

10 February 2010: 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 12 months ending 31 December 2009.

2009 Full Year and Fourth Quarter | Key Financial Performance Measures

€m	FY 2009	FY 2008	Change	Q4 2009	Q4 2008	Change	Q3 2009	Change
Revenue	€6,057	€7,062	(14%)	€1,541	€1,631	(6%)	€1,515	2%
EBITDA before Exceptionals and Share-based Payments ⁽¹⁾	€741	€941	(21%)	€186	€195	(5%)	€192	(3%)
EBITDA Margin	12.2%	13.3%	-	12.1%	12.0%	-	12.7%	-
Operating Profit/(Loss)	€267	€282	(5%)	€51	€(133)	-	€46	10%
Basic Loss Per Share (€ cts)	(55.8)	(22.8)	-	(41.6)	(96.3)	-	(20.9)	-
Return on Capital Employed ⁽²⁾	6.6%	10.3%	-	-	-	-	-	-
Free Cash Flow ⁽³⁾	€172	€281	(39%)	€29	€55	(47%)	€125	(77%)
Net Debt	€3,052	€3,185	(4%)	€3,052	€3,185	(4%)	€3,034	1%
Net Debt to EBITDA (LTM)	4.1x	3.4x	-	4.1x	3.4x	-	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 31.

(2) Pre-exceptional operating profit plus share of associates’ profit/average capital employed.

(3) Free cash flow is set out on page 9. The IFRS cash flow is set out on page 17.

Key points | Full year

- Resilient EBITDA margin of 12.2% reflects ongoing focus on cost and operating efficiency
- Strong free cash flow performance of €172 million delivering further net debt reduction
- Strengthened capital structure and enhanced financial flexibility
- Industry inventory levels at two-year lows in the fourth quarter, supporting pricing momentum
- Return to volume & pricing growth towards the end of 2009

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "The Group is reporting a full year EBITDA outcome of €741 million and a resilient margin of 12.2% for 2009. In the context of a significant collapse in market demand and pricing, this outcome demonstrates the benefits of the Group’s ongoing attention to cost and operating efficiency, and a sustained contribution from its Latin American operations which delivered strong profitability and earnings growth in 2009.

The Group is pleased to report a strong free cash flow performance of €172 million for 2009, primarily reflecting SKG’s continued capital expenditure discipline and effective working capital management. In line with the Group’s stated financial priority, cash flow proceeds were applied towards net debt reduction.

In addition to debt paydown, the Group further strengthened its balance sheet during the year by extending its average debt maturity profile and diversifying its sources of funding through the successful conclusion of a €1.0 billion bond offering. The Group also secured an increase in its covenant headroom for the next three years. The amended capital structure significantly enhances SKG’s financial flexibility, thereby enabling it to

maintain its focus on operating efficiency, customer service and business expansion, to maximise returns through the industry cycle.

In the fourth quarter of 2009, as anticipated, higher raw material costs compressed margins and affected the Group's profitability. However, this was largely offset by further cost reduction actions and the commencement of the increase in SKG's European corrugated and kraftliner pricing. On the demand side, the Group has experienced a return to positive volume growth in the last two months of 2009, and continues to see improving order books into 2010.

Early in the new year, a further increase in recovered fibre prices is generating some near-term margin compression within the Group's system. However, higher input costs combined with the inventory discipline that continues to prevail in the market are supportive of the recent containerboard price momentum, translating in turn into higher corrugated box prices.

The sustainability of the recovery is dependent on continuing supply side discipline in the European market, bearing in mind the start-up of a new containerboard machine in the second quarter of 2010. The Group for its part is maintaining its focus on operating efficiency and free cash flow generation. Given that focus, the significant input cost pressures and the extent to which this supports price increases, notwithstanding the near-term margin compression, the Group expects to deliver meaningful overall EBITDA growth in 2010,"

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 Fourth Quarter & Full Year | Performance Overview

In the challenging operating environment that prevailed in 2009, the Group's relatively strong full year EBITDA margin of 12.2% primarily reflects SKG's profit driven rather than volume driven strategy, and its ongoing focus on operating efficiency, with €140 million of incremental cost take-out delivered in the year. The Group's performance in 2009 also outlines the continuing strong contribution of its Latin American operations, which reported an EBITDA growth of 15% year-on-year, and a strong margin of 18.5%.

After the significant demand decline that prevailed in the first nine months of 2009, in quarter four SKG's European corrugated volumes were still lower on average than 2008 levels. In November and December, however, a 2% year-on-year growth was experienced, reflecting improved demand in France, the UK, Italy and Eastern Europe, and especially with SKG's customers in the fast moving consumer goods segments. In Latin America, the Group experienced positive volume growth throughout the fourth quarter, primarily driven by improving demand in Mexico.

At industry level, the progressively deteriorating operating conditions that have prevailed since the middle of 2008 in the European containerboard market triggered significant capacity rationalisation actions. These included the permanent closure of 15 less-efficient paper machines, and a material amount of market-related downtime. SKG was involved in that process, taking approximately 310,000 tonnes of downtime in 2009, or 7% of its capacity, and also announced the permanent closure of its mill in Slovakia.

Widespread supply discipline facilitated a 30% reduction in recycled containerboard inventory levels across the market from March to September 2009, despite the simultaneous introduction of new capacity in Eastern Europe. Improved inventory levels combined with increasing input cost pressure supported strong containerboard pricing initiatives since the beginning of September. At the end of 2009, public market indices had confirmed increases of €90 per tonne for recycled containerboard, the equivalent of a 40% increase.

Despite higher containerboard price levels, supply side discipline continued to prevail throughout the industry in the fourth quarter, which together with improving demand trends contributed to maintain inventory levels at two-year lows in December. The sustained discipline, in part, reflects the need for further price increases as a result of upward pressure on recovered fibre costs towards the year-end and early in 2010. Consequently, in January 2010 the Group announced a further price increase of €60 per tonne for recycled containerboard.

While having a negative impact on margins in the short term, higher recovered fibre costs support the recent containerboard pricing momentum, which in turn is the catalyst for corrugated box price increases. In that context, the Group's corrugated pricing already started to increase slightly in the fourth quarter, after having bottomed in September 2009. The Group's priority through the first half of 2010 will be to recover higher input costs through further box price increases.

In kraftliner, where SKG is a net seller in Europe, the Group implemented a €50 per tonne price increase in the fourth quarter, and an additional €50 per tonne has already been implemented early in 2010. These successful pricing initiatives have been assisted by a material reduction of US imports into Europe in 2009, which contributed to a tighter market. Furthermore, the long-term prospects for kraftliner in Europe have materially improved since the end of 2009, as significant capacity closures announced in North America are expected to reduce the tonnage available for export.

2009 Full Year | Financial performance

Revenue of €6.1 billion in 2009 represents a decrease of 14% on the 2008 level. Allowing for the impact of currency, acquisitions and closures, revenue shows an underlying year-on-year decrease of €793 million, the equivalent of approximately 11%.

EBITDA of €741 million in 2009 was €200 million, or 21%, lower than in 2008. Currency reduced comparable EBITDA by €25 million, while the absence of loss-making operations added €2 million, leading to an adjusted decrease of €177 million, the equivalent of 19%. The lower earnings primarily reflect reduced demand and lower pricing, somewhat offset by the continuing benefits from the Group's cost reduction and operating efficiency programmes.

Exceptional items of €58 million were charged within operating profit in 2009. This comprises €25 million of restructuring costs, mainly relating to the closure of our 200,000 tonne Sturovo mill in Slovakia and to the rationalisation of our Cork corrugated plant in Ireland and our Rol Pin business in France, and €33 million

relating to an impairment loss on property, plant and equipment at Sturovo. Exceptional items included in 2008 operating profit amounted to €258 million, and primarily related to an impairment of goodwill and fixed assets.

Operating profit decreased by 5% versus last year, reflecting a decrease in EBITDA and an increase in depreciation and amortisation, partly offset by a reduction in impairment of assets.

Net finance costs before exceptional items increased by 10% due to higher non-cash costs, both in respect of pensions and derivatives.

The loss before tax amounted to €52 million compared to a loss of €11 million in 2008.

2009 Fourth Quarter | Financial performance

At €1,541 million for the fourth quarter of 2009, sales revenue was 6% lower than in the fourth quarter of 2008. However, allowing for the negative impact of currency of €37 million and net disposals and closures of €7 million, revenue shows an underlying decrease of €46 million, the equivalent of approximately 3%.

At €186 million for the fourth quarter, EBITDA was €9 million lower than in the fourth quarter of 2008. Allowing for the negative impact of currency of €5 million, the underlying decrease in EBITDA was €4 million, the equivalent of 2%.

Compared to the third quarter of 2009, EBITDA was €6 million lower, with currency negatively impacting the result by €1 million. This decline in EBITDA primarily reflects higher recovered paper prices, somewhat offset by initial pick-up in kraftliner and corrugated prices in Europe.

Exceptional items charged within operating profit in the fourth quarter of 2009 amounted to €8 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 and our Rol Pin business in France.

Venezuela

Venezuela was designated a hyperinflationary economy during the fourth quarter 2009, having had cumulative inflation in excess of 100% over a three year period. In accordance with IFRS the Group has applied IAS 29, *Reporting in Hyperinflationary Economies* for 2009 for its Venezuelan subsidiaries. While the effect on the Group's EBITDA was negligible, the hyperinflation resulted in an increase in its depreciation charge of €25 million in the fourth quarter of 2009, reflecting the increase in the carrying value of the Group's Venezuelan assets.

Further, on 8 January 2010, the Venezuelan currency, the Bolivar Fuerte (VEF), was devalued from a fixed rate of 2.15 VEF/US\$ to a fixed rate of 4.30 VEF/US\$. This will result in a reduction in the euro value of the Group's cash balances by approximately €30 million in the first quarter of 2010. While the devaluation is also expected to negatively impact the country's contribution to the Group's earnings in 2010, it should be largely offset by pricing and volume growth in SKG's other businesses in the Latin American region. Overall, in comparison to 2009, the impact of the devaluation on the Group's 2010 EBITDA is not expected to be material.

2009 Fourth Quarter and Full Year | Capital structure

In July 2009, the Group secured amendments to its Senior Credit Facility, which further enhanced its financial flexibility. 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 by one year.

The amendments also provided the Group with the ability to raise up to €1.0 billion of longer dated bonds to repay its existing bank debt at par, thereby further extending its debt maturities and diversifying its sources of funding. In that context, in November 2009 the Group issued a total of €1.0 billion of bonds, of which 50% have an 8-year maturity and 50% have a 10-year maturity. The strong investor demand for SKG's fund raising reflected, in part, the Group's continuing operating performance, its strong cash flow generation and ongoing efficient management of its capital structure. The bonds were issued at an effective average yield of 7.6875%.

Following the bond issue and subsequent bank debt repayment, the Group's average debt maturity profile was extended from 4.6 years to 5.8 years. The Group's next material debt maturity is 4 years away, in December 2013.

SKG continues to maintain a strong liquidity position, with €644 million in cash on its balance sheet at the end of December 2009, and undrawn committed credit facilities of approximately €525 million, of which €373 million mature in December 2013, with the remainder maturing a year earlier.

The Group's free cash flow generation of €172 million in 2009 contributed to reduce net debt by €133 million, the equivalent of over 4%. At the end of December 2009, the Group's net debt to EBITDA ratio of 4.1x remains well within the Group's bank covenant of 5.4x. The Group's financial priority continues to be one of maximising free cash flow generation and further net debt reduction.

In the fourth quarter of 2009, the Group's net debt increased by €18 million compared to the third quarter, as positive free cash flow performance was more than offset by an adverse currency movement, primarily as a result of a stronger US dollar, and approximately €22 million of one-off costs with respect to the write-off of deferred debt issue costs associated with the bank debt repayment that followed the Group's €1.0 billion bond issue.

2009 Fourth Quarter and Full Year | Free Cash Flow

While EBITDA in the full year 2009 was €200 million lower than in 2008, free cash flow at €172 million was down by a significantly lesser amount of €109 million. This outcome primarily reflects the Group's continued strong working capital control, together with reduced capital expenditure.

To maximise its debt paydown capability, and in response to the conditions prevailing in the industry and the economy in general, the Group reduced its level of capital expenditure to 63% of depreciation in 2009, compared to its normalised level of approximately 90% through the cycle. As markets start to recover in 2010, SKG will gradually increase its capital expenditure back towards its normalised levels.

SKG's capital expenditure of €229 million for the full year of 2009 was €117 million lower than in 2008. In the fourth quarter, capital expenditure at €68 million was €76 million lower than in the comparable period in 2008.

The Group's cash flow generation in 2009 was supported by an overall working capital inflow of €65 million, compared to an inflow of €86 million in 2008. In the fourth quarter, the working capital outflow of €21 million primarily reflects the impact of higher containerboard prices on inventory values and third party paper sales, together with the initial pick-up in corrugated pricing.

Working capital of €484 million at the end of December 2009 represented 7.9% of annualised net revenue, compared to 8.1% at December 2008 and 8.0% at September 2009.

Following the amendments to the Group's Senior Credit Facility in July 2009, the margins on SKG's bank debt increased by 1.25%, and in November and December the Group repaid a portion of its bank debt from the net proceeds of its €1.0 billion bond issue. In spite of those transactions, the Group's 2009 cash interest of €225 million was €18 million lower than in 2008. This primarily reflects the benefits of the lower interest rate environment, a lower average net debt year-on-year, and the repayment of €100 million of bank debt at par in the second half of 2009, agreed as part of the July amendment. In the fourth quarter, the Group's cash interest of €64 million was €3 million higher than the comparable period in 2008.

Cash tax payments of €95 million in 2009 were broadly in line with 2008 levels, but included non-recurring items of approximately €20 million.

2009 Fourth Quarter and Full Year | 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. In the full year 2008, the programme delivered just over €70 million of sustainable cost savings.

In 2009, SKG delivered €140 million of cost take-out, with €40 million delivered in quarter four. Despite the challenging operating environment that prevailed in 2009, the Group's full year EBITDA margins of 12.2% demonstrate the benefit of those cost reduction actions.

The Group is maintaining its cost take-out efforts, and is raising its three-year savings objective to at least €300 million from €250 million, to be achieved by the end of 2010. In the full year 2010, the Group therefore expects to achieve at least €90 million of incremental cost take-out.

2009 Fourth Quarter and Full Year | Operating Performance Review

Packaging: Europe

For the full year 2009 the Group's European corrugated deliveries were 8% lower than in 2008. After a significant drop in the first half of the year, demand for the Group's products stabilised in the third quarter, albeit at a low level, and started to pick-up in the last two months of the year. On average, however, the Group's corrugated deliveries in the fourth quarter remained 2% lower than in the fourth quarter of 2008.

Following the significant pricing pressure that prevailed in the containerboard market since the beginning of 2008, the Group's corrugated prices declined materially in the first nine months of 2009. The implementation of containerboard price increases in September and October 2009 allowed for the Group's corrugated pricing to start recovering in November and December, primarily reflecting price increases initially in the corrugated sheet business.

Despite ongoing pressure on volume and price, the Group's EBITDA outcome for the full year of 2009 primarily reflects the resilience of the integrated model, together with intensified cost take-out efforts. Cost take-out sources include the reduction of production waste, optimisation of distribution flows within our total system, and closure or rationalisation of underperforming operations. Overall, since the merger of Smurfit and Kappa in 2005, the Group has closed over forty operating units, thereby sustainably improving the competitiveness of its asset base.

The Group's continued restructuring actions, including the integration activity from acquisitions made to date, and our careful capital allocations towards operating efficiency investments and for the acquisition of equipment to support our corrugated customers' developments, are, in our view, the factors that underpin our progress in the paper packaging industry. In quarter four the Group announced its decision to upgrade its German mill system. The investment will form part of the Group's ongoing capital expenditure programme, and will equip SKG with state-of-the-art, lower cost lightweight and white-top containerboard capacity, at a fraction of what the investments would cost new.

The Group's relatively strong margins in 2009 also reflect a material reduction in energy and wood costs. On the other hand, recovered fibre costs gradually increased by €35 per tonne throughout 2009. Early in 2010, recovered fibre prices increased by a further €15 per tonne, reflecting significant buying from China, combined with increased demand in Europe as a result of new capacity starting in 2009 and 2010.

Ongoing pricing pressure and increasing recovered fibre costs generated significant margin compression throughout the recycled containerboard industry in 2009. Consequently, approximately 2.0 million tonnes of less-efficient capacity have been permanently closed, or announced for closure, over the past 18 months. In total, these closures represent approximately 9% of the corresponding European containerboard capacity.

In addition to permanent closures, the Group estimates that the industry collectively took approximately 1.5 million tonnes of recycled containerboard downtime in 2009 (approx. 7.5% of capacity). Despite being a net buyer of recycled containerboard, the Group took approximately 205,000 tonnes of downtime within its recycled containerboard system in 2009, and an additional 105,000 tonnes within its kraftliner system.

As a result of the widespread production curtailments, and notwithstanding the start-up of three new paper machines in 2009, containerboard inventory levels across the market reduced to two-year lows in September, and have remained relatively stable through the fourth quarter. Lower inventory levels combined with the continued increase in input costs are supporting the recent upward momentum in containerboard prices.

Up to the end of December 2009, price increases of approximately €90 per tonne have been implemented for recycled containerboard. A further increase has been announced in the new year, which would bring the total increase to €150 per tonne, the equivalent of a 65% increase from the trough of August 2009. It is worth noting however, that should this latter increase be fully implemented, European recycled containerboard prices would still be €80 per tonne off their 2007 peak.

On the kraftliner side, increases of approximately €100 per tonne have been implemented between quarter four and early 2010, the equivalent of over 25%. The sustainability of higher containerboard prices in the medium-term will depend on the prevailing supply-demand balance in the European market.

On the back of higher containerboard prices, the Group has announced price increases to all its corrugated customers. As is normal, SKG anticipates it will take up to six months for the Group to fully offset higher containerboard prices through box price increases.

Latin America

SKG's Latin American business maintained a strong performance in 2009, reporting an EBITDA margin of 18.5% for the full year. While Latin America represented approximately 17% of the Group's revenue in 2009, it delivered 26% of its EBITDA, reflecting its superior margin levels.

Following a 9% decline in the Group's corrugated volumes in the first nine months of the year, demand in the fourth quarter was 2% higher than in the comparable period in 2008. This return to positive demand growth primarily reflects a reasonable recovery in our Mexican operation. Overall, the Group's corrugated volumes for the full year 2009 were 6% lower than in 2008.

Despite lower deliveries, SKG's Latin American EBITDA in 2009 was approximately 15% higher year-on-year in euro terms. This positive financial outcome primarily reflects higher earnings in Mexico and in Venezuela, offset by slightly weaker profits in Colombia and a challenging year in Argentina.

The good Mexican performance reflects a significantly lower cost base, supported by reduced energy prices and lower containerboard purchases from the US. Lower imports were compensated by higher integration levels and some domestic purchases, taking advantage of a weaker Mexican Peso. Following a strong fourth quarter, improving demand trends continued to prevail in Mexico in early 2010. Moreover, containerboard price increases implemented in North America in January 2010 are starting to positively impact the Mexican pricing environment.

In Colombia, the Group's lower EBITDA in 2009 reflects lower prices and volumes, partly offset by a reduction in energy costs following the installation of a new recovery boiler and turbo generator in our Cali mill complex. SKG currently anticipates a return to positive demand growth in the first half of 2010 in its Colombian business.

In Argentina, SKG's earnings were affected by reduced pricing for all grades, reflecting the continuing challenges facing the economy and the excess capacity in the market.

In Venezuela, although the high inflationary environment was challenging for business, it was countered by SKG's commercial and operating efficiencies in 2009.

While some Latin American countries are expected to emerge out of the economic downturn quicker than others, the region remains one of the world's higher growth markets. SKG anticipates that it will continue to benefit from its unique portfolio of countries in the region and from the proven ability of its management team to drive and grow its business through the cycle.

Specialties: Europe

In 2009, profitability in the Group's sacks and solidboard businesses declined year-on-year, while our bag-in-box business delivered good earnings growth over the period. Overall, SKG's specialties EBITDA declined by over 19% in 2009.

The improved performance of our bag-in-box operations 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 significantly underperformed in 2009, primarily as a result of lower sack kraft paper prices and weak converting volumes. The poor market balance that prevailed through the fourth quarter did not allow for the implementation of the announced €70 per tonne price increase for sack kraft paper. The Group is continuing to push for that increase in the new year. In January 2010, the Group announced that negotiations were progressing concerning a potential transaction that would involve Mondi

Group acquiring SKG's European sack converting operations, with SKG acquiring Mondi Group's corrugated operations in the United Kingdom. There is no certainty that any such transaction will be completed.

In 2009, SKG's solidboard business was affected by lower volumes on the converting side, although it was somewhat offset by its solidboard mills reporting positive EBITDA growth, as it benefited from SKG's continuing cost take-out activity. Early in 2010, higher recovered paper prices are negatively impacting the profitability of this business, although this should be somewhat offset by SKG's continued cost take-out activities, and improving solidboard packaging demand.

Summary Cash Flows

Summary cash flows for the fourth quarter and twelve months are set out in the following table.

	3 months to 31-Dec-09 € Million	3 months to 31-Dec-08 € Million	12 months to 31-Dec-09 € Million	12 months to 31-Dec-08 € Million
Pre-exceptional EBITDA	186	195	741	941
Exceptional Items	(7)	(2)	(10)	(6)
Cash interest expense	(64)	(61)	(225)	(243)
Working capital change	(21)	77	65	86
Current provisions	-	(13)	(14)	(36)
Capital expenditure	(68)	(144)	(229)	(346)
Change in capital creditors	26	45	(19)	29
Sale of fixed assets	-	6	4	10
Tax paid	(16)	(39)	(95)	(97)
Other	(7)	(9)	(46)	(57)
Free cash flow	29	55	172	281
Gain on debt buy-back	-	-	9	-
Sale of businesses and investments	-	1	-	57
Investments	(9)	(5)	(9)	(20)
Derivative termination (payments)/receipts	(3)	2	(4)	2
Dividends	(3)	(36)	(7)	(77)
Net cash inflow	14	17	161	243
Deferred debt issue costs amortised	(26)	(4)	(43)	(15)
Currency translation adjustments	(6)	(6)	15	(9)
(Increase)/decrease in net debt	(18)	7	133	219

(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.

	12 months to 31-Dec-09 € Million	12 months to 31-Dec-08 € Million
Free cash flow	172	281
Add back:		
Cash interest	225	243
Capital expenditure	229	346
Change in capital creditors	19	(29)
Tax payments	95	97
Less:		
Sale of fixed assets	(4)	(10)
Profit on sale of assets and business – non exceptional	(6)	(15)
Receipt of capital grants (in "Other")	(3)	(1)
Dividends received from associates (in "Other")	(1)	(5)
Cash generated from operations	726	907

Capital Resources

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

At 31 December 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 programme maturing in 2011.

Smurfit Kappa Acquisitions had outstanding €500 million 7.25% senior secured notes due 2017 and €500 million 7.75% senior secured notes due 2019 (see Senior Secured Notes Offering). Smurfit Kappa Acquisitions and certain subsidiaries are also party to a Senior Credit Facility. The Senior Credit Facility comprises a €219 million amortising A Tranche maturing in 2012, an €809 million B Tranche maturing in 2013 and an €808 million C Tranche maturing in 2014. In addition, as at 31 December 2009, the facility included a €525 million revolving credit facility of which there were €14.1 million in letters of credit issued in support of other liabilities and €0.4 million drawn under facilities supported by letters of credit.

The following table provides the range of interest rates as of 31 December 2009 for each of the drawings under the various Senior Credit Facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	3.731% - 4.243%
Term Loan B	EUR	3.851% - 4.368%
	USD	3.659%
Term Loan C	EUR	4.101% - 4.377%
	USD	3.909%

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

Debt Buy-Back

In February 2009, 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. This resulted in a gain and net debt reduction of €8 million.

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 to refinance a portion of its existing bank facilities (see Senior Secured Notes Offering) and (ii) increased leverage and interest cover covenant headroom.

In addition, lenders holding 75% of the Group's revolving credit facility elected to extend their commitments by one year. The original €600 million RCF maturing in December 2012 was converted into two tranches totalling €525 million of which €152 million ("RCF1") matures in December 2012 and €373 million ("RCF2") in 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%

Senior Secured Notes Offering

In November 2009 the Group successfully issued €1.0 billion senior secured notes through its wholly owned subsidiary Smurfit Kappa Acquisitions. The debt is split into two tranches of €500 million each maturing in 2017 and 2019 at a coupon of 7.25% and 7.75% respectively. The net proceeds of the offering were used to repay a portion of its three outstanding term loans under the Senior Facility Agreement, originally dated 30 November 2005, as amended, thereby extending the overall maturity profile of Group debt.

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 31 December 2009 the Group had fixed an average of 83% of its interest cost on borrowings over the following twelve months.

Our fixed rate debt comprised mainly €500 million 7.25% senior secured notes due 2017, €500 million 7.75% senior secured notes due 2019, €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 €1,830 million in interest rate swaps with maturity dates ranging from January 2010 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 €8 million over the following twelve months. Interest income on our cash balances would increase by approximately €6 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 – Twelve Months

	<u>Unaudited</u>			<u>Audited</u>		
	12 Months to 31-Dec-09			12 Months to 31-Dec-08		
	Pre- Exceptional 2009 € million	Exceptional 2009 € million	Total 2009 € million	Pre- Exceptional 2008 € million	Exceptional 2008 € million	Total 2008 € million
Continuing operations						
Revenue	6,057	-	6,057	7,062	-	7,062
Cost of sales	(4,370)	(33)	(4,403)	(5,058)	(237)	(5,295)
Gross profit	1,687	(33)	1,654	2,004	(237)	1,767
Distribution costs	(515)	-	(515)	(578)	-	(578)
Administrative expenses	(850)	-	(850)	(890)	-	(890)
Other operating income	3	-	3	4	-	4
Other operating expenses	-	(25)	(25)	-	(21)	(21)
Operating profit	325	(58)	267	540	(258)	282
Finance costs	(410)	(22)	(432)	(464)	(12)	(476)
Finance income	106	8	114	187	-	187
Loss on disposal of associate	-	-	-	-	(7)	(7)
Share of associates' (loss)/profit (after tax)	(1)	-	(1)	3	-	3
Loss before income tax	20	(72)	(52)	266	(277)	(11)
Income tax expense			(55)			(21)
Loss for the financial year			(107)			(32)
<i>Attributable to:</i>						
Equity holders of the Company			(122)			(50)
Minority interest			15			18
Loss for the financial year			(107)			(32)
Earnings per share:						
Basic loss per share (cent per share)			(55.8)			(22.8)
Diluted loss per share (cent per share)			(55.8)			(22.8)

Group Income Statement – Fourth Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 31-Dec-09			3 Months to 31-Dec-08		
	Pre- Exceptional 2009 € million	Exceptional 2009 € million	Total 2009 € million	Pre- Exceptional 2008 € million	Exceptional 2008 € million	Total 2008 € million
Continuing operations						
Revenue	1,541	-	1,541	1,631	-	1,631
Cost of sales	(1,143)	-	(1,143)	(1,193)	(226)	(1,419)
Gross profit	398	-	398	438	(226)	212
Distribution costs	(131)	-	(131)	(137)	-	(137)
Administrative expenses	(209)	-	(209)	(207)	-	(207)
Other operating income	1	-	1	3	-	3
Other operating expenses	-	(8)	(8)	-	(4)	(4)
Operating profit/(loss)	59	(8)	51	97	(230)	(133)
Finance costs	(110)	(22)	(132)	(136)	(12)	(148)
Finance income	19	-	19	63	-	63
Share of associates' loss (after tax)	(1)	-	(1)	-	-	-
Loss before income tax	(33)	(30)	(63)	24	(242)	(218)
Income tax expense			(25)			7
Loss for the financial period			(88)			(211)
<i>Attributable to:</i>						
Equity holders of the Company			(91)			(210)
Minority interest			3			(1)
Loss for the financial period			(88)			(211)
Earnings per share:						
Basic loss per share (cent per share)			(41.6)			(96.3)
Diluted loss per share (cent per share)			(41.6)			(96.3)

Group Statement of Comprehensive Income

	<u>Unaudited</u> 12 months to 31-Dec-09 €million	<u>Audited</u> 12 months to 31-Dec-08 €million
Loss for the financial year	(107)	(32)
Other comprehensive income:		
Foreign currency translation adjustments	45	(164)
Defined benefit pension schemes:		
- Actuarial (loss) including payroll tax	(158)	(84)
- Movement in deferred tax	43	16
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	11	(15)
- New fair value adjustments into reserve	(30)	(33)
- Movement in deferred tax	2	5
Net change in fair value of available-for-sale financial assets	-	(1)
Total other comprehensive income	<u>(87)</u>	<u>(276)</u>
Comprehensive income and expense for the financial year	<u>(194)</u>	<u>(308)</u>
<i>Attributable to:</i>		
Equity holders of the Company	(214)	(330)
Minority interest	20	22
	<u>(194)</u>	<u>(308)</u>

Group Balance Sheet

	Unaudited 31-Dec-09 € million	Audited 31-Dec-08 € million Restated	Audited 31-Dec-07 € million Restated
Assets			
Non-current assets			
Property, plant and equipment	3,066	3,038	3,251
Goodwill and intangible assets	2,222	2,154	2,417
Available-for-sale financial assets	32	31	44
Investment in associates	13	14	79
Biological assets	91	79	75
Trade and other receivables	4	4	7
Derivative financial instruments	-	-	4
Deferred income tax assets	280	228	257
	5,708	5,548	6,134
Current assets			
Inventories	586	623	682
Biological assets	8	8	7
Trade and other receivables	1,105	1,211	1,379
Derivative financial instruments	3	15	28
Restricted cash	43	19	13
Cash and cash equivalents	601	700	402
	2,346	2,576	2,511
Non-current assets held for sale	4	10	16
Total assets	8,058	8,134	8,661
Equity			
Capital and reserves attributable to the equity holders of the Company			
Equity share capital	-	-	-
Capital and other reserves	2,345	2,330	2,538
Retained earnings	(669)	(679)	(486)
Total equity attributable to equity holders of the Company	1,676	1,651	2,052
Minority interest	179	145	137
Total equity	1,855	1,796	2,189
Liabilities			
Non-current liabilities			
Borrowings	3,563	3,752	3,668
Employee benefits	653	517	482
Derivative financial instruments	80	107	115
Deferred income tax liabilities	325	324	446
Non-current income tax liabilities	15	19	20
Provisions for liabilities and charges	44	48	78
Capital grants	13	13	14
Other payables	3	3	9
	4,696	4,783	4,832
Current liabilities			
Borrowings	133	152	151
Trade and other payables	1,211	1,311	1,402
Current income tax liabilities	28	25	26
Derivative financial instruments	90	21	6
Provisions for liabilities and charges	45	46	55
	1,507	1,555	1,640
Total liabilities	6,203	6,338	6,472
Total equity and liabilities	8,058	8,134	8,661

Group Statement of Changes in Equity

	Capital and other reserves								Total equity attributable to equity holders of the Company €million	Minority interests €million	Total equity €million
	Equity share capital €million	Share premium €million	Reverse acquisition reserve €million	Available-for-sale reserve €million	Cash flow hedging reserve €million	Foreign currency translation reserve €million	Reserve for share-based payment €million	Retained earnings €million			
Unaudited											
At 1 January 2009	-	1,928	575	-	(27)	(203)	57	(679)	1,651	145	1,796
Total comprehensive income and expense	-	-	-	-	(17)	40	-	(237)	(214)	20	(194)
Hyperinflation adjustments						(11)		247	236	21	257
Share-based payment expense	-	-	-	-	-	-	3	-	3	-	3
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(7)	(7)
At 31 December 2009	-	1,928	575	-	(44)	(174)	60	(669)	1,676	179	1,855
Audited											
At 1 January 2008	-	1,928	575	1	16	(35)	53	(486)	2,052	137	2,189
Total comprehensive income and expense	-	-	-	(1)	(43)	(168)	-	(118)	(330)	22	(308)
Other movements								(5)	(5)	5	-
Dividends paid to shareholders	-	-	-	-	-	-	-	(70)	(70)	-	(70)
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(7)	(7)
Purchase of minorities	-	-	-	-	-	-	-	-	-	(12)	(12)
Share-based payment expense	-	-	-	-	-	-	4	-	4	-	4
At 31 December 2008	-	1,928	575	-	(27)	(203)	57	(679)	1,651	145	1,796

Group Cash Flow Statement

	<u>Unaudited</u>	<u>Audited</u>
	12 months to 31-Dec-09 €million	12 months to 31-Dec-08 €million
Cash flows from operating activities		
Loss for the financial year	(107)	(32)
<i>Adjustment for</i>		
Income tax expense	55	21
Profit on sale of assets and businesses – continuing operations	(6)	(15)
Amortisation of capital grants	(3)	(1)
Impairment of property, plant and equipment	33	66
Equity settled share-based payment transactions	3	4
Amortisation of intangible assets	47	45
Impairment of goodwill	-	171
Share of loss/(profit) of associates and loss on disposal of associates	1	4
Depreciation charge	355	345
Net finance costs	318	289
Change in inventories	48	35
Change in biological assets	11	7
Change in trade and other receivables	111	136
Change in trade and other payables	(94)	(84)
Change in provisions	2	(35)
Change in employee benefits	(54)	(50)
Foreign currency translation adjustments	-	1
Other	6	-
Cash generated from operations	726	907
Interest paid	(230)	(283)
Income taxes paid:		
Irish corporation tax paid	(16)	(14)
Overseas corporation tax (net of tax refunds) paid	(79)	(83)
Net cash inflow from operating activities	401	527
Cash flows from investing activities		
Interest received	11	36
Business disposals	-	2
Purchase of property, plant and equipment and biological assets	(237)	(308)
Purchase of intangible assets	(11)	(9)
Receipt of capital grants	3	1
Increase in restricted cash	(24)	(6)
Disposal of property, plant and equipment	10	25
Dividends received from associates	1	5
Investments in/disposal of associates	-	55
Purchase of subsidiaries and minorities	-	(16)
Deferred and contingent acquisition consideration paid	(9)	(4)
Net cash (outflow) from investing activities	(256)	(219)
Cash flow from financing activities		
Proceeds from bond issuance	988	-
Increase in interest-bearing borrowings	-	152
Repayment of finance lease liabilities	(14)	(14)
Repayment of interest bearing borrowings	(1,162)	(57)
Derivative termination (payments)/receipts	(4)	2
Deferred debt issue costs	(58)	-
Dividends paid to shareholders	-	(70)
Dividends paid to minority interests	(7)	(7)
Net cash (outflow)/inflow from financing activities	(257)	6
(Decrease)/increase in cash and cash equivalents	(112)	314
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	683	375
Currency translation adjustment	16	(6)
(Decrease)/increase in cash and cash equivalents	(112)	314
Cash and cash equivalents at 31 December	587	683

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.

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 has been prepared in accordance with the Listing Rules of the Irish Stock Exchange and 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 Group financial information are consistent with those described and applied in the annual report for the financial year ended 31 December 2008 with the exception 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 or the Group does not have an unconditional right to defer payment; 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 (31 December 2007: €115 million). In compliance with IAS 1 as amended, as these amounts have been reclassified, we have presented an additional balance sheet as at 31 December 2007.

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 revised standard applies to projects commenced after 1 January 2009. The Group has applied IAS 23 as amended from 1 January 2009. To date no material amount of borrowing costs has been capitalised.

Application of IAS 29, *Reporting in Hyperinflationary Economies*

Inflation in Venezuela has been at relatively high levels in recent years. In the fourth quarter of 2009 cumulative three year inflation exceeded 100%. This, combined with other indicators, results in Venezuela being regarded as a hyperinflationary economy under IAS 29, *Reporting in Hyperinflationary Economies*. IAS 29 is applied to the financial statements of our Venezuelan operations from the beginning of 2009. The historical cost financial statements of our Venezuelan operations are restated in terms of the current

purchasing power of the Bolivar Fuerte at the period end. This involves; restatement of income and expenses to reflect changes in the general price index from the start of the reporting period to 31 December 2009 and; restatement of non monetary items in the balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at 31 December 2009 using a general price index from the date when they were first recognised. Income and expenses and balance sheet amounts of our Venezuelan operations are translated at the closing rate at 31 December 2009. However, comparative amounts are not adjusted and remain at the amounts they were presented in the prior year Group financial statements. Any differences due to changes in exchange rates are recorded in Other Comprehensive Income and other differences were recorded in equity on adoption. The index used to reflect current values is derived from a combination of Banco Central de Venezuela's National Consumer Price Index from December 2007 and the Consumer Price Index for the metropolitan area of Caracas for earlier periods. The gain or loss on the net monetary position for the year is included in finance costs. The effects of applying IAS 29 are more fully covered in Note 14.

In addition, the following new standards, amendments to standards and interpretations became effective in 2009, however, they either do not have an effect on the Group Financial Statements or they are not currently relevant for the Group:

- IFRS 2 (amendment), *Share-based payment*
- IFRS 7, (amendment), *Financial Instruments: Disclosure*
- IAS 32 (amendment), *Financial instruments: Presentation*
- IAS 41 (amendment), *Agriculture*
- IAS 19 (amendment), *Employee Benefits*
- 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.*

The following new or amended standards will become effective for the Group from 1 January 2010. They do not have an effect on the financial information contained in this report and will be more fully discussed in our annual report for 2009.

- IFRS 3 (revision), *Business Combinations*
- IAS 39 (amendment), *Financial instruments: Recognition and measurement*
- IFRIC 17, *Distributions of Non-cash Assets to Owners*
- IAS 27 (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 financial information presented in this preliminary release does not constitute 'full group accounts' under 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. The preliminary release was approved by the board of directors. The annual report and accounts will be approved by the Board of Directors and reported on by the auditors in due course. The annual accounts reported on by the auditors will not contain quarterly information. Accordingly, the financial information is unaudited. Full Group accounts for the year ended 31 December 2008 received an unqualified audit report and have been filed with the Irish Registrar of Companies.

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 fourth 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*.

	12 months to 31-Dec-09				12 months to 31-Dec-08			
	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million
Revenue and Results								
Third party revenue	<u>4,191</u>	<u>821</u>	<u>1,045</u>	<u>6,057</u>	<u>5,170</u>	<u>940</u>	<u>952</u>	<u>7,062</u>
EDITDA before exceptional items	496	80	193	769	705	99	168	972
Segment exceptional items	<u>(25)</u>	-	-	<u>(25)</u>	<u>(16)</u>	<u>(5)</u>	-	<u>(21)</u>
EBITDA after exceptional items	<u>471</u>	<u>80</u>	<u>193</u>	<u>744</u>	<u>689</u>	<u>94</u>	<u>168</u>	<u>951</u>
Unallocated centre costs				(28)				(31)
Share-based payment expense				(3)				(4)
Depreciation and depletion (net)				(366)				(352)
Amortisation				(47)				(45)
Impairment of assets				(33)				(237)
Finance costs				(432)				(476)
Finance income				114				187
Share of associates' (loss)/profit (after tax)				(1)				3
Loss on disposal of associate				-				(7)
Loss before income tax				(52)				(11)
Income tax expense				(55)				(21)
Loss for the financial year				<u>(107)</u>				<u>(32)</u>
Assets								
Segment assets	<u>4,966</u>	<u>888</u>	<u>1,321</u>	<u>7,175</u>	<u>5,301</u>	<u>935</u>	<u>969</u>	<u>7,205</u>
Investment in associates	<u>2</u>	-	<u>11</u>	<u>13</u>	<u>3</u>	-	<u>11</u>	<u>14</u>
Group centre assets				<u>870</u>				<u>915</u>
Total assets				<u>8,058</u>				<u>8,134</u>

	3 months to 31-Dec-09				3 months to 31-Dec-08			
	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million
Revenue and Results								
Third party revenue	<u>1,047</u>	<u>196</u>	<u>298</u>	<u>1,541</u>	<u>1,181</u>	<u>210</u>	<u>240</u>	<u>1,631</u>
EDITDA before exceptional items	126	12	52	190	142	17	42	201
Segment exceptional items	<u>(8)</u>	-	-	<u>(8)</u>	<u>1</u>	<u>(5)</u>	-	<u>(4)</u>
EBITDA after exceptional items	<u>118</u>	<u>12</u>	<u>52</u>	<u>182</u>	<u>143</u>	<u>12</u>	<u>42</u>	<u>197</u>
Unallocated centre costs				(4)				(6)
Share-based payment expense				(1)				4
Depreciation and depletion (net)				(114)				(91)
Amortisation				(12)				(11)
Impairment of assets				-				(226)
Finance costs				(132)				(148)
Finance income				19				63
Share of associates' loss (after tax)				<u>(1)</u>				<u>-</u>
Loss before income tax				(63)				(218)
Income tax expense				<u>(25)</u>				<u>7</u>
Loss for the financial period				<u>(88)</u>				<u>(211)</u>

4. Exceptional Items

The following items are regarded as exceptional in nature:	12 Months to 31-Dec-09	12 Months to 31-Dec-08
	€million	€million
Reorganisation and restructuring costs	(25)	(21)
Impairment of property, plant and equipment	(33)	(66)
Impairment of goodwill	-	(171)
Total exceptional items included in operating costs	(58)	(258)
Exceptional items included in finance income	8	-
Exceptional items included in finance costs	(22)	(12)
Exceptional items included in net finance cost	(14)	(12)
Loss on disposal of associate	-	(7)

The reorganisation and restructuring costs for 2009 relate to the closure of the semi-chemical fluting mill in Sturovo, Slovakia and the rationalisation of our Cork corrugated plant in Ireland and our Rol Pin business in France. The reorganisation and restructuring costs in 2008 related to the closure of our Valladolid recycled containerboard mill and our lurretta sack plant, both in Spain.

The impairment of property, plant and equipment in 2009 relates entirely to the Sturovo mill in Slovakia. In 2008, the impairment of property, plant and equipment amounted to €66 million a portion of which related to the Group's sack business and to the Valladolid mill in Spain.

Also in 2008, following the completion of our full impairment review, €171 million goodwill impairment was booked.

The exceptional finance 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.

The exceptional costs of €22 million in 2009 arose following our use of proceeds from the 2017 and 2019 bond issuance to pay down debt. These costs fully comprise the non-cash accelerated amortisation of debt costs arising on the pay down of the debt. The exceptional finance costs of €12 million in 2008 relate to the impairment of available-for-sale assets.

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

	12 Months to 31-Dec-09 €million	12 Months to 31-Dec-08 €million
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	187	210
Interest payable on finance leases and hire purchase contracts	5	6
Interest payable on other borrowings	65	78
Finance costs associated with debt restructuring	22	-
Impairment loss on available-for-sale financial assets	-	12
Other finance costs	2	2
Unwinding of discount element of provisions	-	1
Foreign currency translation loss on debt	13	50
Fair value loss on commodity derivatives not designated as hedges	-	4
Fair value loss on other derivatives not designated as hedges	34	11
Interest cost on employee benefit plan liabilities	96	102
Net monetary loss – hyperinflation	8	-
Total finance cost	432	476
<i>Finance income</i>		
Other interest receivable	11	36
Foreign currency translation gain on debt	24	29
Gain on debt buy-back	8	-
Fair value gain on commodity derivatives not designated as hedges	3	-
Fair value gain on other derivatives not designated as hedges	-	34
Expected return on employee benefit plan assets	68	88
Total finance income	114	187
Net finance cost	318	289

6. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	12 Months to 31-Dec-09 €million	12 Months to 31-Dec-08 €million
Current taxation:		
Europe	36	47
Latin America	34	42
	<u>70</u>	<u>89</u>
Deferred taxation	(15)	(68)
Income tax expense	<u>55</u>	<u>21</u>

Current tax is analysed as follows:

Ireland	7	10
Foreign	63	79
	<u>70</u>	<u>89</u>

Income tax recognised directly in equity

	12 Months to 31-Dec-09 €million	12 Months to 31-Dec-08 €million
Arising on actuarial gains and losses on defined benefit plans	(43)	(16)
Arising on qualifying derivative cash flow hedges	(2)	(5)
	<u>(45)</u>	<u>(21)</u>

The deferred tax credit to the Group Income Statement in 2009 of €15 million was €53 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 year:

	12 Months to 31-Dec-09 €million	12 Months to 31-Dec-08 €million
Current service cost	40	43
Past service cost	6	3
(Gain) on settlements and curtailments	(4)	(1)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	(1)	(2)
	41	43
Expected return on scheme assets	(68)	(88)
Interest cost on scheme liabilities	96	102
Net financial expense	28	14
Defined benefit expense	69	57

Included in cost of sales, distribution costs, administrative expenses and other operating expenses is a defined benefit expense of €41 million for the year (2008: €43 million). Expected Return on Scheme Assets of €68 million (2008: €88 million) is included in Finance Income and Interest Cost on Scheme Liabilities of €96 million (2008: €102 million) is included in Finance Costs in the Group Income Statement.

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

	31-Dec-09 €million	31-Dec-08 €million
Present value of funded or partially funded obligations	(1,447)	(1,210)
Fair value of plan assets	1,208	1,080
Deficit in funded or partially funded plans	(239)	(130)
Present value of wholly unfunded obligations	(414)	(387)
Net employee benefit liabilities	(653)	(517)

The employee benefits provision has increased from €517 million at 31 December 2008 to €653 million at 31 December 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 31-Dec-09 €million	3 Months to 31-Dec-08 €million	12 Months to 31-Dec-09 €million	12 Months to 31-Dec-08 €million
Loss attributable to equity holders of the Company	(91)	(210)	(122)	(50)
Weighted average number of ordinary shares in issue (millions)	218	218	218	218
Basic loss per share (cent per share)	(41.6)	(96.3)	(55.8)	(22.8)

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.

There is no difference between basic and diluted loss per share in 2009 and 2008 as the inclusion of the dilutive impact of the convertible shares would have the effect of reducing the loss per share.

9. Property, Plant and Equipment

	Land and Buildings €million	Plant and Equipment €million	Total €million
Year ended 31 December 2009			
Opening net book amount	1,108	1,930	3,038
Reclassification	16	(18)	(2)
Additions	4	199	203
Depreciation charge for the year	(57)	(298)	(355)
Impairment losses recognised in the Group Income Statement	(13)	(20)	(33)
Retirements and disposals	(3)	(2)	(5)
Foreign currency translation adjustment	13	28	41
Impact of hyperinflation	83	96	179
At 31 December 2009	1,151	1,915	3,066
Year ended 31 December 2008			
Opening net book amount	1,177	2,075	3,252
Reclassification	29	(31)	(2)
Additions	10	313	323
Depreciation charge for the year	(50)	(295)	(345)
Impairment losses recognised in the Group Income Statement	(13)	(53)	(66)
Retirements and disposals	(3)	(3)	(6)
Foreign currency translation adjustment	(42)	(76)	(118)
At 31 December 2008	1,108	1,930	3,038

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

	12 Months to 31-Dec-09 € million	12 Months to 31-Dec-08 € million
At 1 January	14	79
Share of (loss)/profit for the year	(1)	3
Dividends received from associates	(1)	(5)
Loss on disposal of associate	-	(7)
Disposals	-	(55)
Reclassification	1	-
Foreign currency translation adjustment	-	(1)
At 31 December	13	14

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 average market value of an ordinary share for the three dealing days immediately prior to the date that 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 new class B and new class C convertible shares is three financial years.

The performance conditions for the new class B and new class C convertible shares awarded under the 2007 SIP prior to 2009 are as follows. The new class 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 five per cent per annum plus the annual percentage increase in the Consumer Price Index of Ireland, compounded. The new class C convertible shares are subject to that same performance condition. In addition, the new class 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 new class 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 new class B and new class C convertible shares awarded in 2009, the new class B and new class 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 31 December 2009 SKG plc had a total of 17,482,460 convertible shares in issue in total, 10,104,820 under the 2002 Plan, as amended and 7,377,640 under the 2007 SIP, as amended.

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

Shares 000's	Class of Convertible shares				
	D	A1	A2	A3	Total
Balance December 2008	9,035	-	539	540	10,114
Vested into D	562	-	(539)	(23)	-
Converted into ordinary shares	(9)	-	-	-	(9)
Balance December 2009	9,588	-	-	517	10,105
Exercisable December 2009	9,588	-	-	-	9,588

The weighted average exercise price for all D and A3 convertible shares at 31 December 2009 was €4.56. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 31 December 2009 was 2.97 years.

A summary of the activity under the 2007 SIP, as amended, for the year from 31 December 2008 to 31 December 2009 is presented below:

Shares 000's	Class of Convertible shares		
	New B	New C	Total
Balance December 2008	2,598	2,598	5,196
Allocated	1,091	1,091	2,182
Balance December 2009	3,689	3,689	7,378

As at 31 December 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 31 December 2009 was 8.46 years. No shares were exercisable at December 2009 or December 2008.

13. Analysis of Net Debt

	31-Dec-09 €million	31-Dec-08 €million
Senior credit facility		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 3.25% on RCF1 and +3.5% on RCF 2 ⁽⁸⁾	(13)	(9)
Tranche A term loan ^(2a) —interest at relevant interbank rate + 3.25% ⁽⁸⁾	219	405
Tranche B term loan ^(2b) —interest at relevant interbank rate + 3.375% ⁽⁸⁾	809	1,289
Tranche C term loan ^(2c) —interest at relevant interbank rate + 3.625% ⁽⁸⁾	808	1,288
Yankee bonds (including accrued interest) ⁽³⁾	203	210
Bank loans and overdrafts/(cash)	(565)	(628)
Receivables securitisation floating rate notes 2011 ⁽⁴⁾	208	207
	1,669	2,762
2015 cash pay subordinated notes (including accrued interest) ⁽⁵⁾	358	362
2017 senior secured notes (including accrued interest) ⁽⁶⁾	485	-
2019 senior secured notes (including accrued interest) ⁽⁷⁾	488	-
Net debt before finance leases	3,000	3,124
Finance leases	41	54
Net debt including leases – Smurfit Kappa Funding plc	3,041	3,178
Balance of revolving credit facility reclassified to debtors	13	9
Total debt after reclassification – Smurfit Kappa Funding plc	3,054	3,187
Net (cash) in parents of Smurfit Kappa Funding plc	(2)	(2)
Net Debt including leases – Smurfit Kappa Group plc	3,052	3,185

(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 –€0.4 million, letters of credit issued in support of other liabilities - €14.1 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) €500 million 7.25% senior secured noted due 2017

(7) €500 million 7.75% senior secured noted due 2019

(8) 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. Venezuela

Hyperinflation

Venezuela became hyperinflationary during 2009 when its cumulative inflation rate for the past three years exceeded 100%. As a result, the Group applied the hyperinflationary accounting requirements of IAS 29 to its Venezuelan operations at 31 December 2009.

As a result of the entries recorded in respect of hyperinflationary accounting under IFRS, the 2009 Group Income Statement is impacted as follows: Sales €34 million increase, EBITDA €1 million decrease, net monetary loss €8 million increase and loss after taxation €34 million increase. The impact on our net assets and our total equity is an increase of €225 million.

Rate of Translation

The government in Venezuela operate exchange control and the purchase and sale of foreign currency have to be at an official rate. However, a parallel market of exchange also exists ("parallel rate"). The official rate was VEF2.15/US\$ and the parallel rate was VEF5.97/US\$ at 31 December 2009. The Group assesses at each Balance Sheet date which rate is appropriate to translate the results and net assets of its Venezuelan operations and it has concluded that the appropriate rate to use is the official rate as the Group believes it still has the ability to access funds at the official rate.

On this basis, the Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow and Group Balance Sheet of the operations were translated at the official year end rate of VEF2.15/US\$. The US\$/euro rate applied by the Group at the year end was US\$1.44/euro.

On 8 January 2010, the Venezuelan government announced the official exchange rate would be changed from VEF2.15/US\$ to a dual system that includes a VEF2.6/US\$ rate for food and heavy machinery purchases and a VEF4.3/US\$ rate for all others. It is likely that the new official rate of VEF4.3/US\$ will apply to the operations of the Group. In accordance with IAS 10, this is a non-adjusting post balance sheet event and, therefore, should not be reflected in the 2009 results of operations or financial position. We expect to record a currency loss of approximately €13 million in relation to the dollar-denominated year-end net payables which will be reflected in the quarter one Group Income Statement and an additional reduction in our year-end net assets and total equity of €223 million which will be reflected in our quarter one Group Statement of Comprehensive Income as a currency translation on our subsidiaries.

Supplemental Financial Information

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

	3 months to 31-Dec-09 € million	3 months to 31-Dec-08 € million	12 months to 31-Dec-09 € million	12 months to 31-Dec-08 € million
Loss for the financial period	(88)	(211)	(107)	(32)
Income tax expense	25	(7)	55	21
Share of associates' operating loss/(profit)	1	-	1	(3)
Loss on disposal of associate	-	-	-	7
Reorganisation and restructuring costs	8	4	25	21
Impairment of fixed assets	-	226	33	237
Net finance costs	113	85	318	289
Share-based payment expense	1	(4)	3	4
Depreciation, depletion (net) and amortisation	126	102	413	397
EBITDA before exceptional items and share-based payment expense	186	195	741	941

Supplemental Historical Financial Information

€ Million	Q4, 2008	FY 2008	Q1, 2009	Q2, 2009	Q3, 2009	Q4, 2009
Group and third party revenue	2,384	10,351	2,268	2,250	2,309	2,380
Third party revenue	1,631	7,062	1,504	1,498	1,515	1,541
EBITDA before exceptional items and share-based payment expense	195	941	180	184	192	186
EBITDA margin	12.0%	13.3%	11.9%	12.3%	12.7%	12.1%
Operating profit/(loss)	(133)	282	82	87	46	51
Profit/(loss) before tax	(218)	(11)	20	19	(27)	(63)
Free cash flow	55	281	-	18	125	29
Basic earnings/(loss) per share (cent per share)	(96.3)	(22.8)	3.8	3.0	(20.9)	(41.6)
Weighted average number of shares used in EPS calculation (millions)	218	218	218	218	218	218
Net debt	3,185	3,185	3,187	3,164	3,034	3,052
Net debt to EBITDA (LTM)	3.4	3.4	3.7	4.0	4.0	4.1