

15 August, 2007: Smurfit Kappa Group plc (“SKG” or the “Group”), one of the world’s largest integrated manufacturers of paper-based packaging products, with operations in Europe and Latin America, today announced results for the 3 months and 6 months ending 30 June, 2007.

2007 Second Quarter & First Half | Key Financial Performance Measures

€m	Q2, 2007	Q2, 2006	Change	H1, 2007	H1, 2006	Change
Revenue	€1,831	€1,754	4.4%	€3,625	€3,486	4.0%
EBITDA before Exceptional Items and Share-based Payments	€260	€219	18.3%	€514	€400	28.4%
EBITDA Margin	14.2%	12.5%	1.7pts	14.2%	11.5%	2.7pts
Free Cashflow	€3	€(47)	NM	€(37)	€(128)	71%
Net Debt	€3,605	€5,022	28%	€3,605	€5,022	28%
Net Debt to EBITDA (LTM)	3.6	5.5	1.9 pts	3.6	5.5	1.9 pts

Highlights

- Year-on-year EBITDA increase of 18% in second quarter to €260 million; 28% increase in first half to €514 million
- Strong demand growth & pricing momentum in recycled containerboard & corrugated
- Solid financial performance despite higher than expected input cost increases resulting in near-term margin compression – strong EBITDA margin of 14.2% for second quarter and first half
- Successful debt re-pricing resulting in lower cost of debt and improved balance sheet
- Strong market conditions, balanced capacity and rising input costs are the basis to deliver continued corrugated price improvements

Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: “SKG is pleased to report a strong performance growth for the second quarter and the first half of 2007.

This performance reflects continued, strong demand growth, balanced capacity across the Group’s markets and a generally positive pricing environment. Increased input costs and paper prices have not yet fully translated into higher corrugated prices which are being progressively achieved. Increasing input costs, while causing margin pressure in the first half, underpin product price momentum and are expected to deliver continued corrugated price improvement and EBITDA growth in the second half and into 2008.”

About Smurfit Kappa Group

Smurfit Kappa Group is a world leader in paper-based packaging with operations in Europe and Latin America.

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

Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for SKG'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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2007 Second Quarter and First Half | Performance Overview

SKG's financial outcome for the second quarter and the first half of 2007 reflects a very solid financial performance. Revenue for the second quarter of 2007 of €1,831 million increased 4% on the same period in 2006. The true underlying growth in revenue, however, was significantly higher in the second quarter. Allowing for the negative impact of currency (€7 million) and for the impact of disposals and closures (€37 million), revenue shows an underlying increase of €121 million or 7% for the second quarter.

Revenue for the first half, of €3,625 million, also increased 4% on the same period in 2006. Again, allowing for the negative impact of currency (€16 million) and for the impact of disposals and closures (€61 million) revenue shows an underlying increase of €216 million or 6.2% for the first half. This solid growth, in both the second quarter and first half of 2007, primarily reflects product price improvements in Europe but also a very strong performance from the Group's operations in Latin America.

However, despite growth in underlying revenue, there were a number of factors during the first half which delayed EBITDA and EBITDA margin growth. During the first quarter, SKG experienced a rapid and higher than anticipated increase in recovered paper prices which contributed to margin compression in SKG's containerboard business. Anticipated kraftliner price increases were not sustained due to increased imports into the strong European market and this, together with higher wood costs, dampened kraftliner profit growth. During the second quarter, SKG implemented a second recycled containerboard price increase to recover rising input costs and this also had a short-term negative impact on the earnings momentum of the Group's corrugated business while price increases are passed through the system from containerboard to boxes. The consequent margin compression is reflected in the modest decline in SKG's EBITDA margin in the first and second quarters relative to the fourth quarter of 2006.

On the positive side, corrugated demand growth remains strong in Europe. SKG is progressively implementing recovered paper and containerboard price increases in corrugated and achieved a total of 3.7% for the first half of 2007. Increasing input costs, while causing margin pressure in the first half, underpin product price momentum and are expected to deliver continued corrugated price improvements in the second half and into 2008.

Second Quarter, 2007: Year-on-year financial performance

Revenue of €1,831 million in the second quarter of 2007, represents a 4% increase on revenue of €1,754 million in the second quarter of 2006. EBITDA, before exceptional items, of €260 million increased 18% compared to EBITDA of €220 million in the second quarter of 2006. This represents a margin of 14.2% and 12.5% respectively.

Second Quarter, 2007: Quarter-on-quarter financial performance

Revenue of €1,831 million in the second quarter of 2007, represents a 2% increase on revenue of €1,794 million in the first quarter of 2007. EBITDA, before exceptional items, of €260 million increased 2.4% compared to EBITDA of €254 million in the first quarter of 2007. This represents a margin of 14.2% for both periods.

First Half, 2007: Year-on-year financial performance

Revenue of €3,625 million in the first half of 2007, represents a 4% increase on revenue of €3,486 million in the first half of 2006. Excluding the impact of closures, disposal and currency, revenue increased over 6% year-on-year. EBITDA, before exceptional items, of €514 million increased 28% compared to EBITDA of €400 million in the first half of 2006. This represents a margin on revenue of 14.2% and 11.5% respectively.

2007 Second Quarter and First Half | Capital Structure & Debt Paydown

SKG successfully returned to public equity markets through the completion of an all primary IPO in March, 2007. The Group raised gross proceeds of €1,495 million through a global institutional offering which was significantly oversubscribed. This comprised an initial public offering of €1,300 million and the full exercise of over-allotment arrangements which raised an additional €195 million. Proceeds were applied to reduce debt and optimise SKG's capital structure. At 30 June, 2007, SKG's net debt was €3,605 million which compares to €3,549 million at 31 March, 2007 and €4,882 million at 31 December, 2006.

During the second quarter, SKG announced its intention to further reduce its overall cost of debt by seeking approval from its lenders to amend certain terms of its senior credit facilities including a reduction in margin across each of the Group's facilities. In July 2007, the Group successfully secured approval to amend its senior credit facilities. The amendment, together with a successful cash tender offer for SKG's US dollar denominated 9½% Senior Notes due 2012 and euro denominated 10¼% Senior Notes due 2012, has resulted in a reduction in the Group's overall cost of debt by approximately €10 million per annum and gives SKG greater financial flexibility.

The Group's financial objective for 2007 remains equity accretion through debt pay down. SKG remains on track to deliver a net debt to EBITDA ratio of approximately 3.0x by the end of the 2007 financial year.

Acquisitions and Disposals

The Group acquired a corrugated box plant in Romania in the first half, with a market share of 5% in Romania. This acquisition provides SKG with an entry to the Romanian market and progress towards the Group's objective of growth in Eastern Europe.

The Group also concluded an agreement subject to regulatory clearance to acquire a bag-in-box operation in Europe. On completion of this acquisition, this business will be merged with the Group's existing and fast growing bag-in-box division. It will provide a broader platform for further growth and development of this business in Europe.

The higher growth regions of Eastern Europe and Latin America remain a key focus for the Group.

The Group completed a number of asset and non-core business disposals during the first half including a number of property sales. Total consideration for these disposals was in excess of €20 million. The Group continues to actively focus on disposing of non-core and non-strategic assets and expects to make further announcements in the second half.

Efficient Capacity Management & Capital Expenditure

Following the closure of significant, higher cost capacity during 2006, SKG announced further capacity closures during the first half of 2007. During the first quarter, SKG announced the closure of a mill in Alaincourt, France, with capacity of 90,000 tonnes of recycled containerboard. SKG will use the machine from this mill to replace another machine within its system resulting in a net annual reduction of approximately 50,000 tonnes.

SKG also closed two corrugated plants, a solid board machine, and a solid board packaging operation during the first half. Operating cost reduction and further improving the quality of the Group's existing asset base was the basis for these disposals.

Capital expenditure during the second quarter was approximately €79 million. This compares to €63 million in the second quarter of 2006 and €68 million in the first quarter of 2007. The Group's first half capital expenditure of €147 million equates to 84% of depreciation in the period. The Group's full year capital expenditure level is expected to be a little over 90% of depreciation and approximately 4% of full year net revenue.

Synergies

SKG's synergy programme delivered approximately €87 million in 2006, ahead of the Group's target of €60 million. SKG's annualised synergy run rate, at the end of 2006, was approximately €124 million. This was also ahead of SKG's original expectation of a run rate of €95 million per annum by the end of 2006.

The momentum behind the synergy programme continues and the run rate at the end of June 2007 was approximately €146 million. SKG's current objective is to deliver total synergy benefits, ahead of the original €160 million estimate, and earlier than originally planned.

2007 Second Quarter and First Half | Performance Overview

Overall trading in the first half of 2007 is significantly ahead of the same period in 2006. This reflects balanced capacity and tight market conditions in recycled containerboard in Europe, together with strong corrugated demand.

Price increases in recycled containerboard have been implemented during the first half, in part to recover the consistent upward pressure on recovered paper and energy prices. Corrugated prices are being progressively increased to recover containerboard price increases. The implementation of corrugated price increases is always a slower process than the implementation of containerboard price increases. While overall price momentum is good, there is some margin pressure within the Group's corrugated system as current box pricing does not yet fully reflect higher containerboard prices.

In Latin America, the Group's operations benefited from a combination of higher sales volumes and higher average selling prices during the first half of the year relative to the comparable period in 2006, which contributed to increased earnings growth for the region.

Packaging: Europe

European packaging continues to benefit from the increasing balance between supply and demand in European recycled containerboard. Over the past 18 months, it is estimated that in excess of 1.5 million tonnes of higher cost capacity was removed from the market, representing close to 8% of available industry capacity. A more balanced market has allowed producers recover significant increases in input costs, primarily recovered paper and energy, by implementing containerboard price increases. Recovered paper prices have, for example, increased by approximately 30% (€20 per tonne) for the first half of 2007. Two consecutive recycled containerboard price increases, of €30 per tonne each, were also implemented in the first half of 2007. A further price increase of €40 per tonne has been announced for September, 2007 as a result of tight markets and a further increase in recovered fibre costs.

The kraftliner market in Europe is more difficult. US kraftliner imports increased 15% year-on-year during the first quarter of 2007 and this level of imports sustained during the second quarter. This increase in US imports reflects the relative weakness of the US dollar and slow domestic US demand. SKG's performance was also impacted by a fire at the Facture mill which resulted in significant unplanned downtime. The impact of this fire was covered by the Group's insurance arrangements. As a result of the sharp increase in US imports, the planned kraftliner price increase was not achieved during the first half.

SKG's total European kraftliner volumes declined 10% in the first half compared to the same period in 2006. This primarily reflects fire related downtime at the Facture mill. Excluding the impact of Facture, volumes increased 3% in the first half compared to the same period in 2006 with demand proving to be strong. SKG's European recycled containerboard volumes, excluding the impact of disposals and closures, also increased 3% in the first half compared to the same period in 2006.

As an integrated corrugated manufacturer, containerboard price increases have resulted in increasing input costs for SKG's corrugated operations resulting in near-term margin compression. In corrugated, SKG experienced lower volume growth than the market during the first quarter reflecting a strong and disciplined stance on pricing. However, SKG's volumes improved in the second quarter, reflecting strong corrugated demand, especially in the UK, Benelux & Germany, as a result of broader market growth. This strong demand environment, together with balanced capacity in containerboard and rising input costs, underpin price momentum and are expected to deliver continued corrugated price improvement in the second half of 2007 and into 2008.

SKG's European corrugated volumes, excluding the impact of disposals and closures, increased approximately 1.3% in the first half compared to the same period in 2006. First half growth of 1.3% also compares to 2.6% broader market growth in the same period, with the lower SKG figures reflecting the strong continued push for price recovery. The clear priority for the second half of 2007 is to continue to implement the necessary corrugated price increases required to recover these input cost increases. SKG achieved an increase of approximately 4% in corrugated prices for the first half of 2007.

Packaging: Latin America

While market conditions vary from country to country, demand growth was generally strong across the Latin American region with SKG's operations reporting growth in revenue and earnings year-on-year. SKG's Latin American operations reported a good performance in the first and second quarter with containerboard volumes 6.8% higher in the first half than in the same period in 2006. SKG's corrugated volumes in Latin America increased in the second quarter and first half on 2006 with first half volumes increasing 7.2% year-on-year.

Mexico, Colombia and Argentina experienced growth rates of between 6% and 15% in the first half of 2007, with positive price momentum in each market. In Venezuela and the Dominican Republic, volumes declined somewhat on 2006 levels. However, these declines were more than compensated for by higher product pricing.

Argentina's growth rate slowed year-on-year reflecting the country's current energy crisis. However, the first half financial performance showed a small increase on the same period in 2006

Specialties: Europe

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

The financial performance of SKG's specialties business, in the first half, declined on the comparable period in 2006. This primarily reflects a reduced level of profitability in the solidboard operations against a backdrop of competitive market conditions, SKG's strong focus on restoring acceptable end product pricing and the absence in 2007 of one solidboard operation, which was sold as required by the EU following the JSG/Kappa merger. The performance of the specialties business is also being impacted by rising recovered paper costs. While board prices have increased year-on-year, further price initiatives are required to recover the increase in input costs. SKG's strong and disciplined stance on pricing is having a consequent negative impact on volumes.

SKG's sack business also operates in a highly competitive environment. Sack kraft paper prices continue to increase as a result of a very good balance between supply and demand. However, on the converting side, a fragmented competitive market means that paper price increases are not being effectively implemented.

SKG's boxboard business had an improved second quarter and first half. Product prices are trending upwards under pressure from rising input costs, while market conditions remain competitive.

SKG's bag-in-box business reported strong growth in volumes in the first half and is currently operating at full capacity. SKG has concluded an agreement to acquire a further business in this sphere subject only to regulatory clearance. This will further underpin the growth in this area.

Second Quarter, 2007: Cash Flows & Capital Structure

Free cash flow, for the second quarter of 2007, resulted in a net inflow of €3 million compared to a net outflow of €47 million in the same period in 2006. The improvement in free cash flow was achieved despite a higher level of capital expenditure in 2007 and the payment of €17 million in respect of reorganisation and restructuring charges provided for in 2006. The improved cash flow reflected the higher profits generated by the Group in the second quarter.

The reported profit is after charging further costs in respect of debt re-financing, which followed the IPO. The refinancing costs of €18 million are added back in arriving at free cash flow but then deducted within the financing and investment section of the cash flow, while the non-cash interest expense of €14 million includes €10 million in respect of the accelerated write-off of debt costs relating to the debt paid down.

Capital expenditure at €79 million in the second quarter of 2007 was higher than in 2006, representing 91% of depreciation compared to 71% in 2006. This reflected a different phasing of the spend within the half-year with expenditure representing 84% and 78% respectively in the six months to June 2007 and 2006.

Working capital increased by €70 million in the second quarter of 2007 with higher debtors and stocks offset by higher creditors. The increase in working capital reflected the impact of higher average selling prices across SKG's business base, including the recycled containerboard increase implemented during May and June, as well as some seasonality factors. As a percentage of annualised revenue, working capital of €759 million at June 2007 represented 10.4%, compared to 10.1% at June 2006.

Cash flows from financing and investment activity amounted to a net outflow of €52 million in the second quarter of 2007, with the main outflows being the €14 million repayment of derivatives as part of the refinancing and the payment of IPO costs and additional refinancing costs. In the second quarter of 2006, cash flows from financing and investment activity were modest, giving a net outflow of €1 million.

With the free cash flow more than offset by the net outflow from financing and investment activity, the result for the second quarter of 2007 was a net cash outflow of €49 million. This outflow was increased by €13 million in respect of the amortisation of debt issuance costs (including the accelerated amortisation of €10 million) but offset by a positive currency adjustment of €6 million, reflecting a reduction in foreign currency borrowings as a result of the relative strength of the euro. Given the repayment of the PIK debt in the first quarter of 2007, no accrued non-cash interest arose in the second quarter. The overall result was an increase of €56 million in net borrowing during the second quarter of 2007.

In the second quarter of 2006, the net cash outflow of €48 million was increased by €4 million and €13 million in respect of the amortisation of debt issuance costs and PIK interest respectively and offset by positive currency movements of €54 million. The overall result was an increase of €11 million in net borrowing during the second quarter of 2006.

Net borrowing amounted to €3,605 million at June 2007 compared to €3,549 million at March 2007. Reflecting the progressive strengthening of SKG's earnings, however, leverage (EBITDA to net debt ratio) has improved over the course of 2007 from 3.7x at March 2007 to 3.6x at June 2007. At December 2006, leverage was 5.5x.

First Half, 2007: Cash Flows & Capital Structure

Free cash flow, for the first six months of 2007 was a net outflow of €37 million compared to a net outflow of €128 million in the same period in 2006. The improvement in free cash flow reflects a combination of the higher profits generated in 2007 and a lower working capital outflow as partly offset by higher outflows for capital creditors and current provisions, primarily in respect of reorganisation and restructuring charges provided for in 2006.

The underlying improvement in year-on-year profitability is masked by the significant finance costs incurred in 2007 in respect of the early paydown of debt following the IPO in March. These costs comprise refinancing costs of €74 million, which are added back in arriving at free cash flow but then deducted within the financing and investment section of the cash flow, and €29 million in respect of the accelerated write-off of debt costs relating to the debt paid down.

Capital expenditure at €147 million in 2007 represented 84% of depreciation compared to 78% in 2006. Working capital increased by €98 million in the half-year to June 2007 with higher debtors and stocks offset by higher creditors. The comparative increase in 2006 was €136 million. The increase in working capital over the first six months of 2007 reflected the impact of higher average selling prices across SKG's business base and an element of seasonality as a result of the higher level of trading activity mid-year. As a percentage of annualised revenue, working capital of €759 million at June 2007 represented 10.4%, compared to 8.9% at December 2006 and 10.1% at June 2006.

As a result of the IPO, cash flows from financing and investment activity amounted to a net inflow of €1,348 million in the first half of 2007. The share issue raised €1,495 million while the costs of the IPO and those relating to the subsequent refinancing of borrowing amounted to €58 million and €74 million respectively. The repayment of derivatives resulted in an outflow of €14 million. Apart from the payment of €34 million in deferred consideration to the former Kappa shareholders, cash flows from financing and investment activity in the first half of 2006 were modest, giving a net outflow of €38 million.

With the large inflow from financing and investment activity more than offsetting the negative free cash flow, the result for the first half of 2007 was a net cash inflow of €1,311 million. This inflow was increased by a positive currency movement of €14 million while offset by €37 million in respect of the amortisation of debt issuance costs (including the accelerated amortisation of €29 million) and €12 million in respect of non-cash interest in relation to the PIK debt prior to its paydown in late March. The overall result was a decrease of €1,277 million in net borrowing in the first half of 2007.

In the first half of 2006, the negative free cash flow and the outflow from financing and investment activity resulted in a net cash outflow of €166 million. This outflow was increased by €9 million in respect of the amortisation of debt issuance costs and €25 million in respect of non-cash interest and offset by positive currency movements of €72 million. The overall result was an increase of €128 million in net borrowing in the first half of 2006.

Summary Cash Flows - SKG plc

Summary cash flows for the second quarter and half year are set out in the following table.

	3 months to 30-Jun-07 € Million	3 months to 30-Jun-06 € Million	6 months to 30-Jun-07 € Million	6 months to 30-Jun-06 € Million
Profit/(loss) before tax - subsidiaries	37	(8)	(6)	(52)
Exceptional items	17	25	17	50
Impairment of fixed assets	5	-	5	-
Depreciation and depletion	87	89	176	180
Amortisation of intangible assets	10	10	21	21
Non-cash interest expense	14	-	45	(2)
Refinancing costs	18	-	74	-
Share-based payments	4	2	17	4
Working capital change	(70)	(67)	(98)	(136)
Current provisions	(23)	(5)	(61)	(5)
Capital expenditure	(79)	(63)	(147)	(140)
Change in capital creditors	(10)	(5)	(48)	(9)
Sale of fixed assets	16	-	18	9
Tax paid	(14)	(11)	(25)	(22)
Dividends from associates	3	3	3	3
Other	(12)	(17)	(28)	(29)
Free cash flow	3	(47)	(37)	(128)
Investments	(2)	-	(3)	(34)
Sale of businesses and investments	4	3	8	4
Shares issued through IPO	-	-	1,495	-
Costs of IPO	(19)	-	(58)	-
Repayment of derivatives	(14)	-	(14)	-
Dividends paid to minorities	(3)	(2)	(6)	(5)
Acquisition costs and fees	-	(2)	-	(3)
Refinancing costs	(18)	-	(74)	-
Net cash (outflow)/inflow	(49)	(48)	1,311	(166)
Net cash disposed	-	-	1	-
Deferred debt issue costs amortised	(13)	(4)	(37)	(9)
Non-cash interest accrued	-	(13)	(12)	(25)
Currency translation adjustments	6	54	14	72
(Increase)/decrease in net borrowing	€(56)	€(11)	€1,277	€(128)

Group Income Statement – Second quarter

	3 Months to 30-Jun-07			3 Months to 30-Jun-06		
	Pre- Exceptional 2007	Exceptional 2007	Total 2007	Pre- Exceptional 2006	Exceptional 2006	Total 2006
	€000	€000	€000	€000	€000	€000
Continuing operations						
Revenue	1,831,034	-	1,831,034	1,754,467	-	1,754,467
Cost of sales	(1,302,037)	(4,662)	(1,306,699)	(1,263,376)	-	(1,263,376)
Gross profit	528,997	(4,662)	524,335	491,091	-	491,091
Distribution costs	(149,048)	-	(149,048)	(152,983)	-	(152,983)
Administrative expenses	(228,783)	-	(228,783)	(219,750)	-	(219,750)
Other operating income	7,915	5,141	13,056	(508)	909	401
Other operating expenses	-	(25,429)	(25,429)	-	(44,764)	(44,764)
Operating profit	159,081	(24,950)	134,131	117,850	(43,855)	73,995
Finance costs	(117,208)	(27,840)	(145,048)	(165,843)	-	(165,843)
Finance income	48,328	-	48,328	83,570	-	83,570
Share of associates' profit (after tax)	5,485	-	5,485	2,262	-	2,262
Profit/(loss) before income tax	95,686	(52,790)	42,896	37,839	(43,855)	(6,016)
Income tax expense			(8,093)			(3,211)
Profit/(loss) for the financial period			€34,803			€(9,227)
<i>Attributable to:</i>						
Equity holders of the Company			31,295			(10,900)
Minority interest			3,508			1,673
Profit/(loss) for the financial period			€34,803			€(9,227)

Group Income Statement – Year to date

	6 Months to 30-Jun-07			6 Months to 30-Jun-06		
	Pre- Exceptional 2007	Exceptional 2007	Total 2007	Pre- Exceptional 2006	Exceptional 2006	Total 2006
	€000	€000	€000	€000	€000	€000
Continuing operations						
Revenue	3,624,739	-	3,624,739	3,485,502	-	3,485,502
Cost of sales	(2,594,528)	(4,662)	(2,599,190)	(2,518,957)	-	(2,518,957)
Gross profit	1,030,211	(4,662)	1,025,549	966,545	-	966,545
Distribution costs	(298,241)	-	(298,241)	(309,191)	-	(309,191)
Administrative expenses	(468,226)	-	(468,226)	(462,825)	-	(462,825)
Other operating income	36,236	5,870	42,106	-	3,266	3,266
Other operating expenses	-	(36,569)	(36,569)	-	(86,032)	(86,032)
Operating profit	299,980	(35,361)	264,619	194,529	(82,766)	111,763
Finance costs	(253,654)	(103,236)	(356,890)	(307,785)	-	(307,785)
Finance income	86,502	-	86,502	144,164	-	144,164
Share of associates' profit (after tax)	6,239	-	6,239	2,846	-	2,846
Profit/(loss) before income tax	139,067	(138,597)	470	33,754	(82,766)	(49,012)
Income tax expense			(32,328)			(8,515)
(Loss) for the financial period			€(31,858)			€(57,527)
<i>Attributable to:</i>						
Equity holders of the Company			(39,095)			(62,332)
Minority interest			7,237			4,805
(Loss) for the financial period			€(31,858)			€(57,527)

Segmental Analyses – Second quarter

	3 months to 30-Jun-07			3 months to 30-Jun-06		
	Packaging €000	Specialties €000	Total €000	Packaging €000	Specialties €000	Total €000
Group and third party revenue	2,313,717	336,839	2,650,556	2,241,549	338,334	2,579,883
Inter-segment revenue	(728,974)	(90,548)	(819,522)	(738,377)	(87,039)	(825,416)
Third party revenue (external)	€1,584,743	€246,291	€1,831,034	€1,503,172	€251,295	€1,754,467
Segment results-pre exceptionals	151,677	16,394	168,071	107,646	15,826	123,472
Exceptional items	(16,302)	(7,362)	(23,664)	(42,700)	(1,062)	(43,762)
Segment results-post exceptionals	135,375	9,032	144,407	64,946	14,764	79,710
Unallocated centre costs-pre exceptionals			(8,990)			(5,622)
Group centre exceptional items			(1,286)			(93)
Operating profit			134,131			73,995
Share of associates' profit/(loss) (after tax)	6,156	(671)	5,485	2,448	(186)	2,262
Finance costs			(128,361)			(130,050)
Finance income			31,641			47,777
Profit/(loss) before income tax			€42,896			€(6,016)

Segmental Analyses – Year to date

	6 months to 30-Jun-07			6 months to 30-Jun-06		
	Packaging €000	Specialties €000	Total €000	Packaging €000	Specialties €000	Total €000
Group and third party revenue	4,635,809	643,039	5,278,848	4,461,938	646,450	5,108,388
Inter-segment revenue	(1,481,945)	(172,164)	(1,654,109)	(1,458,485)	(164,401)	(1,622,886)
Third party revenue (external)	€3,153,864	€470,875	€3,624,739	€3,003,453	€482,049	€3,485,502
Segment results-pre exceptionals	301,867	23,805	325,672	183,205	25,828	209,033
Exceptional items	(18,172)	(7,284)	(25,456)	(81,611)	(1,062)	(82,673)
Segment results-post exceptionals	283,695	16,521	300,216	101,594	24,766	126,360
Unallocated centre costs-pre exceptionals			(25,692)			(14,504)
Group centre exceptional items			(9,905)			(93)
Operating profit			264,619			111,763
Share of associates' profit/(loss) (after tax)	7,568	(1,329)	6,239	3,409	(563)	2,846
Finance costs			(356,890)			(307,785)
Finance income			86,502			144,164
Profit/(loss) before income tax			€470			€(49,012)

Group Balance Sheet

	30-Jun-07 €000	30-Jun-06 €000
Non-current assets		
Property, plant and equipment	3,337,455	3,376,470
Goodwill and intangible assets	2,448,016	2,476,462
Biological assets	79,608	56,059
Investment in associates	76,463	78,645
Available for sale financial assets	43,329	73,418
Trade and other receivables	5,512	16,439
Derivative financial instruments	10,545	6,532
Deferred income tax assets	270,851	321,807
	<u>6,271,779</u>	<u>6,405,832</u>
Current assets		
Inventories	694,543	659,122
Biological assets	7,083	5,544
Trade and other receivables	1,535,997	1,413,169
Derivative financial instruments	28,054	15,447
Restricted cash	15,385	13,901
Cash and cash equivalents	262,003	151,836
	<u>2,543,065</u>	<u>2,259,019</u>
Assets held for sale	5,000	78,613
	<u>2,548,065</u>	<u>2,337,632</u>
Total assets	<u><u>€8,819,844</u></u>	<u><u>€8,743,464</u></u>
Equity		
Equity share capital	227	136
Capital reserves	2,604,233	1,085,626
Retained earnings	(612,872)	(652,530)
Total shareholders equity	<u>1,991,588</u>	<u>433,232</u>
Minority interest	146,214	128,024
Total equity	<u>2,137,802</u>	<u>561,256</u>
Non-current liabilities		
Interest-bearing loans and borrowings	3,729,973	5,042,277
Deferred income	1,120	-
Employee benefits	447,386	700,046
Deferred income tax liabilities	535,293	559,177
Non-current taxes payable	3,027	28,935
Provisions for liabilities and charges	79,294	53,865
Government grants	12,877	13,751
Total non-current liabilities	<u>4,808,970</u>	<u>6,398,051</u>
Current liabilities		
Interest-bearing loans and borrowings	152,639	145,710
Trade payables and other payables	1,476,752	1,378,094
Current income tax liabilities	54,499	18,149
Derivative financial instruments	119,704	108,958
Provisions for liabilities and charges	69,478	105,948
	<u>1,873,072</u>	<u>1,756,859</u>
Liabilities held for sale	-	27,298
	<u>1,873,072</u>	<u>1,784,157</u>
Total liabilities	<u>6,682,042</u>	<u>8,182,208</u>
Total equity and liabilities	<u><u>€8,819,844</u></u>	<u><u>€8,743,464</u></u>

Group Statement of Recognised Income and Expense

	6 months to 30-Jun-07	6 months to 30-Jun-06
	€000	€000
Items of income and expense recognised directly within equity:		
Foreign currency translation adjustments on foreign operations	(4,451)	(113,342)
Net change in fair value of available for sale financial assets	610	6
Net movement to cash flow hedge reserve	5,573	24,127
Actuarial gain/(loss) on defined benefit plans	120,134	(23,860)
Income tax on income and expense recognised directly within equity	(30,206)	801
(Loss) for the financial period	(31,858)	(57,527)
Total recognised income and expense for the financial period	59,802	(169,795)
Attributable to:		
Equity holders of the company	44,643	(165,396)
Minority interest	15,159	(4,399)
	€59,802	€(169,795)

Reconciliation of Movements in Shareholder's Funds

	6 months to 30-Jun-07	6 months to 30-Jun-06
	€000	€000
At beginning of period	631,521	729,869
Total recognised gains and losses	59,802	(169,795)
Shares issued	91	-
Share premium on shares issued	1,434,780	-
Share-based payment expense	16,896	3,979
Purchase of minorities	(1,256)	-
Dividends paid to minorities	(4,032)	(2,797)
At end of period	€2,137,802	€561,256

Reconciliation of Net Losses to EBITDA, before Exceptional Items and Share-based Payments

	3 months to 30-Jun-07	3 months to 30-Jun-06	6 months to 30-Jun-07	6 months to 30-Jun-06
	€000	€000	€000	€000
Net losses	31,295	(10,900)	(39,095)	(62,332)
Equity minority interests	3,508	1,673	7,237	4,805
Income tax expense	8,093	3,211	32,328	8,515
Share of associates' operating income	(5,485)	(2,262)	(6,239)	(2,846)
Total net interest	96,720	82,273	270,388	163,621
Depreciation, depletion and amortisation	96,928	99,643	196,816	201,566
Share-based payments	3,659	1,970	16,896	3,979
(Income) on sale of assets and operations - subsidiaries	(5,141)	(909)	(5,870)	(3,266)
Impairment of fixed assets	4,662	-	4,662	-
Reorganisation and restructuring costs	25,429	44,764	36,569	86,032
EBITDA before exceptional items and share-based payments	<u>€59,668</u>	<u>€19,463</u>	<u>€13,692</u>	<u>€40,074</u>

Analysis of Net Debt

	30-Jun-07	31-Dec-06
	€000	€000
Senior credit facility:		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 2%	(6,238)	(6,982)
Restructuring facility ⁽²⁾ – interest at relevant interbank rate + 2% until conversion to Term loan	103,200	103,200
Tranche A Term loan ^(3a) – interest at relevant interbank rate + 2%	442,822	442,492
Tranche B Term loan ^(3b) – interest at relevant interbank rate + 2.25% Eur & 2.125% Usd	1,143,221	1,142,998
Tranche C Term loan ^(3c) – interest at relevant interbank rate + 2.75% Eur & 2.750% Usd	1,142,561	1,142,547
Yankee bonds (including accrued interest) ⁽⁴⁾	216,514	219,764
Bank loans and overdrafts/(cash)	(186,354)	(246,715)
2011 Receivables securitisation floating rate notes (including accrued interest) ⁽⁵⁾	205,130	204,656
	3,060,856	3,001,960
2012 Bonds (including accrued interest) ⁽⁶⁾	87,071	922,218
2015 Cash pay subordinated notes (including accrued interest) ⁽⁷⁾	364,957	368,299
Net Debt before finance leases	3,512,884	4,292,477
Finance leases	86,790	91,281
Net Debt including leases - Smurfit Kappa Funding plc	3,599,674	4,383,758
Balance of revolving credit facility reclassified to debtors	6,238	6,982
Deferred debt issuance costs other	-	(1,994)
Net Debt after reclassification - Smurfit Kappa Funding plc	3,605,912	4,388,746
2015 Senior PIK Notes - Smurfit Kappa Holdings plc (including accrued interest) ⁽⁸⁾	-	396,344
Smurfit Finance Luxembourg Sarl PIK ⁽⁹⁾	-	97,700
SKG plc, SK Investments Ltd, SK Holdings plc, SK Corporation Ltd & Smurfit Finance Lux cash	(688)	(460)
Net Debt including leases - Smurfit Kappa Group plc	€3,605,224	€4,882,330

- (1) Revolving credit facility of €600 million (available under the senior credit facility) to be repaid in full in 2012 (Revolver Loans = €0 million, Drawn under Ancillary Facilities and Facilities supported by Letters of Credit = €4.25 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) 10.125% senior notes due 2012 of €33 million and 9.625% senior notes due 2012 of \$72 million
- (7) €217.5 million 7.75% senior subordinated notes due 2015 and \$200.0 million of 7.75% senior subordinated notes due 2015
- (8) 11.5% Senior PIK Notes due 2015
- (9) 9% Shareholder PIK