

Interim Management Report

11 August, 2008: Smurfit Kappa Group plc (“SKG” or the “Group”), one of the world’s largest integrated manufacturers of paper-based packaging products, with operations in Europe and Latin America, today announced results for the 3 months and 6 months ending 30 June, 2008.

2008 Second Quarter & First Half | Key Financial Performance Measures

€m	Q2 2008	Q2 2007	Change	H1 2008	H1 2007	Change
Revenue	€1,846	€1,831	1%	€3,678	€3,625	1%
EBITDA before Exceptional Items and Share-based Payments ⁽¹⁾	€257	€260	(1%)	€514	€514	-
EBITDA Margin	13.9%	14.2%	-	14.0%	14.2%	-
Operating Profit before Exceptional Items	€156	€159	(2%)	€312	€300	4%
Profit Before Income Tax	€83	€43	95%	€145	-	n/a
Basic Earnings Per Share (cent per share)	38.3	14.4	166%	56.7	(21.9)	n/a
Return on Capital Employed				11.3%	10.5%	8%
Free Cash Flow ⁽²⁾	€76	€3	-	€77	€(37)	-
Net Debt				€3,285	€3,605	(9%)
Net Debt to EBITDA (LTM)				3.09x	3.62x	-

(1) EBITDA before exceptional items and share-based payments is denoted by EBITDA throughout the remainder of the management commentary for ease of reference. A reconciliation of net profit/ (loss) for the period to EBITDA before exceptional items and share-based payments is set out on page 28.

(2) Free cash flow is set out on page 9. The IFRS cash flow is set out on page 16.

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "The Group is pleased to report EBITDA of €514 million for the six month period to 30 June, 2008. A strong cash flow performance has delivered further net debt reduction for the period.

As anticipated early this year, the Group expects conditions to remain challenging for the remainder of 2008, characterised by a slow down in corrugated demand growth and broad-based cost inflation.

Notwithstanding that, we believe that the Group’s strong customer focus, geographic spread, increasingly efficient operating platform, strengthened financial capacity and continued capital restraint will deliver current market expectations for 2008.

As can be seen from our first half results, the Group is well positioned to outperform its peers and deliver strong returns across all metrics through the cycle.”

Dividend

The Board intends to pay an interim dividend of 16.05c per share in October 2008.

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, solid board, corrugated and solid board packaging and has a key position in several other packaging and paper market segments, including graphic board, sack paper and paper sacks. Smurfit Kappa Group also has a growing presence in Eastern Europe. Smurfit Kappa Group operates in 9 countries in Latin America and is the only pan-regional operator.

Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

Contacts	Information	
Smurfit Kappa Group	+353 1 202 7000	Beech Hill, Clonskeagh Dublin 4, Ireland
K Capital Source	+353 1 631 5500	smurfitkappa@kcapitalsource.com

2008 Second Quarter & First Half | Performance Overview

The Group's financial outcome in the first half of 2008 reflects a good performance within our European corrugated business. It involves a combination of continued price recovery in corrugated during the first quarter, and stable pricing during the second. The Group's corrugated volumes decreased year-on-year however, reflecting slowing demand in Europe and the Group's continuous focus on pricing.

This positive achievement was substantially offset by weakening conditions within our paper system, where higher inventory levels and lower demand combined to generate a sharp fall in recycled containerboard prices. Together with increases in input costs, primarily for energy, this generated margin compression.

Despite the challenging operating environment, the Group's tight cost management and increasingly efficient asset base has allowed the Group to continue delivering a strong performance in the period. To further maximise the efficiency of the Group's containerboard system, in the first quarter the Group announced the permanent closure of 130,000 tonnes of less efficient capacity in Spain. The Valladolid mill ceased production in June.

In addition to the mill closure, the Group took 50,000 tons of market-related downtime in the first half of 2008, to balance the inventory levels in our own integrated system and to maintain our working capital at the lowest level in the industry. The Group is planning to take up to 30,000 tons of additional downtime in the second half of the year.

In our kraftliner business, profitability continued to be impacted by pricing pressure from US imports, which benefited from the weak US\$. However, the geographical positioning of the Group's assets allowed for lower wood cost inflation, which contributed to maintaining good kraftliner margins over the period. Moreover, there have been some kraftliner price increase announcements for Europe in the second half of 2008.

The Group's Latin American business continued to perform relatively well in the first half, although volumes in some markets were affected by general economic conditions. However, the overall financial contribution of Latin America to the Group's earnings was adversely affected by the relative strength of the euro.

Second Quarter, 2008 | Financial performance

Revenue of €1,846 million in the second quarter of 2008 represents a 1% increase on revenue of €1,831 million in the second quarter of 2007. Allowing for the negative impact of currency of €37 million and net disposals and closures of €4 million, revenue shows an underlying increase of €56 million, the equivalent of 3%. This reflects the Group's continued emphasis on margins.

At €257 million for the second quarter, EBITDA was €3 million lower than in the same period last year. This reflected the negative impact of currency. On a comparable basis, EBITDA increased by over €1 million year-on-year.

At €156 million, pre-exceptional operating profit for the second quarter of 2008 was €3 million lower than in 2007 when other operating income reflected a consequential loss insurance credit in respect of a fire in our kraftliner mill in France. While our pre-exceptional net finance costs were €2 million lower year-on-year, the share of associates' profit was €4 million lower following the sale of our shareholding in Duropack. As a result, our pre-exceptional profit before tax decreased from €96 million in the second quarter of 2007 to €90 million in 2008.

Total operating profit amounted to €156 million in the second quarter of 2008 compared to 2007's €134 million, after net exceptional costs of €25 million. While our pre-exceptional net finance costs were slightly lower in 2008, our finance costs in 2007 were increased by €28 million which related to debt settlement costs. Our total profit before tax in the second quarter of 2008 was €83 million compared to €43 million in 2007.

First Half, 2008 | Financial performance

Revenue of €3,678 million in the first half of 2008 represents an increase of over 1% on revenue of €3,625 million in the first half of 2007. Allowing for the negative impact of currency of €60 million and net disposals and closures of €18 million, revenue shows an underlying increase of €131 million, the equivalent of almost 4%.

Although EBITDA was flat year-on-year at €514 million, allowing for the impact of currency, net disposals and closures, the underlying increase was over 1%. EBITDA in the first half of 2008 represented a margin of 14.0% on revenue compared to 14.2% in the first half of 2007, as a result of the previously mentioned margin pressure, offset by synergies and cost take-out.

Pre-exceptional operating profit for the first half of the year increased by approximately 4% to €312 million compared to €300 million in 2007. The major part of the increase reflects a reduction of €11 million in the level of share-based payments in 2008.

Exceptional items within operating profit of €28 million in the first half of 2008 arose in the first quarter and were related entirely to the announced closure of our Valladolid recycled containerboard mill in Spain. The costs provided include €11 million in respect of the impairment of fixed asset values. In the first half of 2007, exceptional items within operating profit amounted to €35 million and primarily related to reorganization and restructuring costs.

In total, operating profit amounted to €283 million in the first half of 2008 compared to €265 million in 2007, representing an increase of over €18 million. In addition to this 7% year-on-year increase in operating profit, results were boosted by a decrease of €33 million in our pre-exceptional net interest cost, reflecting our lower average level of indebtedness following the IPO in March 2007. Total finance costs in 2007 included an exceptional element of €103 million in respect of debt settlement costs following the paydown of debt from the IPO proceeds.

Our share of associates' profit was lower in 2008 as a result of the sale during the second quarter of our investment in Duropack. Our total profit before tax was €145 million in the first six months of 2008 compared to less than €1 million in 2007.

2008 Second Quarter & First Half | Capital Structure & Debt Reduction

The main financial focus of the Group in 2008 is further net debt reduction. At the end of June 2008, the Group's net debt was below €3.3 billion, down from over €3.6 billion at the end of June 2007, a 9% decrease year-on-year.

In the second quarter, the Group's net debt decreased by €88 million, or 3%, reflecting the strong free cash flow generated in the period, the proceeds from the sale of the Group's 40% associate shareholding in Duropack AG Group in May and after payment of €35 million in respect of our final dividend for 2007.

In April, the Group was upgraded by both Standard & Poor's and Fitch to 'BB' from 'BB-' (BB minus), with a 'Stable' outlook. In addition, in June Moody's upgraded its outlook for SKG to 'Positive' from 'Stable'. These upgrades reflect the Group's sustained focus on operating efficiency, cash flow generation, debt reduction and a strong overall debt profile.

Efficient Capacity Management & Capital Expenditure

As announced on 27 March, 2008, the Group has permanently closed 130,000 tonnes of less efficient containerboard capacity in Valladolid, Spain. The mill ceased production in June and closed early in July 2008. This closure will reduce the Group's recycled containerboard output by approximately 70,000 tonnes in 2008, with the full year impact being felt in 2009, and maximizes the continuing efficiency of its Spanish mill system.

The Group estimates that the closure of its Valladolid mill will have a P&L cost of €28 million, and provision has been made for this in the first quarter of 2008. The cash out in 2008 is expected to be €13 million, and overall to be cash neutral to positive on completion.

This closure further illustrates the Group's relentless focus on operating efficiency. Since the merger in 2005, the Group has continued to close higher cost capacity, now totalling 20% of its then total capacity. As a result of these actions, it should be noted that the Group's recycled mills comprise an increasingly efficient, high quality system, which is no longer likely to be a source of material capacity rationalisation.

In the context of the proposed significant capacity additions to the market for 2009 and 2010, it is worth noting that European paper producers that own converting and corrugated plants (integrated players) comprise over 50% of the market. These companies supply their plants from their own paper resources leaving a market in the region of 10 million tonnes for the existing non-integrated players and the newly introduced capacity.

In addition to the Valladolid closure, the Group previously announced that it would take up to 80,000 tonnes of market-related downtime in 2008, to address an increase in its recycled containerboard inventory levels, and maintain its working capital at the lowest level in the industry. At the end of June 2008, the Group has taken 50,000 tonnes of that downtime, which had a negative EBITDA impact of approximately €6 million. The remainder of the announced downtime will be taken in the second half of 2008.

Capital expenditure during the first half of 2008 was approximately €128 million, which equates to 74% of depreciation, and compares with €147 million in the first half of 2007. The lower expenditure is a function of timing of projects.

Synergies & Cost Take-Out programme

The Group is on schedule to finalise the achievement of its increased target of €180 million of synergy benefits by the end of 2008. In addition, the Group has initiated a three year cost take out programme, targeted to deliver at least €60 million in 2008, with further delivery of up to €100 million by 2010.

2008 Second Quarter & First Half | Performance Review

Packaging: Europe

The Group's first half financial outcome reflects a good performance within its corrugated business. In the first quarter, further corrugated price increases brought the total of the price increases since the 'trough' of December 2005 to above 18%. In the second quarter, the Group corrugated pricing remained stable. This price increase has allowed the Group to broadly achieve its target for recovery of the 2006 and 2007 input cost increases.

As anticipated in our first quarter release, after experiencing positive demand growth in the first four months of the year, the Group's corrugated volumes were weaker in May and June. This reflects the overall slowing economic environment in Europe, together with the Group's continuous focus on margins. In the first half year of the year, the Group's corrugated volumes decreased by almost 2% compared to the first six months of 2007.

This corrugated performance was offset by materially weakening conditions within recycled containerboard. The lower level of demand led to a continued inventory overhang, which generated downward pricing momentum. As a result, recycled containerboard prices, which had enjoyed continuous upward momentum since the end of 2005, started to fall progressively from March. A €60 per tonne price slippage was reported in the indices to June in most markets.

As recycled containerboard prices were decreasing, the Group faced higher average input costs in the first half of the year. Compared with 2007, these primarily included higher energy and raw material costs. During the second quarter, however, recovered fibre prices dropped, reflecting lower buying demand from Asia. After peaking in March, recovered fibre prices have reduced by approximately €20 per tonne between May and June. While this decrease somewhat lowered the magnitude of the margin compression, recovered fibre prices, on average, were around 12% above 2007 levels during the first half.

The Group's capacity rationalisation of its containerboard system in 2008 has further contributed to its efficient asset base. This together with the Group's unrelenting pressure on cost reduction and strong focus on energy management contributed to delivering strong performance in the first half of the year.

In the Group's kraftliner business, overall demand remained reasonable during the first half, but continuing imports of US kraftliner contributed to downward price pressure. However, a \$55 per tonne price increase was implemented in the US in July, which if implemented for exports will reduce the price gap between imported and domestic Kraftliner in Europe. It would create the opportunity for Kraftliner pricing momentum in Europe in the second half of 2008. In that context, the Group has already implemented a \$50 per tonne price increase for Kraftliner in the UK in July, and has as well announced a €40 per tonne price increase in Italy for September.

The increase in wood costs was somewhat lower than expected in the first half, as capacity closures from Finnish fine paper producers positively impacted conditions for wood supply in Scandinavia. Furthermore, the Group's wood needs are well spread between Sweden, France, Austria, Spain and Slovakia, with the latter four regions benefiting from more competitive wood prices, which contributes to the continued strong profitability of the Group's Kraftliner business.

Packaging: Latin America

While market conditions vary from country to country, our operations in Latin America continued to perform well overall in the first half, although the regional EBITDA in euro terms was negatively impacted as a result of the relative strength of the euro.

In the first half of 2008, the Group's corrugated volumes in Latin America were 2% lower than in the previous year, primarily reflecting the slowing overall demand environment in Mexico and Colombia and the farmers strike in Argentina.

Trading conditions in Mexico remain challenging, characterised by higher input costs, especially for energy, and slower demand. The Group implemented further price increases in the first half of the year, which contributed somewhat to contain the margin compression.

The Group's Colombian operations continued to benefit from positive pricing momentum as well, which compensated for higher input costs. Our sack business in the region performed strongly in the first half, supported by further volume growth and healthy pricing, while our boxboard business suffered at the expense of lower cost imports.

The Group profitability in Argentina and Venezuela was well ahead of last year, reflecting price improvements across all grades despite the challenging local conditions.

Specialties: Europe

The Group's specialties business comprises those European mills which produce grades of paper other than containerboard, together with the related converting operations. These principally include the Group's solidboard mills, boxboard, paper sack businesses and the bag-in-box operations.

In the first half of 2008, the financial performance of the Group's specialties business improved compared to the same period in 2007, with a 17% increase in EBITDA year-on-year.

This positive outcome primarily reflects positive performance from the Group's sack paper mill, together with our strong focus on price recovery in the solidboard division. The Group also benefited from a material volume increase for solidboard-packaging in the Benelux, following the bankruptcy of a local competitor.

However, the Group's solidboard mills continue to be negatively impacted by higher recovered paper prices year-on-year and the relatively higher fibre content than in containerboard. While board prices have increased year-on-year, further price initiatives are required to fully recover the higher input costs.

Demand for sack paper remained positive in the first half of the year. The catalyst for this improvement was led by overseas volumes, which are expected to be weaker in the second half. However, volumes in the sack converting business in Western Europe declined by over 10% year-on-year, reflecting lower demand from the construction industry, particularly in Spain, France and Ireland.

The Group's bag-in-box business reported good growth in profitability year-on-year in the first half of 2008, despite lower demand than expected. The recently acquired Spanish Plasticos operation performed well, and the Group is seeing good progress in the Russian bag operation which commenced production in March this year.

Second Quarter, 2008 | Cash Flow

Free cash flow in the second quarter of 2008 was €76 million compared to €3 million in the same period in 2007. Despite a slightly lower level of EBITDA in 2008, the improved cash flow primarily reflected reduced outflows for working capital and current provisions and lower capital expenditure outflows.

The working capital outflow in the second quarter of 2008 was €8 million compared to €70 million in 2007.

Capital expenditure of €65 million in the second quarter represented approximately 75% of depreciation compared to 92% in 2007. The variance is mainly due to the phasing of projects, with expenditure for the half-year representing 73% of depreciation in 2008 compared to 84% in 2007.

Including investment and financing activities, our total cash surplus for the second quarter of 2008 was €91 million compared to a usage of €49 million in 2007. Our cash flow in 2008 was boosted by the proceeds of €55 million from the sale of our 40% shareholding in Duropack while dividends of €40 million included €35 million paid to our shareholders, and €5 million to our minorities. In the second quarter of 2007, our investment and financing activities included outflows in respect of costs relating to the IPO and our subsequent debt refinancing.

The total surplus for the second quarter of 2008 was reduced by €4 million in respect of the amortisation of debt issuance costs and increased by €1 million in respect of currency. The overall result was a reduction of €88 million in net borrowing during the second quarter of 2008, compared to an increase of €56 million in the same period in 2007.

First half, 2008 | Cash Flow

Free cash flow for the first six months of 2008 was a net inflow of €77 million compared to an outflow of €37 million in the same period in 2007. While pre-exceptional EBITDA was unchanged, the improved cash flow primarily reflected reduced outflows for cash interest, current provisions and lower capital expenditure outflows. The relatively large outflow for current provisions in 2007 was mainly in respect of reorganisation and restructuring charges provided for in 2006 as part of the major rationalisation programme undertaken following the merger.

Working capital increased by €83 million in the first six months of 2008, with higher debtors and stocks offset by higher creditors. The comparative increase in 2007 was €98 million. As a percentage of annualised net sales revenue, working capital of €769 million at June 2008 represented 10.4%, compared to 10.2% at March 2008 and 10.4% at June 2007. It is anticipated that this ratio will reduce in the second half.

Capital expenditure at €128 million in the first six months of 2008 represented 73% of depreciation compared to 84% in 2007. As in 2007, the outflow of €19 million in 2008 in respect of capital creditors arose primarily in the first quarter and was essentially the reversal of an inflow in the fourth quarter of the previous year.

Tax payments of €30 million in 2008 were higher than in 2007 as a result of the significant improvement in pre-tax profits.

Including investment and financing activities, our total cash surplus for the first six months of 2008 was €90 million compared to the underlying usage of €52 million in 2007 which excludes the net proceeds from the IPO and the costs of the subsequent refinancing of our debt. With modest cash flow movements in the first quarter of 2008, those in the half-year were essentially those of the second quarter, namely the proceeds from the sale of our shareholding in Duropack offset by increased dividend payments.

As well as the total surplus of €90 million for the first six months of 2008, the Group benefited from a net positive currency translation adjustments of €37 million offset by a charge of €8 million in respect of the amortisation of debt issuance costs. The positive currency movement mainly reflected the relative strengthening of the euro against the U.S. dollar since December 2007, resulting in a reduction in the euro value of our dollar denominated debt. Debt issuance cost amortisation was considerably higher in 2007 with the accelerated write-off of costs resulting from the early paydown of debt following the IPO. As a result of the paydown of the PIK debt following the IPO, no non-cash interest accrual arose in 2008.

Net borrowing decreased by €119 million in the first six months of 2008 from €3,404 million at December 2007 to €3,285 million at June 2008, a decrease of over 3%.

Summary Cash Flows

Summary cash flows for the second quarter and six months are set out in the following table.

	3 months to 30-Jun-08 € Million	3 months to 30-Jun-07 € Million	6 months to 30-Jun-08 € Million	6 months to 30-Jun-07 € Million
Pre-exceptional EBITDA	257	260	514	514
Exceptional items	-	(4)	-	(14)
Cash interest	(62)	(64)	(122)	(151)
Working capital change	(8)	(70)	(83)	(98)
Current provisions	(11)	(23)	(23)	(61)
Capital expenditure	(65)	(79)	(128)	(147)
Change in capital creditors	(6)	(10)	(19)	(48)
Sale of fixed assets	2	16	3	18
Tax paid	(15)	(14)	(30)	(25)
Other	(16)	(9)	(35)	(25)
Free cash flow	76	3	77	(37)
Shares issued through IPO, net of costs	-	(19)	-	1,437
Refinancing costs	-	(18)	-	(74)
Sale of businesses and investments	55	4	56	8
Investments	-	(2)	-	(3)
Derivative termination payments	-	(14)	(3)	(14)
Dividends	(40)	(3)	(40)	(6)
Total surplus/(usage)	91	(49)	90	1,311
Net cash acquired	-	-	-	1
Deferred debt issue costs amortised	(4)	(13)	(8)	(37)
Non-cash interest accrued	-	-	-	(12)
Currency translation adjustments	1	6	37	14
Decrease/(increase) in net borrowing	88	(56)	119	1,277

(1) The summary cash flow is prepared on a different basis to the cash flow statement under IFRS.

The principal difference is that the summary cash flow details movements in net borrowing while the IFRS cash flow details movement in cash and cash equivalents. In addition, the IFRS cash flow has different sub-headings to those used in the summary cash flow. A reconciliation of the Free cash flow to Cash generated from operations in the IFRS cash flow is set out below.

		6 months to 30-Jun-08 € Million	6 months to 30-Jun-07 € Million
Free cash flow		77	(37)
Add back:	Cash interest	122	151
	Capital expenditure	128	147
	Change in capital creditors	19	48
	Tax payments	30	25
Less:	Sale of fixed assets	(3)	(18)
	Receipt of capital grants (in "Other")	(1)	-
	Dividends from associates (in "Other")	(4)	(3)
Cash flow generated from operations		368	313

Capital Resources

The Group's primary sources of liquidity are cash flow from operations and borrowings under the revolving credit and restructuring facilities. The Group's primary uses of cash are for debt service and capital expenditure and, from time to time, opportunistic acquisitions.

At 30 June, 2008 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 €210 million floating rate notes issued under an accounts receivable securitisation program maturing in 2011.

Smurfit Kappa Acquisitions and certain subsidiaries are party to a Senior Credit Facility. The senior credit facility comprises a €397 million amortising A Tranche maturing in 2012, a €1,185 million B Tranche maturing in 2013 and a €1,184 million C Tranche maturing in 2014. In addition, as at 30 June, 2008, the facility included €875 million in committed lines including a €600 million revolving credit facility of which there was €19 million drawn under letters of credit and a €275 million restructuring facility of which €103 million was drawn.

The following table provides the range of interest rates as of 30 June, 2008 for each of the drawings under the various Senior Credit Facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Restructuring Facility	EUR	5.91% - 5.97%
Term Loan A	EUR	5.93% - 6.62%
Term Loan B	EUR	6.30% - 7.00%
	USD	4.60%
Term Loan C	EUR	6.60% - 7.25%
	USD	4.85%

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

The Group manages its refinancing risk by maintaining a long term debt maturity profile and seeking to avoid material near term maturities and this mitigates its exposure to changes in global debt market conditions.

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 June, 2008 the Group had fixed an average of 59% of its interest cost on borrowings over the following twelve months.

Our fixed rate debt comprised mainly €217.5 million 7.75% senior subordinated notes due 2015, US\$200 million 7.75% senior subordinated notes due 2015 and US\$292 million 7.50% senior debentures due 2025. In addition the Group also has €2,280 million in interest rate swaps with maturity dates ranging from October 2008 to June 2013.

Our earnings are affected by changes in short-term interest rates as a result of our floating rate borrowings. If variable interest rates for these borrowings increase by one percent, our interest expense would increase, and income before taxes would decrease, by approximately €16 million over the following twelve months. Interest income on our cash balances would increase by approximately €5 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.

Principal Risks and Uncertainties

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies are implemented at each level.

The key business risks are identified by the senior management team. The Board in conjunction with senior management identifies major business risks faced by the Group and determines the appropriate course of action to manage these risks.

The principal risks and uncertainties faced by the Group were outlined in our 31 December, 2007 annual report on page 44. The annual report is available on our website www.smurfitkappa.com.

These principal risks and uncertainties remain substantially the same for the remaining six months of the financial year, and are summarised below:

- The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure
- The Group is exposed to the risk of an economic slowdown
- If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time it could adversely affect the Group's financial position and results of operations
- Price fluctuations in raw materials and energy costs could adversely affect the Group's manufacturing costs
- The Group is exposed to currency exchange rate fluctuations
- The Group may not be able to attract and retain suitably qualified employees as required for its business
- The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance with current and future laws and regulations may negatively affect the Group's business
- The Group is exposed to potential risks in relation to its Venezuelan operations
- The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates

The Board regularly monitors all of the above risks and appropriate actions are taken to mitigate those risks or address the potential adverse consequences.

Group Income Statement – Six Months

	<u>Unaudited</u>			<u>Unaudited</u>		
	6 Months to 30-Jun-08			6 Months to 30-Jun-07		
	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000	Pre- Exceptional 2007 €000	Exceptional 2007 €000	Total 2007 €000
Revenue	3,678,006	-	3,678,006	3,624,739	-	3,624,739
Cost of sales	(2,607,723)	(10,950)	(2,618,673)	(2,594,528)	(4,662)	(2,599,190)
Gross profit	1,070,283	(10,950)	1,059,333	1,030,211	(4,662)	1,025,549
Distribution costs	(296,056)	-	(296,056)	(298,241)	-	(298,241)
Administrative expenses	(463,394)	-	(463,394)	(468,226)	-	(468,226)
Other operating income	845	-	845	36,236	5,870	42,106
Other operating expenses	-	(17,318)	(17,318)	-	(36,569)	(36,569)
Operating profit	311,678	(28,268)	283,410	299,980	(35,361)	264,619
Finance costs	(240,984)	-	(240,984)	(253,654)	(103,236)	(356,890)
Finance income	106,951	-	106,951	86,502	-	86,502
Loss on disposal of associate	-	(6,905)	(6,905)	-	-	-
Share of associates' profit (after tax)	2,551	-	2,551	6,239	-	6,239
Profit before income tax	180,196	(35,173)	145,023	139,067	(138,597)	470
Income tax expense			(14,912)			(32,328)
Profit/(loss) for the financial period			€130,111			€(31,858)
<i>Attributable to:</i>						
Equity holders of the Company			123,603			(39,095)
Minority interest			6,508			7,237
Profit/(loss) for the financial period			€130,111			€(31,858)
Earnings per share:						
Basic earnings per share (cent per share)			56.7			(21.9)
Diluted earnings per share (cent per share)			55.9			(21.9)

The notes to the condensed interim Group Financial Statements on pages 18 to 27 form an integral part of this financial information.

Group Income Statement – Second Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 30-Jun-08			3 Months to 30-Jun-07		
	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000	Pre- Exceptional 2007 €000	Exceptional 2007 €000	Total 2007 €000
Revenue	1,845,990	-	1,845,990	1,831,034	-	1,831,034
Cost of sales	<u>(1,308,388)</u>	-	<u>(1,308,388)</u>	<u>(1,302,037)</u>	<u>(4,662)</u>	<u>(1,306,699)</u>
Gross profit	537,602	-	537,602	528,997	(4,662)	524,335
Distribution costs	(149,209)	-	(149,209)	(149,048)	-	(149,048)
Administrative expenses	(232,914)	-	(232,914)	(228,783)	-	(228,783)
Other operating income	442	-	442	7,915	5,141	13,056
Other operating expenses	-	-	-	-	(25,429)	(25,429)
Operating profit	155,921	-	155,921	159,081	(24,950)	134,131
Finance costs	(103,319)	-	(103,319)	(117,208)	(27,840)	(145,048)
Finance income	36,679	-	36,679	48,328	-	48,328
Loss on disposal of associate	-	(6,905)	(6,905)	-	-	-
Share of associates' profit (after tax)	<u>1,094</u>	-	<u>1,094</u>	<u>5,485</u>	-	<u>5,485</u>
Profit before income tax	90,375	(6,905)	83,470	95,686	(52,790)	42,896
Income tax expense			<u>3,800</u>			<u>(8,093)</u>
Profit for the financial period			<u>87,270</u>			<u>€34,803</u>
<i>Attributable to:</i>						
Equity holders of the Company			<u>83,440</u>			<u>31,295</u>
Minority interest			<u>3,830</u>			<u>3,508</u>
Profit for the financial period			<u>€87,270</u>			<u>€34,803</u>
Earnings per share:						
Basic earnings per share (cent per share)			<u><u>38.3</u></u>			<u><u>14.4</u></u>
Diluted earnings per share (cent per share)			<u><u>37.6</u></u>			<u><u>14.0</u></u>

Group Statement of Recognised Income and Expense

	<u>Unaudited</u> 6 months to 30-Jun-08 €000	<u>Unaudited</u> 6 months to 30-Jun-07 €000 Restated
Items of income and expense recognised directly within equity:		
Foreign currency translation adjustments	(14,153)	(4,451)
Defined benefit pension schemes		
- Actuarial gain	31,004	119,900
- Movement in deferred tax	(7,377)	(30,135)
Effective portion of changes in fair value of cash flow hedges:		
- movement out of reserve	(7,678)	(4,524)
- new fair value adjustments into reserve	16,791	10,097
Net change in fair value of available-for-sale financial assets	(300)	610
Net income and expense recognised directly within equity	<u>18,287</u>	<u>91,497</u>
Profit/(loss) for the financial period	<u>130,111</u>	<u>(31,858)</u>
Total recognised income and expense for the financial period	<u>148,398</u>	<u>€59,639</u>
<i>Attributable to:</i>		
Equity holders of the Company	145,341	44,480
Minority interest	3,057	15,159
	<u>148,398</u>	<u>59,639</u>
Effects of changes in accounting policy:		
<i>Attributable to:</i>		
Equity holders of the Company		(163)
Minority interest		-
		<u>(163)</u>

The notes to the condensed interim Group Financial Statements on pages 18 to 27 form an integral part of this financial information.

Group Balance Sheet

	<u>Unaudited</u> 30-Jun-08 €000	<u>Unaudited</u> 30-Jun-07 €000 Restated	<u>Audited</u> 31-Dec-07 €000 Restated
Assets			
Non-current assets			
Property, plant and equipment	3,171,818	3,337,455	3,251,479
Goodwill and intangible assets	2,391,938	2,448,016	2,416,785
Biological assets	75,910	79,608	74,758
Investment in associates	15,456	76,463	79,307
Available-for-sale financial assets	43,196	43,329	43,511
Trade and other receivables	4,781	5,512	6,716
Derivative financial instruments	8,966	10,545	4,301
Deferred income tax assets	342,691	271,006	340,875
	<u>6,054,756</u>	<u>6,271,934</u>	<u>6,217,732</u>
Current assets			
Inventories	708,562	694,543	682,169
Biological assets	6,712	7,083	6,862
Trade and other receivables	1,473,748	1,535,997	1,379,105
Derivative financial instruments	31,435	28,054	28,261
Restricted cash	14,144	15,385	13,096
Cash and cash equivalents	453,704	262,003	401,622
	<u>2,688,305</u>	<u>2,543,065</u>	<u>2,511,115</u>
Non-current assets held for sale	10,999	5,000	15,999
Total assets	<u>€8,754,060</u>	<u>€8,819,999</u>	<u>€8,744,846</u>
Equity			
Capital and reserves attributable to the equity holders of the Company			
Equity share capital	228	227	228
Capital and other reserves	2,543,653	2,604,233	2,538,047
Retained earnings	(375,239)	(613,232)	(486,126)
Total equity attributable to equity holders of the Company	<u>2,168,642</u>	<u>1,991,228</u>	<u>2,052,149</u>
Minority interest	135,588	146,214	137,443
Total equity	<u>2,304,230</u>	<u>2,137,442</u>	<u>2,189,592</u>
Liabilities			
Non-current liabilities			
Borrowings	3,613,960	3,729,973	3,667,618
Deferred income	-	1,120	-
Employee benefits	431,608	447,901	482,497
Deferred income tax liabilities	510,866	535,293	530,102
Non-current taxes payable	28,256	3,027	19,704
Provisions for liabilities and charges	60,123	79,294	77,698
Capital grants	14,076	12,877	14,176
Other payables	2,302	-	8,535
	<u>4,661,191</u>	<u>4,809,485</u>	<u>4,800,330</u>
Current liabilities			
Borrowings	139,082	152,639	150,976
Trade and other payables	1,418,447	1,476,752	1,402,687
Current income tax liabilities	31,542	54,499	25,650
Derivative financial instruments	142,726	119,704	121,058
Provisions for liabilities and charges	56,842	69,478	54,553
	<u>1,788,639</u>	<u>1,873,072</u>	<u>1,754,924</u>
Total liabilities	<u>6,449,830</u>	<u>6,682,557</u>	<u>6,555,254</u>
Total equity and liabilities	<u>€8,754,060</u>	<u>€8,819,999</u>	<u>€8,744,846</u>

The notes to the condensed interim Group Financial Statements on pages 18 to 27 form an integral part of this financial information.

Group Cash Flow Statement

	<u>Unaudited</u> 6 months to 30-Jun-08 €000	<u>Unaudited</u> 6 months to 30-Jun-07 €000
Cash flows from operating activities		
Profit/(loss) for the financial period	130,111	(31,858)
<i>Adjustment for</i>		
Income tax expense	14,912	32,328
Loss on sale of assets and businesses – continuing operations	-	(5,870)
Amortisation of capital grants	(844)	(792)
Impairment of property, plant and equipment	10,950	4,662
Equity settled share-based payment transactions	6,050	16,896
Amortisation of intangible assets	22,302	21,120
Share of profit of associates	4,354	(6,239)
Depreciation charge	171,741	175,051
Net finance costs	134,033	270,388
Change in inventories	(29,504)	(67,850)
Change in biological assets	2,406	645
Change in trade and other receivables	(100,613)	(198,113)
Change in trade and other payables	46,798	168,292
Change in provisions	(21,902)	(42,702)
Change in employee benefits	(21,236)	(21,840)
Foreign currency translation adjustments	(1,401)	(657)
Cash generated from operations	368,157	313,461
Interest paid	(145,674)	(257,154)
Income taxes paid:		
Irish corporation tax paid	(1,499)	(1,100)
Overseas corporation tax (net of tax refunds) paid	(28,471)	(23,775)
Net cash inflow from operating activities	192,513	31,432
Cash flows from investing activities		
Interest received	19,529	11,139
Business disposals	580	7,905
Purchase of property, plant & equipment and biological assets	(142,588)	(191,421)
Purchase of intangible assets	(3,634)	-
Repayment of capital grants	789	(194)
Purchase of available-for-sale financial assets	(4)	(4)
(Increase) in restricted cash	(1,048)	(4,921)
Disposal of property, plant and equipment	3,357	17,621
Disposal of investments	-	167
Dividends received from associates	4,382	3,366
Disposals of associates	54,969	893
Purchase of subsidiaries and minorities	(148)	(3,227)
Deferred and contingent acquisition consideration paid	-	(14)
Net cash outflow from investing activities	(63,816)	(158,690)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	102	1,495,173
Costs associated with issuing new shares	-	(57,926)
(Decrease) in interest-bearing borrowings	(15,650)	(1,364,965)
Repayment of finance lease liabilities	(7,506)	(8,024)
Derivative termination payments	(2,841)	(14,005)
Dividends paid to shareholders	(35,000)	-
Dividends paid to minority interests	(4,913)	(5,718)
Net cash (outflow)/inflow from financing activities	(65,808)	44,535
Increase / (decrease) in cash and cash equivalents	62,889	(82,723)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	375,390	321,494
Currency translation adjustment	(6,925)	(368)
Increase / (decrease) in cash and cash equivalents	62,889	(82,723)
Cash and cash equivalents at 30 June	€431,354	€238,403

The notes to the condensed interim Group Financial Statements on pages 18 to 27 form an integral part of this financial information.

Responsibility Statement in Respect of the Six Months Ended 30 June 2008

The Directors are responsible for preparing this interim management report and the condensed interim financial information in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the condensed interim group financial information for the half year ended 30 June 2008 has been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34, adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed interim group financial information for the half year ended 30 June 2008, and a description of the principal risks and uncertainties for the remaining six months;
- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the group during that period, and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the group in the first six months of the current financial year.

G.W. McGann
I.J. Curley

Directors
11 August, 2008

1. General information

Smurfit Kappa Group plc ('SKG plc') ('the Company') and its subsidiaries (together 'the Group') manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products such as solidboard and graphicboard. The Company is a public limited company incorporated and tax resident in Ireland with its registered office at Beech Hill, Clonskeagh, Dublin 4, Ireland.

On 14 March, 2007 SKG plc completed an IPO with the placing to institutional investors of 78,787,879 new ordinary shares. This offering, together with the issue of an additional 11,818,181 ordinary shares, generated gross proceeds of €1,495 million. The additional shares were issued on admission by Deutsche Bank acting as stabilising manager under an over-allocation option and represent the permitted maximum 15% of the total number of shares in the IPO. The issue proceeds, net of costs, were used to repay certain debt obligations of the Group and to repay the shareholder PIK note issued in connection with the Group's 2005 acquisition of Kappa Packaging. Trading in the shares on the Irish Stock Exchange and the London Stock Exchange commenced on 20 March, 2007.

2. Basis of Preparation

The condensed interim group financial information included in this report has been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Irish Financial Services Regulatory Authority and with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as adopted by the European Union. Certain quarterly information and the balance sheet as at 30 June 2007 has been included in this report which is supplementary and not subject to the requirements of IAS 34. This report should be read in conjunction with the consolidated financial statements for the year ended 31 December, 2007 included in the Group's 2007 annual report which is available on the Group website (www.smurfitkappa.com). The accounting policies and methods of computation and presentation adopted in the preparation of the interim group financial information are consistent with those applied in the annual report for the financial year ended 31 December, 2007 and are described in those financial statements; with the exception of the application of IFRIC 14.

The Group adopted IFRIC 14, 'IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' from 1 January, 2008. IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits, on the amount of a surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14 from 1 January, 2008. On adoption, in accordance with IFRIC 14, the Group defined benefit pension liability increased by approximately €1,533,000 with an increase of €460,000 in deferred income tax assets. The resulting effect on equity of €1,073,000 is shown as an adjustment to the opening balance of retained earnings.

In addition to IFRIC 14, the following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January, 2008, but are not currently relevant to the group:

- IFRIC 12, Service concession arrangements
- IFRIC 13, Customer Loyalty Programmes

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.

The Group's auditors have not audited or reviewed the interim group financial information contained in this report.

The condensed 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, 2007 have been filed with the Irish Registrar of Companies. The audit report on those group accounts was unqualified.

3. Segmental Analyses

	6 months to 30-Jun-08			6 months to 30-Jun-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€000	€000	€000	€000	€000	€000
Third party revenue (external)	€3,190,374	€487,632	€3,678,006	€3,153,864	€470,875	€3,624,739
Segment results-pre exceptional items	303,509	30,994	334,503	301,867	23,805	325,672
Exceptional items	(28,268)	-	(28,268)	(18,172)	(7,284)	(25,456)
	275,241	30,994	306,235	283,695	16,521	300,216
Unallocated centre costs-pre exceptional items			(22,825)			(25,692)
Group centre exceptional items			-			(9,905)
Operating profit			283,410			264,619
Share of associates' profit/(loss) (after tax)	2,551	-	2,551	7,568	(1,329)	6,239
Loss on disposal of associate	(6,905)	-	(6,905)	-	-	-
Finance costs			(240,984)			(356,890)
Finance income			106,951			86,502
Profit before income tax			€145,023			€470

	3 months to 30-Jun-08			3 months to 30-Jun-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€000	€000	€000	€000	€000	€000
Third party revenue (external)	€1,588,087	€257,903	€1,845,990	€1,584,743	€246,291	€1,831,034
Segment results-pre exceptional items	148,467	21,637	170,104	151,677	16,394	168,071
Exceptional items	-	-	-	(16,302)	(7,362)	(23,664)
	148,467	21,637	170,104	135,375	9,032	144,407
Unallocated centre costs-pre exceptional items			(14,183)			(8,990)
Group centre exceptional items			-			(1,286)
Operating profit			155,921			134,131
Share of associates' profit/(loss) (after tax)	1,094	-	1,094	6,156	(671)	5,485
Loss on disposal of associate	(6,905)	-	(6,905)	-	-	-
Finance costs			(103,319)			(145,048)
Finance income			36,679			48,328
Profit before income tax			€33,470			€42,896

4. Exceptional Items

The following items are regarded as exceptional in nature:	6 months to 30-Jun-08 €000	6 months to 30-Jun-07 €000
Reorganisation and restructuring costs	(17,318)	(36,569)
Impairment of property, plant and equipment	(10,950)	(4,662)
Net income on sale of assets and operations	-	5,870
Total exceptional items included in operating costs	<u>€(28,268)</u>	<u>€(35,361)</u>
Total exceptional items included in finance costs	-	<u>€(103,236)</u>
Loss on disposal of associate	<u>€(6,905)</u>	-

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

The loss on disposal of associate resulted from the sale of the Group's principal associate Duropack AG.

The reorganisation and restructuring costs in 2007 include the termination costs on closures of a containerboard mill in France, a cartons plant and a small sheet plant in Ireland and a solid board packaging plant in Norway.

In 2007 an impairment charge of €4.7 million resulted from the closure of the containerboard mill in France.

Net income on sale of assets and operations in 2007 included gains on the sale of land and buildings in Spain, Italy, the UK and Venezuela. We also sold a small sack plant in Sweden and a small solid board operation in Mexico.

Exceptional finance costs of €103 million arose in 2007 following our use of the proceeds from the IPO to pay down debt. These costs comprise refinancing costs of €74 million and the non-cash accelerated amortisation of debt costs of €29 million.

5. Other Operating Income

Other operating income in 2007 includes insurance proceeds of €28 million in respect of a fire in the Group's mill in Factice, France. The costs of the fire and related downtime were included in the appropriate cost headings within operating profit.

6 Finance Costs and Finance Income

	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 €000
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	106,691	101,789
Interest payable on finance leases and hire purchase contracts	2,813	3,400
Interest payable on other borrowings	32,164	70,220
Amortisation of deferred debt issue costs	7,524	37,140
Finance costs associated with debt restructuring	-	73,935
Impairment loss on available-for-sale financial assets	-	54
Unwinding of discount element of provisions	1,099	113
Foreign currency translation loss on debt	9,320	7,874
Fair value loss on derivatives	29,929	13,692
Interest cost on employee benefit plan liabilities	51,444	48,673
Total finance cost	240,984	356,890
<i>Finance income</i>		
Other interest receivable	19,529	11,727
Foreign currency translation gain on debt	35,153	16,197
Fair value gain on commodity derivatives	652	1,854
Fair value gain on other derivatives	7,156	12,704
Expected return on employee benefit plan assets	44,461	44,020
Total finance income	106,951	86,502
Net finance cost	€134,033	€270,388

7. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 €000
Current taxation		
Europe	26,680	23,078
United States and Canada	18	(1,721)
Latin America	16,188	17,659
	42,886	39,016
Deferred taxation		
Income tax expense	(27,974)	(6,688)
	€14,912	€32,328
Current tax is analysed as follows:		
Ireland	2,802	8,199
Foreign	40,084	30,817
	€42,886	€39,016

Income tax recognised directly in equity

	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 €000
Arising on actuarial gains on defined benefit plans	7,377	30,135

A net credit of €1.6 million is included in the 2008 current tax charge for exceptional items.

Interim period income tax is accrued based on the estimated 2008 annual effective income tax rate of 20%.

The increase in the deferred tax credit for the period ended 30 June 2008 arose primarily due to the recognition of tax losses and movement in other timing differences.

8. Employee Post Retirement Schemes

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

	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 €000
Current service cost	21,222	26,451
Past service cost	608	185
(Gain) on settlements and curtailments	(326)	(2,778)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	839	(26)
	22,343	23,832
Expected return on scheme assets	(44,461)	(44,020)
Interest cost on scheme liabilities	51,444	48,673
Net financial expense	6,983	4,653
Defined benefit expense	€29,326	€28,485

Included in cost of sales and distribution and administrative expenses is a total defined benefit expense of €22,343,000 for the first six months (2007: €23,832,000). Expected Return on Scheme Assets of €44,461,000 for the first six months (2007: €44,020,000) is included in Finance Income and Interest Cost on Scheme Liabilities of €51,444,000 for the first six months (2007: €48,673,000) is included in Finance Expense in the Group Income Statement.

The amounts recognised in the balance sheet were as follows:

	30-Jun-08 €000	30-Jun-07 €000	31-Dec-07 €000
Present value of funded obligations	(1,337,623)	(1,500,820)	(1,498,547)
Fair value of plan assets	1,278,244	1,460,380	1,411,223
Present value of unfunded obligations	(372,229)	(407,461)	(395,173)
Liability in the balance sheet	(431,608)	(447,901)	(482,497)

The adoption of IFRIC 14, 'IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' resulted in the following adjustments to the comparative figures:

	30-Jun-07 €000	31-Dec-07 €000
Liability in the balance sheet – As previously stated	447,386	480,964
Impact of adoption of IFRIC 14	515	1,533
Liability in the balance sheet – restated	447,901	482,497

The above impact of the adoption of IFRIC 14 is reflected as a movement in the Statement of Recognised Income and Expense.

The employee benefits provision has decreased from €481 million at 31 December 2007 to €432 million at 30 June 2008. The fall in provision was mainly as a result of asset losses being more than compensated by significant increases in AA Corporate yields which reduced pension liabilities. Over this period euro bond yields increased by 0.75% and Sterling bond yields increased by 0.55%. This reduced the value of pension liabilities by approximately €152 million.

9. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	3 Months to 30-Jun-08 €000	3 Months to 30-Jun-07 €000	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 €000
Profit/(loss) attributable to equity holders of the Company	83,440	31,295	123,603	(39,095)
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	218,022	217,702	218,008	178,191
Basic earnings per share (cent per share)	38.3	14.4	56.7	(21.9)

Diluted

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

	3 Months to 30-Jun-08 €000	3 Months to 30-Jun-07 €000	6 Months to 30-Jun-08 €000	6 Months to 30-Jun-07 ⁽²⁾ €000
Profit/(loss) attributable to equity holders of the Company	83,440	31,295	123,603	(39,095)
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	218,022	217,702	218,008	178,191
Potential dilutive ordinary shares assumed	3,948	5,606	3,041	-
Diluted weighted average ordinary shares	221,970	223,308	221,049	178,191
Diluted earnings per share (cent per share)	37.6	14.0	55.9	(21.9)

(1) Average of ordinary shares in issue pre and post the IPO. Ordinary shares in issue at 30 June 2008 amounted to 218,022,794.

(2) There is no difference between basic and diluted loss per share in the six months to 30 June, 2007 as the inclusion of the dilutive impact of the convertible shares would have the effect of reducing the loss per share.

10. Dividends

During the period, the final dividend for 2007 of 16.05 cent per share was paid to the holders of ordinary shares.

11. Property, Plant and Equipment

	Land and Buildings €000	Plant and Equipment €000	Total €000
Half year ended 30 June 2008			
Opening net book amount	1,176,694	2,074,785	3,251,479
Reclassification	10,465	(10,465)	-
Additions	2,661	115,313	117,974
Depreciation charge for the period	(24,687)	(147,054)	(171,741)
Impairment losses recognised in profit and loss	(1,233)	(9,717)	(10,950)
Retirements and disposals	(1,288)	(2,518)	(3,806)
Foreign currency translation adjustment	(2,610)	(8,528)	(11,138)
At 30 June 2008	€1,160,002	€2,011,816	€3,171,818

11. Property, Plant and Equipment – (continued)

	Land and Buildings €000	Plant and Equipment €000	Total €000
Year ended 31 December 2007			
Opening net book amount	1,215,877	2,166,104	3,381,981
Reclassification	34,382	(34,941)	(559)
Acquisitions	772	6,783	7,555
Additions	14,547	288,742	303,289
Transfer to assets held for sale	(9,123)	(1,026)	(10,149)
Depreciation charge for the year	(51,406)	(305,819)	(357,225)
Impairment losses recognised in profit and loss	(225)	(6,208)	(6,433)
Retirements and disposals	(10,703)	(7,934)	(18,637)
Foreign currency translation adjustment	(17,427)	(30,916)	(48,343)
At 31 December 2007	1,176,694	2,074,785	3,251,479

12 Investment in Associates

	6 Months to 30-Jun-08 €000	12 Months to 31-Dec-2007 €000
At 1 January	79,307	76,668
Share of profits for the period	2,551	12,513
Dividends received from associates	(4,382)	(3,617)
Disposals	(61,878)	(3,810)
Transfer to subsidiaries		(2,000)
Reclassification	-	631
Foreign currency translation adjustment	(142)	(1,078)
At 30 June	€15,456	€79,307

13. Share-based Payment

In March 2007 upon the IPO becoming effective, all of the then class A, E, F and H convertible shares and 80% of the class B convertible shares vested and were converted into D convertible shares. The class C, class G and 20% of the class B convertible shares did not vest and were re-designated as A1, A2 and A3 convertible shares.

The A1, A2 and A3 convertible shares automatically convert on a one-to-one basis into D convertible shares on the first, second and third anniversaries respectively of the IPO, provided their holder remains an employee of the Group at the relevant anniversary. The D convertible shares resulting from these conversions are convertible on a one-to-one basis into ordinary shares, at the instance of the holder, upon the payment by the holder of the agreed conversion price. The life of the D convertible shares arising from the vesting of these new classes of convertible share ends on 20 March, 2014.

The plans provide for equity settlement only, no cash settlement alternative is available.

13. Share-based Payment – (Continued)

In March 2007, SKG plc adopted the 2007 Share Incentive Plan (the “2007 SIP”). Incentive awards under the 2007 SIP are in the form of New Class B and New Class C convertible shares issued in equal proportions to participants at a nominal value of €0.001 per share. On satisfaction of specified performance criteria the New B and New C convertible shares will automatically convert on a one-to-one basis into D convertible shares. The D convertibles may be converted by the holder into ordinary shares upon payment of the agreed conversion price. The conversion price for each D convertible share is the market value of an ordinary share on the date the participant was invited to subscribe less the nominal subscription price. Each award has a life of ten years from the date of issuance of the New Class B and New Class C convertible shares.

As of 30 June 2008, SKG plc had a total of 15,310,509 convertible shares in issue in total, 10,114,029 under the 2002 Plan, as amended and 5,196,480 under the 2007 SIP.

A summary of the activity under the 2002 Plan, as amended, for the period from 31 December, 2007 to 30 June, 2008 is presented below.

Shares 000's	Class of Convertible shares				
	D	A1	A2	A3	Total
Balance December 2007	8,399.8	583.7	583.7	583.6	10,150.8
Vested into D	583.7	(583.7)	-	-	-
Converted into Ordinary shares	(36.8)	-	-	-	(36.8)
Balance June 2008	8,946.7	-	583.7	583.6	10,114.0
Exercisable June 2008	8,946.7	-	-	-	8,946.7

The exercise price for all D convertible shares other than those derived from Class H convertibles at 30 June, 2008 was €4.28. The exercise price for D convertible shares derived from Class H convertibles was €5.69 at 30 June, 2008. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 30 June, 2008 was 4.49 years.

A summary of the activity under the 2007 SIP, for the period from 31 December, 2007 to 30 June, 2008 is presented below:

Shares 000's	Class of Convertible shares		
	New B	New C	Total
Balance December 2007	1,374.6	1,374.6	2,749.2
Exercisable December 2007	-	-	-
March 2008 Allotted	1,223.6	1,223.6	2,447.3
Balance June 2008	2,598.2	2,598.2	5,196.5
Exercisable June 2008	-	-	-

As at 30 June, 2008 the weighted average exercise price for all New B and New C convertible shares upon conversion would be €13.68. The weighted average remaining contractual life of all the awards issued under the 2007 SIP at 30 June, 2008 was 9.28 years.

14. Reconciliation of Movements in Total Equity

	Attributable to equity holders of the Company €000	Minority interests €000	Total equity €000
31 December 2007, as previously reported	2,053,222	137,443	2,190,665
Adjustment in respect of the implementation of IFRIC 14	(1,073)	-	(1,073)
31 December 2007, as adjusted	2,052,149	137,443	2,189,592
Total recognised income and expense	145,341	3,057	148,398
Share premium on shares issued	102	-	102
Share-based payment expense	6,050	-	6,050
Dividend paid to shareholders	(35,000)	-	(35,000)
Dividends paid to minorities	-	(4,912)	(4,912)
At 30 June 2008	2,168,642	135,588	2,304,230
1 January 2007, as previously reported	495,178	136,343	631,521
Adjustment in respect of the implementation of IFRIC 14	(197)	-	(197)
1 January 2007, as adjusted	494,981	136,343	631,324
Total recognised gains and losses	99,430	8,337	107,767
Shares issued	1,432,997	-	1,432,997
Share-based payment expense	24,741	-	24,741
Purchase of minorities	-	(1,462)	(1,462)
Dividends paid to minorities	-	(5,775)	(5,775)
At 31 December 2007	2,052,149	137,443	2,189,592

IFRIC 14 provides guidance on how to assess the limit in IAS 19 Employee Benefits, on the amount of a surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Group has applied IFRIC 14 from 1 January 2008. On adoption, in accordance with IFRIC 14, the Group defined benefit pension liability increased by €1,533,000 with an increase of €460,000 in deferred income tax assets. The resulting effect on equity of €1,073,000 is shown as an adjustment to the opening balance of retained earnings on 1 January 2008, with a corresponding reduction of €197,000 at 1 January 2007.

15. Analysis of Net Debt

	30-Jun-08 €000	31-Dec-07 €000
Senior credit facility:		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 1.5%	(8,692)	(10,746)
Restructuring facility ⁽²⁾ – interest at relevant interbank rate + 1.5% until conversion to Term Loan	103,200	103,200
Tranche A Term loan ^(3a) – interest at relevant interbank rate + 1.5%	396,908	422,214
Tranche B Term loan ^(3b) – interest at relevant interbank rate + 1.875%	1,185,131	1,187,045
Tranche C Term loan ^(3c) – interest at relevant interbank rate + 2.125%	1,184,011	1,186,147
Yankee bonds (including accrued interest) ⁽⁴⁾	185,571	198,674
Bank loans and overdrafts/(cash)	(381,405)	(324,946)
2011 Receivables securitisation floating rate notes (including accrued interest) ⁽⁵⁾	206,370	205,815
	2,871,094	2,967,403
2015 Cash pay subordinated notes (including accrued interest) ⁽⁶⁾	344,320	352,985
Net debt before finance leases	3,215,414	3,320,388
Finance leases	64,051	72,786
Net debt including leases - Smurfit Kappa Funding plc	3,279,465	3,393,174
Balance of revolving credit facility reclassified to debtors	8,692	10,746
Net debt after reclassification - Smurfit Kappa Funding plc	3,288,157	3,403,920
Net (cash) in parents of Smurfit Kappa Funding plc	(2,963)	(44)
Net Debt including leases - Smurfit Kappa Group plc	€3,285,194	€3,403,876

- (1) Revolving credit facility of €600 million (available under the senior credit facility) to be repaid in full in 2012 (Revolver Loans = Nil, drawn under ancillary facilities and facilities supported by letters of credit = €0.96 million, letters of credit issued in support of other liabilities-€18.3 million)
- (2) Restructuring credit facility of €275 million (available under the senior credit facility)
- (3a) Term Loan A due to be repaid in certain instalments up to 2012
- (3b) Term Loan B due to be repaid in full in 2013
- (3c) Term Loan C due to be repaid in full in 2014
- (4) 7.50% senior debentures due 2025 of \$292.3 million
- (5) Receivables securitisation floating rate notes mature September 2011
- (6) €217.5 million 7.75% senior subordinated notes due 2015 and US\$200.0 million 7.75% senior subordinated notes due 2015

16. Board Approval

This interim management report and condensed interim financial statements were approved by the board of directors on 11 August, 2008.

17. Distribution of Interim Management Report

The 2008 interim management report and condensed interim financial statements are available on the Group's website (www.smurfitkappa.com). A printed copy will be posted to shareholders and will be available to the public from that date at the Company's registered office.

Supplemental Financial Information

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

	6 months to 30-Jun-08 €000	6 months to 30-Jun -07 €000	3 months to 30-Jun-08 €000	3 months to 30-Jun -07 €000
Profit/(loss) for the financial period	123,603	(39,095)	83,440	31,295
Equity minority interests	6,508	7,237	3,830	3,508
Income tax expense	14,912	32,328	(3,800)	8,093
Share of associates' operating income	(2,551)	(6,239)	(1,094)	(5,485)
Profit on sale of assets and operations –subsidiaries	-	(5,870)	-	(5,141)
Loss on disposal of associates	6,905	-	6,905	-
Reorganisation and restructuring costs	17,318	36,569	-	25,429
Impairment of fixed assets	10,950	4,662	-	4,662
Total net interest	134,033	270,388	66,640	96,720
Share-based payment expense	6,050	16,896	2,368	3,659
Depreciation, depletion (net) and amortisation	196,449	196,816	98,629	96,928
EBITDA before exceptional items and share-based payment expense	€14,177	€13,692	€256,918	€259,668

€ Million	Q1, 2007	Q2, 2007	Q3, 2007	Q4, 2007	FY 2007	Q1, 2008	Q2, 2008
Group and third party revenue	2,628	2,650	2,689	2,656	10,624	2,702	2,713
Third party revenue	1,794	1,831	1,829	1,818	7,272	1,832	1,846
EBITDA before exceptional items and share-based payment expense	254	260	275	275	1,064	257	257
EBITDA margin	14.2%	14.2%	15.1%	15.1%	14.6%	14.0%	13.9%
Operating profit	130	134	171	126	562	127	156
(Loss)/profit before tax	(42)	43	106	64	170	62	83
Free cash flow	(40)	3	150	73	186	1	76
Basic earnings per share (cent per share)	(50.9)	14.4	38.6	46.9	74.3	18.4	38.3
Weighted average number of shares used in EPS calculation	138,241	217,702	217,768	217,952	198,188	217,994	218,022
Net debt	3,549	3,605	3,448	3,404	3,404	3,373	3,285
Net debt to EBITDA (LTM)	3.71	3.62	3.30	3.20	3.20	3.16	3.09