

Interim Management Report

12 November, 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 9 months ending 30 September, 2008.

2008 Third Quarter & First Nine Months | Key Financial Performance Measures

€m	YTD 2008	YTD 2007	Change	Q3 2008	Q3 2007	Change	Q2 2008	Change
Revenue	€5,431	€5,454	-	€1,753	€1,829	(4%)	€1,846	(5%)
EBITDA before Exceptionals and Share-based Payments ⁽¹⁾	€745	€789	(6%)	€231	€275	(16%)	€257	(10%)
EBITDA Margin	13.7%	14.5%	-	13.2%	15.1%	-	13.9%	-
Basic Earnings Per Share (cent per share)	73.5	23.5	n/a	16.8	38.6	(56%)	38.3	(56%)
Free Cash Flow ⁽²⁾	€226	€113	100%	€149	€150	(1%)	€76	96%
Net Debt				€3,192	€3,448	(7%)	€3,285	(3%)
Net Debt to EBITDA (LTM)				3.1x	3.3x		3.1x	

(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 25.

(2) Free cash flow is set out on page 7. The IFRS cash flow is set out on page 13.

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "The Group is pleased to report a strong free cash flow performance of €226 million in the first nine months of 2008, double the levels of the corresponding period in 2007. Net debt was significantly reduced over the period.

This positive outcome primarily reflects the benefits of the Group's integrated model, the resilience of its downstream corrugated business, the superior profitability of its growing Latin American operations and its leading Kraftliner presence across Europe, a market positively influenced by the recent strengthening of the US\$.

In the current credit market environment, the Group continues to benefit from its low cost of financing and long term debt profile with no material maturity in the next four years. The Group also benefits from strong liquidity, with approximately €730 million of cash on its balance sheet and unused committed credit lines of approximately €600 million.

As indicated since its first quarter 2008 report, the Group expects conditions to remain challenging for the remainder of the year, characterised by the slowdown in corrugated demand and pressure on pricing. Against that backdrop, the Group is pleased to confirm that it remains on target to deliver the expected level of financial performance in 2008.

While declining interest rates, a stronger dollar, further capacity rationalisation decisions and increased financing risk for the announced new capacity are potentially positive factors as we look forward, nonetheless the Group expects a continuation of tough operating conditions for 2009. In that context, to further increase its cash flow generation capability and to maximise its debt paydown through the cycle, the Group will progressively reduce its capital expenditure from current levels."

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.

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2008 Third Quarter & First Nine Months | Performance Overview

In a tough operating environment, the Group continues to generate strong free cash flow. The Group's free cash flow generation of €226 million in the first nine months of 2008 doubled compared to the same period in 2007. This performance reflects the Group's reduced debt servicing costs, tight working capital control and continued efficient management of its capital expenditure.

As a result of its strong financial management, the Group reduced its net debt by €12 million over the first nine months of the year, a 6% reduction. The Group's net debt to EBITDA was reduced from 3.2x at the end of December 2007 to 3.1x at the end of September 2008, giving it continuing significant headroom compared to its actual covenant level of 4.85x at the end of the third quarter.

The Group's EBITDA of €231 million in the third quarter of 2008 primarily reflects the resilience of its European corrugated business. The Group also continued to benefit from the sustained strong contribution of its Latin American operations.

These positive achievements were offset by weakening conditions within the Group's recycled containerboard system, where materially lower prices combined with higher input costs generated significant margin compression. Following the sharp containerboard price decline of the second quarter of 2008, prices have somewhat stabilised since August.

While the Group's overall containerboard system remains competitive in the current trading environment, higher cost producers are likely to be facing severe financial pressure. As a result, downtime across the market has increased in the third quarter, and some permanent capacity closures have been announced.

The Group's Kraftliner business was adversely impacted by pricing pressure in the first nine months of the year. This has now stabilised and market conditions are improved following the strengthening of the US\$. Price increase initiatives are currently meeting with some success in certain regions.

In Latin America, despite slowing demand in many markets, our operations continued to perform well, reflecting the Group's strong positioning across the region. Earnings as reported for the nine months were negatively impacted by the relative strength of the euro against the local currencies during 2008 although the weakening of the euro in the third quarter positively impacted the contribution of Latin America to the overall Group earnings.

2008 First Nine months | Financial performance

Revenue of €5.4 billion in the first nine months of 2008 was flat compared to the same period in 2007. However, allowing for the negative impact of currency of €91 million and net disposals and closures of €28 million, revenue shows an underlying increase of €96 million, the equivalent of almost 2%.

EBITDA of €745 million in the first nine months of 2008 was €44 million, or 6% lower than in the comparable period in 2007, mainly reflecting the margin pressure experienced in the Group's containerboard system, primarily in the third quarter, offset by synergies and cost take-out.

Allowing for the impact of currency, net disposals and closures, the underlying EBITDA decrease would have been €32 million, the equivalent of 4%.

2008 Third Quarter | Financial performance

Revenue of €1,753 million in the third quarter of 2008 represents a 4% decrease, or €76 million, compared with revenue of €1,829 million in the third quarter of 2007. Allowing for the negative impact of currency of €31 million offset by net acquisitions, disposals and closures of €2 million, revenue shows an underlying decrease of €47 million, the equivalent of 3%.

At €231 million for the third quarter, EBITDA was €44 million lower than in the same period last year. This includes a negative currency impact of €5 million. On a comparable basis, EBITDA was lower by €39 million, the equivalent of 14% year-on-year.

Compared to the second quarter of 2008, EBITDA decreased by €26 million in the third quarter, the equivalent of 10%. Excluding the impact of currency, disposals and closures, EBITDA decreased by €28 million, the equivalent of 11% quarter-on-quarter.

2008 Third Quarter & First Nine Months | Capital Structure & Debt Reduction

In 2008, the Group continues to concentrate on free cash flow generation and further net debt reduction. At the end of September 2008, the Group's net debt was below €3.2 billion, down from over €3.4 billion at the end of September 2007, a reduction of €255 million, the equivalent of 7%.

In the third quarter, the Group's net debt decreased by €93 million, or 3%, reflecting the strong free cash flow of the business in the period. In the first nine months of the year, the Group's net debt reduction of €212 million includes the €55 million of proceeds for the sale of its 40% associate shareholding in Duropack AG Group in May and payment of €35 million in respect of its final dividend for 2007.

In April, the Group's debt rating 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.

In the current environment, the Group continues to benefit from its low cost of financing and long term debt profile, with no material maturity in the next four years. In addition, the Group benefits from strong liquidity, with approximately €730 million of cash on its balance sheet at the end of September 2008, and unused committed credit lines of approximately €600 million maturing in December 2012.

The Group is continuing to operate well within its covenants, and is very focused on sustaining its strong free cash flow generation and net debt reduction through the cycle, as can be seen from its current performance and its pre-emptive capex reduction actions.

2008 Third Quarter & First Nine Months | Cash Flow

Free cash flow of €226 million for the first nine months of 2008 doubled compared to the same period in 2007. While pre-exceptional EBITDA was lower, the significant improvement in cash flow primarily reflects lower cash interest and actively managed capital expenditure, together with the positive impact of working capital inflow.

Capital expenditure during the first nine months of 2008 was approximately €202 million, which equates to 77% of depreciation, and compares with €228 million in the first nine months of 2007. Part of the capex reduction represents timing, but the lower expenditure reflects the Group's flexibility and clear focus on maximising cash flow generation and de-leveraging in the current and expected challenging operating environment.

Cash interest of €182 million in the first nine months of the year was 15% lower than in the same period in 2007, reflecting the debt reduction following the Group's IPO in March 2007, and the subsequent attractive debt repricing in July 2007.

Working capital decreased by €9 million in the first nine months of 2008, reflecting the Group's tight working capital control. As a percentage of annualised net sales revenue, working capital of €674 million at September 2008 represented 9.6%, compared to 10.4% at June 2008 and 9.5% at September 2007.

2008 Third Quarter & First Nine Months | Performance Review

Packaging: Europe

Reflecting the overall slowing economic environment in Europe, the Group's corrugated volumes in the nine months to September decreased by almost 2% year-on-year. This decrease was broadly in line with the trend seen in the first half of 2008.

In the third quarter, while volumes in August were very slow across Europe, corrugated shipments in July and September were generally flat year-on-year, benefiting from the Group's unique pan-European offering and its customer base primarily in the food and beverage sector.

The lower level of demand across the market led to a continued inventory overhang of recycled containerboard despite ongoing industry market downtime, which generated strong downward pricing momentum for that grade in Europe between March and July. Prices remained reasonably stable in August and September.

As recycled containerboard prices were decreasing, the Group faced higher average year-on-year input costs in the first nine months of the year, primarily for energy, labour and raw material. However, after peaking in March, OCC prices dropped by €20 in the second quarter, helped by lower buying demand from Asia. With Chinese producers having now delayed capacity expansion plans, and with European demand slowing, OCC prices are under significant downward pressure in the fourth quarter.

With inventory levels across the industry remaining high, the price increase announced in October for recycled containerboard has not succeeded. While the decrease in OCC prices reduced the magnitude of the margin compression for all industry players, the Group estimates that a significant number of paper mills are at breakeven or loss making at current price levels. This is reflected in the increasing number of capacity reduction announcements.

By comparison, the Group's overall containerboard system remains competitive in the current environment supported by its lower cost base, optimised integrated corrugated plant network and unrelenting focus on cost reduction.

The Group continues to take market related downtime to avoid an increase in its containerboard inventory levels, and to maintain its working capital at the lowest level in the industry. In the first nine months of the year, the Group has taken 65,000 tonnes of its previously announced 80,000 tonnes downtime plan, with the remainder to be taken before the end of the year. In addition, the Group is now planning a further 80,000 tonnes of downtime for the fourth quarter. In effect, the Group will have reduced its annual recycled containerboard production by over 200,000 tonnes in 2008 (approximately 6.5% of its capacity) through the permanent closure of its Valladolid mill in Spain and market downtime.

Against that backdrop, the Group's relatively strong EBITDA outcome of €231 million in the third quarter reflects the benefits of its integrated model, supported by the sustained performance of its downstream corrugated business. Although under further downward pressure, the Group's corrugated pricing held-up relatively well in the third quarter, declining by less than 1.5% from the peak.

The Group's performance was also supported by its leading position in Kraftliner across Europe. Kraftliner currently benefits from positive catalysts such as demand growth of 2% in Europe in the first nine months of the year, and the strengthening US\$ reducing the competitiveness of imports from North America. As a result, price increase initiatives are meeting with some success in certain regions.

On the input cost side of Kraftliner, the increase in wood costs in Scandinavia is easing somewhat, as capacity closures from Finnish fine paper producers positively impact conditions for wood supply. Furthermore, the Group's wood needs are well spread between Sweden, France and Austria, with the latter two regions benefiting from more competitive wood prices, which contribute to the continued 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 in the first nine months of the year, reflecting the Group's strong positioning in the region.

Although the regional EBITDA in euro terms was negatively impacted by the relative strength of the euro in the first half, the euro weakened in the third quarter, thereby increasing the contribution of the Latin American operations to the overall Group.

In the first nine months of 2008, the Group's corrugated volumes in Latin America were 3% lower than in the previous year, primarily reflecting the slowing overall demand environment in Mexico and Colombia and the farmers' strike in Argentina.

While the Group's profitability in Mexico was negatively affected by weaker demand and higher input costs in the first nine months of the year, further price increases contributed to somewhat contain the margin compression. In September, on the back of the July price increase in the US, the Group implemented a further \$60 price increase for containerboard and boxes in Mexico.

The Group's Colombian operations continued to benefit from positive pricing momentum, which compensated for higher input costs. Our sack business in the region performed strongly in the nine months of the year, supported by further volume growth and healthy pricing.

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

Specialties: Europe

After a relatively positive performance in the first half of the year, profitability of the specialties division came under downward pressure in the third quarter, as demand was lower, especially for sacks, while higher input costs continued to impact the Group's solidboard business. In the first nine months of the year however, the specialties division continued to report positive EBITDA growth year-on-year.

Demand for sack paper, which was positive in the first half of the year driven by overseas demand, fell sharply in the third quarter following the widespread collapse in the construction industry. Pricing and volumes for sack paper are currently under significant downward pressure. While the outlook for this grade is challenging, the sack division represented no more than 2% of the Group's EBITDA in the first nine months of 2008.

In the solidboard-packaging business, the Group benefited from a stable pricing environment across Europe in the first nine months of the year, and some volume increase in the Benelux, its main market, following the bankruptcy of a local competitor. In the third quarter, the Group's solidboard mills continued to be negatively impacted by higher energy and recovered paper costs however.

The Group's bag-in-box business suffered from lower than expected demand over the summer, but the trend is improving entering the fourth quarter. The recently acquired Spanish Plasticos operation continued to perform well in the third quarter, and the Group also is seeing good progress in the Russian bag operation which commenced production in March this year.

Cost Take-Out programme

To further strengthen the competitiveness of its operations in increasingly challenging times, the Group initiated a three year cost take out programme in 2008. It is targeted to deliver at least €60 million in 2008, with further delivery of up to €100 million by 2010. This new programme follows on the achievement of €180 million of synergies between 2005 and 2008, and reflects the Group's anticipation of challenging economic times and the need for a relentless focus on cost efficiency and total system optimisation.

Summary Cash Flows

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

	3 months to 30-Sept-08 € Million	3 months to 30-Sept-07 € Million	9 months to 30-Sept-08 € Million	9 months to 30-Sept-07 € Million
Pre-exceptional EBITDA	231	275	745	789
Exceptional items	(4)	(11)	(4)	(25)
Cash interest	(60)	(62)	(182)	(213)
Working capital change	92	56	9	(42)
Current provisions	-	(8)	(23)	(69)
Capital expenditure	(74)	(81)	(202)	(228)
Change in capital creditors	3	2	(16)	(46)
Sale of fixed assets	1	4	4	22
Tax paid	(28)	(20)	(58)	(45)
Other	(12)	(5)	(47)	(30)
Free cash flow	149	150	226	113
Shares issued through IPO, net of costs	-	(2)	-	1,435
Refinancing costs	-	(5)	-	(79)
Sale of businesses and investments	-	3	56	11
Investments	(15)	-	(15)	(3)
Derivative termination payments	3	(9)	-	(23)
Dividends	(1)	-	(41)	(6)
Total surplus	136	137	226	1,448
Net debt disposed	-	-	-	1
Deferred debt issue costs amortised	(3)	(6)	(11)	(43)
Non-cash interest accrued	-	-	-	(12)
Currency translation adjustments	(40)	26	(3)	40
Decrease in net borrowing	93	157	212	1,434

(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.

	9 months to 30-Sept-08 € Million	9 months to 30-Sept-07 € Million
Free cash flow	226	113
Add back:		
Cash interest	182	213
Capital expenditure	202	228
Change in capital creditors	16	46
Tax payments	58	45
Less:		
Sale of fixed assets	(4)	(22)
Receipt/repayment of capital grants (in "Other")	(2)	1
Dividends from associates (in "Other")	(4)	(3)
Cash flow generated from operations	674	621

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.

At 30 September, 2008 Smurfit Kappa Funding plc ("SK Funding") 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 €210.0 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 €398 million amortising A Tranche maturing in 2012, a €1,192 million B Tranche maturing in 2013 and a €1,191 million C Tranche maturing in 2014. In addition, as at 30 September, 2008, the facility included €875 million in committed lines including a €600 million revolving credit facility of which, apart from €17.8 million in letters of credit issued in support of other liabilities, there were no drawings or amounts borrowed under ancillary facilities or facilities supported by letters of credit, and a €275 million restructuring facility of which €227 million was borrowed.

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

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Restructuring Facility	EUR	6.03% - 6.33%
Term Loan A	EUR	6.02% - 6.62%
Term Loan B	EUR	6.39% - 7.00%
	USD	4.66%
Term Loan C	EUR	6.64% - 7.27%
	USD	4.91%

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.

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. At 30 September, 2008 the Group had fixed an average of 57% 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\$200.0 million 7.75% senior subordinated notes due 2015 and US\$292.3 million 7.50% senior debentures due 2025. In addition the Group also has €1,980 million in interest rate swaps with maturity dates ranging from October 2008 to January 2014.

Our earnings are affected by changes in short-term interest rates as a result of our floating rate borrowings. If LIBOR interest rates for these borrowings increase by one percent, our interest expense would increase, and income before taxes would decrease, by approximately €19 million over the following twelve months. Interest income on our cash balances would increase by approximately €7 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

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

Group Income Statement – Nine Months

	<u>Unaudited</u>			<u>Unaudited</u>		
	9 Months to 30-Sept-08			9 Months to 30-Sept-07		
	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000	Pre- Exceptional 2007 €000	Exceptional 2007 €000	Total 2007 €000
Revenue	5,431,319	-	5,431,319	5,453,862	-	5,453,862
Cost of sales	(3,865,985)	(10,950)	(3,876,935)	(3,894,212)	(6,075)	(3,900,287)
Gross profit	1,565,334	(10,950)	1,554,384	1,559,650	(6,075)	1,553,575
Distribution costs	(440,822)	-	(440,822)	(443,616)	-	(443,616)
Administrative expenses	(683,073)	-	(683,073)	(690,714)	-	(690,714)
Other operating income	1,264	-	1,264	47,585	7,538	55,123
Other operating expenses	-	(17,318)	(17,318)	-	(38,642)	(38,642)
Operating profit	442,703	(28,268)	414,435	472,905	(37,179)	435,726
Finance costs	(327,337)	-	(327,337)	(377,423)	(109,970)	(487,393)
Finance income	123,112	-	123,112	148,192	-	148,192
Loss on disposal of associate	-	(6,905)	(6,905)	-	-	-
Share of associates' profit (after tax)	2,746	-	2,746	9,744	-	9,744
Profit before income tax	241,224	(35,173)	206,051	253,418	(147,149)	106,269
Income tax expense			(27,080)			(49,060)
Profit for the financial period			178,971			57,209
<i>Attributable to:</i>						
Equity holders of the Company			160,315			45,003
Minority interest			18,656			12,206
Profit for the financial period			178,971			57,209
Earnings per share:						
Basic earnings per share (cent per share)			<u>73.5</u>			<u>23.5</u>
Diluted earnings per share (cent per share)			<u>73.4</u>			<u>22.4</u>

Group Income Statement – Third Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 30-Sept-08			3 Months to 30-Sept-07		
	Pre- Exceptional 2008 €000	Exceptional 2008 €000	Total 2008 €000	Pre- Exceptional 2007 €000	Exceptional 2007 €000	Total 2007 €000
Revenue	1,753,313	-	1,753,313	1,829,123	-	1,829,123
Cost of sales	(1,258,262)	-	(1,258,262)	(1,299,684)	(1,413)	(1,301,097)
Gross profit	495,051	-	495,051	529,439	(1,413)	528,026
Distribution costs	(144,766)	-	(144,766)	(145,375)	-	(145,375)
Administrative expenses	(219,679)	-	(219,679)	(222,488)	-	(222,488)
Other operating income	419	-	419	11,349	1,668	13,017
Other operating expenses	-	-	-	-	(2,073)	(2,073)
Operating profit	131,025	-	131,025	172,925	(1,818)	171,107
Finance costs	(86,353)	-	(86,353)	(123,769)	(6,734)	(130,503)
Finance income	16,161	-	16,161	61,690	-	61,690
Share of associates' profit (after tax)	195	-	195	3,505	-	3,505
Profit before income tax	61,028	-	61,028	114,351	(8,552)	105,799
Income tax expense			(12,168)			(16,732)
Profit for the financial period			48,860			89,067
<i>Attributable to:</i>						
Equity holders of the Company			36,712			84,098
Minority interest			12,148			4,969
Profit for the financial period			48,860			89,067
Earnings per share:						
Basic earnings per share (cent per share)			16.8			38.6
Diluted earnings per share (cent per share)			16.6			37.5

Group Statement of Recognised Income and Expense

	<u>Unaudited</u> 9 months to 30-Sept-08 €000	<u>Unaudited</u> 9 months to 30-Sept-07 €000 Restated
Items of income and expense recognised directly within equity:		
Foreign currency translation adjustments	(16,123)	(37,199)
Defined benefit pension schemes		
- Actuarial (loss)/gain	(36,639)	73,616
- Movement in deferred tax	7,275	(18,998)
Effective portion of changes in fair value of cash flow hedges:		
- movement out of reserve	(11,517)	(6,735)
- new fair value adjustments into reserve	9,685	5,885
Net change in fair value of available-for-sale financial assets	(412)	610
Net income and expense recognised directly within equity	<u>(47,731)</u>	<u>17,179</u>
Profit for the financial period	<u>178,971</u>	<u>57,209</u>
Total recognised income and expense for the financial period	<u>131,240</u>	<u>74,388</u>
<i>Attributable to:</i>		
Equity holders of the Company	108,595	63,041
Minority interest	<u>22,645</u>	<u>11,347</u>
	<u>131,240</u>	<u>74,388</u>
Effects of changes in accounting policy:		
<i>Attributable to:</i>		
Equity holders of the Company		(189)
Minority interest		-
		<u>(189)</u>

Group Balance Sheet

	<u>Unaudited</u> 30-Sept-08 €000	<u>Unaudited</u> 30-Sept-07 €000 Restated	<u>Audited</u> 31-Dec-07 €000 Restated
Assets			
Non-current assets			
Property, plant and equipment	3,149,715	3,295,493	3,251,479
Goodwill and intangible assets	2,376,778	2,437,528	2,416,785
Biological assets	77,958	76,150	74,758
Investment in associates	15,876	79,173	79,307
Available-for-sale financial assets	42,878	43,436	43,511
Trade and other receivables	4,695	4,533	6,716
Derivative financial instruments	5,795	6,953	4,301
Deferred income tax assets	361,908	301,174	340,875
	6,035,603	6,244,440	6,217,732
Current assets			
Inventories	685,818	696,788	682,169
Biological assets	6,901	6,813	6,862
Trade and other receivables	1,403,328	1,468,294	1,379,105
Derivative financial instruments	25,411	25,895	28,261
Restricted cash	19,548	14,984	13,096
Cash and cash equivalents	708,952	403,716	401,622
	2,849,958	2,616,490	2,511,115
Non-current assets held for sale	10,960	5,000	15,999
Total assets	8,896,521	8,865,930	8,744,846
Equity			
Capital and reserves attributable to the equity holders of the Company			
Equity share capital	229	229	228
Capital and other reserves	2,524,278	2,575,425	2,538,047
Retained earnings	(390,175)	(564,252)	(486,126)
Total equity attributable to equity holders of the Company	2,134,332	2,011,402	2,052,149
Minority interest	140,013	141,488	137,443
Total equity	2,274,345	2,152,890	2,189,592
Liabilities			
Non-current liabilities			
Borrowings	3,782,871	3,708,989	3,667,618
Deferred income	-	1,960	-
Employee benefits	490,252	478,843	482,497
Derivative financial instruments	1,821	-	-
Deferred income tax liabilities	502,769	535,816	530,102
Non-current taxes payable	24,989	6,485	19,704
Provisions for liabilities and charges	60,332	82,931	77,698
Capital grants	14,223	12,647	14,176
Other payables	4,244	-	8,535
	4,881,501	4,827,671	4,800,330
Current liabilities			
Borrowings	137,989	157,474	150,976
Trade and other payables	1,420,282	1,477,360	1,402,687
Current income tax liabilities	29,456	65,438	25,650
Derivative financial instruments	103,915	128,869	121,058
Provisions for liabilities and charges	49,033	56,228	54,553
	1,740,675	1,885,369	1,754,924
Total liabilities	6,622,176	6,713,040	6,555,254
Total equity and liabilities	8,896,521	8,865,930	8,744,846

Group Cash Flow Statement

	<u>Unaudited</u> 9 months to 30-Sept-08 €000	<u>Unaudited</u> 9 months to 30-Sept-07 €000
Cash flows from operating activities		
Profit for the financial period	178,971	57,209
<i>Adjustment for</i>		
Income tax expense	27,080	49,060
Profit on sale of assets and businesses – continuing operations	-	(7,538)
Amortisation of capital grants	(1,263)	(1,129)
Impairment of property, plant and equipment	10,950	6,075
Equity settled share-based payment transactions	8,430	21,353
Amortisation of intangible assets	33,240	31,824
Share of profit of associates & loss on disposal of associate	4,159	(9,744)
Depreciation charge	257,011	261,565
Net finance costs	204,225	339,201
Change in inventories	(6,332)	(78,501)
Change in biological assets	4,078	1,433
Change in trade and other receivables	(15,405)	(143,856)
Change in trade and other payables	30,287	180,420
Change in provisions	(24,660)	(53,026)
Change in employee benefits	(33,457)	(33,811)
Foreign currency translation adjustments	(3,746)	402
Cash generated from operations	673,568	620,937
Interest paid	(205,333)	(323,812)
Income taxes paid:		
Irish corporation tax paid	(10,560)	(1,652)
Overseas corporation tax (net of tax refunds) paid	(47,209)	(42,945)
Net cash inflow from operating activities	410,466	252,528
Cash flows from investing activities		
Interest received	27,496	18,228
Business disposals	1,154	10,547
Purchase of property, plant & equipment and biological assets	(211,648)	(270,756)
Purchase of intangible assets	(6,446)	-
Receipt/(repayment) of capital grants	1,353	(62)
Purchase of available-for-sale financial assets	(6)	(5)
Increase in restricted cash	(6,453)	(4,667)
Disposal of property, plant and equipment	4,244	22,114
Disposal of investments	217	17
Dividends received from associates	4,433	3,366
Disposals of associates	54,969	893
Purchase of subsidiaries and minorities	(15,100)	(3,181)
Deferred and contingent acquisition consideration paid	-	(14)
Net cash outflow from investing activities	(145,787)	(223,520)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	158	1,495,255
Costs associated with issuing new shares	-	(60,242)
Increase/(decrease) in interest-bearing borrowings	109,359	(1,350,408)
Repayment of finance lease liabilities	(10,997)	(16,650)
Derivative termination payments	27	(23,205)
Deferred debt issue costs	-	(8,213)
Dividends paid to shareholders	(35,000)	-
Dividends paid to minority interests	(5,833)	(6,437)
Net cash inflow from financing activities	57,714	30,100
Increase in cash and cash equivalents	322,393	59,108
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	375,390	321,494
Currency translation adjustment	(477)	(3,142)
Increase in cash and cash equivalents	322,393	59,108
Cash and cash equivalents at 30 September	697,306	377,460

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 2007 consolidated financial statements of SKG plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the EU, and with those parts of the Companies Acts applicable to companies reporting under IFRS. IFRS is comprised of standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently approved by the IASB and remain in effect.

The financial information presented in this report has been prepared to comply with the requirement to publish an "Interim management statement" for the third quarter, in accordance with the Transparency Regulations which were signed into Irish law on 13 June, 2007. The Transparency Regulations do not require Interim management statements to be prepared in accordance with International Accounting Standard 34 – "Interim Financial Information" ("IAS 34"). Accordingly the Group has not prepared this financial information in accordance with IAS 34.

The financial information has been prepared on a consistent basis with the Group's accounting policies with the exception of the application of IFRIC 14. Full details of the accounting policies adopted by the Group are contained in the financial statements included in the Group's annual report for the year ended 31 December 2007 which is available on the Group's website www.smurfitkappa.com. The accounting policies and methods of computation and presentation adopted in the preparation of the group financial information are consistent with those 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 pension's 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 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 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.

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

3. Segmental Analyses

	9 months to 30-Sept-08			9 months to 30-Sept-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€000	€000	€000	€000	€000	€000
Third party revenue (external)	€4,700,762	€730,557	€5,431,319	€4,734,419	€719,443	€5,453,862
Segment results-pre exceptional items	426,735	46,213	472,948	466,410	44,122	510,532
Exceptional items	(28,268)	-	(28,268)	(20,642)	(6,215)	(26,857)
	398,467	46,213	444,680	445,768	37,907	483,675
Unallocated centre costs-pre exceptional items			(30,245)			(37,627)
Group centre exceptional items			-			(10,322)
Operating profit			414,435			435,726
Share of associates' profit (after tax)	2,746	-	2,746	9,744	-	9,744
Loss on disposal of associate	(6,905)	-	(6,905)	-	-	-
Finance costs			(327,337)			(487,393)
Finance income			123,112			148,192
Profit before income tax			206,051			106,269

	3 months to 30-Sept-08			3 months to 30-Sept-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€000	€000	€000	€000	€000	€000
Third party revenue (external)	€1,510,388	€242,925	€1,753,313	€1,580,555	€248,568	€1,829,123
Segment results-pre exceptional items	123,226	15,219	138,445	164,543	20,317	184,860
Exceptional items	-	-	-	(2,643)	1,069	(1,574)
	123,226	15,219	138,445	161,900	21,386	183,286
Unallocated centre costs-pre exceptional items			(7,420)			(11,935)
Group centre exceptional items			-			(244)
Operating profit			131,025			171,107
Share of associates' profit (after tax)	195	-	195	2,176	1,329	3,505
Finance costs			(86,353)			(130,503)
Finance income			16,161			61,690
Profit before income tax			61,028			105,799

4. Exceptional Items

The following items are regarded as exceptional in nature:	9 months to 30-Sept-08 €000	9 months to 30-Sept-07 €000
Reorganisation and restructuring costs	(17,318)	(38,642)
Impairment of property, plant and equipment	(10,950)	(6,075)
Net income on sale of assets and operations	-	7,538
Total exceptional items included in operating costs	<u>(28,268)</u>	<u>(37,179)</u>
Total exceptional items included in finance costs	<u>-</u>	<u>(109,970)</u>
Loss on disposal of associate	<u>(6,905)</u>	<u>-</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 the impairment charge of €6.1 million resulted mainly 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 €110 million arose in 2007 following our use of the proceeds from the IPO to pay down debt. These costs comprise refinancing costs of €79 million and the non-cash accelerated amortisation of debt costs of €31 million.

5. Other Operating Income

Other operating income in 2007 includes insurance proceeds of €46 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

	9 Months to 30-Sep-08 €000	9 Months to 30-Sep-07 €000
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	157,166	152,922
Interest payable on finance leases and hire purchase contracts	4,110	4,936
Interest payable on other borrowings	47,411	85,983
Amortisation of deferred debt issue costs	11,318	11,744
Impairment loss on available-for-sale financial assets	1,419	54
Unwinding of discount element of provisions	1,577	121
Foreign currency translation loss on debt	25,551	10,224
Fair value loss on derivatives	1,858	38,220
Interest cost on employee benefit plan liabilities	76,927	73,219
Total finance cost	327,337	377,423
<i>Finance income</i>		
Other interest receivable	27,167	18,230
Foreign currency translation gain on debt	10,704	44,392
Fair value gain on commodity derivatives	55	3,219
Fair value gain on other derivatives	18,740	16,364
Expected return on employee benefit plan assets	66,446	65,987
Total finance income	123,112	148,192
Net finance cost	204,225	229,231

7. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	9 Months to 30-Sep-08 €000	9 Months to 30-Sep-07 €000
Current taxation		
Europe	41,077	48,795
United States and Canada	166	(1,678)
Latin America	23,416	24,965
	64,659	72,082
Deferred taxation	(37,579)	(23,022)
Total income tax expense charged to P&L	27,080	49,060
Current tax is analysed as follows:		
Ireland	9,457	8,750
Foreign	55,202	63,332
	64,659	72,082

Income tax recognised directly in equity

	9 Months to 30-Sep-08 €000	9 Months to 30-Sep-07 €000
Arising on actuarial gains on defined benefit plans	(7,275)	18,998

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 September 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:

	9 Months to 30-Sep-08 €000	9 Months to 30-Sep-07 €000
Current service cost	32,011	38,994
Past service cost	936	345
Gain on settlements and curtailments	(444)	(4,978)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	1,571	(234)
	34,074	34,127
Expected return on scheme assets	(66,446)	(65,988)
Interest cost on scheme liabilities	76,926	72,965
Net financial expense	10,480	6,977
Defined benefit expense	44,554	41,104

Included in cost of sales and distribution and administrative expenses is a total defined benefit expense of €34,074,000 for the first nine months (2007: €34,127,000). Expected Return on Scheme Assets of €66,446,000 for the first nine months (2007: €65,988,000) is included in Finance Income and Interest Cost on Scheme Liabilities of €76,926,000 for the first nine months (2007: €72,965,000) is included in Finance Expense in the Group Income Statement.

The amounts recognised in the balance sheet were as follows:

	30-Sept-08 €000	30-Sept-07 €000	31-Dec-07 €000
Present value of funded obligations	(1,355,641)	(1,489,482)	(1,498,547)
Fair value of plan assets	1,238,848	1,418,191	1,411,223
Present value of unfunded obligations	(373,459)	(407,552)	(395,173)
Liability in the balance sheet	(490,252)	(478,843)	(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-Sept-07 €000	31-Dec-07 €000
Liability in the balance sheet – As previously stated	478,293	480,964
Impact of adoption of IFRIC 14	550	1,533
Liability in the balance sheet – restated	478,843	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 increased from €432 million at 30 June 2008 to €490 million at 30 September 2008. The rise in provision was mainly as a result of asset losses of some €67 million over the quarter.

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-Sept-08	3 Months to 30-Sept-07	9 Months to 30-Sept-08	9 Months to 30-Sept-07
Profit attributable to equity holders of the Company (€000)	36,712	84,098	160,315	45,003
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	218,023	217,768	218,013	191,528
Basic earnings per share (cent per share)	16.8	38.6	73.5	23.5

Diluted

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

	3 Months to 30-Sept-08	3 Months to 30-Sept-07	9 Months to 30-Sept-08	9 Months to 30-Sept-07
Profit attributable to equity holders of the Company (€000)	36,712	84,098	160,315	45,003
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	218,023	217,768	218,013	191,528
Potential dilutive ordinary shares assumed	2,847	6,672	329	9,167
Diluted weighted average ordinary shares	220,870	224,440	218,342	200,695
Diluted earnings per share (cent per share)	16.6	37.5	73.4	22.4

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

10. Dividends

In May, the final dividend for 2007 of 16.05 cent per share was paid to the holders of ordinary shares. In October an interim dividend for 2008 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
Nine months ended 30 September 2008			
Opening net book amount	1,176,694	2,074,785	3,251,479
Reclassification	12,330	(12,330)	-
Additions	5,457	180,528	185,985
Depreciation charge for the period	(36,990)	(220,021)	(257,011)
Impairment losses recognised in profit and loss	(1,233)	(9,717)	(10,950)
Retirements and disposals	(1,642)	(3,243)	(4,885)
Foreign currency translation adjustment	(2,178)	(12,725)	(14,903)
At 30 September 2008	1,152,438	1,997,277	3,149,715

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

	9 Months to 30-Sept-08 €000	12 Months to 31-Dec-2007 €000
At 1 January	79,307	76,668
Share of (loss)/profit for the period	(4,159)	12,513
Dividends received from associates	(4,433)	(3,617)
Disposals	(54,973)	(3,810)
Transfer to subsidiaries	-	(2,000)
Reclassification	-	631
Foreign currency translation adjustment	134	(1,078)
At 30 September	€15,876	€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.

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.

13. Share-based Payment – (continued)

As of 30 September 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 September, 2008 is presented below.

Shares 000's	Class of Convertible shares				Total
	D	A1	A2	A3	
Balance December 2007	8,399.8	583.7	583.7	583.6	10,150.8
Vested into D	599.7	(583.7)	(8.0)	(8.0)	-
Converted into Ordinary shares	(36.8)	-	-	-	(36.8)
Balance September 2008	8,962.7	-	575.7	575.6	10,114.0
Exercisable September 2008	8,962.7	-	-	-	8,962.7

The exercise price for all D convertible shares other than those derived from Class H convertibles at 30 September, 2008 was €4.28. The exercise price for D convertible shares derived from Class H convertibles was €5.69 at 30 September, 2008. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 30 September, 2008 was 4.24 years.

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

Shares 000's	Class of Convertible shares		Total
	New B	New C	
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 September 2008	2,598.2	2,598.2	5,196.5
Exercisable September 2008	-	-	-

As at 30 September, 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 September, 2008 was 9.03 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⁾	(1,073)	-	(1,073)
31 December 2007, as adjusted	2,052,149	137,443	2,189,592
Total recognised income and expense	108,595	22,645	131,240
Share premium on shares issued	158	-	158
Share-based payment expense	8,430	-	8,430
Purchase of minorities	-	(14,242)	(14,242)
Dividend paid to shareholders	(35,000)	-	(35,000)
Dividends paid to minorities	-	(5,833)	(5,833)
At 30 September 2008	2,134,332	140,013	2,274,345
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

- (1) 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 pension's 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-Sept-08 €000	31-Dec-07 €000
Senior credit facility:		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 1.5%	(9,106)	(10,746)
Restructuring facility ⁽²⁾ – interest at relevant interbank rate + 1.5% until conversion to Term Loan	227,000	103,200
Tranche A Term loan ^(3a) – interest at relevant interbank rate + 1.5%	397,642	422,214
Tranche B Term loan ^(3b) – interest at relevant interbank rate + 1.875%	1,191,857	1,187,045
Tranche C Term loan ^(3c) – interest at relevant interbank rate + 2.125%	1,190,619	1,186,147
Yankee bonds (including accrued interest) ⁽⁴⁾	208,380	198,674
Bank loans and overdrafts/(cash)	(603,882)	(324,946)
2011 Receivables securitisation floating rate notes (including accrued interest) ⁽⁵⁾	206,633	205,815
	2,809,143	2,967,403
2015 Cash pay subordinated notes (including accrued interest) ⁽⁶⁾	350,855	352,985
Net debt before finance leases	3,159,998	3,320,388
Finance leases	60,573	72,786
Net debt including leases - Smurfit Kappa Funding plc	3,220,571	3,393,174
Balance of revolving credit facility reclassified to debtors	9,106	10,746
Net debt after reclassification - Smurfit Kappa Funding plc	3,229,677	3,403,920
Net (cash) in parents of Smurfit Kappa Funding plc	(37,317)	(44)
Net Debt including leases - Smurfit Kappa Group plc	3,192,360	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 - Nil, letters of credit issued in support of other liabilities-€17.8 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

Supplemental Financial Information

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

	9 months to 30-Sept-08 €000	9 months to 30-Sept -07 €000	3 months to 30-Sept-08 €000	3 months to 30-Sept -07 €000
Profit for the financial period	160,315	45,003	36,712	84,098
Equity minority interests	18,656	12,206	12,148	4,969
Income tax expense	27,080	49,060	12,168	16,732
Share of associates' operating income	(2,746)	(9,744)	(195)	(3,505)
Profit on sale of assets and operations –subsidiaries	-	(7,538)	-	(1,668)
Loss on disposal of associates	6,905	-	-	-
Reorganisation and restructuring costs	17,318	38,642	-	2,073
Impairment of fixed assets	10,950	6,075	-	1,413
Total net interest	204,225	339,201	70,192	68,813
Share-based payment expense	8,430	21,353	2,380	4,457
Depreciation, depletion (net) and amortisation	294,329	294,822	97,880	98,006
EBITDA before exceptional items and share-based payment expense	745,462	789,080	231,285	275,388

€Million	Q2, 2007	Q3, 2007	Q4, 2007	FY 2007	Q1, 2008	Q2, 2008	Q3, 2008
Group and third party revenue	2,650	2,689	2,656	10,624	2,702	2,713	2,570
Third party revenue	1,831	1,829	1,818	7,272	1,832	1,846	1,753
EBITDA before exceptional items and share-based payment expense	260	275	275	1,064	257	257	231
EBITDA margin	14.2%	15.1%	15.1%	14.6%	14.0%	13.9%	13.2%
Operating profit	134	171	126	562	127	156	131
Profit before tax	43	106	64	170	62	83	61
Free cash flow	3	150	73	186	1	76	149
Basic earnings per share (cent per share)	14.4	38.6	46.9	74.3	18.4	38.3	16.8
Weighted average number of shares used in EPS calculation	217,702	217,768	217,952	198,188	217,994	218,022	218,023
Net debt	3,605	3,448	3,404	3,404	3,373	3,285	3,192
Net debt to EBITDA (LTM)	3.62	3.30	3.20	3.20	3.16	3.09	3.13