

Smurfit Kappa Group seeks to further strengthen its capital structure

9 June 2009: Smurfit Kappa Group plc (“SKG” or the “Group”), one of the world’s largest integrated manufacturers of paper-based packaging products, with operations in Europe and Latin America, today announced that it is seeking the consent of its lenders to amendments to its Senior Credit Facility Agreement.

Overview

The proposed amendments will significantly enhance SKG’s financial flexibility, providing it with:

- The ability to raise longer-dated capital to refinance a portion of its existing Senior Facilities.
- Extended maturity of its Revolving Credit Facility.
- Increased leverage and interest cover covenant headroom.

A significant number of the Group’s top lenders, including a number of non-bank lenders, have already confirmed their support for all of the proposed amendments.

Smurfit Kappa Group’s Chief Financial Officer, Mr Ian Curley, commented “These initiatives form part of an ongoing process of effective capital management. The proposed amendments provide SKG with significantly enhanced financial flexibility, to focus on delivering industry leading operating performance and maximising free cash flow generation for continued net debt reduction.”

Amendments to Senior credit facility agreement | Rationale

Against the backdrop of a difficult operating environment, in the first quarter of 2009 SKG continued to report industry-leading EBITDA margins and strong cash flow management.

The Group continues to maintain a strong liquidity position with in excess of €700 million of cash on its balance sheet, undrawn committed credit facilities of approximately €600 million and no significant debt refinancing requirement until December 2013. Moreover, although headroom has reduced, SKG is operating well within its covenants, with a Net Debt to EBITDA ratio of 3.7 times at the end of March 2009, against a covenant level of 4.7 times.

The Group's financial priority continues to be to maximise free cash flow generation for further net debt reduction. Consistent with this objective, SKG previously announced a planned reduction of capital expenditure (towards 60% of depreciation in 2009), the suspension of dividend payments and increased cost take-out efforts. The Group also re-purchased €43 million of senior bank debt in 2009, at an average discount of 24% to par, which contributed to its net debt reduction objective.

To further strengthen its capital structure in light of the ongoing uncertainty of the global economic environment, and reflecting the recent improvement in credit markets, the Group is now seeking the consent of its lenders to amend its Senior Credit Facility Agreement.

The objectives of this request are to provide SKG with the ability, as and when market conditions are attractive, to raise longer dated financing in the bond markets to refinance part of its Senior Facilities, to extend the maturity of a portion of its revolving credit facility, and to increase covenant headroom for the next three years. These proposed amendments will significantly enhance the Group's financial flexibility.

Amendments to Senior Credit Facility Agreement | Summary Details

The principal requested amendments to SKG's Senior Credit Facility Agreement are:

- (i) Flexibility to issue pari passu ranking senior secured bonds, as and when market conditions are attractive, to repay senior bank debt at par thereby further extending the Group's average debt maturities and diversifying its sources of funding.
- (ii) Extend the maturity of a portion of the Group's current €600 million Revolving Credit Facility ("RCF") by one year, to December 2013. SKG is offering all existing RCF lenders the opportunity to convert their commitments to a RCF2, with a commitment reduction of one-sixth upon conversion. RCF2 is to be sized according to lender appetite, however, SKG is targeting a minimum size of €200 million for the RCF2. The eventual portion (if any) of the RCF not converted into RCF2 will be renamed RCF1, with an unchanged maturity in December 2012.
- (iii) Increase the existing headroom under leverage and interest cover covenants from Q3 2009 to Q2 2012, with a return to the pre-amendment covenant levels after this period.

The Group, subject to the approval of 66 2/3 per cent or more of its lenders to the requested amendments, agrees to:

- (a) pay each consenting lender a consent fee of 75 basis points ('bps'), including an 'early bird' incentive fee of 25bps.
- (b) in addition to the payment under (a) above, pay each consenting lender converting its RCF1 commitments to RCF2 commitments an extension fee of 50bps, based on the RCF2 commitment of such lenders after conversion.

- (c) pay all lenders an increased margin of 125bps on existing term loans and RCF1 drawn amounts. RCF2 lenders will be paid an additional 25bps over RCF1 lenders on drawn amounts.
- (d) pay all relevant lenders increased commitment fees on RCF1 and RCF2 as follows:

Ratio of Consolidated Total Net Borrowings to Consolidated Pro Forma EBITDA	Current (% p.a.)	Proposed RCF1 (% p.a.)	Proposed RCF2 (% p.a.)
Greater than or equal to 3.50:1.00	0.625	0.900	1.300
Less than 3.50:1.00	0.500	0.750	1.000

- (e) a reduced level of Net Debt to EBITDA at which dividends can be paid to shareholders: from 4.50 times to 4.25 times.
- (f) prepay €100 million of senior bank debt at par, to be applied pro rata against existing term loans.

Margin increases and commitment fees would take effect immediately upon the requested amendments becoming effective.

A copy of SKG's letter requesting the consent of its lenders to the proposed amendments to its Senior Credit Facility Agreement is available on the SKG website at www.smurfitkappa.com.

About Smurfit Kappa Group

Smurfit Kappa Group is a world leader in paper-based packaging with operations in Europe and Latin America. Smurfit Kappa Group operates in 22 countries in Europe and is the European leader in containerboard, solidboard, corrugated and solidboard packaging and has a key position in several other packaging and paper market segments, including graphicboard, sack paper and paper sacks. Smurfit Kappa Group also has a growing presence in Eastern Europe. Smurfit Kappa Group operates in 9 countries in Latin America and is the only pan-regional operator.

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