

11 February, 2009: Smurfit Kappa Group plc (“SKG” or the “Group”), one of the world’s largest integrated manufacturers of paper-based packaging products, with operations in Europe and Latin America, today announced results for the 3 months and 12 months ending 31 December, 2008.

2008 Fourth Quarter | Key Financial Performance Measures

€ m	FY 2008	FY 2007	Change	Q4 2008	Q4 2007	Change	Q3 2008	Change
Revenue	€7,062	€7,272	(3%)	€1,631	€1,818	(10%)	€1,33	(7%)
EBITDA before Exceptionals and Share-based Payments ⁽¹⁾	€941	€1,064	(12%)	€196	€275	(29%)	€231	(16%)
EBITDA Margin	13.3%	14.6%	-	12.0%	15.1%	-	13.2%	-
Operating Profit/(Loss)	€282	€562	(50%)	€(133)	€126	-	€131	-
Basic (Loss)/Earnings Per Share (€ cts)	(22.8)	74.3	-	(96.3)	46.9	-	16.8	-
Pre-exceptional EPS (€ cts)	94.1	150.7	(38%)	6.6	56.5	(88%)	16.8	(61%)
Return on Capital Employed	10.3%	11.3%	-	-	-	-	-	-
Free Cash Flow ⁽²⁾	€281	€186	51%	€55	€73	(25%)	€149	(63%)
Net Debt				€3,185	€3,404	(6%)	€3,192	(0%)
Net Debt to EBITDA (LTM)				3.4x	3.2x	-	3.1x	-

(1) EBITDA before exceptional items and share-based payment expense is denoted by EBITDA throughout the remainder of the management commentary for ease of reference.

(2) Free cash flow is set out on page 8. The IFRS cash flow is set out on page 14.

2008 Financial Overview

- EBITDA of €941 million, a reduction of 12% from 2007.
- Strong free cash flow generation of €281 million, an increase of 51% over 2007.
- Continued net debt reduction of €219 million, a reduction of 6% in the year.
- Impairment charges totalling €249 million, comprised of €171 million of goodwill impairment and €78 million of fixed asset and investment write-downs.

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "Against an increasingly difficult market backdrop, the Group is pleased to deliver a relatively strong financial outcome for 2008 in line with market expectations. SKG reported EBITDA of €941 million, strong free cash flow of €281 million and further net debt reduction of €219 million for the year.

This performance reflects the resilience of the Group’s integrated model, the €75 million of cost savings benefits achieved in 2008 and the continuing benefits of the Group’s geographic diversity. Some 60% of the Group’s end markets relate to the more defensive food and beverage sectors.

With negative growth forecast for many European economies in 2009, the Group expects a continuation of difficult operating conditions. In that environment, the Group’s priority remains one of optimising our integrated model, increasing our cost take-out efforts and maximising our free cash flow generation and net debt reduction. This cash focus is reflected in each of our capital allocation decisions outlined today.

To maintain financial flexibility, the Group will further tighten its capital programmes, with capital expenditure approximating 60% of depreciation in 2009. The Group will also continue and deepen its cost reduction programme in 2009 and 2010, to deliver at least €125 million of additional saving benefits, with €75 million being targeted for 2009.

The Group is suspending dividend payments in 2009 and will re-evaluate its future dividend policy in light of prevailing market conditions and capital structure. The Group believes there is greater scope to create value through continued net debt reduction in the current environment.

SKG continues to have a very strong liquidity position with circa. €720 million cash on its balance sheet, unused credit lines of circa. €600 million and no material debt maturity until 2012.

Finally, to crystallise the value of its strong cash position, the Group also announces a €100 million cash tender offer to buy back part of its senior bank debt, and reduce both its net debt and debt servicing costs. This step is being taken in response to indications that certain holders of the debt prefer liquidity at current debt trading levels, and the attractiveness of current debt trading levels to SKG.”

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 Fourth Quarter & Full Year | Performance Overview

In an increasingly challenging operating environment, the Group continues to deliver strong free cash flow generation. Despite a lower EBITDA, the Group's free cash flow generation of €281 million in 2008 was over 50% higher than in 2007, primarily reflecting the Group's reduced debt servicing costs and tight working capital control.

As a result of its financial and operating management efforts, the Group reduced its net debt by €219 million in 2008, a 6% reduction over the 2007 level. The Group's net debt to EBITDA of 3.4x at the end of December 2008 gives it continuing significant headroom compared to its actual covenant level of 4.75x.

The Group's EBITDA of €941 million for the full year of 2008, which is in line with the guidance provided early in the year, primarily reflects the resilience of the Group's integrated business model, and a strong commercial focus. The Group's performance in 2008 also benefits from the sustained strong contribution of its Latin American operations, and from the €75 million of cost savings generated in the year.

These results were achieved despite the weaker market conditions faced by the Group's recycled containerboard system, where materially lower prices combined with higher average input costs generated significant margin compression.

Following the closure of higher cost capacity over the past 3 years, the Group's performance benefits from a lower cost, competitive containerboard system. At current price levels, high cost containerboard systems are likely to be experiencing serious financial pressure as evidenced by the growing incidence of downtime and mill closure announcements.

Furthermore, to adjust for lower demand and avoid further inventory increases, increasing levels of market-related downtime has been taken throughout the industry in the fourth quarter. The Group has continued to show its leadership in that process, with 95,000 tonnes of downtime taken in the fourth quarter, the equivalent of 13% of its capacity. In total for 2008, the Group has reduced its recycled containerboard output by approximately 230,000 tonnes, the equivalent of 7.5% of its capacity.

In 2009, new recycled containerboard capacity is expected to come on stream in a declining demand environment, and despite some expected relief in input costs, the Group anticipates that sustained pricing pressure will likely force some non-integrated and/or higher cost paper producers to close or idle further capacity.

In Latin America, despite lower demand, the Group's operations continued to perform well in 2008, reflecting its strong positioning across the region. As a result of its sustained performance, Latin America represented approximately 18% of the Group's EBITDA for the full year, although the average strength of the euro in 2008 negatively impacted the contribution of the region to the overall Group earnings.

2008 Full Year | Financial performance

Revenue of €7.1 billion in the full year 2008 represents a 3% decrease on the full year 2007. However, allowing for the impact of currency, acquisitions, disposals and closures, revenue shows an underlying decrease of €68 million, the equivalent of less than 1%.

EBITDA of €941 million in the full year of 2008 was €124 million, or 12% lower than in 2007, mainly reflecting lower corrugated demand and margin pressure experienced in the Group's containerboard system, offset by the completion of its 3-year synergy programme and the contribution of year-one savings from its new 3-year additional cost take-out programme.

Allowing for the impact of currency, acquisitions, disposals and closures, the underlying EBITDA decrease would have been €109 million, the equivalent of 10%.

Exceptional items included in operating profit amount to €258 million, compared to €56 million in 2007 and these primarily relate to the impairment of goodwill and fixed assets and reorganisation and restructuring costs. Depreciation and amortisation decreased on the prior year by 6%. These items contributed to an operating profit of €282 million which reflects a decrease of €280 million mainly caused by impairments and a decline in EBITDA.

Net finance costs before exceptional items fell by 4% reflecting lower debt. Net finance costs after exceptional items decreased by €115 million due to exceptional debt repayment costs in 2007.

The loss before tax amounted to €11 million compared to a profit of €170 million in 2007.

2008 Fourth Quarter | Financial performance

Revenue of €1.6 billion in the fourth quarter of 2008 represents a 10% decrease compared to the fourth quarter of 2007. Allowing for the impact of currency, acquisitions, disposals and closures, revenue shows an underlying decrease of 9%.

At €196 million for the fourth quarter, EBITDA was €80 million lower than in the same period last year. This includes a negative currency impact of €3 million. On a comparable basis, EBITDA was 28% lower year-on-year.

Compared to the third quarter of 2008, EBITDA decreased by €36 million in the fourth quarter, the equivalent of 16%. Currency, disposals and closures had a negligible impact on the quarter on quarter variance.

2008 Fourth Quarter & Full Year | Free Cash Flow

Free cash flow of €281 million in the full year 2008 was 51% higher than in the full year 2007. While EBITDA was lower, the significant improvement in cash flow primarily reflects lower cash interest together with the positive impact of working capital inflow and lower levels of restructuring costs.

Cash interest of €243 million in 2008 was 12% lower than in 2007, reflecting the debt reduction following the Group's IPO in March 2007, the subsequent debt refinancing in July 2007, and the continued net debt reduction throughout the second half of 2007 and in 2008. Lower interest rates are expected to somewhat reduce the Group's cash interest charge in 2009.

Working capital decreased by €86 million in 2008, reflecting the Group's tight working capital control. The inflow reflected decreases in debtors and, to a lesser extent, stocks offset by a decrease in creditors. As a percentage of annualised net sales revenue, working capital of €527 million at December 2008 represented 8.1%, compared to 9.6% at September 2008 and 9.1% at December 2007.

Due to the phasing of projects and the progression of some large-scale projects, capital expenditure in the fourth quarter of 2008 was higher than the same period in 2007. The full year expenditure of €346 million in 2008, which equates to 98% of depreciation, compares with €324 million in 2007. With no major pending commitments for 2009, the Group will reduce its expenditure to approximately 60% of depreciation in 2009.

Tax payments for the full year of 2008 amounted to €97 million, compared to €73 million in 2007, with the increase arising largely from some one-off events. In 2009, the Group expects a cash tax level more in line with 2007 levels.

2008 Fourth Quarter & Full Year | Capital Structure & Debt Reduction

At the end of December 2008, the Group's net debt was just under €3.2 billion, down from over €3.4 billion at the end of December 2007, a reduction of €219 million over the period, the equivalent of 6%. The Group's financial priority continues to be on sustaining positive free cash flow generation and debt reduction through the cycle.

Dividends of €70 million were paid to Group shareholders in 2008. The significant net debt reduction delivered in the full year 2008 includes €55 million of proceeds from the sale of the Group's 40% associate shareholding in Duropack AG in May. In the fourth quarter, the Group's net debt decreased by €7 million, as the strong working capital inflow was counterbalanced by higher capital expenditure as a result of phasing, and the payment of €35 million in respect of the Group's interim dividend for 2008.

In the current credit market environment, the Group continues to benefit from its financing package and long-term debt profile, with no material maturity in the next four years. In addition, the Group benefits from strong liquidity, with approximately €720 million of cash on its balance sheet at the end of December 2008, and unused committed credit lines of approximately €600 million maturing in December 2012.

In view of the challenging economic environment and consistent with its prudent financial approach, the Group is suspending dividend payments in 2009, thereby increasing its debt paydown capability by €70 million compared to 2008. The Group will re-evaluate future dividend policy depending on the then prevailing market conditions and capital structure requirements.

Finally, the Group is launching a €100 million cash tender offer to buy back part of its senior bank debt. The Group's debt is trading at a discount to par, and the buy-back is therefore expected to reduce the Group's net debt and annual cash interest charge.

Senior debt buy-back process

SKG's ability to purchase its debt at acceptable prices will be subject to there being sufficient sellers of debt at those prices. To facilitate the identification of potential sellers and to ensure all senior lenders are treated equally, SKG has appointed Deutsche Bank to manage a modified Dutch Auction process among the senior lenders.

2008 Full Year | Impairment charge

The Group completed a goodwill impairment test in the fourth quarter of 2008. The test was based on value in use calculations which estimate the recoverable amounts of the Group's cash generating units. The Group recognised an impairment to goodwill of €171 million in the fourth quarter of 2008 as a result.

Fixed asset and investment write-downs of approximately €78 million were also taken in the fourth quarter of 2008. Fixed asset write-downs approximated €66 million, a significant portion of which relate primarily to the Group's sack business which operates in a very challenged economic and industrial environment.

2008 Fourth Quarter & Full Year | Performance Review

Packaging: Europe

The Group's corrugated volumes in 2008 decreased by 3% year-on-year, which compares to an overall market contraction of approximately 2%, reflecting the overall slowing economic environment in Europe. The steeper decline in the Group's deliveries reflects its continued commitment to maximise profitability over volumes.

Despite lower deliveries and significant market-related downtime in its paper system, the Group's EBITDA outcome of €196 million in the fourth quarter reflects the benefits of its integrated model, supported by the sustained performance of its downstream corrugated business. While under pressure, the Group's corrugated pricing held-up relatively well through 2008 reflecting the calibre of its customer base and the Group's focus on quality and service.

The Group's performance in 2008 also reflects the sustained overall competitiveness of its recycled containerboard system despite significant margin compression throughout the year, characterised by lower pricing and higher average input costs. In the current challenging operating environment, the Group benefits from its continually improving cost base, following the permanent closure of 20% of its less efficient capacity since 2005. The Group also benefits from its optimised integrated corrugated plant network.

By comparison, the Group estimates that a significant percentage of the European recycled containerboard capacity is loss making at current price levels. This is reflected in the slow but increasing number of announcements of permanent capacity closures and the increasing levels of market-related downtime that has arisen in the fourth quarter and early in 2009.

Although the Group operates a relatively low cost system and is a net buyer of recycled containerboard, it took approximately 160,000 tonnes of downtime, and permanently closed down another paper machine in Spain in July, removing an additional 70,000 tonnes from the market in 2008. As a result of the significant capacity removal, the Group's recycled containerboard inventories reduced by 13% in 2008, despite the lower level of demand and are at a relatively healthy level going into 2009.

Against the difficult market conditions, the Group's performance in 2008 also reflects its leading market position in kraftliner across Europe. Despite pressure from US imports in the first half of 2008, prices for the premium kraftliner grades showed reasonable resilience throughout 2008, and volumes grew by 1% in the year. The Group expects kraftliner prices to remain less volatile than other containerboard grades through the industry cycle, notwithstanding continued American imports.

Packaging: Latin America

In 2008, the Group's corrugated volumes in Latin America were 5% lower than in the previous year, primarily reflecting the impact of the US recession on the export and domestic activity in Mexico, and the impact of the farmers' strike in Argentina which reduced activity in the country for a significant period.

Against that backdrop and excluding currency effects, the Group's Latin American operations delivered unchanged EBITDA in 2008 compared to 2007. This performance reflects the Group's strong position in the region, and the diversified portfolio of markets and businesses.

While the Group's profitability in Mexico was negatively affected by weaker demand and higher input costs, price improvements contributed to reducing the margin compression. In September, on the back of the July paper price increase in the US, the Group implemented a further \$60 price increase for containerboard and boxes in Mexico. Prices are under some pressure in the New Year due to soft demand, although the weaker Mexican Peso defends the domestic market against cheaper imports and supports current pricing levels.

The Group's Colombian operations benefited from positive pricing momentum in 2008, but profitability was negatively impacted by higher input costs, especially for energy. On the positive side, the weakening Colombian Peso is increasing the profitability of the Group's printing & writing paper exports. Furthermore, our Latin American sack business, despite a 4% decline in volumes, continued to perform strongly in 2008, supported by healthy pricing momentum.

The Group's businesses in Argentina, Venezuela and the Dominican Republic performed satisfactorily despite the challenging local conditions.

Specialties: Europe

After delivering EBITDA growth in the first nine months of the year, profitability of the Specialties division came under pressure in the fourth quarter, as demand was significantly lower across most grades. In 2008, the Specialties division represented approximately 10% of the Group's EBITDA, broadly in line with 2007.

The positive environment for sack paper experienced in the first half of 2008, primarily driven by exports, dis-improved sharply in the second half as the collapse in the construction industry became widespread. In the second half of 2008, the Group's sack paper volumes declined by 23% compared to the second half of 2007. This collapse was compounded by a double-digit fall in the price of sack paper in the fourth quarter. This trend is continuing into 2009. While the outlook for this grade remains extremely challenging, the sack division represents approximately 2% of the Group's EBITDA.

In the first nine months of 2008, the Group's solidboard business was negatively impacted by higher average input costs on the mill side, especially for fibre and energy. This was offset by the benefits of a relatively stable pricing environment across Europe on the converting side, and some volume increase in the Benelux following the bankruptcy of a local competitor. This trend reversed in the fourth quarter, with the mills positively influenced by lower fibre costs, while lower demand and pricing pressure impacted the converting operations. In volatile trading conditions, the Group's solidboard earnings again benefited from its integrated operating model.

Although affected by the overall economic slowdown, the Group's Bag-in-Box business continued to show volume and earnings growth in 2008.

Cost Take-Out programme

To further strengthen the competitiveness of its operations in increasingly challenging times, the Group initiated a new three year cost take out programme in 2008, which delivered approximately €75 million of savings in the year.

Savings in 2008 included €14 million of labour cost reduction, primarily reflecting lower headcount. Cost take out in 2008 also included €9 million of energy savings and €30 million in raw materials savings, primarily through the reduction of process waste materials in our corrugated operations, and optimised width utilisation on our paper machines. The balance of the 2008 savings was mainly generated through optimisation of our distribution network and various purchasing initiatives.

The Group is continuing its cost reduction programme, and expects to deliver at least €125 million of additional saving benefits between 2009 and 2010, with €75 million being targeted for 2009.

Board of Directors

In the first half of 2008, three independent, non-executive Directors were appointed to the Board: Paul Stecko on 7 February, Rosemary Thorne on 20 March, and Thomas Brodin on 2 April.

On 22 December, 2008 Liam O'Mahony was appointed Chairman of the Board in place of Sean Fitzpatrick who resigned on 19 December, 2008.

Liam O'Mahony joined the Board in March 2007 and has served as the Company's Senior Independent Director since then. Nicanor Restrepo who joined the board in March 2007 has been appointed Senior Independent Director in place of Liam O'Mahony.

Dividend

The 2008 interim dividend of 16.05 euro cent per share was paid to shareholders in October 2008. To maximise cash available for debt paydown in light of the challenging economic outlook, the Group does not propose to pay dividends in 2009. Future dividend policy will be considered relative to prevailing market conditions and capital structure.

Summary Cash Flows

Summary cash flows for the fourth quarter and twelve months are set out in the following table.

	3 months to 31-Dec-08 € Million	3 months to 31-Dec-07 € Million	12 months to 31-Dec-08 € Million	12 months to 31-Dec-07 € Million
Pre-exceptional EBITDA	196	275	941	1,064
Exceptional items	(2)	(11)	(6)	(36)
Cash interest	(61)	(62)	(243)	(275)
Working capital change	77	17	86	(25)
Current provisions	(13)	(11)	(36)	(80)
Capital expenditure	(144)	(96)	(346)	(324)
Change in capital creditors	45	10	29	(36)
Sale of fixed assets	6	7	10	29
Tax paid	(39)	(28)	(97)	(73)
Other	(10)	(28)	(57)	(58)
Free cash flow	55	73	281	186
Shares issued through IPO, net of costs	-	(2)	-	1,433
Refinancing costs	-	(5)	-	(84)
Sale of businesses and investments	1	-	57	11
Investments	(5)	(11)	(20)	(14)
Derivative termination receipts/(payments)	2	(21)	2	(44)
Dividends	(36)	(1)	(77)	(7)
Total surplus	17	33	243	1,481
Net debt disposed	-	1	-	2
Deferred debt issue costs amortised	(4)	(4)	(15)	(47)
Non-cash interest accrued	-	-	-	(12)
Currency translation adjustments	(6)	14	(9)	54
Decrease in net borrowing	7	44	219	1,478

(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.

	12 months to 31-Dec-08 € Million	12 months to 31-Dec-07 € Million
Free cash flow	281	186
Add back:		
Cash interest	243	275
Capital expenditure	346	324
Change in capital creditors	(29)	36
Tax payments	97	73
Less:		
Sale of fixed assets	(10)	(29)
Profit on sale of assets and businesses – non exceptional	(15)	(4)
Receipt of capital grants (in "Other")	(1)	(2)
Dividends from associates (in "Other")	(5)	(4)
Cash flow generated from operations	907	855

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 31 December, 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 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 €405 million amortising A Tranche maturing in 2012, a €1,289 million B Tranche maturing in 2013 and a €1,288 million C Tranche maturing in 2014. In addition, as at 31 December, 2008, the facility included a €600 million revolving credit facility of which there were €16.4 million in letters of credit issued in support of other liabilities and €0.09 million drawn under facilities supported by letters of credit.

On 1 December, 2008 our total drawings of €227 million under the restructuring facility converted into €37 million Tranche A and €95 million under each of Tranche B and C of the Senior Credit Facility. The unutilised portion of the restructuring facility was cancelled on conversion.

The following table provides the range of interest rates as of 31 December, 2008 for each of the drawings under the various Senior Credit Facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	4.34% - 5.11%
Term Loan B	EUR	4.62% - 7.22%
	USD	6.16%
Term Loan C	EUR	4.82% - 7.47%
	USD	6.41%

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 31 December, 2008 the Group had fixed an average of 55% 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\$292.3 million 7.50% senior debentures due 2025. In addition the Group also has €1,750 million in interest rate swaps with maturity dates ranging from February 2009 to February 2014.

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 €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 – Twelve Months

	<u>Unaudited</u>			<u>Audited</u>		
	12 Months to 31-Dec-08			12 Months to 31-Dec-07		
	Pre- Exceptional 2008 €'000	Exceptional 2008 €'000	Total 2008 €'000	Pre- Exceptional 2007 €'000	Exceptional 2007 €'000	Total 2007 €'000
Revenue	7,061,880	-	7,061,880	7,271,657	-	7,271,657
Cost of sales	(5,058,487)	(236,986)	(5,295,473)	(5,236,787)	(6,433)	(5,243,220)
Gross profit	2,003,393	(236,986)	1,766,407	2,034,870	(6,433)	2,028,437
Distribution costs	(577,550)	-	(577,550)	(583,542)	-	(583,542)
Administrative expenses	(890,029)	-	(890,029)	(882,086)	-	(882,086)
Other operating income	3,995	-	3,995	48,489	12,513	61,002
Other operating expenses	-	(20,963)	(20,963)	-	(61,797)	(61,797)
Operating profit	539,809	(257,949)	281,860	617,731	(55,717)	562,014
Finance costs	(463,771)	(12,000)	(475,771)	(492,158)	(115,427)	(607,585)
Finance income	186,599	-	186,599	202,961	-	202,961
Loss on disposal of associate	-	(6,905)	(6,905)	-	-	-
Share of associates' profit (after tax)	2,731	-	2,731	12,513	-	12,513
(Loss)/profit before income tax	265,368	(276,854)	(11,486)	341,047	(171,144)	169,903
Income tax expense			(20,568)			(3,503)
(Loss)/profit for the financial year			(32,054)			166,400
<i>Attributable to:</i>						
Equity holders of the Company			(49,656)			147,169
Minority interest			17,602			19,231
(Loss)/profit for the financial year			(32,054)			166,400
Earnings per share:						
Basic (loss)/earnings per share (cent per share)			(22.8)			74.3
Diluted (loss)/earnings per share (cent per share)			(22.8)			71.7

Group Income Statement – Fourth Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 31-Dec-08			3 Months to 31-Dec-07		
	Pre- Exceptional 2008 €'000	Exceptional 2008 €'000	Total 2008 €'000	Pre- Exceptional 2007 €'000	Exceptional 2007 €'000	Total 2007 €'000
Revenue	1,630,561	-	1,630,561	1,817,795	-	1,817,795
Cost of sales	(1,192,502)	(226,036)	(1,418,538)	(1,342,575)	(358)	(1,342,933)
Gross profit	438,059	(226,036)	212,023	475,220	(358)	474,862
Distribution costs	(136,728)	-	(136,728)	(139,926)	-	(139,926)
Administrative expenses	(206,956)	-	(206,956)	(191,372)	-	(191,372)
Other operating income	2,731	-	2,731	904	4,975	5,879
Other operating expenses	-	(3,645)	(3,645)	-	(23,155)	(23,155)
Operating (loss)/profit	97,106	(229,681)	(132,575)	144,826	(18,538)	126,288
Finance costs	(136,434)	(12,000)	(148,434)	(114,735)	(5,457)	(120,192)
Finance income	63,487	-	63,487	54,769	-	54,769
Share of associates' (loss)/profit (after tax)	(15)	-	(15)	2,769	-	2,769
(Loss)/profit before income tax	24,144	(241,681)	(217,537)	87,629	(23,995)	63,634
Income tax expense			6,512			45,557
(Loss)/profit for the financial period			(211,025)			109,191
<i>Attributable to:</i>						
Equity holders of the Company			(209,971)			102,166
Minority interest			(1,054)			7,025
(Loss)/profit for the financial period			(211,025)			109,191
Earnings per share:						
Basic (loss)/earnings per share (cent per share)			(96.3)			46.9
Diluted (loss)/earnings per share (cent per share)			(96.3)			45.6

Group Statement of Recognised Income and Expense

	<u>Unaudited</u>	<u>Audited</u>
	12 months to	12 months to
	31-Dec-08	31-Dec-07
	€'000	€'000
		Restated
Items of income and expense recognised directly within equity:		
Foreign currency translation adjustments	(165,218)	(92,101)
Defined benefit pension schemes		
- Actuarial (loss)/gain	(84,057)	49,242
- Movement in deferred tax	15,542	(15,616)
Effective portion of changes in fair value of cash flow hedges:		
- movement out of reserve	(15,356)	(11,818)
- new fair value adjustments into reserve	(31,833)	11,121
- movement in deferred tax	4,614	(25)
Net change in fair value of available-for-sale financial assets	(799)	564
Net income and expense recognised directly within equity	(277,107)	(58,633)
 (Loss)/profit for the financial year	(32,054)	166,400
Total recognised income and expense for the financial year	(309,161)	107,767
 <i>Attributable to:</i>		
Equity holders of the Company	(331,098)	99,430
Minority interest	21,937	8,337
	(309,161)	107,767
 Effects of changes in accounting policy:		
 <i>Attributable to:</i>		
Equity holders of the Company		(876)
Minority interest		-
		(876)

Group Balance Sheet

	<u>Unaudited</u> 31-Dec-08 €'000	<u>Audited</u> 31-Dec-07 €'000 Restated
Assets		
Non-current assets		
Property, plant and equipment	3,038,207	3,251,479
Goodwill and intangible assets	2,154,212	2,416,785
Available-for-sale financial assets	30,651	43,511
Investment in associates	14,038	79,307
Biological assets	78,166	74,758
Trade and other receivables	4,098	6,716
Derivative financial instruments	153	4,301
Deferred income tax assets	228,061	257,234
	<u>5,547,586</u>	<u>6,134,091</u>
Current assets		
Inventories	623,185	682,169
Biological assets	8,122	6,862
Trade and other receivables	1,210,631	1,379,105
Derivative financial instruments	14,681	28,261
Restricted cash	19,408	13,096
Cash and cash equivalents	699,554	401,622
	<u>2,575,581</u>	<u>2,511,115</u>
Non-current assets held for sale	10,482	15,999
Total assets	<u><u>8,133,649</u></u>	<u><u>8,661,205</u></u>
Equity		
Capital and reserves attributable to the equity holders of the Company		
Equity share capital	229	228
Capital and other reserves	2,329,613	2,538,047
Retained earnings	(679,224)	(486,126)
Total equity attributable to equity holders of the Company	<u>1,650,618</u>	<u>2,052,149</u>
Minority interest	144,723	137,443
Total equity	<u><u>1,795,341</u></u>	<u><u>2,189,592</u></u>
Liabilities		
Non-current liabilities		
Borrowings	3,751,361	3,667,618
Employee benefits	516,665	482,497
Derivative financial instruments	19,227	-
Deferred income tax liabilities	324,563	446,461
Non-current taxes payable	18,538	19,704
Provisions for liabilities and charges	48,343	77,698
Capital grants	13,026	14,176
Other payables	3,591	8,535
	<u>4,695,314</u>	<u>4,716,689</u>
Current liabilities		
Borrowings	152,193	150,976
Trade and other payables	1,311,012	1,402,687
Current income tax liabilities	24,926	25,650
Derivative financial instruments	108,907	121,058
Provisions for liabilities and charges	45,956	54,553
	<u>1,642,994</u>	<u>1,754,924</u>
Total liabilities	<u>6,338,308</u>	<u>6,471,613</u>
Total equity and liabilities	<u><u>8,133,649</u></u>	<u><u>8,661,205</u></u>

Group Cash Flow Statement

	<u>Unaudited</u> 12 months to 31-Dec-08 €'000	<u>Audited</u> 12 months to 31-Dec-07 €'000
Cash flows from operating activities		
(Loss)/profit for the financial year	(32,054)	166,400
<i>Adjustment for</i>		
Income tax expense	20,568	3,503
Profit on sale of assets and businesses	(15,249)	(16,933)
Amortisation of capital grants	(1,575)	(2,157)
Impairment of property, plant and equipment	65,986	6,433
Equity settled share-based payment expense	4,373	24,741
Amortisation of intangible assets	44,656	45,304
Impairment of goodwill	171,000	-
Reduction in goodwill	-	16,068
Share of profit of associates & loss on disposal of associate	4,174	(12,513)
Depreciation charge	344,482	357,225
Net finance costs	289,172	404,624
Change in inventories	35,353	(68,645)
Change in biological assets	7,216	3,053
Change in trade and other receivables	136,006	(55,438)
Change in trade and other payables	(83,523)	100,265
Change in provisions	(34,647)	(62,347)
Change in employee benefits	(49,629)	(55,294)
Foreign currency translation adjustments	900	678
Cash generated from operations	907,209	854,967
Interest paid	(283,126)	(409,871)
Income taxes paid:		
Irish corporation tax paid	(14,204)	(4,296)
Overseas corporation tax (net of tax refunds) paid	(82,403)	(69,175)
Net cash inflow from operating activities	527,476	371,625
Cash flows from investing activities		
Interest received	36,212	28,612
Business disposals	2,675	10,720
Purchase of property, plant & equipment and biological assets	(308,022)	(349,744)
Purchase of intangible assets	(9,418)	(6,796)
Receipt of capital grants	560	2,424
Purchase of available-for-sale financial assets	(311)	(106)
Increase in restricted cash	(6,313)	(2,779)
Disposal of property, plant and equipment	24,225	32,949
Disposal of investments	274	-
Dividends received from associates	4,528	3,617
Disposals of investments in associates	54,973	408
Purchase of subsidiaries and minorities	(15,437)	(12,013)
Deferred and contingent acquisition consideration paid	(4,217)	(14)
Net cash (outflow) from investing activities	(220,271)	(292,722)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	120	1,496,244
Costs associated with issuing new shares	-	(62,208)
Increase in interest-bearing borrowings	152,324	91,853
Repayment of finance lease liabilities	(14,008)	(20,256)
Repayment of interest-bearing borrowings	(57,273)	(1,464,927)
Derivative termination receipts/(payments)	2,576	(45,186)
Deferred debt issue costs	(306)	(8,213)
Dividends paid to shareholders	(70,000)	-
Dividends paid to minority interests	(6,695)	(7,282)
Net cash inflow/(outflow) from financing activities	6,738	(19,975)
Increase in cash and cash equivalents	313,943	58,928
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	375,390	321,494
Currency translation adjustment	(6,641)	(5,032)
Increase in cash and cash equivalents	313,943	58,928
Cash and cash equivalents at 31 December	682,692	375,390

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

The financial information has been prepared in accordance with the Listing Rules of the Irish Stock Exchange and with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the financial statements included in the Group's annual report for the year ended 31 December, 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 as 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.

3. Segmental Analyses

	12 months to 31-Dec-08			12 months to 31-Dec-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Third party revenue (external)	6,121,609	940,271	7,061,880	6,313,553	958,104	7,271,657
Segment results-pre exceptional items	529,578	47,153	576,731	598,781	55,582	654,363
Exceptional items	(222,988)	(34,961)	(257,949)	(23,825)	(4,965)	(28,790)
	306,590	12,192	318,782	574,956	50,617	625,573
Unallocated centre costs-pre exceptional items			(36,922)			(36,632)
Group centre exceptional items			-			(26,927)
Operating profit			281,860			562,014
Share of associates' profit (after tax)	2,731	-	2,731	12,513	-	12,513
Loss on disposal of associate	(6,905)	-	(6,905)	-	-	-
Finance costs			(475,771)			(607,585)
Finance income			186,599			202,961
(Loss)/profit before income tax			(11,486)			169,903

	3 months to 31-Dec-08			3 months to 31-Dec-07		
	Packaging	Specialties	Total	Packaging	Specialties	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Third party revenue (external)	1,420,847	209,714	1,630,561	1,579,134	238,661	1,817,795
Segment results-pre exceptional items	102,843	940	103,783	132,371	11,460	143,831
Exceptional items	(194,720)	(34,961)	(229,681)	(3,183)	1,250	(1,933)
	(91,877)	(34,021)	(125,898)	129,188	12,710	141,898
Unallocated centre costs-pre exceptional items			(6,677)			995
Group centre exceptional items			-			(16,605)
Operating profit			(132,575)			126,288
Share of associates' (loss)/profit (after tax)	(15)	-	(15)	2,769	-	2,769
Finance costs			(148,434)			(120,192)
Finance income			63,487			54,769
(Loss)/profit before income tax			(217,537)			63,634

4. Exceptional Items

The following items are regarded as exceptional in nature:	12 months to 31-Dec-08 €'000	12 months to 31-Dec-07 €'000
Reorganisation and restructuring costs	(20,963)	(61,797)
Impairment of property, plant and equipment	(65,986)	(6,433)
Goodwill impairment	(171,000)	-
Net income on sale of assets and operations	-	12,513
Total exceptional items included in operating costs	<u>(257,949)</u>	<u>(55,717)</u>
Total exceptional items included in finance costs	<u>(12,000)</u>	<u>(115,427)</u>
Loss on disposal of associate	<u>(6,905)</u>	-

The reorganisation and restructuring costs in 2008, relate to the announced closure of our Valladolid recycled containerboard mill which was permanently closed in July 2008 and our Iuretta sack plant, both in Spain. The reorganisation and restructuring costs in 2007 included the termination costs related to the closure 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 2008, the impairment of property, plant and equipment amounts to €66 million, a portion of which relates to the Group's sack business and to the Valladolid mill in Spain. In 2007 the impairment charge of €6 million resulted mainly from the closure of the containerboard mill in France.

In 2008, following the completion of our full impairment review, €171 million goodwill impairment was booked.

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.

The exceptional finance cost of €12 million in 2008 relates to the impairment of available-for-sale financial assets. Exceptional finance costs of €115 million arose in 2007 following our use of the proceeds from the IPO to pay down debt. These costs comprise refinancing costs of €85 million and the non-cash accelerated amortisation of debt costs of €30 million.

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

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 Facture, 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

	12 Months to 31-Dec-08 €'000	12 Months to 31-Dec-07 €'000
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	209,869	206,193
Interest payable on finance leases and hire purchase contracts	5,749	7,217
Interest payable on other borrowings	78,301	117,825
Finance costs associated with debt restructuring	-	115,427
Impairment loss on available-for-sale financial assets	12,017	447
Other finance costs	1,864	-
Unwinding of discount element of provisions	870	921
Foreign currency translation loss on debt	50,630	23,049
Fair value loss on commodity derivatives	3,701	-
Fair value loss on other derivatives	10,698	40,158
Interest cost on employee benefit plan liabilities	102,072	96,348
Total finance cost	475,771	607,585
<i>Finance income</i>		
Other interest receivable	36,213	28,612
Foreign currency translation gain on debt	28,074	80,447
Fair value gain on commodity derivatives	-	4,081
Fair value gain on other derivatives	34,134	2,434
Expected return on employee benefit plan assets	88,178	87,387
Total finance income	186,599	202,961
Net finance cost	289,172	404,624

7. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	12 Months to 31-Dec-08 €'000	12 Months to 31-Dec-07 €'000
Current taxation		
Europe	46,743	47,764
United States and Canada	169	(1,715)
Latin America	42,441	25,316
	89,353	71,365
Deferred taxation	(68,785)	(67,862)
	20,568	3,503
Current tax is analysed as follows:		
Ireland	10,167	11,018
Foreign	79,186	60,347
	89,353	71,365

Income tax recognised directly in equity

	12 Months to 31-Dec-08 €'000	12 Months to 31-Dec-07 €'000
Arising on actuarial gains/(losses) on defined benefit plans	(15,542)	15,616
Arising on qualifying derivative cash flow hedges	(4,614)	25
	(20,156)	15,641

A net credit of €2.4 million in respect of current tax and €19.6 million in respect of deferred tax is included in the 2008 tax charge for exceptional items.

8. Employee Post Retirement Schemes

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

	12 Months to 31-Dec-08 €'000	12 Months to 31-Dec-07 €'000
Current service cost	42,686	50,255
Past service cost	3,312	4,706
(Gain) on settlements and curtailments	(524)	(5,109)
Actuarial gains and losses arising on long-term employee benefits other than defined benefit schemes	(2,142)	(3,518)
	<u>43,332</u>	<u>46,334</u>
Expected return on scheme assets	(88,178)	(87,387)
Interest cost on scheme liabilities	102,072	96,348
Net financial expense	<u>13,894</u>	<u>8,961</u>
Defined benefit expense	<u>57,226</u>	<u>55,295</u>

The disclosures above reflect the requirements of IAS 19 – Employee Benefits. Included in cost of sales and distribution and administrative expenses is a total defined benefit expense of €43,332,000 for the year (2007: €46,334,000). Expected Return on Scheme Assets of €88,178,000 (2007: €87,387,000) is included in Finance Income for the year and Interest Cost on Scheme Liabilities of €102,072,000 (2007: €96,348,000) is included in Finance Expense for the year in the Group Income Statement.

The amounts recognised in the balance sheet were as follows:

	31-Dec-08 €'000	31-Dec-07 €'000
Present value of funded obligations	1,210,486	1,498,547
Fair value of plan assets	(1,080,129)	(1,411,223)
Present value of unfunded obligations	386,308	395,173
Liability in the balance sheet	<u>516,665</u>	<u>482,497</u>

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:

	31-Dec-08 €'000	31-Dec-07 €'000
Liability in the balance sheet – 2007 previously stated	513,793	480,964
Impact of adoption of IFRIC 14	2,872	1,533
Liability in the balance sheet – 2007 restated	<u>516,665</u>	<u>482,497</u>

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 €482 million at 31 December, 2007 to €517 million at 31 December, 2008. The rise in the provision was as a result of the significant asset losses being partially compensated by an increase in AA corporate bond yields, a fall in expected inflation, favourable pension plan experience and weaker Sterling - all of which reduced pension liabilities.

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 31-Dec-08	3 Months to 31-Dec-07	12 Months to 31-Dec-08	12 Months to 31-Dec-07 ⁽¹⁾
(Loss)/profit attributable to equity holders of the Company (€'000)	(209,971)	102,166	(49,656)	147,169
Weighted average number of ordinary shares in issue ('000)	218,023	217,952	218,015	198,188
Basic (loss)/earnings per share (cent per share)	(96.3)	46.9	(22.8)	74.3

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 31-Dec-08 ⁽²⁾	3 Months to 31-Dec-07	12 Months to 31-Dec-08 ⁽²⁾	12 Months to 31-Dec-07 ⁽¹⁾
(Loss)/profit attributable to equity holders of the Company (€'000)	(209,971)	102,166	(49,656)	147,169
Weighted average number of ordinary shares in issue ('000)	218,023	217,952	218,015	198,188
Potential dilutive ordinary shares assumed	-	6,194	-	7,141
Diluted weighted average ordinary shares	218,023	224,146	218,015	205,329
Diluted (loss)/earnings per share (cent per share)	(96.3)	45.6	(22.8)	71.7

(1) Average of ordinary shares in issue pre and post the IPO. Ordinary shares in issue at 31 December, 2007 amounted to 217,985,995.

(2) There is no difference between basic and diluted loss per share in 2008 as the inclusion of the dilutive impact of the convertible shares would have the effect of reducing the loss per share.

10. Property, Plant and Equipment

	Land and Buildings €'000	Plant and Equipment €'000	Total €'000
Year ended 31 December 2008			
Opening net book amount	1,176,694	2,074,785	3,251,479
Reclassification	28,867	(30,594)	(1,727)
Additions	10,019	312,900	322,919
Depreciation charge for the period	(49,719)	(294,763)	(344,482)
Impairment losses recognised in profit and loss	(12,977)	(53,009)	(65,986)
Retirements and disposals	(2,728)	(2,908)	(5,636)
Foreign currency translation adjustment	(41,967)	(76,393)	(118,360)
At 31 December 2008	1,108,189	1,930,018	3,038,207

10. 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

11. Investment in Associates

	12 Months to 31-Dec-08 €'000	12 Months to 31-Dec-2007 €'000
At 1 January	79,307	76,668
Share of profit for the period	2,731	12,513
Loss on disposal of associate	(6,905)	-
Dividends received from associates	(4,528)	(3,617)
Disposals	(55,418)	(3,810)
Transfer to subsidiaries	-	(2,000)
Reclassification	-	631
Foreign currency translation adjustment	(1,149)	(1,078)
At 31 December	14,038	79,307

12. 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

12. Share-based Payment – (continued)

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 31 December, 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 credit of €2.4 million is included in the 2008 share-based payment expense, reversing elements of the charge already booked up to the year ended 31 December, 2007 since the grants were made. This relates to grants where we believe that certain performance criteria will not be met.

A summary of the activity under the 2002 Plan, as amended, for the period from 31 December, 2007 to 31 December, 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	672.0	(583.7)	(44.2)	(44.1)	-
Converted into Ordinary shares	(36.8)	-	-	-	(36.8)
Balance December 2008	9,035.0	-	539.5	539.5	10,114.0
Exercisable December 2008	9,035.0	-	-	-	9,035.0

The weighted average exercise price for all D convertible shares at 31 December, 2008 was €4.59. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 31 December, 2008 was 3.98 years.

A summary of the activity under the 2007 SIP, for the period from 31 December, 2007 to 31 December, 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 December 2008	2,598.2	2,598.2	5,196.5
Exercisable December 2008	-	-	-

As at 31 December, 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 31 December, 2008 was 8.77 years.

13. 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	(331,098)	21,937	(309,161)
Other movements	(4,926)	4,926	-
Shares issued	120	-	120
Share-based payment expense	4,373	-	4,373
Purchase of minorities	-	(12,888)	(12,888)
Dividend paid to shareholders	(70,000)	-	(70,000)
Dividends paid to minorities	-	(6,695)	(6,695)
At 31 December 2008	1,650,618	144,723	1,795,341
31 December 2006, as previously reported	495,178	136,343	631,521
Adjustment in respect of the implementation of IFRIC 14 ⁽¹⁾	(197)	-	(197)
31 December 2006, 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.

14. Analysis of Net Debt

	31-Dec-08 €'000	31-Dec-07 €'000
Senior credit facility:		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 1.5%	(8,506)	(10,746)
Restructuring facility ⁽²⁾ – interest at relevant interbank rate + 1.5% until conversion to Term Loan	-	103,200
Tranche A Term loan ^(3a) – interest at relevant interbank rate + 1.5%	405,410	422,214
Tranche B Term loan ^(3b) – interest at relevant interbank rate + 1.875%	1,289,194	1,187,045
Tranche C Term loan ^(3c) – interest at relevant interbank rate + 2.125%	1,287,839	1,186,147
Yankee bonds (including accrued interest) ⁽⁴⁾	210,246	198,674
Bank loans and overdrafts/(cash)	(628,899)	(324,946)
2011 Receivables securitisation floating rate notes (including accrued interest) ⁽⁵⁾	206,882	205,815
	2,762,166	2,967,403
2015 Cash pay subordinated notes (including accrued interest) ⁽⁶⁾	361,982	352,985
Net debt before finance leases	3,124,148	3,320,388
Finance leases	54,369	72,786
Net debt including leases - Smurfit Kappa Funding plc	3,178,517	3,393,174
Balance of revolving credit facility reclassified to debtors	8,506	10,746
Net debt after reclassification - Smurfit Kappa Funding plc	3,187,023	3,403,920
Net (cash) in parents of Smurfit Kappa Funding plc	(2,431)	(44)
Net Debt including leases - Smurfit Kappa Group plc	3,184,592	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 - €0.09 million, letters of credit issued in support of other liabilities - €16.4 million)
- (2) Restructuring credit facility of €275 million (available under the senior credit facility), converted to Term A, B and C on 1 December 2008
- (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

15. Statutory Accounts

The financial information prepared included in this preliminary release do not comprise “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 the disclosure and other requirements of those Regulations. The preliminary release was approved by the board of directors. The annual report and accounts will be approved by the Board of Directors and reported on by the auditors in due course. The annual accounts reported on by the auditors will not contain quarterly information. Accordingly, the financial information is unaudited. Full group accounts for the year ended 31 December, 2007 have received an unqualified audit report and have been filed with the Irish Registrar of Companies.

Supplemental Financial Information

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

	12 months to 31-Dec-08 €'000	12 months to 31-Dec -07 €'000	3 months to 31-Dec-08 €'000	3 months to 31-Dec -07 €'000
(Loss)/profit for the financial period	(49,656)	147,169	(209,971)	102,166
Equity minority interests	17,602	19,231	(1,054)	7,025
Income tax expense	20,568	3,503	(6,512)	(45,557)
Share of associates' operating (profit)/loss	(2,731)	(12,513)	15	(2,769)
Loss on disposal of associates	6,905	-	-	-
Profit on sale of assets and operations –subsidiaries	-	(12,513)	-	(4,975)
Reorganisation and restructuring costs	20,963	61,797	3,645	23,155
Impairment of assets	236,986	6,433	226,036	358
Total net interest	289,172	404,624	84,947	65,423
Share-based payment expense	4,373	24,741	(4,057)	3,388
Depreciation, depletion (net) and amortisation	396,354	421,650	102,025	126,829
EBITDA before exceptional items and share-based payment expense	940,536	1,064,122	195,074	275,043

€ Million	Q3, 2007	Q4, 2007	Q1, 2008	Q2, 2008	Q3, 2008	Q4, 2008
Group and third party revenue	2,689	2,656	2,702	2,713	2,570	2,384
Third party revenue	1,829	1,818	1,832	1,846	1,753	1,631
EBITDA before exceptional items and share-based payment expense	275	275	257	257	231	196
EBITDA margin	15.1%	15.1%	14.0%	13.9%	13.2%	12.0%
Operating profit/(loss)	171	126	127	156	131	(133)
Profit/(loss) before tax	106	64	62	83	61	(218)
Free cash flow	150	73	1	76	149	55
Basic (loss)/earnings per share (€ cts)	38.6	46.9	18.4	38.3	16.8	(96.3)
Weighted average number of shares used in EPS calculation	217,768	217,952	217,994	218,022	218,023	218,023
Net debt	3,448	3,404	3,373	3,285	3,192	3,185
Net debt to EBITDA (LTM)	3.30	3.20	3.16	3.09	3.13	3.39