9 November 2011: Smurfit Kappa Group plc ('SKG' or the 'Group') today announced results for the 3 months and 9 months ending 30 September 2011.

2011 Third Quarter & First Nine Months | Key Financial Performance Measures

€m	YTD 2011	YTD 2010	change	Q3 2011	Q3 2010	change	Q2 2011	change
Revenue	€5,538	€4,928	12%	€1,868	€1,702	10%	€1,867	0%
EBITDA before Exceptional Items and Share-based Payment (1)	€771	€647	19%	€264	€243	9%	€264	0%
EBITDA Margin	13.9%	13.1%	-	14.1%	14.3%	-	14.2%	-
Operating Profit before Exceptional Items	€477	€349	36%	€162	€143	13%	€167	(3%)
Basic EPS (cent)	53.5	(0.5)	-	22.2	16.9	31%	15.7	41%
Pre-exceptional EPS (cent)	69.7	25.1	178%	22.2	16.9	31%	31.4	(29%)
Free Cash Flow (2)	€195	€59	-	€117	€128	-	€66	-
Net Debt				€2,921	€3,123	(6%)	€3,003	(3%)
Net Debt to EBITDA (LTM)				2.8x	3.7x	-	3.0x	-

(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 profit for the period to EBITDA before exceptional items and share-based payment expense is set out on page 27.
(2) Free cash flow is set out on page 8. The IFRS cash flow is set out on page 15.

Highlights

- Strong EBITDA of €264 million in Q3. Pre-exceptional EPS of 22 cent
- Net debt reduction of €82 million in Q3. Total net debt reduction of €189 million in year-to-date
- Net debt to EBITDA ratio reduced to 2.8x
- Re-affirming year-end net debt target of €2.85 billion

Performance Review and Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "We are pleased to report a strong EBITDA of €264 million for the third quarter. As expected, our free cash flow generation accelerated in the quarter, delivering further net debt reduction of €82 million in the period, or €189 million in the year-to-date. Lower net debt, combined with continued earnings progress, reduced our net debt to EBITDA ratio to 2.8x at the end of September 2011.

In the third quarter, box demand continued to grow, albeit at a slower pace than in the first half, and higher inventory levels generated some downward pressure on paper prices in Europe. Against that backdrop, our EBITDA margin of 14.1% primarily highlights the increasing efficiency of our integrated model, continued box price recovery, and a sustained strong performance in our Latin American business. Return on capital employed was 12.5% for the third quarter, compared to 8.5% in the prior year.

Over the past four years, we have strengthened our business platform through significant debt paydown and unrelenting cost reduction actions, which will sustain the delivery of strong cash flows and improving returns through the cycle. We are committed to continue building our strong market credentials in the areas of packaging innovation, customer service and sustainability.

In that context, despite softening demand, we expect to deliver a full-year 2011 EBITDA performance in line with current market expectations, and re-affirm our target to reduce net debt to €2.85 billion by the year end."

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 and sack paper. 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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2011 Third Quarter & First Nine Months | Performance Overview

Following €107 million of net debt reduction in the first half of the year, free cash flow generation accelerated in the third quarter as anticipated, allowing the Group to deliver a further €82 million of debt paydown in the period. This strong performance was achieved despite €30 million of adverse currency movements, which primarily resulted from the strengthening of the US dollar against the euro in the quarter.

Since the Group's IPO in 2007, SKG's net debt has reduced by approximately €630 million, thereby materially improving its capital structure and financial flexibility. This debt paydown demonstrates SKG's ability to generate strong cash flows at all points in the cycle.

Compared to the 2% underlying demand growth experienced in the first half, SKG's European box shipments increased by 1% in the third quarter. The somewhat weaker demand environment, combined with high operating rates through the summer, led to a rise in recycled containerboard inventories in Europe. At the end of August, recycled containerboard inventories in the market were approximately 20% higher than prior year levels. Inventories have remained generally stable since then, primarily due to a number of open-market containerboard players taking commercial downtime.

The higher level of inventory generated downward pressure on European recycled containerboard prices, with indices reporting a decline of approximately €55 per tonne between June and October 2011 (the equivalent of just over 10%). A €30 per tonne reduction in OCC costs in the period was not sufficient to fully offset the paper price decline, thereby leading to margin compression for recycled containerboard producers.

In comparison, SKG's EBITDA margin of 14.1% in the third quarter highlights the earnings stability of the integrated model, and benefits from the Group's own actions, with a further 2% rise in box prices, as well as €36 million of cost take-out delivered in the period. SKG's third quarter earnings were negatively impacted by extended maintenance downtime at the Group's kraftliner mill in Piteå, Sweden, which reduced its output by approximately 90,000 tonnes.

The Group's margin in the third quarter also reflects a sustained strong performance in Latin America, resulting in an EBITDA margin of 19.6% in the period. This outcome primarily highlights a good performance from SKG's operations in Colombia and Venezuela, while earnings in Mexico and Argentina eased compared to the first half run-rate due to weaker local economic conditions.

Through the cycle, SKG's focus is to generate consistently strong financial returns. This objective is underpinned by the Group's integrated business model and disciplined capital allocation decisions, which together with a unique broad geographic coverage and superior design capabilities, provides SKG with a particular ability to support its customers in promoting their products through innovative and sustainable packaging solutions.

2011 Third Quarter | Financial Performance

At €1,868 million for the third quarter of 2011, revenue was 10% higher than in the third quarter of 2010. However, allowing for the impact of currency and hyperinflation accounting, as well as acquisitions, disposals and closures, the underlying increase in revenue was €154 million, the equivalent of approximately 9%.

At €264 million, EBITDA in the third quarter of 2011 was €21 million higher than the third quarter of 2010. Allowing for currency and hyperinflation accounting, and for a modest impact from acquisitions, disposals and closures, underlying EBITDA increased year-on-year by €13 million, the equivalent of 5%.

Revenue and EBITDA in the third quarter were stable compared to the second quarter of 2011. However, allowing for the impact of currency and hyperinflation accounting, underlying revenue and EBITDA in the third quarter were €27 million and €7 million lower respectively.

Earnings per share was 22.2 cent for the quarter to September 2011 (2010: 16.9 cent).

2011 First Nine Months | Financial Performance

Revenue of €5,538 million in the first nine months of 2011 represented a 12% increase on the first nine months of 2010. Allowing for the impact of currency and hyperinflation accounting, as well as acquisitions, disposals and closures, revenue shows an underlying year-on-year increase of €619 million (13%).

At €771 million, EBITDA in the first nine months of 2011 was €124 million, or 19% higher than in the comparable period in 2010. Allowing for the impact of currency and hyperinflation accounting, as well as acquisitions, disposals and closures, underlying EBITDA increased by €112 million (17%).

Exceptional items in the first nine months of 2011 amounted to €36 million and almost entirely related to the permanent closure of SKG's Nanterre mill in France in the second quarter. In the first nine months of 2010, exceptional charges amounted to €56 million, approximately €40 million of which related to the asset swap with Mondi in the second quarter, while the balance related to the currency devaluation and associated hyperinflationary adjustments in Venezuela, which were booked primarily in quarter one.

Adjusting for exceptional charges, pre-exceptional EPS was 69.7 cent in the nine months to September 2011 (2010: 25.1 cent).

2011 Third Quarter & First Nine Months | Free Cash Flow

Compared to the €59 million reported in the first nine months of 2010, the Group's free cash flow of €195 million in 2011 highlights SKG's continued focus on maximising cash flow generation for debt paydown. The year-on-year increase in free cash flow primarily reflected a 19% increase in EBITDA as well as lower cash interest expense, somewhat offset by higher capital expenditure.

The working capital move in the first nine months of 2011 was an outflow of €91 million, mainly reflecting improved volumes and higher raw material and end-product prices. In the third quarter the Group generated a €28 million working capital inflow, as reflected in the reduction in its working capital to sales ratio from 9.3% at the half year to 8.9% at the end of September 2011. Additional working capital inflows are expected in the fourth quarter.

Capital expenditure of €196 million in the first nine months of 2011 equated to 75% of depreciation, compared to 53% in the first nine months of 2010. For the full year 2011, SKG's capital expenditure is expected to increase to approximately 90%.

Cash interest of €183 million in the first nine months of 2011 was €13 million lower than in the first nine months of 2010, primarily reflecting a lower average interest cost year-on-year.

Tax payments of €47 million in the first nine months of 2011 were €7 million lower than in 2010.

2011 Third Quarter & First Nine Months | Capital Structure

The Group's net debt reduced by €189 million to €2,921 million in the first nine months of 2011, mainly reflecting SKG's positive free cash flow performance of €195 million, somewhat offset by a deferred payment relating to the disposal of SKG's loss-making Rol Pin operation in 2010. While currency had a relatively modest impact in the first nine months of the year, in the third quarter the relative strengthening of the US dollar against the euro negatively impacted net debt by €30 million.

Compared to September 2010, net debt at the end of September 2011 was €202 million lower, the equivalent of a 6% reduction. It is worth bearing in mind that this year-on-year reduction in net debt was achieved despite a cumulative working capital outflow of €100 million over the period, generally reflecting higher volumes and prices year-on-year.

The Group's average debt maturity profile is 4.6 years, with no material maturities before December 2013. In addition, at the end of September 2011 SKG has €692 million of cash on its balance sheet, as well as committed undrawn credit facilities of approximately €525 million.

At the end of September 2011, the Group's net debt to EBITDA ratio reduced to 2.8x, its lowest level since the Smurfit Kappa merger in 2005. The Group's main priority for 2011 continues to be one of maximising free cash flow generation for further debt paydown. Reducing net debt levels, combined with strong liquidity, a good maturity profile and diversified funding sources, provide SKG with continuously improving financial flexibility.

Commercial offering

In addition to its continued focus on cost efficiency and operating excellence, SKG's margin performance through the cycle is strongly linked to its commitment to provide customers with innovative, sustainable and cost efficient paper-based packaging solutions. SKG will continue to invest to meet and exceed customers' requirements.

To support customers and retailers increasing demands for high-quality printed packaging, in 2011 the Group finalised investment programmes of over €25 million in new printing equipment. Projects included the installation of state of the art 5-colour printing capacity in the Group's Italian packaging operations, a new 6-colour flexo folder gluer in its German operation, as well as offset printing capacity in Belgium and the Czech Republic. Those investments significantly enhance SKG's offering to the local value-added packaging markets.

In 2011, SKG also finalised a 3-year modernisation programme in its corrugated plant in Pruszkow, Poland. This initiative is part of a broader €30 million investment programme for Poland, and demonstrates the Group's commitment to follow its customers' developments and grow its market share in Eastern Europe.

The Group's efforts to enhance its innovation and service capabilities are being recognised by the market. For example, in September 2011 SKG won two awards from the German print association, in a competition that included over 300 packaging designs from 90 different companies. In addition, six SKG companies across Europe and Latin America have been short-listed for the annual Pulp & Paper Industry ('PPI') Awards, to be decided in November, including three in the area of environment and sustainability.

Overall, the Group is particularly well equipped to provide industry leading customer service, supported by its unique geographical footprint, its superior design capabilities and its broad-based product offering. In 2011, these attributes resulted in SKG winning significant incremental business from key multinational Fast Moving Consumer Goods ('FMCG') customers.

Corporate Social Responsibility ('CSR')

In its fourth annual sustainability report, released during the third quarter of 2011, SKG highlighted its continued progress and commitment to social and environmental best practices and cited tangible evidence of this. A number of sustainability awards were received this year from major customers and institutions.

SKG considers the drive for sustainability to be a key differentiator in the marketplace.

Cost take-out programme

In 2011, SKG commenced a 2-year initiative, with a target to generate €150 million of cost savings by the end of 2012. This programme generated €75 million of cost savings benefits in the first nine months of 2011 (including €36 million in quarter three), which partially mitigated the impact of materially higher input costs year-on-year. The Group is confident of exceeding the target number by the end of 2012.

Reorganisation of Specialties segment

With effect from 1 September, 2011 the Group transferred its Specialties businesses into its existing European Packaging segment. This reorganisation will increase the focus of the Group's commercial offering, and will create a platform for SKG to become a "one stop shop" for paper-based packaging solutions.

This initiative will also enhance the Group's overall cost efficiency, and should contribute to improving the margins of its solid, graphic and carton board businesses.

From quarter three 2011 onwards, the segmental reporting for the Group reflects the new organisational structure. Comparative periods have been re-stated to reflect the new structure.

Europe

Following the 2% underlying demand growth experienced in the first half of 2011, demand for SKG's corrugated packaging solutions grew by 1% year-on-year in the third quarter. While demand growth in July and August was broadly in line with the first half average, September volumes were flat compared to September 2010. Overall for the first nine months of 2011, SKG's underlying corrugated volumes were 1.6% higher year-on-year.

As is usual within the Group's business, it takes three to six months to fully pass through higher containerboard prices to box prices. As a result, box prices continued to recover throughout the first nine months of 2011. The Group's European box prices in the third quarter were on average 2% higher compared with the second quarter, leading to a cumulative 6.5% corrugated price increase during the first nine months of the year.

Higher box prices, together with the Group's strong focus on cost efficiency contributed to deliver a European EBITDA margin of 13.6% in the third quarter, despite a generally tougher operating environment, and the extended downtime relating to the recovery boiler rebuild at its Piteå kraftliner mill in Sweden.

At industry level, recycled containerboard inventories rose in August, as most paper producers ran at full capacity during a seasonally weaker month for box demand. The inventory build did not reverse in September as a result of somewhat softer demand, in both domestic and export markets. Higher inventory levels led to a €55 per tonne reduction in European recycled containerboard prices, to an absolute level of €440 per tonne in October.

On the cost side, pressure from European buyers combined with somewhat lower Chinese demand, has led to a €30 per tonne reduction in European OCC prices from June to October. Other variable costs, however, have remained generally stable throughout the third quarter.

Although somewhat mitigating the impact of lower paper prices, the reduction in OCC costs was not sufficient to avoid margin reduction for recycled containerboard producers in the quarter. Sustained margin pressure should inevitably lead less-efficient producers into financial difficulties. In comparison, following the permanent closure of 10 less efficient containerboard mills since 2005, together with significant investments in its "champion" mills, SKG is equipped today with an efficient and fully integrated recycled containerboard system. Its system should allow the Group to outperform in any operating environment.

On the kraftliner side, in the first eight months of 2011, US imports into Europe were 33% higher than in the prior year, although this was somewhat offset by a 7% reduction in imports from other regions. This led to an increase in net imports of approximately 170,000 tonnes in the period. Kraftliner inventories remained relatively stable through the nine months however, reflecting good demand levels in Europe together with material maintenance downtime in the summer, mainly at SKG's Piteå mill.

However, lower priced US imports have created downward pressure on domestic kraftliner prices, which have declined by approximately €50 per tonne since the beginning of 2011, to a level of approximately €590 per tonne in October.

Latin America

In the third quarter, Latin American EBITDA of €66 million represented a 19.6% margin on revenue, slightly below the second quarter of 19.9%, but higher than the 17.6% reported in the third quarter of 2010. In the first nine months of 2011, Latin American EBITDA of €177 million represented 23% of the Group's total.

SKG's corrugated volumes in Colombia experienced strong year-on-year growth of 6% in the first nine months of 2011, a trend that was sustained through the third quarter. Pricing in the quarter was relatively stable year-on-year however, highlighting moderate inflation in the country, a strong currency and aggressive price action from both domestic and external competitors. Following extensive maintenance downtime at its Cali mill in March, SKG's earnings grew sequentially in the second and third quarters.

In the Venezuelan market, SKG's corrugated volumes were 2% lower year-on-year in the first nine months. Continuing high inflation in the country was more than offset by SKG's cost take-out and operating efficiency actions, as well as by increased pricing. In July, the Venezuelan authorities issued precautionary measures over a further 7,253 hectares of the Group's forestry land, with a view to acquiring it and converting its use to food production and related activities. Discussions are continuing at local level in an effort to find an optimal solution.

In the first nine months of 2011, SKG's Mexican EBITDA in US dollar terms was higher than in 2010. Third quarter EBITDA was lower year-on-year however, reflecting a 4% reduction in volumes due to a slower economy, and with lower US containerboard export prices constraining paper and box price initiatives in the Mexican market.

High inflation continues to prevail in Argentina, which is increasingly affecting demand. Due to lower consumer spending power, after a 1% demand growth in the first half, the Group's corrugated volumes in the country were 8% lower year-on-year in the third quarter. Increased average prices in 2011 compared to 2010 supported good EBITDA growth in the first nine months in US dollar terms.

Despite some country-specific challenges from time to time, the Group believes that the geographic diversity of its business in the Latin American region, together with the proven ability of its local management to drive the business, will continue to deliver a strong performance through the cycle.

Summary Cash Flow[1]

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

	3 months to 30-Sep-11 €m	3 months to 30-Sep-10 €m	**9 months to 30-Sep-11 €m**	9 months to 30-Sep-10 €m
Pre-exceptional EBITDA	**264**	243	**771**	647
Exceptional Items	**(5)**	-	**(5)**	(16)
Cash interest expense	**(61)**	(63)	**(183)**	(196)
Working capital change	**28**	44	**(91)**	(83)
Current provisions	**(1)**	(7)	**(7)**	(21)
Capital expenditure	**(80)**	(53)	**(196)**	(137)
Change in capital creditors	**9**	(7)	**(6)**	(44)
Sale of fixed assets	**1**	1	**2**	2
Tax paid	**(25)**	(22)	**(47)**	(54)
Other	**(13)**	(8)	**(43)**	(39)
Free cash flow	**117**	128	**195**	59
Share issues	**-**	-	**8**	3
Sale of businesses and investments	**-**	-	**(4)**	(9)
Purchase of investments	**-**	-	**(1)**	(46)
Derivative termination payments	**-**	(2)	**(1)**	(2)
Dividends	**(1)**	(1)	**(4)**	(4)
Net cash inflow	**116**	125	**193**	1
Net cash acquired/disposed	**-**	-	**-**	(2)
Deferred debt issue costs amortised	**(4)**	(5)	**(12)**	(15)
Currency translation adjustments	**(30)**	48	**8**	(55)
Decrease/(increase) in net debt	**82**	168	**189**	(71)

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

		9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Free cash flow		**195**	59
Add back:	Cash interest	**183**	196
	Capital expenditure (net of change in capital creditors)	**202**	181
	Tax payments	**47**	54
Less:	Sale of fixed assets	**(2)**	(2)
	Profit on sale of assets and businesses – non exceptional	**(7)**	(11)
	Receipt of capital grants (in ‘Other’)	**(1)**	-
	Dividends received from associates (in ‘Other’)	**(1)**	(1)
	Non-cash lease movement	**(4)**	-
Cash generated from operations		**612**	476

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 30 September 2011 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 €177 million variable funding notes issued under the new €250 million accounts receivable securitisation program maturing in November 2015.

Smurfit Kappa Acquisitions had outstanding €500 million 7.25% senior secured notes due 2017 and €500 million 7.75% senior secured notes due 2019. Smurfit Kappa Acquisitions and certain subsidiaries are also party to a senior credit facility. The senior credit facility comprises a €132 million amortising Tranche A maturing in 2012, an €819 million Tranche B maturing in 2013 and an €817 million Tranche C maturing in 2014. In addition, as at 30 September 2011, the facility includes a €525 million revolving credit facility, none of which was drawn.

The following table provides the range of interest rates as of 30 September 2011 for each of the drawings under the various senior credit facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	4.100%
Term Loan B	EUR	4.729% - 4.468%
	USD	3.371%
Term Loan C	EUR	4.979% - 4.715%
	USD	3.621%

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

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. At 30 September 2011 the Group had fixed an average of 77% 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 €1,110 million in interest rate swaps with maturity dates ranging from April 2012 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 €10 million over the following twelve months. Interest income on our cash balances would increase by approximately €7 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

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

Group Income Statement – Nine Months

	Unaudited			Unaudited		
	9 months to 30-Sep-11			9 months to 30-Sep-10		
	Pre-exceptional 2011	Exceptional 2011	Total 2011	Pre-exceptional 2010	Exceptional 2010	Total 2010
	€m	€m	€m	€m	€m	€m
Revenue	**5,538**	**-**	**5,538**	4,928	-	4,928
Cost of sales	**(3,979)**	**(13)**	**(3,992)**	(3,556)	-	(3,556)
Gross profit	**1,559**	**(13)**	**1,546**	1,372	-	1,372
Distribution costs	**(416)**	**-**	**(416)**	(410)	-	(410)
Administrative expenses	**(668)**	**-**	**(668)**	(632)	(16)	(648)
Other operating income	**2**	**-**	**2**	19	-	19
Other operating expenses	**-**	**(23)**	**(23)**	-	(40)	(40)
Operating profit	**477**	**(36)**	**441**	349	(56)	293
Finance costs	**(296)**	**-**	**(296)**	(333)	-	(333)
Finance income	**72**	**-**	**72**	92	-	92
Profit on disposal of associate	**2**	**-**	**2**	-	-	-
Share of associates' profit (after tax)	**2**	**-**	**2**	2	-	2
Profit before income tax	**257**	**(36)**	**221**	110	(56)	54
Income tax expense			**(98)**			(52)
Profit for the financial period			**123**			2
Attributable to:						
Owners of the Parent			**119**			(1)
Non-controlling interests			**4**			3
Profit for the financial period			**123**			2
Earnings per share:						
Basic earnings/(loss) per share - cent			**53.5**			(0.5)
Diluted earnings/(loss) per share - cent			**52.6**			(0.5)

Group Income Statement – Third Quarter

	Unaudited			Unaudited		
	3 months to 30-Sep-11			3 months to 30-Sep-10		
	Pre-exceptional 2011	Exceptional 2011	Total 2011	Pre-exceptional 2010	Exceptional 2010	Total 2010
	€m	€m	€m	€m	€m	€m
Revenue	**1,868**	**-**	**1,868**	1,702	-	1,702
Cost of sales	**(1,342)**	**-**	**(1,342)**	(1,215)	-	(1,215)
Gross profit	**526**	**-**	**526**	487	-	487
Distribution costs	**(134)**	**-**	**(134)**	(136)	-	(136)
Administrative expenses	**(231)**	**-**	**(231)**	(213)	-	(213)
Other operating income	**1**	**-**	**1**	5	-	5
Operating profit	**162**	**-**	**162**	143	-	143
Finance costs	**(100)**	**-**	**(100)**	(96)	-	(96)
Finance income	**22**	**-**	**22**	15	-	15
Share of associates' profit (after tax)	**1**	**-**	**1**	1	-	1
Profit before income tax	**85**	**-**	**85**	63	-	63
Income tax expense			**(30)**			(22)
Profit for the financial period			**55**			41
Attributable to:						
Owners of the Parent			**50**			37
Non-controlling interests			**5**			4
Profit for the financial period			**55**			41
Earnings per share:						
Basic earnings per share - cent			**22.2**			16.9
Diluted earnings per share - cent			**22.0**			16.5

Group Statement of Comprehensive Income

	Unaudited 9 months to 30-Sep-11 €m	Unaudited 9 months to 30-Sep-10 €m
Profit for the financial period	**123**	2
Other comprehensive income:		
Foreign currency translation adjustments	**(53)**	(62)
Defined benefit pension plans:		
- Actuarial loss including payroll tax	**(13)**	(98)
- Movement in deferred tax	**1**	15
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**16**	17
- New fair value adjustments into reserve	**(10)**	(27)
- Movement in deferred tax	**(1)**	1
Net change in fair value of available-for-sale financial assets	**-**	1
Total other comprehensive income	**(60)**	(153)
Comprehensive income and expense for the financial period	**63**	(151)
Attributable to:		
Owners of the Parent	**61**	(154)
Non-controlling interests	**2**	3
	63	(151)

Group Balance Sheet

	Unaudited	Unaudited	Audited
	30-Sep-11	30-Sep-10	31-Dec-10
	€m	€m	€m
ASSETS			
Non-current assets			
Property, plant and equipment	**2,922**	2,971	3,008
Goodwill and intangible assets	**2,192**	2,208	2,209
Available-for-sale financial assets	**32**	32	32
Investment in associates	**14**	15	16
Biological assets	**90**	88	88
Trade and other receivables	**6**	4	5
Derivative financial instruments	**-**	-	2
Deferred income tax assets	**91**	272	134
	5,347	5,590	5,494
Current assets			
Inventories	**720**	631	638
Biological assets	**10**	10	7
Trade and other receivables	**1,406**	1,311	1,292
Derivative financial instruments	**7**	11	8
Restricted cash	**11**	25	7
Cash and cash equivalents	**681**	565	495
	2,835	2,553	2,447
Non-current assets held for sale	**-**	3	-
Total assets	**8,182**	8,146	7,941
EQUITY			
Capital and reserves attributable to the owners of the Parent			
Equity share capital	**-**	-	-
Capital and other reserves	**2,288**	2,289	2,315
Retained earnings	**(392)**	(705)	(552)
Total equity attributable to the owners of the Parent	**1,896**	1,584	1,763
Non-controlling interests	**177**	173	173
Total equity	**2,073**	1,757	1,936
LIABILITIES			
Non-current liabilities			
Borrowings	**3,450**	3,544	3,470
Employee benefits	**584**	740	595
Derivative financial instruments	**92**	118	101
Deferred income tax liabilities	**179**	309	206
Non-current income tax liabilities	**8**	15	9
Provisions for liabilities and charges	**45**	45	49
Capital grants	**13**	12	14
Other payables	**7**	5	7
	4,378	4,788	4,451
Current liabilities			
Borrowings	**163**	169	142
Trade and other payables	**1,466**	1,353	1,351
Current income tax liabilities	**42**	20	5
Derivative financial instruments	**33**	32	27
Provisions for liabilities and charges	**27**	27	29
	1,731	1,601	1,554
Total liabilities	**6,109**	6,389	6,005
Total equity and liabilities	**8,182**	8,146	7,941

Group Statement of Changes in Equity (Unaudited)

	Equity share capital	Share premium	Reverse acquisition reserve	Available -for-sale reserve	Cash flow hedging reserve	Foreign currency translation reserve	Reserve for share-based payment	Retained earnings	Total equity attributable to the owners of the Parent	Non-controlling interests	Total equity
		Capital and other reserves									
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
At 1 January 2011	-	1,937	575	-	(45)	(216)	64	(552)	1,763	173	1,936
Shares issued	-	8	-	-	-	-	-	-	8	-	8
Total comprehensive income and expense	-	-	-	-	5	(51)	-	107	61	2	63
Hyperinflation adjustment	-	-	-	-	-	-	-	53	53	6	59
Share-based payment	-	-	-	-	-	-	11	-	11	-	11
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(4)	(4)
At 30 September 2011	**-**	**1,945**	**575**	**-**	**(40)**	**(267)**	**75**	**(392)**	**1,896**	**177**	**2,073**
At 1 January 2010	-	1,928	575	-	(44)	(174)	60	(669)	1,676	179	1,855
Shares issued	-	3	-	-	-	-	-	-	3	-	3
Total comprehensive income and expense	-	-	-	1	(9)	(62)	-	(84)	(154)	3	(151)
Hyperinflation adjustment	-	-	-	-	-	-	-	47	47	5	52
Share-based payment	-	-	-	-	-	-	3	-	3	-	3
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(4)	(4)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Other movements	-	-	-	-	-	8	-	1	9	(9)	-
At 30 September 2010	**-**	**1,931**	**575**	**1**	**(53)**	**(228)**	**63**	**(705)**	**1,584**	**173**	**1,757**

Group Cash Flow Statement

	Unaudited	Unaudited
	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Cash flows from operating activities		
Profit for the financial period	**123**	2
Adjustment for		
Income tax expense	**98**	52
(Profit)/loss on sale of assets and businesses	**(5)**	23
Amortisation of capital grants	**(2)**	(1)
Impairment of property, plant and equipment	**13**	-
Equity settled share-based payment transactions	**11**	3
Amortisation of intangible assets	**22**	34
Share of associates' profit (after tax)	**(2)**	(2)
Profit on disposal of associates	**(2)**	-
Depreciation charge	**248**	248
Net finance costs	**224**	241
Change in inventories	**(91)**	(71)
Change in biological assets	**13**	13
Change in trade and other receivables	**(137)**	(207)
Change in trade and other payables	**135**	195
Change in provisions	**2**	(19)
Change in employee benefits	**(40)**	(40)
Foreign currency translation adjustment	**1**	1
Other	**1**	4
Cash generated from operations	**612**	476
Interest paid	**(172)**	(181)
Income taxes paid:		
Irish corporation tax paid	**-**	(5)
Overseas corporation tax (net of tax refunds) paid	**(47)**	(49)
Net cash inflow from operating activities	**393**	241
Cash flows from investing activities		
Interest received	**5**	3
Mondi asset swap	**-**	(56)
Purchase of property, plant and equipment and biological assets	**(198)**	(176)
Purchase of intangible assets	**(3)**	(5)
Receipt of capital grants	**1**	-
(Increase)/decrease in restricted cash	**(4)**	18
Disposal of property, plant and equipment	**9**	13
Disposal of associates	**4**	-
Dividends received from associates	**1**	1
Purchase of subsidiaries and non-controlling interests	**(1)**	(1)
Deferred consideration	**(8)**	-
Net cash outflow from investing activities	**(194)**	(203)
Cash flow from financing activities		
Proceeds from issue of new ordinary shares	**8**	3
Decrease in interest-bearing borrowings	**(11)**	(57)
Repayment of finance lease liabilities	**(7)**	(10)
Derivative termination payments	**(1)**	(2)
Deferred debt issue costs	**-**	(1)
Dividends paid to non-controlling interests	**(4)**	(4)
Net cash outflow from financing activities	**(15)**	(71)
Increase/(decrease) in cash and cash equivalents	**184**	(33)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**481**	587
Currency translation adjustment	**(3)**	(13)
Increase/(decrease) in cash and cash equivalents	**184**	(33)
Cash and cash equivalents at 30 September	**662**	541

1. General Information

Smurfit Kappa Group plc ('SKG plc') ('the Company') ('the Parent') 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 presented in this report has been prepared to comply with the requirement to publish an 'Interim management statement' during the second six months of the financial year, in accordance with the Transparency Regulations. 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 2010 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 2010.

The following new standards, amendments and interpretations became effective in 2011, however, they either do not have an effect on the Group financial statements or they are not currently relevant for the Group:

- *Classification of Rights Issues* (Amendment to IAS 32)
- IAS 24, *Related Party Disclosure (Revised)*
- Amendments to IFRIC 14, *Prepayments of a Minimum Funding Requirement*
- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

In addition, a number of annual improvements to IFRSs are effective for 2011, however, none of these had or is expected to have a material effect on the Group financial statements.

The condensed interim Group 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. Some tables in this interim statement may not add correctly due to rounding. The Group's auditors have not audited or reviewed the interim Group financial information contained in this report.

The condensed interim Group financial information presented does not constitute full group accounts within the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland insofar as such group accounts would have to comply with all of the disclosure and other requirements of those Regulations. Full Group accounts for the year ended 31 December 2010 have been filed with the Irish Registrar of Companies. The audit report on those Group accounts was unqualified.

3. Segmental Analyses

With effect from 1 September, 2011 the Group reorganised the way in which its European businesses are managed. As part of this reorganisation for commercial reasons, the businesses which previously formed part of the Specialties segment were operationally merged with the Europe segment (formally known as Packaging Europe) and are now managed on a combined basis to make decisions about the allocation of resources and in assessing performance. After this date, the Group ceased to produce financial information for Specialties as the financial information of all of its plants is now combined with the other Europe segment plants.

As a result, the Group has now two segments on the basis of which performance is assessed and resources are allocated: 1) Europe and 2) Latin America and segmental information is presented below on this basis. Prior year segmental information has been restated to conform to the current year segment presentation.

The Europe 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. It also includes the bag-in-box and solidboard businesses. 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. No operating segments have been aggregated for disclosure purposes.

Segment disclosures are based on operating segments identified under IFRS 8. Segment profit is measured based on earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payment expense (EBITDA before exceptional items). Segmental assets consist primarily of property, plant and equipment, biological assets, goodwill and intangible assets, inventories, trade and other receivables, deferred income tax assets and cash and cash equivalents.

	9 months to 30-Sep-11			9 months to 30-Sep-10		
	Europe	**Latin America**	**Total**	Europe	Latin America	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and Results						
Revenue	**4,594**	**944**	**5,538**	4,105	823	4,928
EBITDA before exceptional items	**618**	**177**	**795**	523	141	664
Segment exceptional items	**(23)**	**-**	**(23)**	(40)	(16)	(56)
EBITDA after exceptional items	**595**	**177**	**772**	483	125	608
Unallocated centre costs			**(24)**			(17)
Share-based payment expense			**(11)**			(3)
Depreciation and depletion (net)			**(261)**			(261)
Amortisation			**(22)**			(34)
Impairment of assets			**(13)**			-
Finance costs			**(296)**			(333)
Finance income			**72**			92
Profit on disposal of associate			**2**			-
Share of associates' profit (after tax)			**2**			2
Profit before income tax			**221**			54
Income tax expense			**(98)**			(52)
Profit for the financial period			**123**			2
Assets						
Segment assets	**6,071**	**1,377**	**7,448**	6,063	1,243	7,306
Investment in associates	**1**	**13**	**14**	2	13	15
Group centre assets			**720**			825
Total assets			**8,182**			8,146

	3 months to 30-Sep-11			3 months to 30-Sep-10		
	Europe	**Latin America**	**Total**	Europe	Latin America	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and Results						
Revenue	**1,530**	**338**	**1,868**	1,425	277	1,702
EBITDA before exceptional items	**208**	**66**	**274**	203	48	251
Segment exceptional items	**-**	**-**	**-**	-	-	-
EBITDA after exceptional items	**208**	**66**	**274**	203	48	251
Unallocated centre costs			**(10)**			(8)
Share-based payment expense			**(7)**			(1)
Depreciation and depletion (net)			**(87)**			(88)
Amortisation			**(8)**			(11)
Finance costs			**(100)**			(96)
Finance income			**22**			15
Share of associates' profit (after tax)			**1**			1
Profit before income tax			**85**			63
Income tax expense			**(30)**			(22)
Profit for the financial period			**55**			41

4. Exceptional Items

The following items are regarded as exceptional in nature:	**9 months to 30-Sep-11**	9 months to 30-Sep-10
	€m	€m
Impairment loss on property, plant and equipment	**(13)**	-
Reorganisation and restructuring costs	**(23)**	-
Currency trading loss on Venezuelan Bolivar devaluation	**-**	(16)
Mondi asset swap	**-**	(40)
Total exceptional items	**(36)**	(56)

In June, SKG closed its recycled containerboard mill in Nanterre, France. This resulted in an impairment loss on property, plant and equipment of €13 million and reorganisation and restructuring costs of €22 million. The remaining €1 million of reorganisation and restructuring costs relates to the continuing rationalisation of the Group's corrugated operations in Ireland.

In 2010 a currency translation loss of €16 million arose from the effect of the retranslation of the US dollar denominated net payables of the Venezuelan operations following the devaluation of the Bolivar Fuerte in January 2010.

During the second quarter of 2010 an asset swap agreement was completed with Mondi. As a result of this, three corrugated plants in the UK were acquired and the Group's paper sacks plants (other than the Polish plant which was sold separately in December 2010) were disposed. The transaction generated an exceptional loss of €40 million.

5. Finance Costs and Income

	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Finance costs		
Interest payable on bank loans and overdrafts	**101**	113
Interest payable on finance leases and hire purchase contracts	**1**	2
Interest payable on other borrowings	**98**	99
Unwinding discount element of provisions	**1**	-
Foreign currency translation loss on debt	**6**	34
Fair value loss on derivatives not designated as hedges	**5**	-
Interest cost on employee benefit plan liabilities	**75**	75
Net monetary loss – hyperinflation	**9**	10
Total finance cost	**296**	333
Finance income		
Other interest receivable	**(5)**	(3)
Foreign currency translation gain on debt	**(8)**	(5)
Fair value gain on derivatives not designated as hedges	**(2)**	(31)
Expected return on employee benefit plan assets	**(57)**	(53)
Total finance income	**(72)**	(92)
Net finance cost	**224**	241

6. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Current taxation:		
Europe	**31**	30
Latin America	**56**	27
	87	57
Deferred taxation	**11**	(5)
Income tax expense	**98**	52
Current tax is analysed as follows:		
Ireland	**3**	3
Foreign	**84**	54
	87	57

Income tax recognised in the Group Statement of Comprehensive Income

	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Arising on actuarial gains/losses on defined benefit plans	**(1)**	(15)
Arising on qualifying derivative cash flow hedges	**1**	(1)
	-	(16)

The current taxation expense for Latin America includes a €23 million tax expense arising from the implementation of additional temporary taxes in Colombia on 1 January, which although payable over the next four years, was required to be expensed in quarter one 2011.

7. Employee Post Retirement Schemes – Defined Benefit Expense

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

	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Current service cost	**20**	27
Past service cost	**2**	-
Gain on settlements and curtailments	**-**	(1)
	22	26
Expected return on plan assets	**(57)**	(53)
Interest cost on plan liabilities	**75**	75
Net financial expense	**18**	22
Defined benefit expense	**40**	48

Included in cost of sales, distribution costs and administrative expenses is a defined benefit expense of €22 million for the first nine months of 2011 (2010: €26 million). Expected Return on Plan Assets of €57 million (2010: €53 million) is included in Finance Income and Interest Cost on Plan Liabilities of €75 million (2010: €75 million) is included in Finance Costs in the Group Income Statement.

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

	30-Sep-11 €m	31-Dec-10 €m
Present value of funded or partially funded obligations	**(1,571)**	(1,548)
Fair value of plan assets	**1,390**	1,357
Deficit in funded or partially funded plans	**(181)**	(191)
Present value of wholly unfunded obligations	**(403)**	(404)
Net employee benefit liabilities	**(584)**	(595)

The employee benefits provision has decreased from €595 million at 31 December 2010 to €584 million at 30 September 2011.

8. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Parent by the weighted average number of ordinary shares in issue during the period.

	3 months to 30-Sep-11 €m	3 months to 30-Sep-10 €m	**9 months to 30-Sep-11 €m**	9 months to 30-Sep-10 €m
Profit/(loss) attributable to the owners of the Parent	**50**	37	**119**	(1)
Weighted average number of ordinary shares in issue (million)	**222**	218	**221**	218
Basic earnings/(loss) per share – cent	**22.2**	16.9	**53.5**	(0.5)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares which comprise convertible shares issued under the management equity plans.

	3 months to 30-Sep-11 €m	3 months to 30-Sep-10 €m	**9 months to 30-Sep-11 €m**	9 months to 30-Sep-10 €m
Profit/(loss) attributable to the owners of the Parent	**50**	37	**119**	(1)
Weighted average number of ordinary shares in issue (million)	**222**	218	**221**	218
Potential dilutive ordinary shares assumed	**2**	4	**4**	4
Diluted weighted average ordinary shares	**224**	222	**225**	222
Diluted earnings/(loss) per share – cent	**22.0**	16.5	**52.6**	(0.5)

9. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Nine months ended 30 September 2011			
Opening net book amount	1,128	1,880	3,008
Reclassification	6	(9)	(3)
Additions	2	178	180
Impairment losses recognised in the Group Income Statement	-	(13)	(13)
Depreciation charge for the period	(36)	(212)	(248)
Retirements and disposals	(1)	(1)	(2)
Hyperinflation adjustment	15	17	32
Foreign currency translation adjustment	(11)	(21)	(32)
At 30 September 2011	**1,103**	**1,819**	**2,922**
Year ended 31 December 2010			
Opening net book amount	1,151	1,915	3,066
Reclassification	25	(25)	-
Additions	5	249	254
Acquisitions	10	21	31
Depreciation charge for the year	(50)	(293)	(343)
Retirements and disposals	(11)	(7)	(18)
Hyperinflation adjustment	16	18	34
Foreign currency translation adjustment	(18)	2	(16)
At 31 December 2010	**1,128**	**1,880**	**3,008**

10. Share-based Payment

Share-based payment expense recognised in the Group Income Statement

	9 months to 30-Sep-11 €m	9 months to 30-Sep-10 €m
Charge arising from fair value calculated at grant date	**3**	3
Charge arising from deferred annual bonus plan	**8**	-
	11	3

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, A2 and A3 convertible shares vested on the first, second and third anniversaries respectively of the IPO. 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.

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 awards made in 2007 and 2008 lapsed in March 2010 and March 2011 respectively and ceased to be capable of conversion to D convertible shares.

The new class B and new class C convertible shares issued during and from 2009 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 B and 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. 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 plans provide for equity settlement only, no cash settlement alternative is available.

A combined summary of the activity under the 2002 Plan, as amended, and the 2007 SIP, as amended for the period from 1 January 2011 to 30 September 2011 is presented below.

	Number of convertible shares 000's
At 1 January 2011	14,947
Forfeited in the period	(89)
Lapsed in the period	(2,266)
Exercised in the period	(1,796)
At 30 September 2011	**10,796**

At 30 September 2011, 5,867,163 shares were exercisable and were convertible to ordinary shares. The weighted average exercise price for all shares exercisable at 30 September 2011 was €4.60.

The weighted average exercise price for shares outstanding under the 2002 Plan, as amended, at 30 September 2011 was €4.60. The weighted average remaining contractual life of the awards issued under the 2002 Plan, as amended, at 30 September 2011 was 1.4 years.

The weighted average exercise price for shares outstanding under the 2007 SIP, as amended, at 30 September 2011 was €5.44. The weighted average remaining contractual life of the awards issued under the 2007 SIP, as amended, at 30 September 2011 was 8.2 years.

Deferred Annual Bonus Plan

In May 2011, the SKG plc Annual General Meeting approved the adoption of the SKG plc 2011 Deferred Annual Bonus Plan ('DABP') which replaces the existing long-term incentive plan, the 2007 SIP.

The size of award to each participant under the DABP will be subject to the level of annual bonus earned by a participant in any year. As part of the revised executive compensation arrangements, the maximum annual bonus potential for participants in the DABP has been increased from 100% to 150% of salary. The actual bonus paid in any financial year will be based on the achievement of clearly defined annual financial targets for some of the Group's Key Performance Indicators ('KPI') being EBITDA[1], Return on Capital Employed ('ROCE') and Free Cash Flow ('FCF'), together with targets for health and safety and a comparison of the Group's financial performance compared to that of a peer group.

The proposed structure of the new plan is that 50% of any annual bonus earned for a financial year will be deferred into SKG plc shares (Deferred Shares) to be granted in the form of a Deferred Share Award. The Deferred Shares will vest (i.e. become unconditional) after a three year holding period based on continuity of employment.

At the same time as the grant of a Deferred Share Award, a Matching Share Award can be granted up to the level of the Deferred Share Award. Following a three year performance period, the Matching Shares may vest up to a maximum of 3 times the level of the Matching Share Award. Matching Awards will vest provided the Committee consider that Company's ROCE and Total Shareholder Return ('TSR') are competitive against the constituents of a comparator group of international paper and packaging companies over that performance period. The actual number of Matching Shares that will vest under the Matching Awards will be dependent on the achievement of the Company's FCF(2) and ROCE targets measured over the same three year performance period on an inter-conditional basis.

The actual performance targets assigned to the Matching Awards will be set by the Compensation Committee on the granting of awards at the start of each three year cycle. The Company will lodge the actual targets with the Company's auditors prior to the grant of any awards under the DABP.

In June 2011, conditional Matching Share Awards totalling 654,814 SKG plc shares were awarded to eligible employees which gives a potential maximum of 1,964,442 SKG plc shares that may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2013.

(1) Earnings before exceptional items, share-based payment expense, net finance costs, tax, depreciation and intangible asset amortisation.

(2) In calculating FCF, capital expenditure will be set at a minimum of 90% of depreciation for the 3 year performance cycle.

11. Analysis of Net Debt

	30-Sep-11	31-Dec-10
	€m	€m
Senior credit facility		
Revolving credit facility [1] – interest at relevant interbank rate + 2.75% on RCF1 and +3% on RCF2 [8]	**(7)**	(8)
Tranche A term loan[2a]—interest at relevant interbank rate + 2.75%[8]	**132**	164
Tranche B term loan[2b]—interest at relevant interbank rate + 3.125%[8]	**819**	816
Tranche C term loan[2c]—interest at relevant interbank rate + 3.375%[8]	**817**	814
Yankee bonds (including accrued interest)[3]	**221**	219
Bank loans and overdrafts	**74**	75
Cash	**(692)**	(502)
2015 receivables securitisation variable funding notes [4]	**174**	149
2015 cash pay subordinated notes (including accrued interest)[5]	**362**	370
2017 senior secured notes (including accrued interest) [6]	**498**	488
2019 senior secured notes (including accrued interest) [7]	**501**	490
Net debt before finance leases	**2,899**	3,075
Finance leases	**15**	26
Net debt including leases	**2,914**	3,101
Balance of revolving credit facility reclassified to debtors	**7**	9
Net debt after reclassification	**2,921**	3,110

(1) Revolving credit facility ('RCF') of €525 million split into RCF1 and RCF2 of €152 million and €373 million (available under the senior credit facility) to be repaid in full in 2012 and 2013 respectively. (Revolver loans - nil, drawn under ancillary facilities and facilities supported by letters of credit - nil)

(2a) Tranche A term loan due to be repaid in certain instalments up to 2012

(2b) Tranche B term loan due to be repaid in full in 2013

(2c) Tranche C term loan due to be repaid in full in 2014

(3) US$292.3 million 7.50% senior debentures due 2025

(4) Receivables securitisation variable funding notes due November 2015

(5) €217.5 million 7.75% senior subordinated notes due 2015 and US$200 million 7.75% senior subordinated notes due 2015

(6) €500 million 7.25% senior secured notes due 2017

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

(8) The margins applicable to the senior credit facility are determined as follows:

Debt/EBITDA ratio	Tranche A and RCF1	Tranche B	Tranche C	RCF2
Greater than 4.0 : 1	3.25%	3.375%	3.625%	3.50%
4.0 : 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%

12. Venezuela

Hyperinflation

As discussed more fully in the 2010 annual report, 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 and for all subsequent accounting periods.

The index used to reflect current values is derived from a combination of Banco Central de Venezuela's National Consumer Price Index from its initial publication in December 2007 and the Consumer Price Index for the metropolitan area of Caracas for earlier periods. The level of and movement in the price index at September 2011 and 2010 are as follows:

	30-Sep-11	30-Sep-10
Index at period end	**250.9**	198.4
Movement in period	**20.5%**	21.2%

As a result of the entries recorded in respect of hyperinflationary accounting under IFRS, the Group Income Statement for the first nine months of 2011 is impacted as follows: Revenue €34 million increase (2010: €6 million increase), pre-exceptional EBITDA €3 million increase (2010: €4 million decrease) and profit after taxation €24 million decrease (2010: €25 million decrease). In the first nine months of 2011, a net monetary loss of €9 million (2010: €10 million loss) was recorded in the Group Income Statement. The impact on our net assets and our total equity is an increase of €32 million (2010: €28 million increase).

Devaluation

The Venezuelan government announced the devaluation of its currency, the Bolivar Fuerte ('VEF'), on 8 January 2010. The official exchange rate generally applicable to SKG was changed from VEF 2.15 per US dollar to VEF 4.3 per US dollar. For the first nine months of 2010 a loss of €16 million arose from the effect of retranslation of the US dollar denominated net payables of its Venezuelan operations and associated hyperinflationary adjustments, which is included within operating profit. In addition, the Group recorded a reduction in net assets of €223 million in relation to these operations, which is reflected in the Group Statement of Comprehensive Income as part of foreign currency translation adjustments.

Supplemental Financial Information

EBITDA before exceptional items and share-based payment expense is denoted by EBITDA in the following schedules for ease of reference.

Reconciliation of Profit to EBITDA

	3 months to 30-Sep-11 €m	3 months to 30-Sep-10 €m	**9 months to 30-Sep-11 €m**	9 months to 30-Sep-10 €m
Profit for the financial period	**55**	41	**123**	2
Income tax expense	**30**	22	**98**	52
Impairment loss on property, plant and equipment	**-**	-	**13**	-
Reorganisation and restructuring costs	**-**	-	**23**	-
Currency trading loss on Bolivar devaluation	**-**	-	**-**	16
Mondi asset swap	**-**	-	**-**	40
Profit on disposal of associate	**-**	-	**(2)**	-
Share of associates' operating profit (after tax)	**(1)**	(1)	**(2)**	(2)
Net finance costs	**78**	81	**224**	241
Share-based payment expense	**7**	1	**11**	3
Depreciation, depletion (net) and amortisation	**95**	99	**283**	295
EBITDA	**264**	243	**771**	647

Supplemental Historical Financial Information

€m	**Q3, 2010**	**Q4, 2010**	**FY, 2010**	**Q1, 2011**	**Q2, 2011**	**Q3, 2011**
Group and third party revenue	2,761	2,833	10,769	2,956	3,124	3,109
Third party revenue	1,702	1,749	6,677	1,803	1,867	1,868
EBITDA	243	257	904	243	264	264
EBITDA margin	14.3%	14.7%	13.5%	13.5%	14.2%	14.1%
Operating profit	143	115	409	147	132	162
Profit before tax	63	49	103	78	58	85
Free cash flow	128	23	82	12	66	117
Basic earnings per share - cent	16.9	23.3	22.9	15.6	15.7	22.2
Weighted average number of shares used in EPS calculation (million)	218	219	219	221	222	222
Net debt	3,123	3,110	3,110	3,061	3,003	2,921
Net debt to EBITDA (LTM)	3.75	3.44	3.44	3.18	2.98	2.84