

7 May 2010: 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 ending 31 March 2010.

2010 First Quarter | Key Financial Performance Measures

€m	Q1 2010	Q1 2009	Change	Q4 2009	Change
Revenue	€1,530	€1,504	2%	€1,541	(1%)
EBITDA before Exceptional Items and Share-based Payment ⁽¹⁾	€184	€180	2%	€186	(1%)
EBITDA Margin	12.0%	11.9%	-	12.1%	-
Operating Profit before Exceptional Items	€87	€82	6%	€59	47%
Basic (Loss)/Earnings Per Share (€cent)	(7.0)	3.8	-	(41.6)	-
Free Cash Flow ⁽²⁾	€(58)	-	-	€29	-
Net Debt	€3,162	€3,187	(1%)	€3,052	4%
Net Debt to EBITDA (LTM)	4.2x	3.7x	-	4.1x	-

(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. A reconciliation of net income for the period to EBITDA before exceptional items and share-based payment expense is set out on page 26.

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

Highlights

- Relatively strong EBITDA of €184 million supported by a particularly solid month of March
- Progressive corrugated pricing recovery and demand pick-up in Europe, further momentum in April
- Return to strong demand growth and commencement of price recovery in Latin America
- Higher input costs underpin positive containerboard and corrugated pricing environment
- Completion of strategic asset swap with Mondi

Performance Review & Outlook

Gary McGann, Smurfit Kappa Group CEO, commented: "The Group is pleased to report a relatively strong EBITDA performance of €184 million in the first quarter despite the anticipated input cost pressure on margins. Significant raw material cost pressure was increasingly offset by the pick-up in the Group's corrugated volumes, the continuation of corrugated price recovery, together with additional cost take-out benefits. The Group's Latin American business experienced strong demand growth in the period.

Entering the second quarter, increasingly positive demand trends and a positive supply environment are supportive of the recent further containerboard pricing momentum, which in turn will translate into additional corrugated price increases. The sustainability of the pricing recovery remains dependent on the general economic backdrop and continuing supply side discipline in the European market.

The Group's customer and market focus, combined with its lean cost base provides it with significant operating leverage to the economic recovery. Together with SKG's proven capital and financial discipline, it should contribute to delivering superior levels of returns compared to its industry peers through the cycle. In that context, and bearing in mind intensified input cost pressure, SKG maintains its expectation of meaningful overall EBITDA growth for 2010, together with the reduction in its net debt to EBITDA ratio."

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 21 countries in Europe and is the European leader in containerboard, solidboard, corrugated and solidboard packaging and has a key position in several other packaging and paper market segments, including graphicboard, sack paper and paper sacks. Smurfit Kappa Group also has a good base in Eastern Europe and operates in 9 countries in Latin America where it 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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2010 First Quarter | Performance Overview

The Group's relatively stable EBITDA margin of 12.0% in the first quarter primarily reflects a strong performance by its European packaging business in March, supported by increasing demand growth and progress on price recovery. On average, the Group's European corrugated volumes in quarter one were 3% higher than in the first quarter of 2009, and 2% higher than in the fourth quarter of 2009. Further improvements in volume and prices have been experienced in April.

In the first quarter the Group benefited from positive volume momentum in Latin American markets, and the continuing strong performance of the Group's business in that region. Corrugated deliveries were 7% higher year-on-year over the period, underlining particularly strong demand in Mexico and Argentina.

SKG's positive quarter one outcome also reflects incremental benefits from the strong pricing momentum that prevails in the kraftliner market, where the Group is a clear leader in Europe. Furthermore, the Group's earnings continue to demonstrate its unrelenting focus on cost efficiency, supported by the achievement of €25 million of cost take-out benefits in the quarter.

Despite the start-up of a new competitor's paper machine in Germany, inventory levels in the market have remained at 2-year lows since the beginning of the year. In that context, and to maintain its own inventories at a low level, SKG announced 31 weeks of downtime at its Nanterre mill in France from 1 April, the equivalent of 3% of its recycled containerboard capacity. The Group does not anticipate that it will need to take any additional commercial downtime in 2010.

The current supply-demand balance combined with higher than expected input cost pressure has created the conditions for SKG to implement a recycled containerboard price increase in the first quarter, and to announce a further increase for the second quarter. In April 2010, public market indices have already confirmed increases of €155 per tonne for recycled containerboard compared to the low point in August 2009. This equates to approximately 70% of an increase from the totally uneconomically low price levels that pertained in the industry in 2009.

Higher containerboard prices have put major pressure on corrugated margins which has resulted in positive corrugated price movements in the first quarter. In April, the pace of SKG's corrugated price recovery is accelerating, as a result of negotiations and index contracts reflecting paper cost increases.

Although recovered fibre prices are generating some near-term margin compression within the Group's system, they provide a clear platform for the higher product pricing needed by the industry to support a viable economic business. SKG's priority through 2010 is to recover higher input costs through further box price recovery in order to restore acceptable profitability and returns in the business.

2010 First Quarter | Financial Performance

At €1,530 million for the first quarter of 2010, sales revenue was 2% higher than in the first quarter of 2009. However, allowing for the negative impact of currency of €7 million and net disposals and closures of €7 million, adjusted revenue shows an underlying increase of €40 million, the equivalent of approximately 3%.

Compared to the fourth quarter of 2009, sales revenue in the first quarter of 2010 was €11 million lower. However, again allowing for negative currency impacts of €43 million, primarily arising from the currency devaluation in Venezuela, and for €3 million in respect of plant closures, adjusted revenue shows an underlying increase of €35 million, the equivalent of 2%.

At €184 million, EBITDA in the first quarter of 2010 was €4 million higher than the first quarter of 2009. A small negative currency impact year-on-year was largely offset by the absence of losses from closed operations. Compared to the fourth quarter of 2009, EBITDA showed an underlying increase of €6 million in the first quarter (allowing for a negative currency impact of €10 million and for the absence of losses from closed operations).

Exceptionals charged within operating profit of €14 million in the first quarter related to the loss on US dollar denominated net trading balances in our Venezuelan operations as a result of the devaluation of the Venezuelan currency in January. There were no exceptional costs charged within the operating profit in the equivalent period in 2009.

Asset Swap with Mondi

On 19 April, the Group announced it had signed an asset swap agreement with Mondi Group ("Mondi"), where SKG is acquiring Mondi's UK corrugated operations, comprising three corrugated box plants, while Mondi is acquiring SKG's Western European sack converting operations, comprising four plants in France, three in Spain, and one in Italy, as well as a number of sales offices. The total cash cost of the asset swap for SKG is €51 million.

On one side, SKG is acquiring Mondi's UK corrugated operations, which reported a combined 2009 full year EBITDA of €8.0 million, for a consideration of €43 million on a cash and debt free basis, while on the other side SKG is disposing its Western European sack converting operations, which reported an EBITDA loss of €4.4 million. On disposal, SKG will incur exceptional write-offs of approximately €30 million, including a net cash cost of €8 million.

This deal further strengthens the Group's leadership in its core corrugated packaging grade, and enhances the efficiency of its integrated system in the increasingly attractive UK market. The agreement was completed on 4 May.

2010 First Quarter | Free Cash Flow

Free cash flow for the quarter to March 2010 was a net outflow of €58 million. As the Group continues to manage items within its control, the first quarter cash flow outcome primarily resulted from working capital outflows, which reflect the normal seasonality of SKG's business in the first half of the year, combined with the impact of higher demand and prices on the working capital value.

Working capital outflow in quarter one 2010 amounted to €64 million, compared to €7 million and €75 million respectively in quarter one 2009 and 2008 (the lower 2009 outflow reflects the then prevailing industry downturn). Working capital of €564 million at the end of March 2010 represented 9.2% of annualised net revenue, compared to 9.3% at March 2009 and 7.9% at December 2009.

Cash interest of €66 million in the first quarter was broadly in line with the fourth quarter of 2009, and €14 million higher than in the first quarter of 2009. The year-on-year increase reflects a higher average interest cost as a result of the changes in the Group's capital structure in 2009.

To maximise its debt paydown capability through the downturn, SKG reduced its capital expenditure to 63% of depreciation in 2009, compared to its normal level of approximately 90% through the cycle. As markets continue to recover in 2010, SKG will gradually increase its capital expenditure back towards normal levels.

In the first quarter of 2010, the Group's capital expenditure was €34 million, representing 40% of depreciation; this relatively low level is purely a matter of timing. We are committed to maintaining the fabric of the business and capital expenditure in 2010 will reach more normal levels as the year progresses.

Tax payments of €7 million in the first quarter of 2010 were €2 million lower than in 2009.

2010 First Quarter | Capital Structure

At the end of March 2010, the Group's net debt was €110 million higher than the December 2009 level, primarily reflecting the negative working capital outflow of the first quarter, together with adverse currency movements of €49 million. This currency movement includes approximately €27 million of a reduction in the value of the Group's cash balances as a result of the devaluation of the Venezuelan currency in January 2010, together with the relative weakening of the euro versus the US dollar throughout the first quarter.

The Group continues to benefit from its attractive financing package and long-term debt profile, with an average debt maturity profile of 5.6 years, and no material maturities before December 2013. In addition, SKG maintains a strong liquidity position, with approximately €594 million of cash on its balance sheet at the end of March 2010, and undrawn committed credit facilities of approximately €525 million, of which €373 million matures in December 2013, with the remainder maturing a year earlier.

2010 First Quarter | Cost Take-Out Programme

Early in 2008, the Group initiated a cost take-out programme to further strengthen the competitiveness of its operations. In the full year 2008, the programme delivered just over €70 million of sustainable cost savings, and a further €140 million was delivered in 2009.

The Group 2010 objective is to generate at least €90 million of saving benefits, bringing the 3-year target to at least €300 million over the 2008-2010 period.

In the first quarter of 2010, the Group delivered €25 million of cost take-out, which contributed to the delivery of a resilient EBITDA margin performance of 12.0% despite the anticipated margin squeeze from the significant input cost increases.

2010 First Quarter | Performance Review

Packaging: Europe

While the Group's corrugated volumes in the first two months of 2010 were on average 2% higher on a like-for-like basis, in March SKG experienced a 5% year-on-year growth. Through the first quarter, demand was particularly strong in the Group's businesses in the UK, Italy, Eastern Europe and Scandinavia. Compared to the fourth quarter of 2009, corrugated volumes in the first quarter were 2% higher. The pace of corrugated demand growth has further improved in April.

Despite a significant increase in overall raw material costs through the first quarter, the Group's EBITDA outcome demonstrates SKG's significant operational exposure to the economic recovery, and highlights the ongoing resilience of its integrated model. While the Group's energy costs were on average lower year-on-year in the first quarter, recovered fibre prices more than doubled.

After an increase of approximately €30 per tonne through 2009, the Group's recovered fibre costs increased by a further €45 per tonne through the first quarter of 2010, reaching a 15-year high of over €120 per tonne in March. This significant increase was primarily driven by strong Chinese demand, and new capacity ramping-up in central and eastern Europe, for which new raw materials supply chains were needed. The situation was compounded by low collection levels related to poor weather and lower economic activity. Although export demand has temporarily abated in April, recovered fibre prices in mainland Europe have remained relatively stable.

Supply side discipline continued to prevail since the beginning of the year, which together with improving demand trends is contributing to maintaining inventory levels in the market at 2-year lows, despite the start-up of a new paper machine in March. From a medium term industry perspective, it is worth noting that no new containerboard machine will be built in Europe before mid-2012 at the earliest.

The current supply-demand balance, combined with the substantial input cost pressure is supportive of the strong containerboard pricing momentum in Europe. From September 2009 to April 2010, recycled containerboard prices have increased by €155 per tonne (the equivalent of 70%), and further increases will need to be implemented in May.

On the kraftliner side, where SKG is a net seller in Europe, price increases of €140 per tonne, or 35%, have been implemented from the low point in August 2009 to April 2010. Furthermore, SKG has announced an additional €50 per tonne price increase for June, to offset increasing wood costs, and to continue the efforts to restore economically sensible price levels in this heavily invested paper grade.

Those successful kraftliner pricing initiatives primarily reflect the structural improvement of that market since the end of 2009, as large capacity closures in North America reduced the tonnage available for export, thereby significantly tightening supply in Europe.

As a consequence of the higher containerboard prices, the Group has announced price increases to all its corrugated customers. As is normal, it takes up to six months to offset higher containerboard prices through box price recovery.

Following an initial price pick-up in the fourth quarter of 2009 which was primarily for corrugated sheets, SKG's corrugated price initiatives have made some further progress in the first quarter of 2010. In April, the pace of corrugated increases is accelerating, as indexed contracts kick-in, and negotiations with customers conclude. Throughout 2010 the Group's priority is to continue to recover the significant input cost increases in end market pricing.

Latin America

Similar to the trend experienced in Europe, the Group's Latin American operations benefited from an improving demand environment through the first quarter. The Group's corrugated sales volumes increased by 7% year-on-year, and by 6% compared to the fourth quarter of 2009. Demand was particularly positive in Mexico and Argentina, while Venezuela and Chile remained the only countries in the region where SKG's volumes were lower year-on-year.

Although the Group's Latin American EBITDA margin of 17% in the first quarter of 2010 remains superior to that of its European operations, it was lower than in the first quarter of 2009. This primarily reflects some margin compression as a result of higher input costs, somewhat offset by the commencement of price recovery.

While the Group's business in Mexico experienced a material increase in its recovered fibre and energy costs in the first quarter, containerboard price increases implemented in the US in January 2010 have allowed SKG to implement containerboard increases and box price recovery in the period. Further corrugated price recovery is materialising early in the second quarter. The positive Mexican pricing environment is further underpinned by a much reduced availability of US paper for export since the beginning of 2010 resulting in a tight containerboard market in Mexico.

Although Colombian demand growth in the first quarter was lower than in Mexico and Argentina, the Group's paper operations ran at full capacity through the period taking advantage of firmer export prices and demand for boxboard and containerboard.

In Argentina, the recovered fibre market was under significant pressure. The consequent cost increase together with significant end-market demand underpinned the efforts to implement paper and corrugated price increases. Further price recovery is expected in the second quarter as cost pressures sustain and demand continues to strengthen.

The Group's corrugated operation in Chile was stopped for 20 days in the first quarter following an earthquake, but is now fully operational again. However, as a consequence of the aftermath of the earthquake, demand is down as many affected businesses rebuild. With one box plant in Chile, this is not a material part of our operations.

In Venezuela, lower demand year-on-year as a result of continuing high inflation, combined with serious energy supply shortages negatively impacted the Group's business in the first quarter. This was somewhat countered by further operating efficiencies.

As can be seen from SKG's volume trends in the first quarter, Latin America remains one of the world's higher growth markets. SKG anticipates that it will continue to benefit from its portfolio of countries in the region and from the proven ability of its management team to drive and grow its business through the cycle.

Specialties: Europe

In the first quarter of 2010, profitability in the Group's sacks and solidboard businesses declined year-on-year, while our bag-in-box business delivered good earnings growth over the period. Overall, SKG's EBITDA in Specialties declined by €4 million year-on-year in quarter one.

The Group's solidboard business was significantly impacted by higher recovered fibre prices in the first quarter. Through the second quarter the Group is seeking to implement a €50 per tonne price increase in order to gradually offset input cost pressure.

The Group's Western European sack converting business continued to underperform in the first quarter. Agreement to dispose of this business to Mondi as part of an overall asset swap was completed on 4 May.

These negative results were somewhat offset by further progress in our bag-in-box division, which delivered solid EBITDA growth year-on-year as a result of meaningful volume increases. Furthermore, strong export demand and the implementation of a €50 per tonne price increase positively impacted the Group's sack kraft mill in Spain in the first quarter. A second sack kraft paper price increase has been announced for the second quarter.

Summary Cash Flows

Summary cash flows for the first quarter are set out in the following table.

	3 months to 31-Mar-10 € Million	3 months to 31-Mar-09 € Million
Pre-exceptional EBITDA	184	180
Exceptional Items	(14)	-
Cash interest expense	(66)	(52)
Working capital change	(64)	(7)
Current provisions	(6)	(10)
Capital expenditure	(34)	(60)
Change in capital creditors	(33)	(33)
Sale of fixed assets	1	2
Tax paid	(7)	(9)
Other	(19)	(11)
Free cash flow	(58)	-
Share issues	2	-
Gain on debt buy-back	-	6
Investments	(1)	-
Derivative termination receipts	1	5
Net cash (outflow)/inflow	(56)	11
Deferred debt issue costs amortised	(5)	(4)
Currency translation adjustments	(49)	(9)
Increase in net debt	(110)	(2)

(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 debt 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.

	3 months to 31-Mar-10 € Million	3 months to 31-Mar-09 € Million
Free cash flow	(58)	-
Add back:		
Cash interest	66	52
Capital expenditure	34	60
Change in capital creditors	33	33
Tax payments	7	9
Less:		
Sale of fixed assets	(1)	(2)
Profit on sale of assets and business – non exceptional	(4)	(2)
Receipt of capital grants (in "Other")	-	(1)
Cash generated from operations	77	149

Capital Resources

The Group's primary sources of liquidity are cash flows from operations and borrowings under the revolving credit facility. The Group's primary uses of cash are for debt service and capital expenditure.

At 31 March 2010 Smurfit Kappa Funding plc had outstanding €217.5 million 7.75% senior subordinated notes due 2015 and US\$200 million 7.75% senior subordinated notes due 2015. In addition Smurfit Kappa Treasury Funding Limited had outstanding US\$292.3 million 7.50% senior debentures due 2025 and the Group had outstanding €210 million floating rate notes issued under an accounts receivable securitisation program maturing in 2011.

Smurfit Kappa Acquisitions had outstanding €500 million 7.25% senior secured notes due 2017 and €500 million 7.75% senior secured notes due 2019. Smurfit Kappa Acquisitions and certain subsidiaries are also party to a Senior Credit Facility. The Senior Credit Facility comprises a €220 million amortising A Tranche maturing in 2012, an €812 million B Tranche maturing in 2013 and an €811 million C Tranche maturing in 2014. In addition, as at 31 March 2010, the facility included a €525 million revolving credit facility of which there were €16.3 million in letters of credit issued in support of other liabilities and €0.07 million drawn under facilities supported by letters of credit.

The following table provides the range of interest rates as of 31 March 2010 for each of the drawings under the various Senior Credit Facility term loans.

BORROWING ARRANGEMENT	CURRENCY	INTEREST RATE
Term Loan A	EUR	3.652% - 4.243%
Term Loan B	EUR	3.775% - 4.368%
	USD	3.625%
Term Loan C	EUR	4.025% - 4.325%
	USD	3.875%

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

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 March 2010 the Group had fixed an average of 78% of its interest cost on borrowings over the following twelve months.

Our fixed rate debt comprised mainly €500 million 7.25% senior secured notes due 2017, €500 million 7.75% senior secured notes due 2019, €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 €1,780 million in interest rate swaps with maturity dates ranging from May 2010 to July 2014.

Our earnings are affected by changes in short-term interest rates as a result of our floating rate borrowings. If LIBOR interest rates for these borrowings increase by one percent, our interest expense would increase, and income before taxes would decrease, by approximately €10 million over the following twelve months. Interest income on our cash balances would increase by approximately €6 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 – First Quarter

	<u>Unaudited</u>			<u>Unaudited</u>		
	3 Months to 31-Mar-10			3 Months to 31-Mar-09		
	Pre- Exceptional 2010 €million	Exceptional 2010 €million	Total 2010 €million	Pre- Exceptional 2009 €million	Exceptional 2009 €million	Total 2009 €million
Continuing operations						
Revenue	1,530	-	1,530	1,504	-	1,504
Cost of sales	(1,106)	-	(1,106)	(1,084)	-	(1,084)
Gross profit	424	-	424	420	-	420
Distribution costs	(135)	-	(135)	(125)	-	(125)
Administrative expenses	(208)	(14)	(222)	(214)	-	(214)
Other operating income	6	-	6	1	-	1
Operating profit	87	(14)	73	82	-	82
Finance costs	(133)	-	(133)	(117)	-	(117)
Finance income	57	-	57	49	6	55
(Loss)/profit before income tax	11	(14)	(3)	14	6	20
Income tax expense			(14)			(8)
(Loss)/profit for the financial period			(17)			12
<i>Attributable to:</i>						
Owners of the Parent			(15)			8
Non-controlling interests			(2)			4
(Loss)/profit for the financial period			(17)			12
Earnings per share:						
Basic (loss)/earnings per share (cent per share)			(7.0)			3.8
Diluted (loss)/earnings per share (cent per share)			(7.0)			3.7

Group Statement of Comprehensive Income

	<u>Unaudited</u> 3 months to 31-Mar-10 €million	<u>Unaudited</u> 3 months to 31-Mar-09 €million
(Loss)/profit for the financial period	(17)	12
Other comprehensive income:		
Foreign currency translation adjustments	(108)	(24)
Defined benefit pension schemes:		
- Actuarial gain/(loss)	27	(75)
- Movement in deferred tax	(6)	19
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	7	2
- New fair value adjustments into reserve	(20)	(22)
- Movement in deferred tax	2	2
Total other comprehensive income	<u>(98)</u>	<u>(98)</u>
Comprehensive income and expense for the financial period	<u>(115)</u>	<u>(86)</u>
<i>Attributable to:</i>		
Owners of the Parent	(108)	(83)
Non-controlling interests	(7)	(3)
	<u>(115)</u>	<u>(86)</u>

Group Balance Sheet

	Unaudited 31-Mar-10 €million	Unaudited 31-Mar-09 € million Restated	Audited 31-Dec-09 € million
Assets			
Non-current assets			
Property, plant and equipment	2,970	2,992	3,066
Goodwill and intangible assets	2,201	2,135	2,222
Available-for-sale financial assets	32	31	32
Investment in associates	14	13	13
Biological assets	85	76	91
Trade and other receivables	4	5	4
Deferred income tax assets	273	254	280
	5,579	5,506	5,708
Current assets			
Inventories	608	603	586
Biological assets	10	7	8
Trade and other receivables	1,207	1,183	1,105
Derivative financial instruments	6	8	3
Restricted cash	46	44	43
Cash and cash equivalents	548	668	601
	2,425	2,513	2,346
Non-current assets held for sale	3	10	4
Total assets	8,007	8,029	8,058
Equity			
Capital and reserves attributable to owners of the Parent			
Equity share capital	-	-	-
Capital and other reserves	2,242	2,296	2,345
Retained earnings	(658)	(727)	(669)
Total equity attributable to owners of the Parent	1,584	1,569	1,676
Non-controlling interests	172	141	179
Total equity	1,756	1,710	1,855
Liabilities			
Non-current liabilities			
Borrowings	3,590	3,746	3,563
Employee benefits	620	588	653
Derivative financial instruments	79	101	80
Deferred income tax liabilities	312	321	325
Non-current income tax liabilities	15	20	15
Provisions for liabilities and charges	42	45	44
Capital grants	13	13	13
Other payables	6	4	3
	4,677	4,838	4,696
Current liabilities			
Borrowings	166	153	133
Trade and other payables	1,255	1,230	1,211
Current income tax liabilities	39	26	28
Derivative financial instruments	74	32	90
Provisions for liabilities and charges	40	40	45
	1,574	1,481	1,507
Total liabilities	6,251	6,319	6,203
Total equity and liabilities	8,007	8,029	8,058

Group Statement of Changes in Equity (Unaudited)

	Capital and other reserves						Retained earnings €million	Total equity attributable to owners of the Parent €million	Non-controlling interests €million	Total equity €million
	Equity share capital €million	Share premium €million	Reverse acquisition reserve €million	Cash flow hedging reserve €million	Foreign currency translation reserve €million	Reserve for share-based payment €million				
At 1 January 2010	-	1,928	575	(44)	(174)	60	(669)	1,676	179	1,855
Shares issued	-	2	-	-	-	-	-	2	-	2
Total comprehensive income and expense	-	-	-	(11)	(103)	-	6	(108)	(7)	(115)
Hyperinflation adjustment	-	-	-	-	-	-	13	13	1	14
Share-based payment	-	-	-	-	-	1	-	1	-	1
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Reclassification	-	-	-	-	8	-	(8)	-	-	-
At 31 March 2010	-	1,930	575	(55)	(269)	61	(658)	1,584	172	1,756
At 1 January 2009	-	1,928	575	(27)	(203)	57	(679)	1,651	145	1,796
Total comprehensive income and expense	-	-	-	(18)	(17)	-	(48)	(83)	(3)	(86)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(1)	(1)
Share-based payment	-	-	-	-	-	1	-	1	-	1
At 31 March 2009	-	1,928	575	(45)	(220)	58	(727)	1,569	141	1,710

Group Cash Flow Statement

	<u>Unaudited</u> 3 months to 31-Mar-10 €million	<u>Unaudited</u> 3 months to 31-Mar-09 €million
Cash flows from operating activities		
(Loss)/profit for the financial period	(17)	12
<i>Adjustment for</i>		
Income tax expense	14	8
Profit on sale of assets and businesses – continuing operations	(4)	(2)
Amortisation of capital grants	-	(1)
Equity settled share-based payment transactions	1	1
Amortisation of intangible assets	12	12
Depreciation charge	82	83
Net finance costs	76	62
Change in inventories	(37)	19
Change in biological assets	2	2
Change in trade and other receivables	(124)	29
Change in trade and other payables	97	(55)
Change in provisions	(7)	(11)
Change in employee benefits	(14)	(9)
Foreign currency translation adjustments	(3)	(1)
Other	(1)	-
Cash generated from operations	77	149
Interest paid	(49)	(66)
Income taxes paid:		
Irish corporation tax paid	-	(1)
Overseas corporation tax (net of tax refunds) paid	(7)	(8)
Net cash inflow from operating activities	21	74
Cash flows from investing activities		
Interest received	2	3
Purchase of property, plant and equipment and biological assets	(65)	(91)
Purchase of intangible assets	(2)	(2)
Receipt of capital grants	-	1
Increase in restricted cash	(3)	(24)
Disposal of property, plant and equipment	5	4
Purchase of subsidiaries and non-controlling interests	(1)	-
Net cash outflow from investing activities	(64)	(109)
Cash flow from financing activities		
Proceeds from issue of new ordinary shares	2	-
Decrease in interest-bearing borrowings	(2)	(11)
Repayment of finance lease liabilities	(3)	(4)
Derivative termination receipts	1	5
Deferred debt issue costs	(1)	-
Dividends paid to non-controlling interests	-	(1)
Net cash outflow from financing activities	(3)	(11)
Decrease in cash and cash equivalents	(46)	(46)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	587	683
Currency translation adjustment	(11)	3
Decrease in cash and cash equivalents	(46)	(46)
Cash and cash equivalents at 31 March	530	640

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. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, Ireland.

2. Basis of Preparation

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

The financial information has been prepared in accordance 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 2009 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 described and applied in the Annual Report for the financial year ended 31 December 2009 with the exception of the standards described below.

IAS 27, *Consolidated and Separate Financial Statements*, as revised requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The revised standard also specifies the accounting when control is lost with any remaining interest in the entity remeasured to fair value, and a gain or loss recognised in profit or loss. The Group has applied IAS 27 as revised prospectively to transactions with non-controlling interests from 1 January 2010.

IFRS 3, *Business Combinations*, as revised continues to apply the acquisition method in accounting for business combinations but with some significant changes. For example, all payments to purchase a business must be recorded at fair value at the acquisition date with contingent payments classified as debt and subsequently remeasured in profit or loss. There is a choice, on an acquisition by acquisition basis, to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related expenses are expensed. The Group has adopted revised IFRS 3 with effect from 1 January 2010 and will apply it prospectively to any future business combinations.

In addition, the following new standards, amendments and interpretations became effective in 2010, however, they either do not have an effect on the Group financial statements or they are not currently relevant for the Group:

- IFRS 2 (Amendment) – Group Cash-settled Share-based Payment Transactions
- IAS 39 (Amendment) – Eligible Hedged Items, Financial Instruments: Recognition and Measurement
- IFRIC 17 – Distributions of Non-cash Assets to Owners

The financial information includes all adjustments that management considers necessary for a fair presentation of such financial information. All such adjustments are of a normal recurring nature.

The condensed financial information presented does not constitute full group accounts within the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland insofar as such group accounts would have to comply with all of the disclosure and other requirements of those Regulations. Full Group accounts for the year ended 31 December 2009 will be filed with the Irish Registrar of Companies in due course. The audit report on those Group accounts was unqualified.

3. Segmental Analyses

The Group has identified three operating segments on the basis of which performance is assessed and resources are allocated: 1) Packaging Europe, 2) Specialties Europe and 3) Latin America.

The Packaging segment is highly integrated. It includes a system of mills and plants that produces a full line of containerboard that is converted into corrugated containers. Our Specialties segment comprises activities dedicated to the needs of specific and sometimes niche markets. These include bag-in-box, solidboard and paper sacks. The Latin America segment comprises all forestry, paper, corrugated and folding carton activities in a number of Latin American countries. Inter segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment disclosures are based on operating segments identified under IFRS 8. Segment profit is measured based on earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payment expense (pre-exceptional EBITDA). Segmental assets consist primarily of property, plant and equipment, biological assets, goodwill and intangible assets, inventories, trade and other receivables, deferred income tax assets and cash and cash equivalents.

	3 months to 31-Mar-10				3 months to 31-Mar-09			
	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million	Packaging Europe €million	Specialties Europe €million	Latin America €million	Total €million
Revenue and Results								
Third party revenue	<u>1,088</u>	<u>198</u>	<u>244</u>	<u>1,530</u>	<u>1,068</u>	<u>192</u>	<u>244</u>	<u>1,504</u>
EDITDA before exceptional items	136	10	42	188	122	14	49	185
Segment exceptional items	-	-	(14)	(14)	-	-	-	-
EBITDA after exceptional items	<u>136</u>	<u>10</u>	<u>28</u>	<u>174</u>	<u>122</u>	<u>14</u>	<u>49</u>	<u>185</u>
Unallocated centre costs				(4)				(5)
Share-based payment expense				(1)				(1)
Depreciation and depletion (net)				(84)				(85)
Amortisation				(12)				(12)
Finance costs				(133)				(117)
Finance income				<u>57</u>				<u>55</u>
(Loss)/profit before income tax				(3)				20
Income tax expense				<u>(14)</u>				<u>(8)</u>
(Loss)/profit for the financial period				<u>(17)</u>				<u>12</u>
Assets								
Segment assets	<u>5,068</u>	<u>906</u>	<u>1,174</u>	<u>7,148</u>	<u>5,130</u>	<u>942</u>	<u>982</u>	<u>7,054</u>
Investment in associates	<u>2</u>	<u>-</u>	<u>12</u>	<u>14</u>	<u>2</u>	<u>-</u>	<u>11</u>	<u>13</u>
Group centre assets				<u>845</u>				<u>962</u>
Total assets				<u>8,007</u>				<u>8,029</u>

4. Exceptional Items

The following items are regarded as exceptional in nature:	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
Currency trading loss on Bolivar devaluation	(14)	-
Total exceptional items included in operating costs	(14)	-
Exceptional items included in net finance income	-	6

As noted in the Group's financial statements for 2009, the Venezuelan government announced the devaluation of its currency, the Bolivar Fuerte ("VEF"), on 8 January 2010. The official exchange rate generally applicable to SKG was changed from VEF 2.15 per U.S. dollar to VEF 4.3 per U.S. dollar. The currency translation loss of €14 million arises from the once off effect of retranslation of the U.S. dollar denominated net payables of its Venezuelan operations. It is included within operating profit.

For 2009 the exceptional finance income of €6 million related to the gain on the Group's debt buy-back. In February 2009, the Group launched an auction process to buy-back up to €100 million of its Senior bank debt. In total, just over €100 million of offers were received, of which €43 million were accepted at an average discount of 24% to par. The buy-back resulted in a total gain of €8 million of which €6 million was reflected in the first quarter.

5. Finance Costs and Income

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
<i>Finance costs</i>		
Interest payable on bank loans and overdrafts	34	39
Interest payable on finance leases and hire purchase contracts	1	1
Interest payable on other borrowings	37	20
Foreign currency translation loss on debt	31	26
Fair value loss on other derivatives not designated as hedges	-	7
Interest cost on employee benefit plan liabilities	25	24
Net monetary loss – hyperinflation	5	-
Total finance cost	<u>133</u>	<u>117</u>
<i>Finance income</i>		
Other interest receivable	2	3
Foreign currency translation gain on debt	4	7
Gain on debt buy-back	-	6
Fair value gain on other derivatives not designated as hedges	34	22
Expected return on employee benefit plan assets	17	17
Total finance income	<u>57</u>	<u>55</u>
Net finance cost	<u>76</u>	<u>62</u>

6. Income Tax Expense

Income tax expense recognised in the Group Income Statement

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
<i>Current taxation:</i>		
Europe	8	(3)
Latin America	13	10
	<u>21</u>	<u>7</u>
Deferred taxation	(7)	1
Income tax expense	<u>14</u>	<u>8</u>

Current tax is analysed as follows:

Ireland	-	1
Foreign	21	6
	<u>21</u>	<u>7</u>

Income tax recognised directly in equity

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
Arising on actuarial gains/losses on defined benefit plans	6	(19)
Arising on qualifying derivative cash flow hedges	(2)	(2)
	<u>4</u>	<u>(21)</u>

7. Employee Post Retirement Schemes – Defined Benefit Expense

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

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
Current service cost	9	9
Past service cost	-	2
(Gain) on settlements and curtailments	(2)	-
	7	11
Expected return on plan assets	(17)	(17)
Interest cost on plan liabilities	25	24
Net financial expense	8	7
Defined benefit expense	15	18

Included in cost of sales, distribution costs and administrative expenses is a defined benefit expense of €7 million for the first quarter of 2010 (2009: €11 million). Expected Return on Plan Assets of €17 million (2009: €17 million) is included in Finance Income and Interest Cost on Plan Liabilities of €25 million (2009: €24 million) is included in Finance Costs in the Group Income Statement.

The amounts recognised in the Group Balance Sheet were as follows:

	31-Mar-10 €million	31-Dec-09 €million
Present value of funded or partially funded obligations	(1,464)	(1,447)
Fair value of plan assets	1,257	1,208
Deficit in funded or partially funded plans	(207)	(239)
Present value of wholly unfunded obligations	(413)	(414)
Net employee benefit liabilities	(620)	(653)

The employee benefits provision has decreased from €653 million at 31 December 2009 to €620 million at 31 March 2010. The fall in provision was mainly as a result of assets outperforming their assumed return.

8. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the quarter.

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
(Loss)/profit attributable to owners of the Parent	(15)	8
Weighted average number of ordinary shares in issue (millions)	218	218
Basic (loss)/earnings per share (cent per share)	(7.0)	3.8

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 Plans.

	3 Months to 31-Mar-10 €million	3 Months to 31-Mar-09 €million
(Loss)/profit attributable to owners of the Parent	(15)	8
Weighted average number of ordinary shares in issue (millions)	218	218
Potential dilutive ordinary shares assumed	-	-
Diluted weighted average ordinary shares	218	218
Diluted (loss)/earnings per share (cent per share)	(7.0)	3.7

At 31 March 2010 there were 3,247,478 potential ordinary shares in issue which could dilute EPS in the future, but these were not included in the computation of diluted EPS in the period because they would have the effect of reducing the loss per share. Accordingly there is no difference between basic and diluted loss per share in 2010. At 31 March 2009 there were 329,080 potential ordinary shares in issue which were included in the computation of the diluted EPS.

9. Property, Plant and Equipment

	Land and Buildings €million	Plant and Equipment €million	Total €million
Three months ended 31 March 2010			
Opening net book amount	1,151	1,915	3,066
Reclassification	4	(4)	-
Additions	-	29	29
Depreciation charge for the period	(12)	(70)	(82)
Foreign currency translation adjustment	(29)	(21)	(50)
Hyperinflation adjustment	3	4	7
At 31 March 2010	1,117	1,853	2,970
Year ended 31 December 2009			
Opening net book amount	1,108	1,930	3,038
Reclassification	16	(18)	(2)
Additions	4	199	203
Depreciation charge for the year	(57)	(298)	(355)
Impairment losses recognised in the Group Income Statement	(13)	(20)	(33)
Retirements and disposals	(3)	(2)	(5)
Foreign currency translation adjustment	13	28	41
Hyperinflation adjustment	83	96	179
At 31 December 2009	1,151	1,915	3,066

10. 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 vested on the first, second and third anniversaries respectively of the IPO. 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"). The 2007 SIP was amended in May 2009. 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 class B and new class C convertible shares will automatically convert on a one-to-one basis into D convertible shares. The D convertibles may be converted by the holder into ordinary shares upon payment of the agreed conversion price. The conversion price for each D convertible share is the average market value of an ordinary share for the three dealing days immediately prior to the date that 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. The performance period for the new class B and new class C convertible shares is three financial years.

The performance conditions for the new class B and new class C convertible shares awarded under the 2007 SIP prior to 2009 are as follows. The new class B convertible shares will automatically convert into D convertible shares if the growth in the Company's earnings per share over the performance period is a percentage equal to at least five per cent per annum plus the annual percentage increase in the Consumer Price Index of Ireland, compounded. The new class C convertible shares are subject to that same performance condition. In addition, the new class C convertible shares are subject to a performance condition based on the Company's total shareholder return over the three-year period relative to the total shareholder return of a peer group of companies ("TSR Condition"). Under that condition, 30% of the new class C convertible shares will convert into D convertible shares if the Company's total shareholder return is at the median performance level and 100% will convert if the Company's total shareholder return is at or greater than the upper quartile of the peer group. A sliding scale will apply for performance between the median and upper quartiles. Current market conditions will make it extremely difficult for the Company to satisfy the performance conditions applicable to the awards made in 2008. The awards made in 2007 lapsed in 2010 and ceased to be capable of conversion to D convertible shares.

For new class B and new class C convertible shares awarded from 2009, the new class B and new class C convertible shares will convert into D convertible shares if the TSR condition is satisfied. However, notwithstanding that the TSR condition applicable to any such award may have been satisfied, the Compensation Committee retains an overriding discretion to disallow the vesting of the award, in full or in part, if, in its opinion the Company's underlying financial performance or total shareholder return (or both) has been unsatisfactory during the performance period.

The Compensation Committee determined the performance conditions for awards granted under the 2007 SIP to date after consultation with the Irish Association of Investment Managers ("IAIM").

A combined summary of the activity under the 2002 Plan, as amended, and the 2007 SIP, as amended for the period from 31 December 2009 to 31 March 2010 is presented below.

	Number of convertible shares 000's
At 31 December 2009	16,954
Forfeited in the period	(16)
Lapsed in the period	(2,347)
Granted in the period	2,604
Exercised in the period	(363)
At 31 March 2010	<u>16,832</u>

At 31 March 2010, 9,304,164 shares were exercisable under the 2002 Plan, as amended. The weighted average exercise price for all of these shares at 31 March 2010 was €4.58. The weighted average remaining contractual life of all the awards issued under the 2002 Plan, as amended, at 31 March 2010 was 2.8 years.

The weighted average exercise price for all new B and new C convertible shares upon vesting at 31 March 2010 was €6.58. The weighted average remaining contractual life of all the awards issued under the 2007 SIP, as amended, at 31 March 2010 was 9.2 years. No shares were exercisable at March 2010 or December 2009.

11. Analysis of Net Debt

	31-Mar-10	31-Dec-09
	€million	€million
Senior credit facility		
Revolving credit facility ⁽¹⁾ – interest at relevant interbank rate + 3.25% on RCF1 and +3.5% on RCF2 ⁽⁸⁾	(12)	(13)
Tranche A term loan ^(2a) —interest at relevant interbank rate + 3.25% ⁽⁸⁾	220	219
Tranche B term loan ^(2b) —interest at relevant interbank rate + 3.375% ⁽⁸⁾	812	809
Tranche C term loan ^(2c) —interest at relevant interbank rate + 3.625% ⁽⁸⁾	811	808
Yankee bonds (including accrued interest) ⁽³⁾	221	203
Bank loans and overdrafts/(cash)	(499)	(565)
Receivables securitisation floating rate notes 2011 ⁽⁴⁾	208	208
	1,761	1,669
2015 cash pay subordinated notes (including accrued interest) ⁽⁵⁾	361	358
2017 senior secured notes (including accrued interest) ⁽⁶⁾	494	485
2019 senior secured notes (including accrued interest) ⁽⁷⁾	498	488
Net debt before finance leases	3,114	3,000
Finance leases	38	41
Net debt including leases – Smurfit Kappa Funding plc	3,152	3,041
Balance of revolving credit facility reclassified to debtors	12	13
Total debt after reclassification – Smurfit Kappa Funding plc	3,164	3,054
Net (cash) in parents of Smurfit Kappa Funding plc	(2)	(2)
Net Debt including leases – Smurfit Kappa Group plc	3,162	3,052

(1) Revolving credit facility of €525 million split into RCF 1 and RCF 2 of €152 million and €373 million (available under the senior credit facility) to be repaid in full in 2012 and 2013 respectively. (Revolver Loans - Nil, drawn under ancillary facilities and facilities supported by letters of credit - €0.07 million, letters of credit issued in support of other liabilities - €16.3 million)

(2a) Term loan A due to be repaid in certain instalments up to 2012

(2b) Term loan B due to be repaid in full in 2013

(2c) Term loan C due to be repaid in full in 2014

(3) 7.50% senior debentures due 2025 of \$292.3 million

(4) Receivables securitisation floating rate notes mature September 2011

(5) €217.5 million 7.75% senior subordinated notes due 2015 and \$200 million of 7.75% senior subordinated notes due 2015

(6) €500 million 7.25% senior secured noted due 2017

(7) €500 million 7.75% senior secured noted due 2019

(8) Effective 2 July 2009 the margins applicable to the Senior Credit Facility have been amended to the following:

Debt/EBITDA ratio	Tranche A and RCF1	Tranche B	Tranche C	RCF2
Greater than 4 : 1	3.25%	3.375%	3.625%	3.50%
4 : 1 or less but more than 3.5 : 1	3.00%	3.125%	3.375%	3.25%
3.5 : 1 or less but more than 3.0 : 1	2.75%	3.125%	3.375%	3.00%
3.0 : 1 or less	2.50%	3.125%	3.375%	2.75%

12. Venezuela

Hyperinflation

As discussed more fully in the Group's 2009 annual report, Venezuela became hyperinflationary during 2009 when its cumulative inflation rate for the past three years exceeded 100%. As a result, the Group applied the hyperinflationary accounting requirements of IAS 29 to its Venezuelan operations at 31 December 2009 and for the first quarter of 2010. The hyperinflationary adjustments for the year ended 31 December 2009 were recorded in the fourth quarter of 2009 and in accordance with IAS 21, comparative amounts are not adjusted. Therefore, the results of the first quarter 2009 have not been adjusted for hyperinflation.

The index used to reflect current values is derived from a combination of Banco Central de Venezuela's National Consumer Price Index from its initial publication in December 2007 and the Consumer Price Index for the metropolitan area of Caracas for earlier periods. The level of and movement in the price index for Q1 2010 and the full year 2009 is as follows:

	31-Mar-10	31-Dec-09
Index at period end	173.2	163.7
Movement in period	5.8%	25.1%

Devaluation

As noted in the Group's financial statements for 2009, the Venezuelan government announced the devaluation of its currency, the Bolivar Fuerte ("VEF"), on 8 January 2010. The official exchange rate generally applicable to SKG was changed from VEF 2.15 per U.S. dollar to VEF 4.3 per U.S. dollar. A currency translation loss of €14 million arises from the once off effect of retranslation of the U.S. dollar denominated net payables of its Venezuelan operations, which is included within operating profit. In addition, the Group recorded a reduction in net assets of €223 million in relation to these operations, which is reflected in the Group Statement of Comprehensive Income as a part of foreign currency translation adjustments.

Supplemental Financial Information

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

	3 Months to 31-Mar-10 € million	3 Months to 31-Mar-09 € million
(Loss)/profit for the financial period	(17)	12
Income tax expense	14	8
Currency trading loss on devaluation of Bolivar	14	-
Net finance costs	76	62
Share-based payment expense	1	1
Depreciation, depletion (net) and amortisation	96	97
EBITDA before exceptional items and share-based payment expense	184	180

Supplemental Historical Financial Information

€ Million	Q1, 2009	Q2, 2009	Q3, 2009	Q4, 2009	FY, 2009	Q1, 2010
Group and third party revenue	2,268	2,250	2,309	2,380	9,207	2,435
Third party revenue	1,504	1,498	1,515	1,541	6,057	1,530
EBITDA before exceptional items and share-based payment expense	180	184	192	186	741	184
EBITDA margin	11.9%	12.3%	12.7%	12.1%	12.2%	12.0%
Operating profit/(loss)	82	87	46	51	267	73
Profit/(loss) before tax	20	19	(27)	(63)	(52)	(3)
Free cash flow	-	18	125	29	172	(58)
Basic earnings/(loss) per share (cent per share)	3.8	3.0	(20.9)	(41.6)	(55.8)	(7.0)
Weighted average number of shares used in EPS calculation (millions)	218	218	218	218	218	218
Net debt	3,187	3,164	3,034	3,052	3,052	3,162
Net debt to EBITDA (LTM)	3.7	4.0	4.0	4.1	4.1	4.2