Financial Projections

Financial Projections

Management prepared the Financial Projections for the years 2010 through 2014 (the "Projection Period"). The Financial Projections are based on a number of assumptions made by management with respect to the future performance of the Reorganized Debtors' operations. Although management has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, it is important to note that the Debtor can provide no assurance that such assumptions will be realized. As described in detail in the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors' financial results and must be considered. The Financial Projections should be reviewed in conjunction with a review of these assumptions, including the qualifications and footnotes set forth within.

1. General

    a. Methodology – The Financial Projections are based upon the Debtors' detailed operating forecast for 2010, which includes two months of actual results and a forecast for the last ten months of the year. For 2010 – 2014, the Financial Projections incorporate management's assumptions and initiatives, including the impact of the Debtors' operating restructuring initiatives.

    b. Plan Consummation – The operating assumptions assume that the Plan effective date will be April 30, 2010.

    c. Macroeconomic and Industry Environment – The Financial Projections are based on management's view of the North America containerboard market supply and demand balance, and corresponding operating rates and pricing, and changes in all cost inputs and expenses. Management's view considered and is fairly consistent with current global forest products industry information and forecast provider, general Wall Street equity research consensus views and/or third party commodity analysts for major macroeconomic and industry cost drivers.

2. Projected Statements of Operations

    a. Sales – Consolidated sales include the sales of corrugated packaging, containerboard, kraft paper, market and fluff pulp, solid bleached board and liner, and recycled materials. The Financial Projections assume total external containerboard and corrugated packaging sales of approximately 5.8 million tons in 2009 growing to 6.1 million tons in 2011; in addition to these sales tons, the company also sells market and fluff pulp, kraft paper, solid bleached board and liner and recycled materials. The Financial Projections reflect the January actual and an assumed April Pulp & Paper Week linerboard transaction price movements in 2010, and related contractual lags and movements, with the annual publication pricing increasing steadily from approximately $535 per ton in December 2009 to $684 per ton in 2014.

b. Cost of Sales – Cost of Sales is projected to improve from 90.1% of sales in 2009 to 86.3% of sales by 2014, driven primarily by the forecasted improving market demand and price, offset somewhat by inflation.

c. Selling, General, & Administrative Expenses – Selling, General & Administrative ("SG&A") expenses are projected to improve from 10.2% of sales in 2009 to 8.8% of sales in 2014, driven primarily by the forecasted improving market demand and price, and management actions, offset somewhat by inflation.

d. Net income (loss) – Net income (loss) is expected to improve from net income of $8.4 million in 2009, to net income of $132.3 million in 2014, as market demand and price improve, offset somewhat by increased commodity inflation and other costs.

e. Adjusted EBITDA – Adjusted EBITDA is expected to improve from $362.2 million in 2009 to $513.5 million in 2010, and improve further to $666.4 million in 2014. 2010 adjusted EBITDA benefits versus 2009 from the permanent mill closures, the full year benefit of scaling cost reductions and investments, improving demand, and improving business conditions, offset somewhat by inflation net of hedges.

f. Reorganization Items – The 2009 and 2010 Reorganization Items consist of actual and estimated postpetition fees for professional advisors and bank fees directly attributable to the bankruptcy filing and related capital restructuring. Reorganization Items exclude adjustments that may be approved by the bankruptcy court related to the Company's Plan of Reorganization.

g. Interest Expense – For 2010 through 2014, interest expense projections are based on the Company's proposed debt structure assuming the Company emerges from bankruptcy effective April 30, 2010.

h. Income Taxes – It is assumed that in connection with our emergence from Chapter 11, our U.S. and Canadian net operating losses will be substantially reduced or eliminated due to the cancellation of indebtedness income. For 2010 through 2014, income tax provisions were projected at the applicable statutory tax rate in the countries in which we operate.

3. Pension Plan Contributions

At December 31, 2009, the qualified defined benefit retirement plans maintained by the Company were under funded by approximately $1,020 million. Assuming that the plan of reorganization confirmed by the Bankruptcy Courts provides for the assumption of the defined benefit retirement plans, we will likely be required to make significant cash contributions to these plans under applicable U.S. and Canadian laws over the next several years following emergence from bankruptcy, which will significantly impact future cash flows that might otherwise be available for repayment of debt, capital expenditures, and other corporate purposes. We currently estimate that these cash contributions under the United States and Canadian plans will be approximately $80 million in 2010, and potentially up to approximately $110 million depending upon how unpaid Canadian contributions for 2009 are impacted by the plan of reorganization. For future years, we currently estimate that these contributions will potentially be in the range of approximately $290 to $340 million annually in 2011 through 2014, and will then fall to approximately $240 million in 2015, approximately $190 million in 2016, and approximately $100 million in 2017, at which point almost all of the under funding would be required to be amortized under existing laws and regulations. The actual required amounts and timing of such future cash contributions will be highly sensitive to changes in the applicable discount rates, and to a lesser extent, returns on plan assets, and could also be impacted by future changes in the laws and regulations applicable to plan funding.

4. Projected Balance Sheets and Statements of Cash Flow

The Company's projected Consolidated Balance Sheets set forth the projected consolidated financial position of the Company, after giving effect to the Proposed Reorganization. The projected Consolidated Balance Sheets were developed based upon the Company's February 28, 2010 balance sheet as adjusted for the Plan and projected results of operations and cash flows over the Projection Period. These Financial Projections were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The projected Consolidated Balance Sheets reflect the current forecasted impact of "fresh start" accounting, which could result in further material change to the projected values of assets and liabilities.

The projected Consolidated Balance Sheets contain certain pro forma adjustments as a result of the Plan Consummation. They also include the debt and other obligations that will continue to remain outstanding and will be paid in the ordinary course of operations. The projected cash balances reflect the effects of anticipated changes in working capital related items. On the Effective Date, actual cash may vary from cash reflected in the projected Consolidated Balance Sheets because of variances in the Financial Projections and potential changes in cash needs to consummate the Plan.

Smurfit-Stone Container Corporation
Consolidated Statements of Income
($ in thousands)
PROJECTED INCOME STATEMENT

	2009 Actual	Q1 2010 Forecast	Q2 2010 Forecast	Q3 2010 Forecast	Q4 2010 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast
Net sales	**$5,574,036**	**$1,437,874**	**$1,563,568**	**$1,629,091**	**$1,562,051**	**$6,192,585**	**$6,334,873**	**$6,509,460**	**$6,700,553**	**$6,902,736**
Costs and expenses										
Cost of goods sold	5,022,733	1,342,576	1,446,843	1,374,369	1,318,314	5,482,103	5,539,340	5,608,135	5,779,955	5,957,193
Selling and administrative expenses	568,985	151,967	144,000	141,500	139,533	577,000	590,000	605,000	595,000	604,000
Restructuring (income) expenses	318,900	(4,400)	5,000	5,000	5,000	10,600	20,000	20,000	20,000	20,000
(Gain) Loss on disposal of assets	3,203	80	-	-	-	80	-	-	-	-
Other Operating (Income) Expense	(632,900)	-	-	-	-	-	-	-	-	-
Income from operations	**$293,115**	**($52,349)**	**($32,275)**	**$108,222**	**$99,204**	**$122,802**	**$185,533**	**$276,325**	**$305,598**	**$321,543**
Other income (expense)										
DIP financing cost	(63,096)	-	-	-	-	-	-	-	-	-
Interest expense, Net	(264,855)	(12,467)	(19,959)	(23,699)	(23,646)	(79,771)	(87,273)	(90,261)	(99,088)	(105,257)
Loss on early extinguishment of debt	(19,777)	0	-	-	-	0	-	-	-	-
Foreign currency exchange gains (losses)	(14,600)	700	-	-	-	700	-	-	-	-
Other, net	13,877	1,490	-	-	-	1,490	-	-	-	-
Income (loss) before reorganization items and income taxes	**($55,336)**	**($62,626)**	**($52,234)**	**$84,523**	**$75,558**	**$45,221**	**$98,260**	**$186,064**	**$206,510**	**$216,286**
Reorganization items	40,752	(24,250)	(10,000)	-	-	(34,250)	-	-	-	-
Loss before income taxes	**($14,584)**	**($86,876)**	**($62,234)**	**$84,523**	**$75,558**	**$10,971**	**$98,260**	**$186,064**	**$206,510**	**$216,286**
(Provision for) benefit from income taxes	23,000	(200)	800	(2,800)	(3,500)	(5,700)	(39,000)	(73,000)	(80,000)	(84,000)
Net income (loss)	**$8,416**	**($87,076)**	**($61,434)**	**$81,723**	**$72,058**	**$5,271**	**$59,260**	**$113,064**	**$126,510**	**$132,286**
Preferred stock dividends	(11,231)	(2,012)	(671)	-	-	(2,683)	-	-	-	-
Net income (loss) available to common stockholders	**($2,815)**	**($89,088)**	**($62,105)**	**$81,723**	**$72,058**	**$2,588**	**$59,260**	**$113,064**	**$126,510**	**$132,286**
Adjusted EBITDA	**$362,245**	**$35,105**	**$89,803**	**$198,640**	**$189,993**	**$513,541**	**$547,549**	**$640,195**	**$669,468**	**$666,413**

Smurfit-Stone Container Corporation
Consolidated Balance Sheets
($ in thousands)

PROJECTED BALANCE SHEET

	2009 Actual	Q1 2010 Forecast	Q2 2010 Forecast	Q3 2010 Forecast	Q4 2010 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast
Cash	$703,908	$674,546	$209,414	$335,630	$479,079	$479,079	$413,881	$486,056	$512,980	$543,344
Restricted Cash	8,697	22,391	-	-	-	-	-	-	-	-
Receivables	673,984	686,299	701,144	717,982	654,569	654,569	659,569	678,569	696,569	731,569
Inventories	451,954	468,890	583,890	578,890	573,890	573,890	558,890	543,890	543,890	543,890
Refundable Income Taxes	22,805	25,023	9,523	9,523	9,523	9,523	0	0	0	0
Prepaid Expense & Other	43,390	58,454	58,454	58,454	58,454	58,454	58,454	58,454	58,454	58,454
Total Current Assets	**$1,904,738**	**$1,935,603**	**$1,562,425**	**$1,700,480**	**$1,775,515**	**$1,775,515**	**$1,690,794**	**$1,766,969**	**$1,811,893**	**$1,877,256**
Property, Plant & Equipment (inc Timberland), Net	$3,083,241	$3,035,479	$3,028,850	$2,999,259	$2,942,882	$2,942,882	$2,804,252	$2,666,443	$2,528,633	$2,390,823
PP&E / Intangible Step-Up	-	-	1,295,124	1,295,124	1,295,124	1,295,124	1,295,124	1,295,124	1,295,124	1,295,124
Deferred Debt Issuance Costs	631	8,742	51,736	49,080	46,423	46,423	35,798	25,173	14,548	3,923
Deferred Income Taxes	22,977	21,765	-	-	-	-	-	-	-	-
Other Assets	65,488	49,671	49,670	49,669	49,668	49,668	49,668	39,368	39,368	26,868
Total Assets	**$5,077,075**	**$5,051,260**	**$5,987,805**	**$6,093,611**	**$6,109,613**	**$6,109,613**	**$5,875,637**	**$5,793,077**	**$5,689,566**	**$5,593,995**
Current Maturities of Long-Term Debt	$1,352,889	$1,352,483	$0	$0	$0	$0	$0	$0	$0	$0
Accounts Payable	387,333	469,177	465,635	491,730	461,652	461,652	515,652	551,652	564,652	589,652
Accrued Wages & Related Taxes	144,781	134,774	147,204	155,799	164,374	164,374	160,774	160,774	160,774	160,774
Interest Payable	12,398	13,901	-	-	-	-	-	-	-	-
Other Current liabilities	163,656	137,691	68,481	59,679	54,427	54,427	54,427	54,427	54,427	54,427
Total Current Liabilities	**$2,061,057**	**$2,108,026**	**$681,320**	**$707,208**	**$680,453**	**$680,453**	**$730,853**	**$766,853**	**$779,853**	**$804,853**
Long-Term Debt	$879	$879	$1,206,987	$1,203,987	$1,200,987	$1,200,987	$1,062,151	$1,049,527	$1,036,906	$1,024,349
Other Long-Term Liabilities	116,510	112,676	1,413,249	1,407,060	1,372,673	1,372,673	1,114,873	805,873	484,473	174,173
Deferred Income Taxes	-	200	713,200	715,500	718,500	718,500	748,500	813,500	883,500	933,500
Total Liabilities Not Subject to Compromise	**$2,178,446**	**$2,221,781**	**$4,014,756**	**$4,033,755**	**$3,972,613**	**$3,972,613**	**$3,656,377**	**$3,435,753**	**$3,184,732**	**$2,936,875**
Total Liabilities Subject to Compromise	$4,272,308	$4,286,865	$0	$0	$0	$0	$0	$0	$0	$0
Total Liabilities	**$6,450,754**	**$6,508,646**	**$4,014,756**	**$4,033,755**	**$3,972,613**	**$3,972,613**	**$3,656,377**	**$3,435,753**	**$3,184,732**	**$2,936,875**
Common Stock	$2,540	$2,540	$0	$0	$0	$0	$0	$0	$0	$0
Preferred Stock	105,130	105,481	-	-	-	-	-	-	-	-
Additional Paid in Capital	4,083,596	4,085,258	1,993,700	1,998,785	2,003,870	2,003,870	2,026,870	2,051,870	2,072,870	2,092,870
Retained Deficit	(4,885,792)	(4,973,219)	(20,651)	61,072	133,130	133,130	192,390	305,454	431,964	564,250
Other Comprehensive Income	(679,153)	(677,446)	-	-	-	-	-	-	-	-
Total Stockholders' Equity	**($1,373,679)**	**($1,457,386)**	**$1,973,049**	**$2,059,857**	**$2,137,000**	**$2,137,000**	**$2,219,260**	**$2,357,324**	**$2,504,834**	**$2,657,120**
Total Liabilities & Stockholders' Equity	**$5,077,075**	**$5,051,260**	**$5,987,805**	**$6,093,612**	**$6,109,613**	**$6,109,613**	**$5,875,637**	**$5,793,077**	**$5,689,566**	**$5,593,995**

Smurfit-Stone Container Corporation

ConsolidatedStatement of Cash Flows

($ in thousands)

PROJECTED STATEMENT OF CASH FLOWS

	2009 Actual	Q1 2010 Forecast	Q2 2010 Forecast	Q3 2010 Forecast	Q4 2010 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast
Net Income/(Loss)	**$8,416**	**($87,076)**	**($61,434)**	**$81,723**	**$72,058**	**$5,271**	**$59,260**	**$113,064**	**$126,510**	**$132,286**
(Gain) loss on Disposal of Asset	3,203	80	-	-	-	80	-	-	-	-
(Gain) loss on sale of Disc Segment	-	-	-	-	-	-	-	-	-	-
Loss on Early Ext of Debt	19,777	-	-	-	-	-	-	-	-	-
Depreciation	364,057	84,584	85,178	85,418	85,789	340,969	342,017	343,870	343,870	343,870
DDIC Amortization	5,830	105	1,806	2,656	2,656	7,224	10,625	10,625	10,625	10,625
Debtor-in Possession Debt Issuance Costs	63,096	-	-	-	-	-	-	-	-	-
Qualified Pension Benefits	100,900	27,825	2,249	(6,188)	(34,386)	(10,500)	(248,800)	(309,000)	(321,400)	(310,300)
Non-Qualified Pension/Retiree Medical	(24,530)	-	-	-	-	-	(9,000)	-	-	-
Stock Compensation Expense	8,489	1,662	6,520	5,085	5,085	18,352	23,000	25,000	21,000	20,000
2009 LTIP Emergence Plan	-	5,700	1,900	-	-	7,600	-	-	-	-
Incentives	-	(100)	930	1,395	1,375	3,600	(3,600)	-	-	-
Fresh Start Accounting Inventory Write Up	-	-	30,000	-	-	30,000	-	-	-	-
Deferred Taxes	(26,131)	(2,244)	14,200	2,300	3,000	17,256	39,523	65,000	70,000	50,000
Foreign Currency Translation (Gains) Losses	14,600	(700)	-	-	-	(700)	-	-	-	-
Equity Loss (Income)	-	-	-	-	-	-	-	-	-	-
Non-cash Impairment and Restructuring Charge	249,825	(3,505)	(7,310)	(6,302)	(2,752)	(19,869)	10,000	10,000	10,000	10,000
Reorganization Item - Non-Cash for Executory Contracts	66,596	9,250	-	-	-	9,250	-	-	-	-
Change in Restricted Cash	(8,697)	1,165	7,532	-	-	8,697	-	-	-	-
Decrease (Increase) in Net Working Capital	363,083	(17,548)	(18,295)	19,791	43,871	27,819	60,613	25,940	(11,060)	(16,060)
Reversal of Post Petition Unsecured Interest Expense	(163,573)	-	-	-	-	-	-	-	-	-
Proceeds from TNH, Net	-	15,491	-	-	-	15,491	-	10,300	-	12,500
Non-cash Hedges	54,105	-	-	-	-	-	-	-	-	-
Other, net (Includes Actual Hedges)	(4,915)	(6,676)	-	-	-	(6,676)	-	-	-	-
Cash Provided by (Used For) Operating Activities	**$1,094,131**	**$28,013**	**$63,277**	**$185,878**	**$176,696**	**$453,865**	**$283,638**	**$294,799**	**$249,545**	**$252,921**
Capital Expenditures	($172,610)	($40,298)	($82,793)	($56,662)	($30,247)	($210,000)	($210,000)	($210,000)	($210,000)	($210,000)
Sale of Assets	48,055	6,084	-	-	-	6,084	-	-	-	-
Advances to Affiliates	(14,549)	-	-	-	-	-	-	-	-	-
Cash Provided By (Used for) Investing Activities	**($139,104)**	**($34,214)**	**($82,793)**	**($56,662)**	**($30,247)**	**($203,916)**	**($210,000)**	**($210,000)**	**($210,000)**	**($210,000)**
Cash flow for Debt Paydown	$955,027	($6,201)	($19,516)	$129,216	$146,449	$249,949	$73,638	$84,799	$39,545	$42,921
Proceeds From Long-Term Debt	$440,000	$0	$0	$0	$0	$0	-	-	-	-
Mandatory debt additions (retirements)	(369,432)	(410)	1,200,000	(3,000)	(3,000)	1,193,590	(138,836)	(12,624)	(12,621)	(12,557)
Voluntary debt additions (retirements)	-	-	(1,346,375)	-	-	(1,346,375)	-	-	-	-
Change in Restricted Cash	-	(14,859)	14,859	-	-	-	-	-	-	-
Deferred Debt Issuance Costs	(63,096)	(8,217)	-	-	-	(8,217)	-	-	-	-
Preferred Stock Dividends Paid	-	-	-	-	-	-	-	-	-	-
Bankruptcy Emergence Payments	-	-	(314,100)	-	-	(314,100)	-	-	-	-
Repurchase of Accounts Receivable	(385,093)	-	-	-	-	-	-	-	-	-
Cash Provided by (Used For) Financing Activities	**($377,621)**	**($23,486)**	**($445,616)**	**($3,000)**	**($3,000)**	**($475,102)**	**($138,836)**	**($12,624)**	**($12,621)**	**($12,557)**
Effect of Exchange Rate Changes on Cash	443	325	-	-	-	325	-	-	-	-
Net Change in Cash	**$577,849**	**($29,362)**	**($465,132)**	**$126,216**	**$143,449**	**($224,828)**	**($65,198)**	**$72,175**	**$26,924**	**$30,364**
Cash Beginning of Period	126,059	703,908	674,546	209,413	335,630	703,908	479,079	413,881	486,055	512,980
End of period	703,908	$674,546	$209,413	$335,630	$479,079	$479,079	$413,881	$486,055	$512,980	$543,343