

Interim Management Statement

8 May 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 ending 31 March 2009.

2009 First Quarter | Key Financial Performance Measures

€m	Q1 2009	Q1 2008	Change	Q4 2008	Change
Revenue	€1,504	€1,832	(18%)	€1,631	(8%)
EBITDA before Exceptional Items and Share-based Payment expense ⁽¹⁾	€180	€257	(30%)	€195	(8%)
EBITDA Margin	11.9%	14.0%	-	12.0%	-
Operating Profit before Exceptional Items	€82	€156	(47%)	€97	(15%)
Basic Earnings/(Loss) Per Share (€cts)	3.8	18.4	(79%)	(96.3)	n/a
Free Cash Flow ⁽²⁾	€	€1	-	€55	-
Net Debt	€3,187	€3,373	6%	€3,185	-
Net Debt to EBITDA (LTM)	3.7x	3.2x	-	3.4x	-

(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 profit for the period to EBITDA before exceptional items and share-based payment expense is set out on page 22.

(2) Free cash flow is set out on page 7. The IFRS cash flow is set out on page 12.

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "In a difficult operating environment, we are pleased to report resilient EBITDA margins and continued strong cash flow management.

As a result of the impact of the weak macro environment on both volumes and price, revenue was down compared to quarter one 2008. While down two percentage points year-on-year, EBITDA margins remained stable compared to quarter four 2008.

Bearing in mind reduced earnings, the relatively good cash flow outcome in a seasonally weak quarter primarily reflects lower debt servicing costs and continued working capital control. Due to phasing of certain projects initiated in 2008, capital expenditure equated to 71% of depreciation in the first quarter. SKG is on target to achieve its full year objective of reducing capital expenditure towards 60% of depreciation.

SKG continues to maintain a strong liquidity position with in excess of €700 million of cash on its balance sheet, unused committed credit facilities of €600 million and no material debt maturity until 2012.

The Group’s performance for the first quarter reflects another strong performance from its Latin American operations, the continuing benefits of the Group’s integrated business model, and a progressively lower cost base, supported by €30 million of cost take-out delivered over the period.

The ongoing uncertainty in the global economy makes it difficult to provide guidance in any meaningful manner. While demand and pricing remain under pressure, we are now seeing signs of increasing capacity rationalisation. From SKG’s perspective, the Group will continue to proactively adapt its production to its sustainable level of demand, and will continue to rationalise its system to maximise cost efficiency, while maintaining superior customer service.

Reduced capital expenditure and further input cost relief, especially for energy and wood, are expected to deliver their full benefit in the latter part of 2009. The Group has also increased its full year formal cost take-out target to €130 million for 2009. These factors should contribute to maintaining SKG’s industry-leading margins, and to maximising cash flow generation and net debt reduction in 2009 and beyond.”

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 22 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 growing presence in Eastern Europe. Smurfit Kappa Group operates in 9 countries in Latin America and 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 First Quarter | Performance Overview

While revenues and earnings were affected by the weak macro environment that prevailed in the first quarter, the Group's EBITDA margins remained relatively stable compared with quarter four 2008. This primarily reflects the resilience of the integrated model and the benefits of moderating input costs, particularly for recovered paper. Further deflation, especially for energy and wood, are expected to benefit SKG's performance in the coming few quarters.

Our Latin American business was also a significant contributor to the Group's performance in the first quarter, reporting 21% EBITDA growth year-on-year excluding currency effects.

The lower absolute level of earnings by SKG in the first quarter reflects weak demand, and further pressure on corrugated pricing, as a result of the continued fall in containerboard prices. The increase in capacity closure announcements across the industry in the first quarter underlines the level of stress in the recycled containerboard market at current price levels, especially for non-integrated producers.

In comparison, the Group's overall containerboard system remained competitive in the first quarter, benefiting from its lower cost recycled capacity, leading market position in kraftliner grades, and optimised integrated corrugated plant network.

While the increasing number of capacity closure announcements is clearly a positive for the overall market balance, new recycled capacity is expected to come on stream in Europe in the second half of 2009. As a result, the Group anticipates that sustained pricing pressure should force non-integrated and/or higher cost paper producers, among others, to close further capacity.

In this environment, SKG continues to maximise its cost take-out efforts and the priority focus remains on cash generation for net debt reduction. In the first quarter, the Group succeeded in limiting the normal seasonal working capital outflow, which contributed to delivering a stable free cash flow performance year-on-year despite a significant decline in EBITDA.

As a result of this relatively strong cash flow performance, the Group's net debt remained broadly unchanged at the end of March 2009 compared to December 2008. This performance also reflects the benefits of the Group's debt buy-back process, which generated a net debt reduction of €6 million in the quarter.

2009 First Quarter | Financial performance

At €1,504 million for the first quarter of 2009, sales revenue was 18% lower than in the first quarter of 2008. While plant closures had a minimal impact, currency accounted for €56 million of the year-on-year decline, giving an underlying decrease of €271 million, the equivalent of almost 15%.

At €180 million for the first quarter, EBITDA was €77 million lower than in 2008. Allowing for the negative impact of currency of €7 million and plant closures of €1 million, the underlying decrease in EBITDA was €69 million, the equivalent of 27%.

Compared to the fourth quarter of 2008, EBITDA in the first quarter of 2009 was €15 million lower (the equivalent of almost 8%) with currency accounting for approximately €4 million of the decrease. EBITDA margins remained relatively stable at 11.9% in the first quarter of 2009 compared to 12.0% in the previous quarter. This reflects the Group's continuing focus on operating efficiency and cost take-out.

2009 First Quarter | Free Cash Flow

Free cash flow for the first quarter to March 2009 was broadly unchanged with a break-even situation in 2009 compared to a net inflow of €1 million in 2008. While EBITDA was €77 million lower, the resilient cash flow performance primarily reflects a significantly lower working capital outflow than normal as well as reduced tax payments and cash interest.

Working capital increased by only €7 million in the first quarter of 2009 compared to a €75 million increase in the first quarter of 2008. This reflects the Group's continued strong working capital management and lower end-product pricing as well as a positive one-off inflow of approximately €20 million as a result of a change in payment terms regulations in France. Working capital of €560 million at March 2009 represented 9.3% of annualised net revenue, compared to 10.2% at March 2008 and 8.1% at December 2008.

Cash interest of €52 million in the first quarter of 2009 was €8 million lower than in the same period in 2008, reflecting the lower interest rate environment together with the continued net debt reduction throughout last year. A 1% move in interest rates changes the Group's cash interest bill by approximately €12 million per annum.

At €60 million, capital expenditure in the first quarter of 2009 was broadly unchanged compared to the same period in 2008. While the expenditure in the quarter equated to 71% of depreciation, the Group remains on track to reduce its level of expenditure towards 60% of depreciation for the full year, compared to 98% in 2008. The reduction in capital expenditure is expected to enhance the Group's free cash flow generation by approximately €120 million over the remaining three quarters of 2009.

Tax payments in the first quarter of 2009 were €6 million lower than in the first quarter of 2008, primarily as a result of the Group's lower profitability.

2009 First Quarter | Capital Structure & Debt Reduction

At the end of March 2009, the Group's net debt was stable compared to December 2008 levels, at just under €3.2 billion. Year-on-year, the Group reduced its net debt by €186 million, the equivalent of 6%. The Group's financial priority continues to be on sustaining positive free cash flow generation and debt reduction throughout the cycle.

In the current credit market environment, the Group benefits from its long-term debt profile, with no material near-term maturity. In addition, the Group benefits from strong liquidity, with approximately €712 million of cash on its balance sheet at the end of March 2009, and unused committed credit lines of approximately €600 million maturing in December 2012.

In view of the challenging economic environment and consistent with a prudent financial strategy, the Group suspended its dividend payments in 2009, thereby increasing its debt paydown capability by €70 million compared to 2008. The Group will evaluate future dividend policy in light of prevailing market conditions, cash flow generation and capital structure requirements.

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 buy-back is expected to reduce the Group's net debt by €8 million, of which €6 million has been reflected in the first quarter. It also reduces SKG's interest charge by €1.2 million per annum.

2009 First Quarter | Performance Review

Packaging: Europe

The Group's corrugated volumes in the first quarter decreased by just under 12% year-on-year, reflecting the overall slowing in European economies. The year-on-year comparison is particularly tough as markets were showing healthy growth in the first quarter of 2008. Compared to the fourth quarter of 2008, the Group's corrugated deliveries declined by 3% in the first 3 months of 2009.

Despite lower deliveries, the Group's stable EBITDA margin of 11.9% in the first quarter reflects the benefits of its integrated model, supported by the sustained performance of its corrugated division. While under increasing pressure, corrugated pricing remains more resilient than containerboard, reflecting SKG's geographical diversity and focus on product quality and customer service.

In the first quarter, the Group also benefited from a reduced overall cost base. This reflects lower production output, a material reduction in input costs, especially for recovered paper, and the €30 million of cost take-out achieved in the period. In addition to its formal 3-year cost take-out programme, the Group is also focusing on curtailing all discretionary expenditure within its system in 2009, this delivered savings in excess of €30 million in quarter one.

The increasing number of capacity closures in the industry demonstrates the current level of stress for higher cost and/or non-integrated producers. In the year-to-date, seven recycled containerboard paper mills have been permanently closed or indefinitely idled, and four more closures have already been announced for the second quarter. In total, those closures are expected to remove circa 1.3 million tonnes from the market, the equivalent of 6% of European capacity.

While capacity closures are clearly a positive for the overall market balance, new recycled capacity is expected to come on stream in Europe in the second half of 2009 in a weak demand environment. As a result, it is anticipated that sustained containerboard pricing pressure should force non-integrated and/or higher cost paper producers, among others, to close further capacity. In such an environment, the Group's performance will continue to benefit from its fully integrated, lower cost paper system.

However, to further maximise its own efficiency and maintain its low inventory level, the Group has temporarily closed its Nanterre paper machine in France, for a duration of 6 months from 30 April 2009. It is expected to remove approximately 85,000 tonnes from the recycled containerboard market over the period. This temporary closure will contribute to the Group's earnings, by minimising production stoppage in its other three paper mills in France despite the anticipated continued weak demand.

Moreover, as part of its deepened cost take-out programme, the Group initiated the closure of three of its underperforming corrugated box plants in the first quarter of 2009: in Spain, the Netherlands and Denmark. In the remainder of the year, the Group will continue to take necessary action to reduce its cost base, and adapt its production system to the sustainable level of demand.

The Group continues to benefit from its leading market position in kraftliner across Europe. Notwithstanding increasing pricing pressure as a result of the weak fundamentals in the recycled market, kraftliner margins were more resilient than those of other paper grades in the first quarter. This performance was achieved despite significant downtime across our kraftliner system, primarily related to a triennial maintenance shutdown at our Factice mill in France.

Packaging: Latin America

The Group's performance in the first quarter reflects the ongoing benefits of its geographical diversity, as its Latin American business continues to deliver superior performance. SKG's Latin American operations reported a 21% EBITDA growth year-on-year for the quarter on a constant currency basis.

As a result of its sustained performance, the region contributed to approximately 16% of the Group's revenue and over 25% of the Group's EBITDA in the first quarter.

Latin America was not immune from the overall global slowdown in the first quarter, with the Group's corrugated volumes declining by 11% year-on-year. However, as a result of management focus on all aspects of the business, the region delivered a strong outcome and an overall margin improvement.

Specialties: Europe

The difficult trading conditions experienced at the end of 2008 continued into 2009. Profitability of the sacks and solidboard divisions declined year-on-year in the first quarter, somewhat offset by EBITDA growth in our bag-in-box and cartons business.

One of the Group's poorer performers remains its sack division, primarily driven by very weak converting volumes, which have declined by a further 13% compared to an already weak first quarter in 2008. The Group's solidboard business also suffered from lower volumes on the converting side, but SKG's solidboard mills reported better profitability, benefiting from lower recovered paper prices year-on-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 full year of 2008, this programme delivered €72 million of cost savings, and SKG increased its cost take-out objective to €200 million over the three year period 2008-2010.

In light of the continued challenging operating environment that prevails in 2009, the Group has deepened its cost take-out efforts, and now expects to deliver in excess of €250 million over the three-year period 2008-2010.

In the first quarter of 2009, SKG delivered €30 million of cost take-out, and expects to deliver approximately €130 million for the full year of 2009, an increase from its previously announced objective of €75 million.

In addition to its formal cost take-out programme, the Group is also focusing on curtailing all discretionary expenditure within its system in 2009. This effort delivered year-on-year reductions of in excess of €30 million in the first quarter.

Dividend

To maximise cash available for debt paydown and in light of the challenging economic outlook, the Group announced last February that it would not be paying dividends in 2009. Going forward the Group will evaluate future dividend policy in light of prevailing market conditions, cash flow generation and capital structure requirements.

Summary Cash Flows

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

	3 months to 31-Mar-09 € Million	3 months to 31-Mar-08 € Million
Pre-exceptional EBITDA	180	257
Cash interest	(52)	(60)
Working capital change	(7)	(75)
Current provisions	(10)	(12)
Capital expenditure	(60)	(63)
Change in capital creditors	(33)	(13)
Sale of fixed assets	2	1
Tax paid	(9)	(15)
Other	(11)	(19)
Free cash flow	-	1
Gain on debt buy-back	6	-
Sale of businesses and investments	-	1
Derivative termination receipts/(payments)	5	(3)
Net cash inflow/(outflow)	11	(1)
Deferred debt issue costs amortised	(4)	(4)
Currency translation adjustments	(9)	36
(Increase)/decrease in net borrowing	(2)	31

(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 borrowing 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.

	3 months to 31-Mar-09 € Million	3 months to 31-Mar-08 € Million
Free cash flow	-	1
Add back:		
Cash interest	52	60
Capital expenditure	60	63
Change in capital creditors	33	13
Tax payments	9	15
Less:		
Sale of fixed assets	(2)	(1)
Profit on sale of assets and businesses – non exceptional	(2)	(2)
Receipt of capital grants (in "Other")	(1)	-
Cash generated from operations	149	149

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 31 March 2009 Smurfit Kappa Funding plc had outstanding €217.5 million 7.75% senior subordinated notes due 2015 and \$200 million 7.75% senior subordinated notes due 2015. In addition Smurfit Kappa Treasury Funding Limited had outstanding \$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 €406 million amortising A Tranche maturing in 2012, a €1,279 million B Tranche maturing in 2013 and a €1,277 million C Tranche maturing in 2014. In addition, as at 31 March 2009, the facility included a €600 million revolving credit facility of which there were €16.4 million in letters of credit issued in support of other liabilities.

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

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	2.70% - 4.54%
Term Loan B	EUR	3.04% - 4.91%
	USD	3.29%
Term Loan C	EUR	3.29% - 4.74%
	USD	3.54%

Borrowings under the revolving credit facility are available to fund the Group's working capital requirements, capital expenditures and other general corporate purposes and will terminate in December 2012.

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 March 2009 the Group had fixed an average of 55% 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, \$200 million 7.75% senior subordinated notes due 2015 and \$292.3 million 7.50% senior debentures due 2025. In addition the Group also has €1,560 million in interest rate swaps with maturity dates ranging from April 2009 to April 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 €19 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

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 31-Mar-09			3 Months to 31-Mar-08		
	Pre- Exceptional 2009 €000	Exceptional 2009 €000	Total 2009 €000	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000
Continuing operations						
Revenue	1,504,080	-	1,504,080	1,832,016	-	1,832,016
Cost of sales	(1,084,390)	-	(1,084,390)	(1,299,335)	(10,950)	(1,310,285)
Gross profit	419,690	-	419,690	532,681	(10,950)	521,731
Distribution costs	(125,023)	-	(125,023)	(146,847)	-	(146,847)
Administrative expenses	(213,114)	-	(213,114)	(230,479)	-	(230,479)
Other operating income	817	-	817	403	-	403
Other operating expenses	-	-	-	-	(17,318)	(17,318)
Operating profit	82,370	-	82,370	155,758	(28,268)	127,490
Finance costs	(116,969)	-	(116,969)	(137,665)	-	(137,665)
Finance income	48,752	6,399	55,151	70,272	-	70,272
Share of associates' (loss)/profit (after tax)	(454)	-	(454)	1,457	-	1,457
Profit before income tax	13,699	6,399	20,098	89,822	(28,268)	61,554
Income tax expense			(7,618)			(18,713)
Profit for the financial period			12,480			42,841
<i>Attributable to:</i>						
Equity holders of the Company			8,186			40,163
Minority interest			4,294			2,678
Profit for the financial period			12,480			42,841
Earnings per share:						
Basic earnings per share (cent per share)			3.8			18.4
Diluted earnings per share (cent per share)			3.7			18.1

Group Statement of Recognised Income and Expense

	<u>Unaudited</u> 3 months to 31-Mar-09 €000	<u>Unaudited</u> 3 months to 31-Mar-08 €000
Items of income and expense recognised directly within equity:		
Foreign currency translation adjustments	(25,315)	(19,192)
Defined benefit pension schemes		
- Actuarial loss	(75,298)	(86,178)
- Movement in deferred tax	19,435	13,350
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	2,119	(3,235)
- New fair value adjustments into reserve	(21,598)	339
- Movement in deferred tax	2,386	-
Net change in fair value of available-for-sale financial assets	-	(237)
Net income and expense recognised directly within equity	<u>(98,271)</u>	<u>(95,153)</u>
Profit for the financial period	<u>12,480</u>	<u>42,841</u>
Total recognised income and expense for the financial period	<u>(85,791)</u>	<u>(52,312)</u>
<i>Attributable to:</i>		
Equity holders of the Company	(82,682)	(56,596)
Minority interest	(3,109)	4,284
	<u>(85,791)</u>	<u>(52,312)</u>

Group Balance Sheet

	Unaudited 31-Mar-09 €000	Unaudited 31-Mar-08 €000	Audited 31-Dec-08 €000
Assets			
Non-current assets			
Property, plant and equipment	2,992,452	3,195,873	3,038,207
Goodwill and intangible assets	2,135,185	2,398,169	2,154,212
Available-for-sale financial assets	30,630	43,265	30,651
Investment in associates	13,245	80,514	14,038
Biological assets	75,635	76,894	78,166
Trade and other receivables	4,480	5,471	4,098
Derivative financial instruments	264	2,850	153
Deferred income tax assets	253,688	270,080	228,061
	5,505,579	6,073,116	5,547,586
Current assets			
Inventories	602,488	709,546	623,185
Biological assets	7,496	6,870	8,122
Trade and other receivables	1,182,960	1,436,252	1,210,631
Derivative financial instruments	7,803	24,000	14,681
Restricted cash	44,085	21,451	19,408
Cash and cash equivalents	667,950	413,352	699,554
	2,512,782	2,611,471	2,575,581
Non-current assets held for sale	10,482	15,999	10,482
Total assets	8,028,843	8,700,586	8,133,649
Equity			
Capital and reserves attributable to the equity holders of the Company			
Equity share capital	229	228	229
Capital and other reserves	2,295,845	2,512,916	2,329,613
Retained earnings	(726,901)	(511,763)	(679,224)
Total equity attributable to equity holders of the Company	1,569,173	2,001,381	1,650,618
Minority interest	141,077	141,304	144,723
Total equity	1,710,250	2,142,685	1,795,341
Liabilities			
Non-current liabilities			
Borrowings	3,745,596	3,641,332	3,751,361
Employee benefits	587,895	551,779	516,665
Derivative financial instruments	28,579	-	19,227
Deferred income tax liabilities	320,763	441,699	324,563
Non-current income tax liabilities	20,118	29,007	18,538
Provisions for liabilities and charges	45,285	64,538	48,343
Capital grants	13,267	13,719	13,026
Other payables	3,942	8,060	3,591
	4,765,445	4,750,134	4,695,314
Current liabilities			
Borrowings	153,413	166,321	152,193
Trade and other payables	1,229,797	1,404,697	1,311,012
Current income tax liabilities	26,134	27,819	24,926
Derivative financial instruments	104,349	146,015	108,907
Provisions for liabilities and charges	39,455	62,915	45,956
	1,553,148	1,807,767	1,642,994
Total liabilities	6,318,593	6,557,901	6,338,308
Total equity and liabilities	8,028,843	8,700,586	8,133,649

Group Cash Flow Statement

	<u>Unaudited</u> 3 months to 31-Mar-09 €000	<u>Unaudited</u> 3 months to 31-Mar-08 €000
Cash flows from operating activities		
Profit for the financial period	12,480	42,841
<i>Adjustment for</i>		
Income tax expense	7,618	18,713
Profit on sale of assets and businesses – continuing operations	(1,777)	(2,281)
Amortisation of capital grants	(942)	(382)
Impairment of property, plant and equipment	-	10,950
Equity settled share-based payment expense	1,237	3,682
Amortisation of intangible assets	11,200	11,132
Share of loss/(profit) of associates	454	(1,457)
Depreciation charge	82,662	85,734
Net finance costs	61,818	67,393
Change in inventories	18,703	(33,076)
Change in biological assets	2,088	954
Change in trade and other receivables	29,585	(69,897)
Change in trade and other payables	(55,075)	28,080
Change in provisions	(11,364)	(3,136)
Change in employee benefits	(9,788)	(9,776)
Foreign currency translation adjustments	210	(936)
Cash generated from operations	149,109	148,538
Interest paid	(66,299)	(65,870)
Income taxes paid:		
Irish corporation tax paid	(564)	(793)
Overseas corporation tax (net of tax refunds) paid	(8,155)	(14,307)
Net cash inflow from operating activities	74,091	67,568
Cash flows from investing activities		
Interest received	3,462	9,952
Business disposals	-	580
Purchase of property, plant and equipment and biological assets	(90,670)	(73,624)
Purchase of intangible assets	(2,136)	(1,888)
Receipt/(repayment) of capital grants	1,173	(23)
Purchase of available-for-sale financial assets	(2)	(2)
(Increase) in restricted cash	(24,677)	(8,355)
Disposal of property, plant and equipment	3,694	2,938
Disposal of investments	14	-
Disposal of associates	15	-
Purchase of subsidiaries and minorities	104	-
Deferred and contingent acquisition consideration paid	(22)	-
Net cash outflow from investing activities	(109,045)	(70,422)
Cash flow from financing activities		
Proceeds from issue of new ordinary shares	-	33
Costs associated with issuing new shares	-	(60)
(Decrease)/increase in interest-bearing borrowings	(11,163)	6,843
Repayment of finance lease liabilities	(3,853)	(3,707)
Derivative termination (receipts)/payments	4,886	(2,631)
Deferred debt issue costs	(25)	-
Dividends paid to minority interests	(537)	(423)
Net cash (outflow)/inflow from financing activities	(10,692)	55
Decrease in cash and cash equivalents	(45,646)	(2,799)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	682,692	375,390
Currency translation adjustment	2,968	(8,301)
Decrease in cash and cash equivalents	(45,646)	(2,799)
Cash and cash equivalents at 31 March	640,014	364,290

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 first 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 Group financial information are consistent with those applied in the annual report for the financial year ended 31 December 2008 as described in those financial statements.

The Group will apply IFRS 8, *Operating Segments* in our 30 June 2009 half-yearly report, which is prepared in accordance with IAS 34, as required by the Transparency Regulations. 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. The Group is currently assessing the impact of IFRS 8.

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.

3. Segmental Analyses

	3 months to 31-Mar-09			3 months to 31-Mar-08		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€000	€000	€000	€000	€000	€000
Third party revenue	<u>1,312,432</u>	<u>191,648</u>	<u>1,504,080</u>	<u>1,602,288</u>	<u>229,728</u>	<u>1,832,016</u>
Segment results before exceptional items	87,818	1,188	89,006	155,047	9,354	164,401
Exceptional items	-	-	-	(28,268)	-	(28,268)
Segment results	87,818	1,188	89,006	126,779	9,354	136,133
Unallocated centre costs			(6,636)			(8,643)
Operating profit			82,370			127,490
Share of associates' (loss)/profit (after tax)	(454)	-	(454)	1,457	-	1,457
Finance costs			(116,969)			(137,665)
Finance income			55,151			70,272
Profit before income tax			20,098			61,554

4. Exceptional Items

The following items are regarded as exceptional in nature:

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
Reorganisation and restructuring costs	-	(17,318)
Impairment of property, plant and equipment	-	(10,950)
Total exceptional items included in operating costs	-	(28,268)
Total exceptional items included in finance income	6,399	-

The exceptional financial income of €6 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 buy-back is expected to reduce the Group's net debt by €8 million, of which €6 million has been reflected in the first quarter.

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

5. Finance Costs and Income

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	39,389	53,436
Interest payable on finance leases and hire purchase contracts	1,157	1,493
Interest payable on other borrowings	19,462	20,017
Impairment loss on available-for-sale financial assets	29	-
Unwinding of discount element of provisions	144	83
Foreign currency translation loss on debt	26,208	2,456
Fair value loss on commodity derivatives not designated as hedges	248	2,964
Fair value loss on other derivatives not designated as hedges	6,456	31,086
Interest cost on employee benefit plan liabilities	23,876	26,130
Total finance cost	116,969	137,665
<i>Finance income</i>		
Other interest receivable	3,462	9,952
Foreign currency translation gain on debt	6,468	34,157
Gain on debt buy-back	6,399	-
Fair value gain on other derivatives not designated as hedges	21,942	3,483
Expected return on employee benefit plan assets	16,880	22,680
Total finance income	55,151	70,272
Net finance cost	61,818	67,393

6. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
<i>Current taxation:</i>		
Europe	(3,412)	16,591
United States and Canada	10	3
Latin America	9,803	10,752
	6,401	27,346
Deferred taxation	1,217	(8,633)
Income tax expense	7,618	18,713

Current tax is analysed as follows:

Ireland	794	11,018
Foreign	5,607	16,328
	6,401	27,346

Income tax recognised directly in equity

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
Arising on actuarial losses on defined benefit plans	(19,435)	(13,350)
Arising on qualifying derivative cash flow hedges	(2,386)	-
	(21,821)	(13,350)

7. Employee Post Retirement Schemes – Defined Benefit Expense

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

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
Current service cost	9,172	10,490
Past service cost	1,383	559
Gain on settlements and curtailments	(10)	(281)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	95	485
	10,640	11,253
Expected return on scheme assets	(16,880)	(22,680)
Interest cost on scheme liabilities	23,876	26,130
Net financial expense	6,996	3,450
Defined benefit expense	17,636	14,703

The disclosures above reflect the requirements of IAS 19 – *Employee Benefits*. Included in cost of sales, distributions costs and administrative expenses is a defined benefit expense of €11 million for the first quarter of 2009 (2008: €11 million). Expected Return on Scheme Assets of €17 million (2008: €23 million) is included in Finance Income and Interest Cost on Scheme Liabilities of €24 million (2008: €26 million) is included in Finance Costs in the Group Income Statement.

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

	31-Mar-09 €000	31-Dec-08 €000
Present value of funded obligations	1,234,855	1,210,486
Fair value of plan assets	(1,033,082)	(1,080,129)
Present value of unfunded obligations	386,122	386,308
Liability in the balance sheet	587,895	516,665

The employee benefits provision has increased from €517 million at 31 December 2008 to €588 million at 31 March 2009. The rise in the provision was as a result of asset losses over the quarter.

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-Mar-09 €000	3 Months to 31-Mar-08 €000
Profit attributable to equity holders of the Company	8,186	40,163
Weighted average number of ordinary shares in issue ('000)	218,023	217,994
Basic earnings per share (cent per share)	3.8	18.4

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.

	3 Months to 31-Mar-09 €000	3 Months to 31-Mar-08 €000
Profit attributable to equity holders of the Company	8,186	40,163
Weighted average number of ordinary shares in issue ('000)	218,023	217,994
Potential dilutive ordinary shares assumed	329	4,514
Diluted weighted average ordinary shares	218,352	222,508
Diluted earnings per share (cent per share)	3.7	18.1

9. Property, Plant and Equipment

	Land and Buildings €000	Plant and Equipment €000	Total €000
Three months ended 31 March 2009			
Opening net book amount	1,108,189	1,930,018	3,038,207
Reclassification	3,855	(4,171)	(316)
Acquisitions	-	14	14
Additions	470	54,285	54,755
Depreciation charge for the period	(11,551)	(71,131)	(82,682)
Retirements and disposals	(1,558)	(358)	(1,916)
Foreign currency translation adjustment	(6,911)	(8,699)	(15,610)
At 31 March 2009	1,092,494	1,899,958	2,992,452
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. Investment in Associates

	3 Months to 31-Mar-09 €000	12 Months to 31-Dec-08 €000
At 1 January	14,038	79,307
Share of (loss)/profit for the period	(454)	2,731
Dividends received from associates	-	(4,528)
Loss on disposal of associate	-	(6,905)
Disposals	(15)	(55,418)
Foreign currency translation adjustment	(324)	(1,149)
At end of period	13,245	14,038

11. 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"). 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. Current market conditions will make it extremely difficult for the Company to satisfy the performance conditions applicable to those awards.

As of 31 March 2009 SKG plc had a total of 15,310,509 convertible shares in issue in total, 10,114,029 under the 2002 Plan, as amended and 5,196,480 under the 2007 SIP.

A summary of the activity under the 2002 Plan, as amended, for the period from 31 December 2008 to 31 March 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	553.4	-	(539.5)	(13.9)	-
Balance March 2009	9,588.4	-	-	525.6	10,114.0
Exercisable March 2009	9,588.4	-	-	-	9,588.4

The weighted average exercise price for all D, A2 and A3 convertible shares at 31 March 2009 was €4.56. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 31 March 2009 was 3.72 years.

A summary of the activity under the 2007 SIP, for the period from 31 December 2008 to 31 March 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
Exercisable December 2008	-	-	-
Balance March 2009	2,598.2	2,598.2	5,196.5
Exercisable March 2009	-	-	-

As at 31 March 2009 the weighted average exercise price for all new B and new C convertible shares upon conversion would be €13.68. The weighted average remaining contractual life of all the awards issued under the 2007 SIP at 31 March 2009 was 8.53 years.

12. Reconciliation of Movements in Total Equity

	Attributable to equity holders of the Company €000	Minority interests €000	Total equity €000
31 December 2008	1,650,618	144,723	1,795,341
Total recognised gains and losses	(82,682)	(3,109)	(85,791)
Share-based payment expense	1,237	-	1,237
Dividends paid to minorities	-	(537)	(537)
At 31 March 2009	1,569,173	141,077	1,710,250
31 December 2007	2,052,149	137,443	2,189,592
Shares issued	120	-	120
Total recognised income and expense	(331,098)	21,937	(309,161)
Other movements	(4,926)	4,926	-
Dividend paid to shareholders	(70,000)	-	(70,000)
Dividends paid to minorities	-	(6,695)	(6,695)
Purchase of minorities	-	(12,888)	(12,888)
Share-based payment expense	4,373	-	4,373
At 31 December 2008	1,650,618	144,723	1,795,341

13. Analysis of Net Debt

	31-Mar-09 €000	31-Dec-08 €000
Senior credit facility:		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 1.5%	(8,047)	(8,506)
Tranche A Term loan ^(2a) – interest at relevant interbank rate + 1.5%	406,147	405,410
Tranche B Term loan ^(2b) – interest at relevant interbank rate + 1.875%	1,278,710	1,289,194
Tranche C Term loan ^(2c) – interest at relevant interbank rate + 2.125%	1,277,254	1,287,839
Yankee bonds (including accrued interest) ⁽³⁾	224,009	210,246
Bank loans and overdrafts/(cash)	(616,431)	(628,899)
2011 Receivables securitisation floating rate notes (including accrued interest) ⁽⁴⁾	207,094	206,882
	2,768,736	2,762,166
2015 Cash pay subordinated notes (including accrued interest) ⁽⁵⁾	361,808	361,982
Net debt before finance leases	3,130,544	3,124,148
Finance leases	50,824	54,369
Net debt including leases – Smurfit Kappa Funding plc	3,181,368	3,178,517
Balance of revolving credit facility reclassified to debtors	8,049	8,506
Net debt after reclassification – Smurfit Kappa Funding plc	3,189,417	3,187,023
Net (cash) in parents of Smurfit Kappa Funding plc	(2,443)	(2,431)
Net Debt including leases – Smurfit Kappa Group plc	3,186,974	3,184,592

(1) Revolving credit facility of €600 million (available under the senior credit facility) to be repaid in full in 2012.
(Revolver Loans – Nil, drawn under ancillary facilities and facilities supported by letters of credit - €0.09 million, letters of credit issued in support of other liabilities - €16.4 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 \$200.0 million 7.75% senior subordinated notes due 2015

Supplemental Financial Information

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

	3 months to 31-Mar-09 €000	3 months to 31-Mar-08 €000
Profit for the financial period	8,186	40,163
Equity minority interests	4,294	2,678
Income tax expense	7,618	18,713
Share of associates' operating loss/(profit)	454	(1,457)
Reorganisation and restructuring costs	-	17,318
Impairment of fixed assets	-	10,950
Total net interest	61,818	67,393
Share-based payment expense	1,237	3,682
Depreciation, depletion (net) and amortisation	95,950	97,820
EBITDA before exceptional items and share-based payment expense	179,557	257,260

Supplemental Historical Financial Information

€Million	Q1, 2008	Q2, 2008	Q3, 2008	Q4, 2008	FY 2008	Q1, 2009
Group and third party revenue	2,702	2,696	2,570	2,384	10,351	2,268
Third party revenue	1,832	1,846	1,753	1,631	7,062	1,504
EBITDA before exceptional items and share-based payment expense	257	257	231	195	941	180
EBITDA margin	14.0%	13.9%	13.2%	12.0%	13.3%	11.9%
Operating profit/(loss)	127	156	131	(133)	282	82
Profit/(loss) before tax	62	83	61	(218)	(12)	20
Free cashflow	1	76	149	55	281	-
Basic earnings/(loss) per share (cent per share)	18.4	38.3	16.8	(96.3)	(22.8)	3.8
Weighted average number of shares used in EPS calculation	217,994	218,022	218,023	218,023	218,015	218,023
Net debt	3,373	3,285	3,192	3,185	3,185	3,187
Net debt to EBITDA (LTM)	3.16	3.09	3.13	3.39	3.39	3.69