽⁶⁾	356,979	405,410
Tranche B term loan ^(2b) —interest at relevant interbank rate + 3.375% ⁽⁶⁾	1,223,256	1,289,194
Tranche C term loan ^(2c) —interest at relevant interbank rate + 3.625% ⁽⁶⁾	1,221,861	1,287,839
Yankee bonds (including accrued interest) ⁽³⁾	203,631	210,246
Bank loans and overdrafts/(cash)	(570,317)	(628,899)
Receivables securitisation floating rate notes 2011 ⁽⁴⁾	207,629	206,882
	2,629,154	2,762,166
2015 cash pay subordinated notes (including accrued interest) ⁽⁵⁾	348,606	361,982
Net debt before finance leases	2,977,760	3,124,148
Finance leases	44,596	54,369
Net debt including leases – Smurfit Kappa Funding plc	3,022,356	3,178,517
Balance of revolving credit facility reclassified to debtors	13,885	8,506
Total debt after reclassification – Smurfit Kappa Funding plc	3,036,241	3,187,023
Net (cash) in parents of Smurfit Kappa Funding plc	(2,463)	(2,431)
Net Debt including leases – Smurfit Kappa Group plc	3,033,778	3,184,592

- (1) Revolving credit facility of €525 million split into RCF 1 and RCF 2 of €152 million and €373 million (available under the senior credit facility) to be repaid in full in 2012 and 2013 respectively. (Revolver Loans - Nil, drawn under ancillary facilities and facilities supported by letters of credit - Nil, letters of credit issued in support of other liabilities - €13.5 million)
- (2a) Term loan A due to be repaid in certain instalments up to 2012
- (2b) Term loan B due to be repaid in full in 2013
- (2c) Term loan C due to be repaid in full in 2014
- (3) 7.50% senior debentures due 2025 of \$292.3 million
- (4) Receivables securitisation floating rate notes mature September 2011
- (5) €217.5 million 7.75% senior subordinated notes due 2015 and \$200 million of 7.75% senior subordinated notes due 2015
- (6) Effective 2 July the margins applicable to the Senior Credit Facility have been amended to the following:

Debt/EBITDA ratio	Tranche A and RCF1	Tranche B	Tranche C	RCF2
Greater than 4 : 1	3.25%	3.375%	3.625%	3.50%
4 : 1 or less but more than 3.5 : 1	3.00%	3.125%	3.375%	3.25%
3.5 : 1 or less but more than 3.0 : 1	2.75%	3.125%	3.375%	3.00%
3.0 : 1 or less	2.50%	3.125%	3.375%	2.75%

14. Related Party Transactions

Details of related party transactions in respect of the year ended 31 December 2008 are contained in Note 31 of our 2008 Annual Report. The Group continued to enter into transactions in the normal course of business with its associates and other related parties during the period. There were no transactions with related parties in the first nine months of 2009 or changes to transactions with related parties disclosed in the 2008 financial statements that had a material effect on the financial position or the performance of the Group.

Supplemental Financial Information

Reconciliation of net income to EBITDA, before exceptional items & share-based payment expense

	3 months to 30-Sep-09 €000	3 months to 30-Sep-08 €000	9 months to 30-Sep-09 €000	9 months to 30-Sep-08 €000
(Loss)/profit for the financial period	(40,204)	48,860	(18,486)	178,971
Income tax expense	12,799	12,168	30,365	27,080
Share of associates' operating loss/(profit)	(462)	(195)	256	(2,746)
Loss on disposal of associate	-	-	-	6,905
Reorganisation and restructuring costs	17,194	-	17,194	17,318
Impairment of fixed assets	32,464	-	32,464	10,950
Net finance costs	74,215	70,192	204,014	204,225
Share-based payment expense	490	2,380	2,248	8,430
Depreciation, depletion (net) and amortisation	95,408	97,880	287,077	294,329
EBITDA before exceptional items and share-based payment expense	191,904	231,285	555,132	745,462

Supplemental Historical Financial Information

€ Million	Q3, 2008	Q4, 2008	FY 2008	Q1, 2009	Q2, 2009	Q3, 2009
Group and third party revenue	2,570	2,384	10,351	2,268	2,250	2,309
Third party revenue	1,753	1,631	7,062	1,504	1,498	1,515
EBITDA before exceptional items and share-based payment expense	231	195	941	180	184	192
EBITDA margin	13.2%	12.0%	13.3%	11.9%	12.3%	12.7%
Operating profit/(loss)	131	(133)	282	82	87	46
Profit/(loss) before tax	61	(218)	(11)	20	19	(27)
Free cashflow	149	55	281	-	18	125
Basic earnings/(loss) per share (cent per share)	16.8	(96.3)	(22.8)	3.8	3.0	(20.9)
Weighted average number of shares used in EPS calculation ('000)	218,023	218,023	218,015	218,023	218,023	218,024
Net debt	3,192	3,185	3,185	3,187	3,164	3,034
Net debt to EBITDA (LTM)	3.1	3.4	3.4	3.7	4.0	4.0