

Executive Summary

- Smurfit Kappa's market leading position in European packaging places it in a strong position to benefit from improving sector dynamics as pricing initiatives and continuing capacity discipline support a recovery in group profitability. Year to date recovered paper costs have risen over 60% supporting Smurfit Kappa's move to seek further containerboard and box price increases. Given that Smurfit Kappa operates an integrated system it is corrugated price increases which drive group profitability.
- Through the cycle Smurfit Kappa has maintained double digit EBITDA margins as the benefit of its integrated model shielded the company from the more volatile margin performance experienced by other less integrated industry players. We forecast group EBITDA margins to increase by 80bps to 13.0% in FY10 reflecting our view that the group will be successful in recovering higher input costs. The robustness of Smurfit Kappa's margins also demonstrates the group's focus on profitability over volumes with each 1% move in corrugated prices adding €33m EBITDA compared to a 1% volume move adding only €15m.
- In addition to rising input costs the sector's improved capacity discipline has been the other factor in creating a backdrop which is supportive of corrugated price increases. At the end of March 2010 inventory levels in the European market remained at 2 year lows despite a major capacity addition coming on stream. Smurfit Kappa has been to the forefront in demonstrating strong discipline on capacity management. A lack of new capacity additions until at least mid 2012 ensures that any further capacity closure announcements will improve the overall supply/demand balance.
- Smurfit Kappa's capital structure has been significantly strengthened after a series of measures to improve its financial flexibility were successfully completed during 2009. Our forecasts see Smurfit Kappa's net debt to EBITDA ratio reducing to 3.4x at the end of FY10 before a further improvement to 2.3x by end FY11.
- Applying a blended methodology based on an FY11 EV/EBITDA multiple of 5.0x and a price to book value inline with the sector average of 0.94x generates a valuation of €8.20 per share. Smurfit Kappa has leading market positions, a proven ability to sustain double digit margins through cycles, and an admirable commitment to capacity discipline. The sub-optimal piece is a relatively overleveraged financial structure. Our thesis is that a commitment to unwinding debt and optimising cashflows will augment a recovery in output prices while facilitating a return to dividends. This, in turn, will support a narrowing of the valuation discount that currently exists between Smurfit Kappa and its peers.

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	2008A	2009A	2010F	2011F	2012F
Revenue (€m)	7,062	6,057	6,672	7,320	7,714
EBITDA (€m)	941	741	865	1,122	1,197
EBITDA Margin	13.3%	12.2%	13.0%	15.3%	15.5%
PE	-	-	16.4	4.3	3.5
EV/EBITDA	5.0	6.2	5.3	3.8	3.2
NAV per share (€)	7.57	7.69	8.06	9.37	10.98
P/NAV	0.84	0.83	0.79	0.68	0.58
Dividend Yield	2.6%	0.0%	0.0%	2.6%	2.8%
Net debt (€m)	3,185	3,052	2,969	2,628	2,220
Gearing	193%	182%	169%	128%	92%
Net debt / EBITDA	3.4	4.1	3.4	2.3	1.9

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Overview

Smurfit Kappa Group was formed following the merger of Jefferson Smurfit Group (JSG) and Kappa Packaging in 2005. The merger structure was such that JSG's former shareholders received 58% of the newly formed group while Kappa's former shareholders received 42%. The rationale for the combination was 1) to bring together JSG's leading market positions in Western Europe, Southern Europe and Latin America with Kappa Packaging's leading positions in Northern and Eastern Europe and 2) to combine JSG's service culture with Kappa Packaging's technical expertise.

Today the group's operations span 30 countries (21 in Europe and 9 Latin America) and has capacity of 4.9m tonnes of containerboard and 4.8m tonnes of corrugated. In addition, the group has a European specialties business which manufactures and supplies solidboard, boxboard, graphicboard and other products.

Strategy

Smurfit Kappa holds leading positions in all markets in which it operates as evidenced by its number one position in kraftliner, testliner, corrugated and solid board packaging within Europe. In Latin America the group holds the number one and number three positions in corrugated and containerboard respectively. The recent asset swap with Mondi highlights Smurfit Kappa's strategy of increasing scale within existing markets to strengthening its overall market position in a given geography.

Both JSG and Kappa Packaging had a long history of acquiring companies during their time as separate entities. JSG's record of buying businesses to strengthen its market positions and broaden its geographical reach extends back to the 1970's when it executed a number of deals in the UK, Europe, US and Latin America. Similarly, Kappa Packaging undertook a number of acquisitions which culminated in the 2001 purchase of the packaging interests of the Swedish AssiDomän Group and almost doubled the group's size. While a lack of credit and a weak demand environment since Smurfit Kappa's return to the public market has curtailed M&A activity future deals within the sector remain likely.

Smurfit Kappa has sought to position itself as a value add rather than commodity focused business by offering customers a "one stop shop" for all their packaging requirements. This ranges from having the capability to provide a pan-european offering, to creating packaging which is designed to be used at the point of sale, to dispatching technical experts to troubleshoot issues at customers' locations.

Bull Points

Integrated player - Smurfit Kappa operates an integrated system of mills and plants that produce containerboard which in turn is converted into corrugated boxes. The benefit of an integrated model is that it provides a more stable profitability profile given that a large proportion (c.75%) of the group's own containerboard production is used to deliver corrugated boxes. Non-integrated players have to purchase containerboard requirements on the open market which leads to a more uneven profit profile.

Impressive geographical reach - Smurfit Kappa is the European market leader with a c.20% market share through its network of over 160 corrugated plants which span 21 countries. The group's Latin America operations continue to grow in importance (26% of EBITDA in FY09). Smurfit Kappa has a presence in 9 countries in the region holding a top two position in 4 of these countries.

Profitability before volume - The logic here is straightforward as a 1% increase in volume translates into an incremental €15m in EBITDA while a similar increase in price yields more than double in terms of EBITDA contribution (€33m).

Shrinking the cost base - Adapting to reduced end market demand the group implemented a 3 year cost take out programme in early 2008 targeting €250m in savings. During 2009 the overall target was raised to €300m of which €90m will be delivered in 2010.

Bear Points

Industry capacity - The packaging industry has a chequered history on capacity discipline. Some of this can be attributed to the long lead times between announcing new capacity and bringing it on stream. Within the industry Smurfit Kappa has been amongst the strongest proponents in exercising capacity discipline through either temporary or permanent idling of capacity.

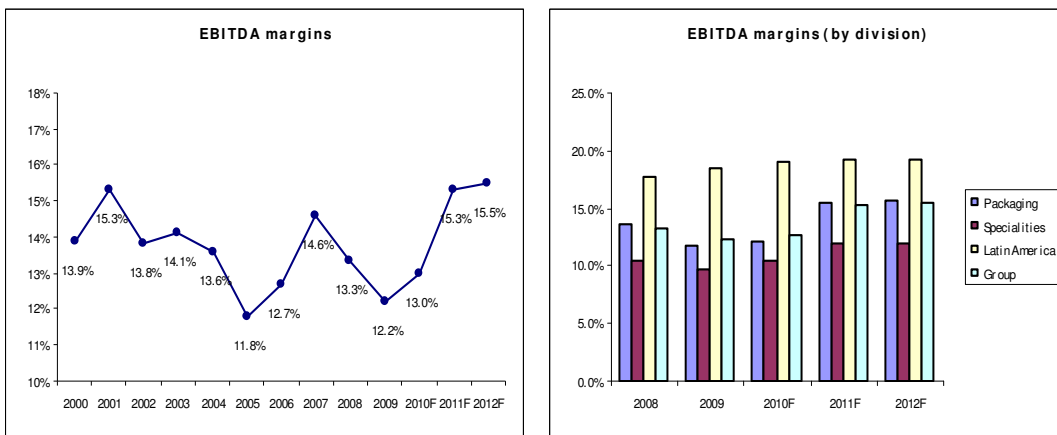
Rising input costs - Input costs, particularly wood, have trended upward in recent quarters reflecting increasing requirements in Europe as demand levels begin to recover and the impact of Chinese purchasing as its economy continues to expand. While higher input costs are a negative for margins in the near term they facilitate the containerboard and corrugated box price increases necessary to allow margin recovery. The main risk is that ramped input costs do not translate into box price increases sufficient to restore equilibrium.

Net debt is still high - Smurfit Kappa has prioritised debt pay down and improvements to its capital structure to reflect the change that has occurred in the financial markets with respect to the preferred level of leverage businesses should operate under. In the year prior to its return to the public markets i.e. y/e December 2006 the group had a net debt to EBITDA ratio of 5.5x which was reduced to 4.1x at the end of 2009 and which we forecast will fall further (to 2.3x) by 2011. Attaining investment grade status has not been and is not currently an objective for the group.

Maintaining industry leading margins

Over the past decade Smurfit Kappa has maintained double digit EBITDA margins as the benefit of its integrated model shielded the company from the more volatile margin performance experienced by other less integrated industry players. The robustness of Smurfit Kappa's margins also demonstrates the group's focus on profitability over volumes and more recently the benefit of its three year cost take out programme. Given that each 1% move in corrugated prices adds €33m EBITDA compared to a 1% volume move adding only €15m the rationale for focusing on profitability rather than volumes is clear.

As can be seen in the graph below the FY09 EBITDA margin of 12.2% remained above the low of 11.8% seen back in 2005. Our forecasts assume a return to the 2001 peak of 15.3% occurs in FY11 before further extending to 15.5% in FY12. The basis for seeing such margin expansion as achievable include 1) the necessity of the industry to recover rising input costs 2) industry discipline has resulted in inventory levels remaining tight (currently at 2 year lows) and 3) the significant streamlined structure of Smurfit Kappa's operations following an extensive cost take out programme which is on track to deliver savings of at least €300m by the end of FY10.



The graph showing EBITDA margins by division clearly illustrates the superior margins that the group has achieved from its Latin American division. In FY09 Latin America accounted for 17% of group revenue and a higher 26% of group EBITDA.

While often overlooked Smurfit Kappa's European specialties division makes a material contribution to group revenues and EBITDA at 14% and 10% respectively. Following the asset swap agreement with Mondi, as part of which Smurfit Kappa disposed of its Western European sack converting operations which reported an EBITDA loss of €4.4m in FY09, the current year margin performance should comfortably meet our forecast for 80bps expansion to 10.5% in FY10.

Boxing clever on capital structure

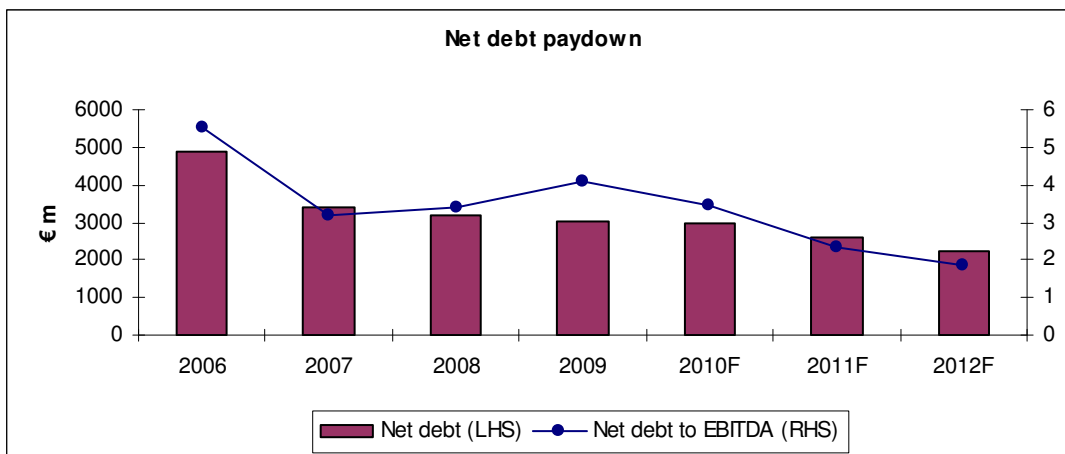
Smurfit Kappa's capital structure has undergone significant changes in the past 12 months as the group proactively responded to the market's more conservative view on balance sheet leverage. To put this in context it is important to remember that attainment of investment grade status has never been (and continues not to be) an objective of the group.

Much of the group's capital structure can be explained by its recent history which saw Kappa sold to private equity investors Cinven and CVC Capital Partners in 1998 and JSG sold to Madison Dearborn Partners (and JSG management) in 2002 both of which included significant debt finance. Smurfit Kappa came to the public markets in March 2007 with its most recent financial statements showing that it had ended the year to 31 December 2006 with net debt of €4.88bn which represented a net debt to EBITDA ratio of 5.5x.

In 2009 a number of measures were taken to strengthen the capital structure including 1) amendments to senior credit facilities to increase covenant headroom and extend the group's revolving credit facility 2) the issuing of €1bn in bonds to extend the group's debt maturity profile and 3) the paydown of €133m in debt.

While absolute net debt remains sizable the actions taken to improve the capital structure and management's demonstrated ability to manage a leveraged financial profile provides reassurance in this regard. Furthermore, liquidity has remained strong with over €590m in cash balances and a further €525m in undrawn credit facilities in place at the end of Q1 2010 the majority of which does not mature until December 2013.

Moving through FY10 debt paydown remains a priority for the group. Based on our forecasts net debt will be reduced to €2.63bn by the end of FY11 which would represent a 46% reduction over the past five years and put the group's net debt to EBITDA ratio at a comfortable 2.3x.



Dividend payments were suspended at the time of the Q4/FY08 results as management prioritised net debt reduction against the backdrop of exceptionally challenging market conditions as European corrugated volumes declined by 5% year on year in FY08 in the first decline in over 10 years. Our forecasts see a return of dividend payouts in FY11 based on improved profitability and further progress on lowering the group's net debt position.

Market positions offer competitive advantage

Leading the way in Europe

At its core Smurfit Kappa is a European focused box producer operating an integrated system comprising of mills and conversion plants spread across 21 countries. Smurfit Kappa's strategy is to be the market leader or number two in its chosen markets. To this end the group's 20% market share places it as the clear market leader within Europe ahead of SCA (11%), Saica (6%), Mondi (5%) and DS Smith (4%).

The group leverages its leading European position to attract large multi-national customers that have pan-european packaging requirements. Such customers accounts for 18% of Smurfit Kappa's corrugated business with 19 (of 21) countries involved. The positives accruing to Smurfit Kappa through having a pan-european sales channel include that it provides greater transparency and stability with 1) 45% of business linked to contracts between 3-5 years in duration and 2) 80% of the business coming from the FMCG sector (compared to 60% overall). The significance of these advantages are highlighted by the superior volumes reported through this channel with the group seeing the FY09 decline limited to 2% at a time when the wider European market declined 8%. More recently Smurfit Kappa has extended this differentiator between itself and its closest competitors with single contracts spanning both its European and Latin American operations.

Well positioned in Latin America

Smurfit Kappa's leading European presence is augmented by a pan regional presence across 9 countries in Latin America (the group is the only company operating on a pan regional basis). The attractions of operating in Latin America include access to higher growth markets as well as synergy benefit with the group's European operations.

Smurfit Kappa's spread of operations through Latin America acts to minimise any country specific risk from more volatile economies (such as Venezuela). The group's businesses in the region have demonstrated superior margins through the cycle than those achievable in Europe reflecting the highly consolidated nature of individual markets and the significant barriers to entry that exist.

Our forecasts assume that high teen EBITDA percentages are maintainable over the medium term based on Smurfit Kappa's market leading positions (number 1 in corrugated, number 3 in containerboard), low cost base and focus on return on capital.

Fine tuning operations

In January 2010 Smurfit Kappa and Mondi announced that they had entered negotiations on an asset swap transaction under which Smurfit Kappa would acquire Mondi's corrugated operations in the UK and Mondi acquire Smurfit Kappa's Western European sack converting operations. The agreement was completed in April at a total cash cost for Smurfit Kappa of €51m and gave the group an absolute EBITDA benefit of €12.4m. The transaction is noteworthy in that it succinctly highlights the group's active management of its asset base in order to strengthening its core operations and market positions. Post the deal Smurfit Kappa 1) moved from being the number 3 player in the UK box market on 14% to the market leader on 20% (ahead of DS Smith and Saica on 17% and 14% respectively) and 2) had divested of a loss making sack converting assets that had significantly underperformed as a result of lower sack kraft paper prices and weak converting volumes.

No new capacity expected until at least mid 2012

The packaging sector has a long and chequered history of capacity management and its consequential negative impact on pricing. The difficulty arises due to the extended lead times involved in bringing new capacity on stream against an evolving operating environment.

At the end of Q1 2010 inventory levels in the European market remained at two year lows. This is after taking into account the start up of Progroup's new 650k tonnes machine in Germany in March 2010. The table below outlines the capacity movements within the European recycled containerboard system over the past two years. Since mid 2008 the industry has permanently closed in excess of 2m tonnes of less-efficient capacity which represents c.9% of European containerboard capacity. RISI estimates that there remains a further c.1.5m tonnes of less efficient capacity which is at risk of closure. Clearly, additional closures would act as a further positive to the supply/demand equation.

European capacity - recycled containerboard							
			tonnes (^{'000})				tonnes (^{'000})
Closures				Additions			
Smurfit Kappa	Spain	Q2 2008	-130	DS Smith	UK	Q1 2009	+260
Pro-Gest	Italy	Q4 2008	-140	Hamburger	Hungary	Q3 2009	+400
Mondi	UK	Q1 2009	-105	Mondi	Poland	Q4 2009	+470
VPK	UK	Q1 2009	-70	Progroup	Germany	Q1 2010	+650
Cartiere Etruria	Italy	Q1 2009	-40	Saica	UK	Expected 2012	+400
Cadidavid	Italy	Q1 2009	-460				
Baltpaper	Lithuania	Q1 2009	-25				
DS Smith	UK	Q2 2009	-75				
SCA	UK	Q2 2009	-240				
Saica	France	Q2 2009	-90				
Alce	Italy	Q2 2009	-60				
Hamburger	Hungary	Q2 2009	-120				
Mondi	Italy	Q3 2009	-100				
International Paper	France	Q4 2009	-180				
Smurfit Kappa	Slovakia	Q1 2010	-200				
			-2,035				+2180
Net capacity change			+145				

In addition to permanent closures market related downtime has been widespread. Smurfit Kappa has been proactive in leading market discipline with the group taking 310k tonnes of downtime in FY09, equivalent to 7% of group capacity. More recently, the group announced 31 weeks of downtime at one of its French mills from 1 April, equivalent to 3% of its recycled containerboard capacity. While it would be naïve to assume that the industry has learnt all the lessons from the past the present inventory situation and no further planned capacity additions until at least mid 2012 support the current improved dynamics for the medium term.

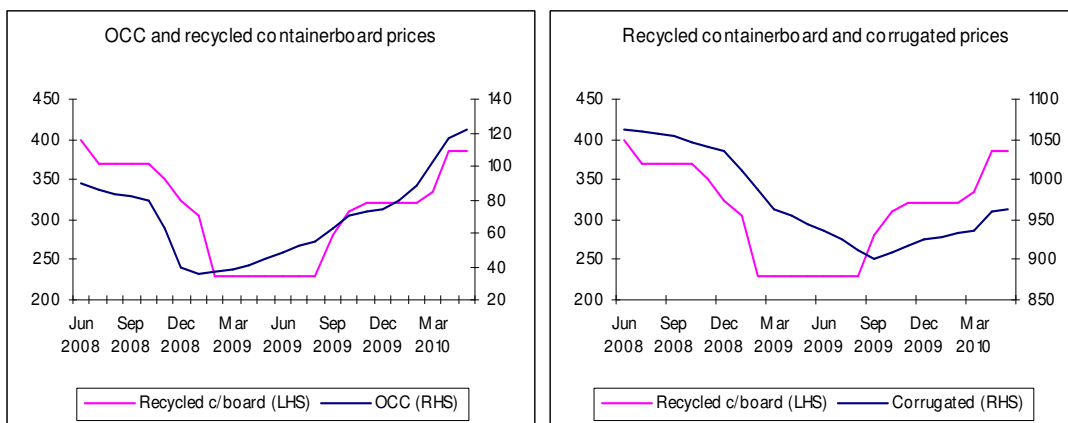
Pricing recovery supports our positive view on margins

Lower inventory levels coupled with rising input costs saw Smurfit Kappa lead the industry in announcing a first round of containerboard price increases in August 2009. This was significant in terms of its timing within the cycle given that containerboard pricing had been on a downward trajectory since early 2008. Other sector players followed Smurfit Kappa in announcing increases to recover the cost of rising OCC costs. In the months since further rounds of containerboard price increases have been announced to take the cumulative increase to €155/tonne (+67%) from the low point in August 2009 (see table below).

European price trends					
	Starting point	Increase from starting point to end 2009	Increase 2010 ytd	Cumulative increase	Current price
OCC	Jan 2009	+€41/tonne	+€46/tonne	+€87/tonne	€122/tonne
Recycled containerboard	Aug 2009 (trough)	+€90/tonne	+€65/tonne	+€155/tonne	€385/tonne
Kraftliner	Aug 2009 (trough)	+€70/tonne	+€70/tonne	+€140/tonne	€530/tonne
Corrugated	Sept 2009 (trough)	+€25/tonne	+€30/tonne	+€55/tonne	€955/tonne

Sources: FOEX, RISI

Containerboard price increases are a pre-requisite for corrugated price increases with a lag of up to six months typical through the cycle (see graph below). As the largest producer of corrugated containers (boxes) it is ultimately the success of implementing corrugated price increases that drives margins (and profitability) at Smurfit Kappa.



Smurfit Kappa noted in its recent Q1 results that further improvements in volume and prices had been experienced in April. Specifically, the pace of corrugated price recovery accelerated benefiting from an upward move on indexed contracts and the conclusion of negotiations with non-indexed customers. Continued capacity discipline and an improving operating environment support a positive outlook for sustained pricing recovery. Smurfit Kappa's Q1 results also highlighted the incremental benefits from strong pricing momentum in the European kraftliner market where the group is a net seller of capacity.

Valuation ticks the right boxes

For FY10 we are forecasting group EBITDA of €865m for Smurfit Kappa which is above current consensus at c.€855m. Approaching a valuation based on an FY11 multiple of 5.0x EV/EBITDA generates a valuation after discounting of €8.83 per share as shown below. While this is at the lower end of the historic range we consider it most appropriate given 1) the early point in the recovery cycle 2) our expectation that dividend payouts will not resume until next year (vs current year sector average yield of 3.4%) and 3) our view that further progress on deleveraging the balance sheet will need to be delivered in order for a higher multiple to be achieved.

Smurfit Kappa - Valuation matrix		<i>Based on Bloxham 2011 forecasts</i>				
EV/EBITDA multiple		5.0	5.5	6.0	6.5	7.0
EBITDA (€m)	1122					
Implied EV (€m)		5612	6173	6735	7296	7857
Net debt (€m)	2628					
Pension deficit (€m)	653					
Minority interests (€m)	209					
Implied market cap (€m)		2123	2684	3245	3807	4368
Shares out (m)	218.5					
Value per share €		9.71	12.28	14.85	17.42	19.99
Value per share (discount to PV) €		8.83				

Smurfit Kappa's currently trades on a price to book value of 0.79x which is a 15% discount to its peer group trading on an average P/NAV of 0.94x. Based on our forecasted FY10 NAV per share of €8.06 a re-rating inline with sector peers implies a current level of €7.55. A blended mid point between the two methodologies above provides a valuation of €8.20 per share.

	Price	Chg % ytd	Mkt cap (m)	PE 2010	PE 2011	EV/EBITDA 2010	EV/EBITDA 2011	Div yld 2010	P/NAV 2010	
SKG	EUR	6.38	2.9	1395	8.0	3.8	5.3	3.8	0.0	0.79
Mondi	GBP	401.70	19.9	2089	15.8	9.8	5.8	4.9	2.4	0.98
DS Smith *	GBP	123.80	-2.2	487	9.6	7.5	4.3	3.9	3.7	0.93
SCA	SEK	93.85	-1.7	66101	11.4	9.5	6.7	5.9	4.3	0.94
Stora Enso	EUR	6.09	28.6	4819	13.5	11.3	8.0	6.9	3.4	0.90
Average (incl Smurfit Kappa)				11.7	8.4	6.0	5.1	2.8	0.91	
Average (excl Smurfit Kappa)				12.6	9.5	6.2	5.4	3.4	0.94	
SKG discount to peer average				36%	60%	15%	30%	nm	15%	
<i>* annualised</i>										

On our estimates Smurfit Kappa trades on a FY10 EV/EBITDA multiple of 5.3x which represents a 15% discount to the average of its closest European peers. This discount extends to 30% in FY11. Applying the sector FY11 sector multiple of 5.4x EV/EBITDA generates an equity value of €10.70 highlighting the further upside that a re-rating would bring.

Smurfit Kappa share price



Smurfit Kappa (grey) vs. peer group (blue)



Income Statement

Year ended 31 December	2008	2009	2010F	2011F	2012F
Revenue					
Packaging	5,170.0	4,191.0	4,706.4	5,258.6	5,550.7
Specialities	940.0	821.0	837.4	854.2	871.3
Latin America	952.0	1,045.0	1,128.6	1,207.6	1,292.1
Total revenue	7,062.0	6,057.0	6,672.4	7,320.4	7,714.1
EBITDA					
Packaging	705.0	496.0	583.6	815.1	871.5
Specialities	99.0	80.0	87.9	102.5	104.6
Latin America	168.0	193.0	220.1	231.9	248.1
Unallocated centre costs	-31.0	-28.0	-27.0	-27.0	-27.0
	941.0	741.0	864.6	1122.4	1197.1
EBITDA Margin %	13.3%	12.2%	13.0%	15.3%	15.5%
EBITA	584.6	372.0	501.6	759.4	834.1
Net interest	-277.2	-304.0	-280.0	-260.0	-240.0
Intangible amortisation	-44.7	-47.0	-45.0	-45.0	-45.0
Share of associates' (loss)/profit	2.7	-1.0	1.0	1.0	2.0
Exceptionals	-276.9	-72.0	-44.0	0.0	0.0
Profit before tax	-11.4	-52.0	133.6	455.4	551.1
Tax	-20.6	-54.7	-33.4	-113.9	-137.8
Minority interest	-17.6	-15.0	-15.0	-15.0	-15.0
Attributable profit	-49.5	-121.7	85.2	326.6	398.3
Dividends	-36.0	0.0	0.0	-36.1	-39.5
Retained profit / (loss)	-85.5	-121.7	85.2	290.4	358.8
EPS - reported (cents) basic	-22.7	-55.8	39.0	149.1	181.5
EPS - reported (cents) diluted	-22.7	-55.8	39.0	149.1	181.5
EPS - adjusted (cents)	124.7	-1.2	79.7	169.7	202.0
DPS (cents)	16.5	0.0	0.0	16.5	18.0

Segmental information

	2008	2009	2010F	2011F	2012F
Revenue - by division					
Packaging	5,170.0	4,191.0	4,706.4	5,258.6	5,550.7
Specialities	940.0	821.0	837.4	854.2	871.3
Latin America	952.0	1,045.0	1,128.6	1,207.6	1,292.1
	<u>7,062.0</u>	<u>6,057.0</u>	<u>6,672.4</u>	<u>7,320.4</u>	<u>7,714.1</u>
Packaging	73%	69%	71%	72%	72%
Specialities	13%	14%	13%	12%	11%
Latin America	13%	17%	17%	16%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
EBITDA - by division					
Packaging	705.0	496.0	583.6	815.1	871.5
Specialities	99.0	80.0	87.9	102.5	104.6
Latin America	168.0	193.0	220.1	231.9	248.1
Unallocated centre costs	-31.0	-28.0	-27.0	-27.0	-27.0
	<u>941.0</u>	<u>741.0</u>	<u>864.6</u>	<u>1122.4</u>	<u>1197.1</u>
Packaging	73%	64%	65%	71%	71%
Specialities	10%	10%	10%	9%	9%
Latin America	17%	25%	25%	20%	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
EBITDA margin					
Packaging	13.6%	11.8%	12.4%	15.5%	15.7%
Specialities	10.5%	9.7%	10.5%	12.0%	12.0%
Latin America	17.6%	18.5%	19.5%	19.2%	19.2%
Group	13.3%	12.2%	13.0%	15.3%	15.5%

Balance Sheet

Year ended 31 December	2008	2009	2010F	2011F	2012F
Non-current assets					
Tangible assets	3,116.4	3,157.0	3,143.2	3,096.4	3,060.4
Intangible assets	2,154.2	2,222.0	2,177.0	2,132.0	2,087.0
Derivatives	0.2	0.0	0.0	0.0	0.0
Deferred tax assets	228.1	280.0	280.0	280.0	280.0
Financial assets	48.8	49.0	45.0	41.0	38.0
	5,547.6	5,708.0	5,645.2	5,549.4	5,465.4
Current Assets					
Inventories	623.2	586.0	626.0	676.0	716.0
Trade receivables	1,210.6	1,105.0	1,175.0	1,235.0	1,295.0
Other receivables	33.3	15.0	15.0	15.0	15.0
Cash	719.0	644.0	727.1	1,068.4	1,476.3
	2,586.1	2,350.0	2,543.1	2,994.4	3,502.3
Total assets	8,133.6	8,058.0	8,188.3	8,543.8	8,967.7
Current liabilities					
Trade payables	-1,311.0	-1,211.0	-1,241.0	-1,291.0	-1,341.0
Other payables	-70.9	-73.0	-73.0	-73.0	-73.0
Derivatives	-108.9	-90.0	-90.0	-90.0	-90.0
Debt	-152.2	-133.0	-133.0	-133.0	-133.0
	-1,643.0	-1,507.0	-1,537.0	-1,587.0	-1,637.0
Non current liabilities					
Debt	-3,751.4	-3,563.0	-3,563.0	-3,563.0	-3,563.0
Other payables	-70.5	-62.0	-62.0	-62.0	-62.0
Deferred tax liabilities	-324.6	-325.0	-325.0	-325.0	-325.0
Employee benefits	-516.7	-653.0	-653.0	-653.0	-653.0
Derivatives	-19.2	-80.0	-80.0	-80.0	-80.0
Capital grants	-13.0	-13.0	-13.0	-13.0	-13.0
Minority interest	-144.7	-178.8	-193.8	-208.8	-223.8
	-4,840.0	-4,874.8	-4,889.8	-4,904.8	-4,919.8
Total liabilities	-6,483.0	-6,381.8	-6,426.8	-6,491.8	-6,556.8
Total equity	1,650.6	1,676.2	1,761.5	2,052.0	2,410.9
Equity share capital	0.2	0.2	0.3	0.4	0.5
Capital and other reserves	2,329.6	2,345.0	2,345.0	2,345.0	2,345.0
Retained earnings	-679.2	-669.0	-583.8	-293.4	65.4
	1,650.6	1,676.2	1,761.5	2,052.0	2,410.9

Cashflow statement

Year ended 31 December	2008	2009	2010F	2011F	2012F
Operating Profit	584.6	372.0	501.6	759.4	834.1
Depreciation & depletion	351.7	366.0	360.0	360.0	360.0
Working capital	87.8	65.0	-80.0	-60.0	-50.0
Exceptionals	-276.9	-72.0	-44.0	0.0	0.0
Other	160.1	-5.0	5.0	5.0	5.0
Operating cash flow	907.3	726.0	742.6	1,064.4	1,149.1
Interest paid	-246.9	-219.0	-280.0	-260.0	-240.0
Tax paid	-96.6	-95.0	-33.4	-113.9	-137.8
Net capex	-346.0	-229.0	-295.2	-313.2	-324.0
Free cash flow	217.8	183.0	134.0	377.4	447.3
Dividends	-72.2	-6.0	0.0	-36.1	-39.5
Equity Issues	0.1	0.0	0.1	0.1	0.1
Acquisitions/Disposals	62.5	-14.0	-51.0	0.0	0.0
Other/Translation	11.0	-30.5	0.0	0.0	0.0
Net Cash Inflow / Outflow	219.3	132.6	83.1	341.3	407.9
Opening Cash/(Debt)	-3,403.9	-3,184.6	-3,052.0	-2,968.9	-2,627.6
Year End Cash/(Debt)	-3,184.6	-3,052.0	-2,968.9	-2,627.6	-2,219.7

Smurfit Kappa

BloombergSKG ID Equity

Last Price	Shrs (m)	Mkt Cap (€m)	EV (€m)	Sector	Year End	Analyst
6.38	218	1391	4622	Paper & Packaging	Dec	Paraic Quinn +353 1 611 9232

Profit & Loss (€m)	Dec 09	Dec 10F	Dec 11F	Dec 12F	Valuation Ratios	Dec 09	Dec 10F	Dec 11F	Dec 12F
Revenue					Price Earnings	-11.4	16.4	4.3	3.5
Packaging	4191	4706	5259	5551	Dividend Yield	0.0%	0.0%	2.6%	2.8%
Specialities	821	837	854	871	EV/EBITDA	6.2	5.3	3.8	3.2
Latin America	1045	1129	1208	1292					

Total Revenue	6057	6672	7320	7714
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EBITDA	Dec 09	Dec 10F	Dec 11F	Dec 12F
Packaging	496	584	815	871
Specialities	80	88	103	105
Latin America	193	220	232	248
Central costs	-28	-27	-27	-27

Total EBITDA	741	865	1122	1197
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Depreciation	-366	-360	-360	-360
Share based payment	-3	-3	-3	-3

EBITA	372	502	759	834
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Net interest	-304	-280	-260	-240
Intangible amortisation	-47	-45	-45	-45
Share associates' (loss)/profit	-1	1	1	2
Exceptionals	-72	-44	0	0

Pre tax profit	-52	134	455	551
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Tax	-55	-33	-114	-138
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Profit after tax	-107	100	342	413
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Minority interest	-15	-15	-15	-15
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Attributable profit	-122	85	327	398
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EPS - reported (cents) diluted	-55.8	39.0	149.1	181.5
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EPS - adjusted (cents)	-1.2	79.7	169.7	202.0
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DPS (cent)	0.0	0.0	16.5	18.0
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Growth trends	Dec 09	Dec 10F	Dec 11F	Dec 12F
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Revenue	-14%	10%	10%	5%
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EBITDA	-21%	17%	30%	7%
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Net debt / (cash)	3052	2969	2628	2220
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Shareholders funds	1676	1761	2052	2411
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Capital Employed	4728	4730	4680	4631
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NAV per share	7.69	8.06	9.37	10.98
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P/NAV	0.83	0.79	0.68	0.58
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EBITDA Margins	Dec 09	Dec 10F	Dec 11F	Dec 12F
Packaging	11.8%	12.4%	15.5%	15.7%
Specialities	9.7%	10.5%	12.0%	12.0%
Latin America	18.5%	19.5%	19.2%	19.2%
Group	12.2%	13.0%	15.3%	15.5%

Cashflow (€m)	Dec 09	Dec 10F	Dec 11F	Dec 12F
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EBITA	372	502	759	834
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Depreciation	366	360	360	360
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Working capital	65	-80	-60	-50
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Exceptionals	-72	-44	0	0
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Other	-5	5	5	5
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Operating Cash Flow	726	743	1064	1149
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Interest paid	-219	-280	-260	-240
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Tax paid	-95	-33	-114	-138
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Net capex	-229	-295	-313	-324
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Free Cash Flow	183	134	377	447
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Dividends	-6	0	-36	-40
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Equity Issues	0	0	0	0
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Acquisitions/Disposals	-14	-51	0	0
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Other/Translation	-30	0	0	0
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Net Cash Flow	133	83	341	408
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Opening Cash/(Debt)	-3185	-3052	-2969	-2628
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Closing Cash/(Debt)	-3052	-2969	-2628	-2220
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Balance Sheet (€m)	Dec 09	Dec 10F	Dec 11F	Dec 12F
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Intangible Assets	2222	2177	2132	2087
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Tangible Assets	3157	3143	3096	3060
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Financial/Other Assets	329	325	321	318
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Working Capital	480	560	620	670
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Net debt	-3052	-2969	-2628	-2220
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Minority interest	-179	-194	-209	-224
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Other Liabilities	-1281	-1281	-1281	-1281
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Shareholders funds	1676	1761	2052	2411
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Financial Ratios	Dec 09	Dec 10F	Dec 11F	Dec 12F
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Gearing	182%	169%	128%	92%
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Net debt / EBITDA	4.1	3.4	2.3	1.9
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EBITDA interest cover	2.4	3.1	4.3	5.0
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