Open the future

Smurfit Kappa

PRESS RELEASE

1 May 2015: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the 3 months ending 31 March 2015.

2015 First Quarter | Key Financial Performance Measures

€m	Q1 2015	Q1 2014	Change	Q4 2014	Change
Revenue	€1,962	€1,932	2%	€2,108	(7%)
EBITDA before Exceptional Items and Share-based Payment (1)	€266	€269	(1%)	€295	(10%)
EBITDA margin	13.5%	13.9%		14.0%	
Operating Profit before Exceptional Items	€166	€169	(2%)	€212	(22%)
Profit before Income Tax	€98	€104	(6%)	€58	70%
Basic EPS (cent)	30.9	28.8	7%	11.6	166%
Pre-exceptional Basic EPS (cent)	44.2	30.8	44%	47.3	(7%)
Return on Capital Employed (2)	15.3%	13.8%		15.0%	
Free Cash Flow (3)	€25	€59	(58%)	€19	28%
Net Debt	€2,930	€2,640	11%	€2,759	6%
Net Debt to EBITDA (LTM)	2.5x	2.3x		2.4x	

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 profit for the period to EBITDA before exceptional items and share-based payment expense is set out on page 28.
2) LTM pre-exceptional operating profit plus share of associates' profit/average capital employed.
3) Free cash flow is set out on page 10. The IFRS cash flow is set out on page 17.

First Quarter Key Points

- Organic corrugated packaging volume growth of over 3%
- Adoption of SIMADI rate for consolidation of Venezuelan operations impacts EBITDA by €14 million
- Growth of 4% in pre-exceptional EBITDA prior to adjusting for SIMADI
- EBITDA margin of 13.5%, impacted by some currency pressures and one-off operational issues
- Positive first quarter free cash flow for the second consecutive year
- Bond issuance of €250 million at 2.75% and completion of Amend & Extend of Senior Credit Facility
- Announcement of over €180 million of accretive acquisitions in the year to date

Performance Review and Outlook

Gary McGann, Smurfit Kappa CEO, commented: "Following our strong performance in 2014, we are pleased to report a good start to 2015 with underlying earnings growth. While EBITDA was 1% down year-on-year this was particularly impacted by the Group's decision to consolidate the results of its Venezuelan operations at the variable Sistema Marginal de Divisas ('SIMADI') rate. The effect of this change was a reduction in EBITDA of €14 million for the first quarter, with Venezuela now expected to be less than 1% of the Group's EBITDA for 2015. EBITDA margins in the rest of the business were somewhat impacted in the short-term by some specific issues, with significant weakening in some currencies in Latin America without any compensating price increases, a number of operational issues now resolved and some temporary pricing pressure in Europe. Notwithstanding this, we delivered a good underlying EBITDA margin and a second consecutive year of positive free cash flow in the first quarter, reflecting the structural improvement in the business underpinned by our lower cost capital structure and consistent focus on operational efficiencies.

"Looking to our European performance, corrugated packaging volumes increased by 4% with good growth throughout most of Europe and particularly strong volumes in the Southern European countries. As guided in our full year 2014 results, average corrugated pricing has remained sequentially flat compared to the fourth quarter of 2014, which is 1% lower when compared to the first quarter of 2014. The conditions for price increases are progressively positive with the kraftliner price increase (€40 per tonne) in Southern Europe effectively implemented and positive expectations for a similar increase in Northern Europe in May. With increasingly tighter inventory levels, the recycled containerboard price increase announced for April is expected to be partially implemented in May, with the balance anticipated mid-year. This will support corrugated price progress in the latter part of the year.

"In April, SKG held a highly successful Innovation Conference in Amsterdam, attended by over 200 customers as well as a sizeable number of investors and analysts. A key output of the event was the launch of the Shelf Smart packaging solution, which is a unique six step process that has been developed with the Smurfit Kappa Innovation team as part of the overall 'Open The Future' brand initiative. The process combines and channels the Group's packaging expertise, consumer insights, proprietary technologies and key partnerships to drive real value for our customers through increased sales as a result of a competitive advantage at the point of purchase, and through cost reductions by optimising their supply chains from source to end markets.

"As a result of a number of acquisitions in the region since last year, volumes in our Americas business have grown by almost 16% year-on-year. The segment's EBITDA margin has also recovered to 16.2% in the first quarter from lower levels in the second half of 2014. In Venezuela, despite the increasingly difficult economic circumstances and the adoption of the SIMADI rate, we have good operations with a strong team and market position which we expect to contribute to the Group over the longer term.

"In February, the Group issued a €250 million ten-year bond at a coupon of 2.75%, the lowest bond coupon achieved to date. The proceeds were used to prepay term debt under our senior credit facility. Following the success of the bond financing, in March we completed a transaction to amend and extend our reduced senior credit facility to March 2020, as well as achieving a reduction in margin. The combination of these two transactions firmly underscores the strength of the Group's capital structure and standing in the debt markets and locks in cost efficient borrowing and a healthy maturity profile. At the end of the period leverage was 2.5 times net debt to EBITDA with the increase in the quarter predominantly attributable to the currency impacts of a strengthening US dollar and the translation of the Group's Venezuelan operations at the SIMADI rate.

"Supported by our strengthened capital structure, the Group has accelerated its delivery of accretive acquisitions in its target markets. In 2015 to date, we have announced four transactions totalling over €180 million. Within this, there have been two sizeable acquisitions; the US$105 million acquisition of CYBSA, a corrugated packaging business in Costa Rica and El Salvador and; the STG£44 million acquisition of the Inspirepac corrugated and high-end display business in Northern England. In addition, the Group completed two smaller bolt-on acquisitions, the European and Mexican operations of Hexacomb, a protective packaging business, and Beacon Packaging in the UK.

"In April, the Group completed the sale of our Solidboard and Graphicboard business in the Netherlands, Belgium and the UK. The business was sold with net assets amounting to approximately €42 million and will be a margin enhancing event for the Group.

"Against the backdrop of a more positive European business environment, and improvements in our operational performance in the Americas, we expect to deliver earnings growth year-on-year. As we build the business through our differentiated offering and new investments, we remain committed to our core financial and operational disciplines. Our focus continues to be one of driving strong returns through superior operating performance, a progressive dividend stream, targeted high-return internal investments and accretive acquisitions."

About Smurfit Kappa

Smurfit Kappa is one of the leading providers of paper-based packaging solutions in the world, with around 43,000 employees in approximately 350 production sites across 33 countries and with revenue of €8.1 billion in 2014. We are located in 21 countries in Europe, and 12 in the Americas. We are the only large-scale pan-regional player in Latin America.

With our pro-active team we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills. Our products, which are 100% renewable and produced sustainably, improve the environmental footprint of our customers.

smurfitkappa.com

Check out our microsite*:* openthefuture.info

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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2015 First Quarter | Performance Overview

The Group reported an improved underlying year-on-year performance in the first quarter. While EBITDA was down 1% year-on-year, this was materially affected by the decision to translate the Venezuelan operations at the SIMADI rate. Absent that, EBITDA would have grown 4% year-on-year. Return on Capital Employed, a key metric for the Group, was robust at 15.3%, and significantly ahead of the same period in 2014. EBITDA margins at 13.5% in the quarter were temporarily impacted by lower European corrugated pricing year-on-year, delayed price increases to offset the weaker Latin American currencies, and some operational headwinds in both Europe and the Americas.

The European business delivered a good volume performance year-on-year with over 3% higher box volumes and significantly improved sheet volumes on a same day basis, building on the momentum in the fourth quarter of 2014 and reflecting a generally more robust European business environment. As guided with our full year 2014 results, corrugated pricing was 1% lower year-on-year in the first quarter, and flat compared to the fourth quarter of 2014, following some downward pressure in the latter part of 2014. The Group expects corrugated pricing to start to recover in the latter part of 2015 as a result of the recycled containerboard price increases currently being implemented.

SKG's differentiation strategy is building momentum. The first quarter saw the development of a number of marketing pilots in Europe and the Americas. We launched our unique Shelf Smart packaging solution offering customers the ability to design, test, measure and implement effective shelf ready packaging that will be more effective at delivering greater sales success at the point of purchase, where 76% of purchasing decisions are made. We are creating brand consistency, internally and externally, across livery, signage and communication platforms. In the area of external communications we have built our social media presence and our professional digital community. We are also rolling out significant training programmes in the areas of insight development, innovation, and value selling to our key market facing people.

European Old Corrugated Container ('OCC') prices were 8% lower year-on-year in the first quarter. However, constrained supply as a result of tight collection rates in most Western European countries and consistently strong demand in Europe has resulted in increasing upward pressure on pricing since the beginning of April. Chinese imports from Europe have also started the year strongly, with a 15% year-on-year increase in the first two months of 2015.

In recycled containerboard, the market remains well balanced, with good demand and no unforeseen additions to capacity scheduled in either 2015 or 2016. Against this positive backdrop, strong demand in the early months of the year and a good inventory position resulted in Smurfit Kappa announcing a price increase from 1 April of €60 per tonne. While the Group expects to achieve these price increases, temporary resistance in the larger and more fragmented markets of Northern Europe has delayed its implementation, with approximately €20 per tonne expected in May and a further price increase mid-year.

The European kraftliner market has started the year well, driven by good demand and a favourable currency situation. As a consequence, the Group announced two price initiatives in the quarter. The first was a €40 per tonne price increase in Southern Europe to capitalise on the stronger US dollar and increasing kraftliner import prices. The second was a €40 per tonne price increase in the rest of Europe. The Southern European price increase is almost completed and the Northern European price increase is also expected to be successful with implementation in May and June.

Despite a 6% year-on-year increase in kraftliner exports to Europe to December 2014, the European kraftliner market remained strong throughout 2014, achieving a €30 per tonne increase in September 2014. Currency tailwinds continue to support our price initiatives in the first and second quarters of 2015. As the largest producer of kraftliner in Europe with 1.6 million tonnes of production and a net long position of 500,000 tonnes, the Group is well positioned to benefit from these positive price developments.

The Group's operations in the Americas performed well in the first quarter with a 16% increase in volumes across the region as a result of a combination of organic growth and growth from acquisitions year-on-year. Despite some operational issues and currency headwinds, the segment delivered an improved EBITDA margin of 16.2%, at the lower end of the historic margin range the Group expects to achieve in the region. The Group's key markets of Mexico and Colombia are beginning to demonstrate tangible structural improvements, and are expected to strengthen into the second half of the year, supported by good activity levels and price recovery.

The Group adopted the SIMADI rate of 193 VEF/US$ as at 31 March for the consolidation of its Venezuelan operations. This has resulted in an effective devaluation of the Venezuelan operations contribution to EBITDA to less than 1% of the Group in the first quarter, and a reduction in net assets and cash of €573 million and €96 million respectively.

The Group's delivery of a second consecutive positive free cash flow performance in the typically weaker first quarter is evidence of the benefits of its growth agenda in the last twelve months, along with its lower cost capital structure and good working capital management. At the end of the period leverage was 2.5 times net debt to EBITDA with the increase of €171 million in the quarter predominantly attributable to the currency impacts of a strengthening of the US dollar and Sterling and the translation of the Group's Venezuelan operations at the SIMADI rate.

The business is well positioned to continue to deploy its balance sheet appropriately over the course of 2015 to deliver accretive growth and incremental returns for shareholders.

2015 First Quarter | Financial Performance

At €1,962 million in the first quarter of 2015 compared to €1,932 million in 2014, revenue was €30 million (2%) higher year-on-year. With the contribution from recent acquisitions largely offset by the net negative currency movements, the underlying year-on-year increase equated to over 1%, driven primarily by growth in Europe.

The Group recognised a €14 million reduction in EBITDA in the quarter due to the adoption of the SIMADI rate for its Venezuelan operations. EBITDA of €266 million in the first quarter of 2015 compared to €269 million in 2014, €3 million or 1% lower. Allowing for currency movements in the Americas (particularly Venezuela) and the contribution from acquisitions, the underlying move was an increase of €4 million, the equivalent of 1%, with higher earnings in Europe and slightly lower Group Centre costs. Underlying EBITDA in the Americas was lower by €2 million.

Exceptional items charged within operating profit in the first quarter of 2015 amounted to €39 million. The charge represented the further impairment of the solidboard operations held for sale of €6 million reported within cost of sales, and €33 million, reported within other operating expenses, relating to the higher cost to the Venezuelan operations of discharging their non-Bolivar denominated payables following the adoption of the SIMADI rate in March 2015. In 2014, the Group reported a similar charge of €9 million, following the adoption of the Sicad I rate in March 2014.

Our basic EPS for the first quarter at 30.9 cent was 7% higher than the 28.8 cent earned in the same period of 2014. Given the higher exceptional items in 2015, on a pre-exceptional basis, our EPS for the first quarter of 2015 was 44% higher year-on-year at 44.2 cent compared to 30.8 cent in 2014.

2015 First Quarter | Free Cash Flow

In the first quarter of 2015, the Group reported a free cash inflow of €25 million, compared to an inflow of €59 million in the first quarter of 2014. The year-on-year decrease resulted mainly from higher outflows for exceptional items, capital expenditure and tax which, when combined, more than offset the benefit of cash interest savings.

Capital expenditure of €73 million in the first quarter of 2015 equated to 82% of depreciation, compared to 71% (€66 million) in the first quarter of 2014. This higher level of capital expenditure year-on-year reflects the advancement of the Group's 'Quick Win' and growth focused investment projects.

Working capital movements in the quarter remained broadly in line year-on-year, with a first quarter outflow of €51 million compared to €57 million in 2014. For the Group as a whole, working capital amounted to €559 million at March 2015, representing 7.1% of annualised revenue compared to 6.7% at December 2014 and 7.3% at March 2014.

Cash interest of €30 million in the first quarter of 2015 was €9 million lower than the first quarter of 2014, reflecting the benefit of the Group's refinancing activities in recent years, including the redemption of the 2019 bonds in July 2014.

Tax payments of €37 million in the first quarter of 2015 were €11 million higher than in the same period of 2014 primarily due to the timing of payments and refunds received in 2014 that did not recur in 2015. The cash tax payments continue to reflect the ongoing benefit of historic tax losses and tax credits in Europe.

2015 First Quarter | Capital Structure

The Group is committed to preserving its Ba1 / BB+ / BB+ credit ratings with the three major credit rating agencies. To underpin this, the Group will seek to maintain its net debt to EBITDA between 2.0 to 3.0 times through the cycle. These ratings, which are one notch below Investment Grade, provide the Group with significant financial flexibility to continue to deliver on its stated capital allocation objectives. They also ensure access to the debt markets at competitive rates to provide security of funding and sustain the Group's lower cost funding base.

During the first quarter the Group undertook two transactions, which combined have further reduced our annual cash interest by €3 million and extended our average maturity profile to 5.5 years. On 11 February, the Group issued a €250 million ten-year bond at a coupon of 2.75%, the proceeds of which were used to prepay term debt under its senior credit facility. This successful bond financing enabled the Group to amend and extend its senior credit facility in March at a reduced level of €1.1 billion, extend the maturity date to March 2020 and reduce the margin from 2% to 1.35% on the term facility, while reducing the margin on the revolver from 1.75% to 1.1%.

As a consequence of the Group's substantial recent deleveraging and refinancing activities, at 31 March 2015 its average interest rate was 3.7%, with a lower cash interest cost year-on-year of approximately €125 million expected for 2015. The revised average maturity profile of the Group's debt is 5.5 years, providing a long-term stable outlook to the Group's funding structure, while cash held on the balance sheet of €290 million at the end of the quarter supplemented by undrawn credit facilities of approximately €502 million provides significant flexibility.

2015 First Quarter | Operating Efficiency

Commercial Offering and Innovation

Our differentiation strategy is progressing very well across all of our agreed areas of focus. We are building a Smurfit Kappa way of marketing through the development of B2B 'go to market' strategies in five countries across five different sectors (UK, France, Germany, Colombia and Mexico). The aim of these B2B marketing strategies will be to improve market positioning and profiling of Smurfit Kappa's expertise in specific sectors. By utilising our suite of proprietary tools, it will also provide accountability through tracking which activities are most effective in delivering increased 'Share of Mind' and facilitating the delivery of real value for our customers.

We successfully launched our new innovative packaging solution Shelf Smart at the 2015 Innovation Conference. Shelf Smart is a unique six step process. In it we identify the critical customer issue by using our tools to develop a solution that is insight based. We save time and money by developing designs in a risk free environment with a high expectation of customer attraction, and finally we measure the impact of the solution with end consumers prior to any market launch. The new solution was very positively received by our customers at the Innovation Conference.

Finally, corporate identity guidelines have also been launched for signage, livery and fitting out of our Experience Centres, plants and mills. Our Brand Platform is continuously being updated with clear guidelines and supporting digital assets.

Cost take-out programme

The Group announced a further cost take-out target of €75 million for 2015 and is progressing well against this target. In the year to March, €18 million in cost take-out was achieved with good efficiencies achieved in the categories of raw materials and labour costs. The achievement of these savings is essential to underpinning the Group's margins. It also provides a solid platform for earnings progression when allied to our organic and acquisitive growth ambitions and the continued delivery of operational efficiencies through ‘Quick Win’ capital expenditure and the current rationalisation programme.

Enhanced Capital Expenditure Programme

The Group is in the second year of its three-year programme of ‘Quick Win’ capital expenditure and continues to expect to successfully deliver on its target of €18 million of incremental EBITDA in 2015. The programme, which is positioned to generate up to €75 million in annualised incremental EBITDA in 2017 involves over 100 individual operational efficiency-led projects. In that context, its expected returns are relatively insulated from volume or market pressures.

Rationalisations

In November 2014, the Group announced the closure of four converting plants across Germany, France and Sweden, and one 80,000 tonne recycled containerboard mill in Germany. The Group has engaged actively with the existing customers of the converting plants and does not expect to lose any material volume as other facilities within the Group assume the servicing commitments. The closure of the Viersen recycled containerboard mill in February on the other hand, has removed 80,000 tonnes of production from the market, and will facilitate the orderly introduction of the Group’s 250,000 tonne recycled containerboard mill in the UK, which is commencing saleable production in the second quarter.

The rationalisations have had an impact on EBITDA in the first quarter with a combined negative effect of approximately €2 million due to run-down losses and income foregone from the Viersen mill.

Solidboard Disposal

On 21 April, the Group announced that it had signed an agreement to sell its Solidboard and Graphicboard operations in the Netherlands, Belgium and the UK to the Aurelius Group. The operations being sold have net assets amounting to approximately €42 million, and comprise two Graphicboard mills, an integrated Solidboard operation consisting of two mills and four converting sites. The transaction represents a further progression of the Group’s stated objective to focus on its core business as a leading global producer of paper based packaging solutions and to maximise long term returns for shareholders.

2015 First Quarter | Performance Review

Europe

The Group’s European operations performed reasonably well in the first quarter of 2015 with an EBITDA margin of 13.1% compared to 13.2% in the same period of 2014. This was achieved despite some pressure on corrugated pricing and some operational headwinds. These operational headwinds predominantly relate to the lower output from our recycled containerboard system as a result of downtime, the delayed commencement of production at our 250,000 tonne Townsend Hook mill and the previously announced closure of Viersen in February.

Overall corrugated volumes increased by 4%, on both an absolute and days adjusted basis. With fewer days in the quarter, box volumes increased by over 3% and sheet volumes by almost 9% on a days adjusted basis. This latter result reflects a continuation of the trend reported in the second half of 2014, whereby the Group re-engaged in the sheet markets as profitability of this business improved. In Europe, box shipments continue to account for 87% of corrugated volumes.

Corrugated packaging prices were sequentially flat in the first quarter compared to the fourth quarter of 2014. However, pricing was 1% lower year-on-year as a result of some erosion experienced in the latter part of 2014 following testliner weakness during the year. The Group expects to implement corrugated packaging price increases subject to the usual time lag following the implementation of containerboard price increases which have now commenced.

SKG's European OCC prices have remained stable within a tight band of €110 per tonne to €120 per tonne since the third quarter of 2012. To date, this has provided a solid underpin to recycled containerboard pricing. In the first quarter OCC prices were at the lower end of this range, providing some short-term input cost relief. Reflecting tightness in the market in April and May, OCC prices are currently rising in most countries in Europe, which will further underpin the implementation of containerboard price increases.

The European recycled containerboard market is expected to remain well balanced until at least 2017 as a result of good levels of demand and limited capacity additions over the period. In 2015 specifically, good market demand and some downtime in the first quarter has depleted high inventory levels built up over the Christmas period, creating good conditions for us to implement price increases. Despite some delays in achieving the €60 per tonne price increase announced for April, low inventory levels and strong demand into the summer months are expected to significantly tighten the market, and provide the necessary impetus to apply price increases.

The European kraftliner market has been strong, with a 7% increase in consumption in the first two months of the year. Supported by this solid demand, and the strengthening US$, the Group is obtaining a €40 per tonne price increase in its Southern European markets. In parallel, the price of US exports to Europe increased by over €50 per tonne, as a response to the impact of the foreign exchange headwinds during 2014 and early 2015. A price increase of €40 per tonne for the Northern European markets is being implemented and fundamentals remain supportive of its full achievement.

The Group's Bag-in-box operations continue to grow well, with double digit volume growth in the first quarter compared to the same period of 2014. The business has a strong number one position in Europe and a global presence outside Europe with operations in the US, Canada, Russia and Argentina. The new €28 million facility in Spain which commenced production in July 2014 has been operating ahead of expectations.

The Americas

The Americas segment delivered a strong EBITDA margin of 16.2% in the first quarter of 2015, a recovery from the lower EBITDA margins in the third and fourth quarters of 2014. There were some one-off operational issues in the quarter, the resolution of which are expected to support further EBITDA margin recovery in the remainder of 2015. Having taken the decision to consolidate the Venezuelan operations at the SIMADI rate, Venezuela comprised less than 1% of the Group's EBITDA in the first quarter.

Increasingly in the Americas, as in Europe, large international companies are seeking regional suppliers that can provide them with pan-regional solutions to support their brands through market insights and merchandising expertise, while optimising supply chain costs through standardisation and central planning. As the only pan-regional supplier in the Americas the Group is uniquely placed to service these trends, and launched its Pan Americas Sales ('PAS') operations in 2014 to mirror its successful Pan European offering. In the first quarter, PAS volumes increased by 4% year-on-year with a good pipeline of further prospects.

Smurfit Kappa Orange County's Mexican business continues to perform well with good volume growth in the first quarter, although the business in California continues to be negatively impacted by the drought. From a margin perspective the business has improved substantially year-on-year with the realisation of the benefits of cost take-out and process improvements in its mill and box system, and the transition from sheet sales to higher priced packaging in its US packaging business. The Bates corrugated packaging business, located in Texas and acquired in the fourth quarter of 2014 is progressing well and the integration is expected to deliver in line with the US$6 million target announced.

Smurfit Kappa Mexico performed reasonably well in the first quarter despite a delay in implementing corrugated price increases following a 13% peso devaluation in the last six months. Mexican retail sales were 5% higher year-on-year in the quarter (as reported by the National Institute of Statistics and Geography) benefitting our fast moving consumer goods ('FMCG') business, and it is expected this level of growth can sustain through 2015. Further supports to improving EBITDA margins for the full year are lower raw material and production costs underpinned by targeted cost take-out programmes, and an expected significant decrease in energy costs.

In Colombia, the Peso has weakened by approximately 30% in the past six months, driven by lower oil prices and reduced exports of minerals. Although GDP forecasts have been revised downwards, the Group has seen good volume progression as a result of the weaker currency with a 6% increase in our underlying packaging volumes year-on-year. Similar to our Mexican business, the Group is currently implementing corrugated price increases which are expected to further improve profitability into the second half and deliver underlying earnings progression year-on-year. The previously announced acquisition of CYBSA, a predominantly corrugated packaging business located in El Salvador and Costa Rica, is expected to close in May 2015 and will contribute a post-synergy EBITDA of US$19 million.

The economic environment in Venezuela has continued to deteriorate in 2015, with a rise in the rate of hyperinflation and increased currency uncertainty. In spite of the challenging conditions, our business has continued to deliver a good operational performance, and the Group remains committed to its operations in the country. Consistent investments in the assets and workforce have produced a high quality, relatively efficient business which is well positioned when the economy begins to recover.

In Argentina, the Group's operations have performed well in the first quarter, delivering 3% volume growth year-on-year in a recessionary environment. Against this backdrop, management has been successful in growing absolute EBITDA and EBITDA margins each year since 2012 through increased integration within the business and consistently delivering raw material and logistical savings through cost take-out.

Growth of the Group's business in the Americas remains a core element of SKG's strategy for expansion and the pipeline for acquisitions in the region remains strong following a number of successful acquisitions in the last twelve months. In 2015, the adoption of the SIMADI rate in Venezuela will require an adjustment to the EBITDA expectations for 2015. However, the overall region's outlook for consumption and pricing in the second half of the year is generally more positive which will support good earnings progression in the rest of the Americas business through 2015.

Summary Cash Flow

Summary cash flows[(1)] for the first quarter are set out in the following table.

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Pre-exceptional EBITDA	**266**	269
Exceptional items	**(33)**	(9)
Cash interest expense	**(30)**	(39)
Working capital change	**(51)**	(57)
Current provisions	**(5)**	(1)
Capital expenditure	**(73)**	(66)
Change in capital creditors	**1**	1
Tax paid	**(37)**	(26)
Sale of fixed assets	**1**	2
Other	**(14)**	(15)
Free cash flow	**25**	59
Share issues	**1**	2
Purchase of own shares	**(15)**	(13)
Dividends	**-**	(1)
Net cash inflow	**11**	47
Deferred debt issue costs amortised	**(4)**	(2)
Currency translation adjustments	**(178)**	(64)
Increase in net debt	**(171)**	(19)

(1) The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows under IFRS ('IFRS cash flow'). The principal differences are as follows:
- (a) The summary cash flow details movements in net debt. The IFRS cash flow details movements in cash and cash equivalents.
- (b) Free cash flow reconciles to cash generated from operations in the IFRS cash flow as shown below.
- (c) The IFRS cash flow has different sub-headings to those used in the summary cash flow.

		3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Free cash flow		**25**	59
Add back:	Cash interest	**30**	39
	Capital expenditure (net of change in capital creditors)	**72**	65
	Tax payments	**37**	26
Less:	Sale of fixed assets	**(1)**	(2)
	Profit on sale of assets and businesses – non exceptional	**-**	(1)
	Non-cash financing activities	**(3)**	-
Cash generated from operations		**160**	186

Capital Resources

The Group's primary sources of liquidity are cash flow from operations and borrowings under the revolving credit facility. The Group's primary uses of cash are for funding day to day operations, capital expenditure, debt service, dividends and other investment activity including acquisitions.

At 31 March 2015, Smurfit Kappa Treasury Funding Limited had outstanding US$292.3 million 7.50% senior debentures due 2025. The Group had outstanding €158.8 million and STG£57.9 million variable funding notes issued under the €240 million accounts receivable securitisation programme maturing in June 2019, together with €175 million variable funding notes issued under the €175 million accounts receivable securitisation programme maturing in April 2018.

Smurfit Kappa Acquisitions had outstanding €200 million 5.125% senior notes due 2018, US$300 million 4.875% senior notes due 2018, €400 million 4.125% senior notes due 2020, €250 million senior floating rate notes due 2020, €500 million 3.25% senior notes due 2021 and €250 million 2.75% senior notes due 2025. Smurfit Kappa Acquisitions and certain subsidiaries are also party to a senior credit facility. At 31 March 2015, the Group's senior credit facility comprised term drawings of €450.9 million and US$52 million under the amortising Term A facility maturing in 2020. In addition, as at 31 March 2015, the facility included a €625 million revolving credit facility of which €105 million was drawn in revolver loans, with a further €18 million in operational facilities including letters of credit drawn under various ancillary facilities.

The following table provides the range of interest rates as of 31 March 2015 for each of the drawings under the various senior credit facility loans.

Borrowing Arrangement	Currency	Interest Rate
Term A Facility	EUR	1.338% - 1.426%
	USD	1.526%
Revolving Credit Facility	EUR	1.089%

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

In February 2015 the Group issued €250 million of ten-year euro denominated senior notes at a coupon of 2.75%, the proceeds of which were used to prepay term debt under the senior credit facility.

Following the success of the bond financing, in March 2015 the Group completed a transaction to amend and extend the reduced senior credit facility which incorporated an extension of the maturity date to March 2020, together with a significant margin reduction. Under the new terms the amortising Term A facility is repayable €83.3 million on 13 March 2018 (previously €125 million on 24 July 2016), €83.3 million on 13 March 2019 (previously €125 million on 24 July 2017) and €333.4 million on 13 March 2020 (previously €500 million on 24 July 2018). The maturity of the €625 million revolving credit facility was extended to 13 March 2020 from 24 July 2018.

Effective on the date of the amendment, the margins applicable to the senior credit facility were reduced by 0.65% to the following:

Net Debt/EBITDA Ratio	Revolving Credit Facility	Term A Facility
Greater than 3.00 : 1	1.85%	2.10%
3.00 : 1 or less but more than 2.50 : 1	1.35%	1.60%
2.50 : 1 or less but more than 2.00 : 1	1.10%	1.35%
2.00 : 1 or less	0.85%	1.10%

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. As at 31 March 2015, the Group had fixed an average of 71% of its interest cost on borrowings over the following twelve months.

The Group's fixed rate debt comprised €200 million 5.125% senior notes due 2018, US$300 million 4.875% senior notes due 2018 (US$50 million swapped to floating), €400 million 4.125% senior notes due 2020, €500 million 3.25% senior notes due 2021, €250 million 2.75% senior notes due 2025 and US$292.3 million 7.50% senior debentures due 2025. In addition the Group had €349 million in interest rate swaps with maturity dates ranging from October 2018 to January 2021.

The Group's earnings are affected by changes in short-term interest rates as a result of its floating rate borrowings. If LIBOR/EURIBOR interest rates for these borrowings increase by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €11 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €3 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.

Consolidated Income Statement – First Quarter

	3 months to 31-Mar-15 Unaudited			3 months to 31-Mar-14 Unaudited		
	Pre-exceptional 2015	**Exceptional 2015**	**Total 2015**	Pre-exceptional 2014	Exceptional 2014	Total 2014
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**1,962**	**-**	**1,962**	1,932	-	1,932
Cost of sales	**(1,381)**	**(6)**	**(1,387)**	(1,359)	-	(1,359)
Gross profit	**581**	**(6)**	**575**	573	-	573
Distribution costs	**(159)**	**-**	**(159)**	(152)	-	(152)
Administrative expenses	**(256)**	**-**	**(256)**	(252)	-	(252)
Other operating expenses	**-**	**(33)**	**(33)**	-	(9)	(9)
Operating profit	**166**	**(39)**	**127**	169	(9)	160
Finance costs	**(52)**	**(2)**	**(54)**	(63)	-	(63)
Finance income	**15**	**10**	**25**	2	5	7
Profit before income tax	**129**	**(31)**	**98**	108	(4)	104
Income tax expense			**(29)**			(38)
Profit for the financial period			**69**			66
Attributable to:						
Owners of the parent			**71**			65
Non-controlling interests			**(2)**			1
Profit for the financial period			**69**			66
Earnings per share						
Basic earnings per share - cent			**30.9**			28.8
Diluted earnings per share - cent			**30.4**			28.6

Consolidated Statement of Comprehensive Income – First Quarter

	3 months to 31-Mar-15 Unaudited €m	3 months to 31-Mar-14 Unaudited €m
Profit for the financial period	**69**	66
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the period	**(342)**	(234)
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**4**	4
- New fair value adjustments into reserve	**3**	(9)
Net change in fair value of available-for-sale financial assets	**1**	-
	(334)	(239)
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(32)**	(21)
- Movement in deferred tax	**4**	3
	(28)	(18)
Total other comprehensive expense	**(362)**	(257)
Total comprehensive expense for the financial period	**(293)**	(191)
Attributable to:		
Owners of the parent	**(252)**	(166)
Non-controlling interests	**(41)**	(25)
Total comprehensive expense for the financial period	**(293)**	(191)

Consolidated Balance Sheet

	31-Mar-15 Unaudited €m	31-Mar-14 Unaudited €m	31-Dec-14 Audited €m
ASSETS			
Non-current assets			
Property, plant and equipment	**2,910**	2,906	3,033
Goodwill and intangible assets	**2,343**	2,273	2,407
Available-for-sale financial assets	**21**	27	21
Investment in associates	**18**	16	17
Biological assets	**97**	92	130
Trade and other receivables	**14**	5	12
Derivative financial instruments	**48**	-	2
Deferred income tax assets	**238**	197	237
	5,689	5,516	5,859
Current assets			
Inventories	**682**	707	701
Biological assets	**8**	9	9
Trade and other receivables	**1,501**	1,435	1,422
Derivative financial instruments	**5**	1	3
Restricted cash	**8**	15	12
Cash and cash equivalents	**282**	425	387
	2,486	2,592	2,534
Assets classified as held for sale	**94**	-	92
	2,580	2,592	2,626
Total assets	**8,269**	8,108	8,485
EQUITY			
Capital and reserves attributable to the owners of the parent			
Equity share capital	**-**	-	-
Share premium	**1,982**	1,981	1,981
Other reserves	**(329)**	(11)	(30)
Retained earnings	**318**	192	271
Total equity attributable to the owners of the parent	**1,971**	2,162	2,222
Non-controlling interests	**157**	176	197
Total equity	**2,128**	2,338	2,419
LIABILITIES			
Non-current liabilities			
Borrowings	**3,149**	3,016	3,093
Employee benefits	**912**	716	893
Derivative financial instruments	**18**	65	23
Deferred income tax liabilities	**139**	182	183
Non-current income tax liabilities	**18**	20	28
Provisions for liabilities and charges	**47**	41	47
Capital grants	**12**	11	12
Other payables	**6**	7	10
	4,301	4,058	4,289
Current liabilities			
Borrowings	**71**	64	65
Trade and other payables	**1,638**	1,581	1,573
Current income tax liabilities	**18**	20	12
Derivative financial instruments	**13**	36	27
Provisions for liabilities and charges	**53**	11	57
	1,793	1,712	1,734
Liabilities associated with assets classified as held for sale	**47**	-	43
	1,840	1,712	1,777
Total liabilities	**6,141**	5,770	6,066
Total equity and liabilities	**8,269**	8,108	8,485

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						
	Equity share capital €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Unaudited							
At 1 January 2015	**-**	**1,981**	**(30)**	**271**	**2,222**	**197**	**2,419**
Profit for the financial period	**-**	**-**	**-**	**71**	**71**	**(2)**	**69**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(303)**	**-**	**(303)**	**(39)**	**(342)**
Defined benefit pension plans	**-**	**-**	**-**	**(28)**	**(28)**	**-**	**(28)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**7**	**-**	**7**	**-**	**7**
Net change in fair value of available-for-sale financial assets	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Total comprehensive (expense)/income for the financial period	**-**	**-**	**(295)**	**43**	**(252)**	**(41)**	**(293)**
Shares issued	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Hyperinflation adjustment	**-**	**-**	**-**	**4**	**4**	**1**	**5**
Share-based payment	**-**	**-**	**11**	**-**	**11**	**-**	**11**
Shares acquired by SKG Employee Trust	**-**	**-**	**(15)**	**-**	**(15)**	**-**	**(15)**
At 31 March 2015	**-**	**1,982**	**(329)**	**318**	**1,971**	**157**	**2,128**
At 1 January 2014	-	1,979	208	121	2,308	199	2,507
Profit for the financial period	-	-	-	65	65	1	66
Other comprehensive income							
Foreign currency translation adjustments	-	-	(208)	-	(208)	(26)	(234)
Defined benefit pension plans	-	-	-	(18)	(18)	-	(18)
Effective portion of changes in fair value of cash flow hedges	-	-	(5)	-	(5)	-	(5)
Total comprehensive (expense)/income for the financial period	-	-	(213)	47	(166)	(25)	(191)
Shares issued	-	2	-	-	2	-	2
Hyperinflation adjustment	-	-	-	24	24	3	27
Dividends paid	-	-	-	-	-	(1)	(1)
Share-based payment	-	-	7	-	7	-	7
Shares acquired by SKG Employee Trust	-	-	(13)	-	(13)	-	(13)
At 31 March 2014	-	1,981	(11)	192	2,162	176	2,338

An analysis of the movements in Other reserves is provided in Note 13.

Consolidated Statement of Cash Flows

	3 months to 31-Mar-15 Unaudited €m	3 months to 31-Mar-14 Unaudited €m
Cash flows from operating activities		
Profit before income tax	**98**	104
Net finance costs	**29**	56
Depreciation charge	**79**	80
Impairment of assets	**6**	-
Amortisation of intangible assets	**8**	7
Share-based payment expense	**11**	7
Profit on sale of assets and businesses	**-**	(1)
Net movement in working capital	**(54)**	(57)
Change in biological assets	**2**	6
Change in employee benefits and other provisions	**(21)**	(17)
Other	**2**	1
Cash generated from operations	**160**	186
Interest paid	**(34)**	(35)
Income taxes paid:		
Overseas corporation tax (net of tax refunds) paid	**(37)**	(26)
Net cash inflow from operating activities	**89**	125
Cash flows from investing activities		
Interest received	**1**	1
Additions to property, plant and equipment and biological assets	**(70)**	(63)
Additions to intangible assets	**(2)**	(2)
Increase in restricted cash	**(1)**	(8)
Disposal of property, plant and equipment	**2**	3
Net cash outflow from investing activities	**(70)**	(69)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	**1**	2
Proceeds from bond issue	**250**	-
Purchase of own shares	**(15)**	(13)
Increase in other interest-bearing borrowings	**-**	4
Payment of finance leases	**(1)**	(1)
Repayment of borrowings	**(253)**	-
Deferred debt issue costs	**(6)**	-
Dividends paid to non-controlling interests	**-**	(1)
Net cash outflow from financing activities	**(24)**	(9)
(Decrease)/increase in cash and cash equivalents	**(5)**	47
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**361**	424
Currency translation adjustment	**(96)**	(63)
(Decrease)/increase in cash and cash equivalents	**(5)**	47
Cash and cash equivalents at 31 March	**260**	408

An analysis of the Net movement in working capital is provided in Note 11.

1. General Information

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or '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 whose shares are publicly traded. It is incorporated and tax resident in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, Ireland.

2. Basis of Preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU'); and, in accordance with Irish law.

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. 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 2014 which is available on the Group's website; 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 2014. There are no new IFRS standards effective from 1 January 2015 which have a material effect on the condensed interim Group financial information included in this report.

The condensed interim Group financial information includes all adjustments that management considers necessary for a fair presentation of such financial information. All such adjustments are of a normal recurring nature. Some tables in this report may not add correctly due to rounding.

The condensed interim Group financial information 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 2014 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 determined reportable operating segments based on the manner in which reports are reviewed by the chief operating decision maker ('CODM'). The CODM is determined to be the executive management team responsible for assessing performance, allocating resources and making strategic decisions. The Group has identified two reportable operating segments: 1) Europe and 2) The Americas.

The Europe segment is highly integrated. It includes a system of mills and plants that primarily produces a full line of containerboard that is converted into corrugated containers. The Americas segment comprises all forestry, paper, corrugated and folding carton activities in a number of Latin American countries and the United States. Inter-segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment profit is measured based on earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payment expense ('EBITDA before exceptional items').

	3 months to 31-Mar-15			3 months to 31-Mar-14		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and Results						
Revenue	**1,545**	**417**	**1,962**	1,508	424	1,932
EBITDA before exceptional items	**202**	**68**	**270**	199	75	274
Segment exceptional items	**-**	**(33)**	**(33)**	-	(9)	(9)
EBITDA after exceptional items	**202**	**35**	**237**	199	66	265
Unallocated centre costs			**(4)**			(5)
Share-based payment expense			**(11)**			(7)
Depreciation and depletion (net)			**(81)**			(86)
Amortisation			**(8)**			(7)
Impairment of assets			**(6)**			-
Finance costs			**(54)**			(63)
Finance income			**25**			7
Profit before income tax			**98**			104
Income tax expense			**(29)**			(38)
Profit for the financial period			**69**			66

4. Exceptional Items

The following items are regarded as exceptional in nature:	**3 months to 31-Mar-15 €m**	3 months to 31-Mar-14 €m
Impairment of assets	**6**	-
Currency trading loss on change in Venezuelan translation rate	**33**	9
Exceptional items included in operating profit	**39**	9
Exceptional finance costs	**2**	-
Exceptional finance income	**(10)**	(5)
Exceptional items included in net finance costs	**(8)**	(5)

Exceptional items charged within operating profit in the first quarter of 2015 amounted to €39 million of which €6 million relates to a further impairment of plant and equipment in the solidboard operations held for sale. The remaining charge of €33 million relates to losses on the translation of non-Bolivar denominated payables following the Group's decision to translate its Venezuelan operations at the SIMADI rate. The translation loss reflected the higher cost to its Venezuelan operations of discharging these payables.

Exceptional finance costs of €2 million in the first quarter of 2015 represented the accelerated amortisation of the issue costs relating to the debt within our senior credit facility which was paid down with the proceeds of February's €250 million bond issue.

Exceptional finance income in the first quarter of 2015 comprised a gain of €10 million in Venezuela on the retranslation of the US dollar denominated intra-group loans at the SIMADI rate.

Exceptional items charged within operating profit in the first quarter of 2014 amounted to €9 million and represented the higher cost to the Group's Venezuelan operations of discharging their non-Bolivar denominated payables following the adoption of the Sicad I rate at 31 March 2014.

The exceptional finance income of €5 million in the first quarter of 2014 represented a gain in Venezuela on their US dollar denominated intra-group loans following the adoption of the Sicad I rate.

5. Finance Costs and Income

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Finance costs:		
Interest payable on bank loans and overdrafts	**9**	13
Interest payable on other borrowings	**24**	29
Exceptional finance costs associated with debt restructuring	**2**	-
Foreign currency translation loss on debt	**11**	3
Fair value loss on derivatives not designated as hedges	**1**	1
Net interest cost on net pension liability	**5**	7
Net monetary loss - hyperinflation	**2**	10
Total finance costs	**54**	63
Finance income:		
Other interest receivable	**(1)**	(1)
Foreign currency translation gain on debt	**(2)**	(1)
Exceptional foreign currency translation gain	**(10)**	(5)
Fair value gain on derivatives not designated as hedges	**(12)**	-
Total finance income	**(25)**	(7)
Net finance costs	**29**	56

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Current tax:		
Europe	**13**	25
The Americas	**15**	16
	28	41
Deferred tax	**1**	(3)
Income tax expense	**29**	38

Current tax is analysed as follows:

Ireland	**(3)**	2
Foreign	**31**	39
	28	41

Income tax credit recognised in the Consolidated Statement of Comprehensive Income

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Arising on actuarial loss on defined benefit plans	**(4)**	(3)

The tax expense in 2015 is €9 million lower than in the comparable period. The income tax expense in Europe is lower by €9 million. In the Americas, the tax expense includes an increase from the reintroduction of a temporary tax in Colombia and a reduction in Venezuela from the move to a new exchange rate for reporting purposes. The €4 million movement in deferred tax arises primarily in Europe from the reversal of timing differences.

There is no income tax expense or credit associated with exceptional items in 2015 and 2014.

7. Employee Benefits – Defined Benefit Plans

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

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Current service cost	**12**	12
Past service cost	**-**	1
Gain on settlement	**(2)**	-
Net interest cost on net pension liability	**5**	7
Defined benefit cost	**15**	20

Included in cost of sales, distribution costs and administrative expenses is a defined benefit cost of €10 million (2014: €13 million). Net interest cost on net pension liability of €5 million (2014: €7 million) is included in finance costs in the Consolidated Income Statement.

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

	31-Mar-15 €m	31-Dec-14 €m
Present value of funded or partially funded obligations	**(2,405)**	(2,226)
Fair value of plan assets	**2,047**	1,889
Deficit in funded or partially funded plans	**(358)**	(337)
Present value of wholly unfunded obligations	**(554)**	(556)
Net pension liability	**(912)**	(893)

The employee benefits provision has increased from €893 million at 31 December 2014 to €912 million at 31 March 2015, mainly as a result of lower Eurozone and Sterling corporate bond yields which reduced the discount rates in the Eurozone and Sterling area. This increase has been offset by the move to the SIMADI exchange rate in Venezuela which reduced the liabilities in euro terms.

8. Earnings Per Share

Basic
Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period less own or Treasury shares.

	3 months to 31-Mar-15	3 months to 31-Mar-14
Profit attributable to owners of the parent (€ million)	**71**	65
Weighted average number of ordinary shares in issue (million)	**230**	227
Basic earnings per share (cent)	**30.9**	28.8

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 plan and deferred shares held in trust.

	3 months to 31-Mar-15	3 months to 31-Mar-14
Profit attributable to owners of the parent (€ million)	**71**	65
Weighted average number of ordinary shares in issue (million)	**230**	227
Potential dilutive ordinary shares assumed (million)	**4**	2
Diluted weighted average ordinary shares (million)	**234**	229
Diluted earnings per share (cent)	**30.4**	28.6

Pre-exceptional

	3 months to 31-Mar-15	3 months to 31-Mar-14
Profit attributable to owners of the parent (€ million)	**71**	65
Exceptional items included in profit before income tax (Note 4) (€ million)	**31**	4
Pre-exceptional profit attributable to owners of the parent (€ million)	**102**	69
Weighted average number of ordinary shares in issue (million)	**230**	227
Pre-exceptional basic earnings per share (cent)	**44.2**	30.8
Diluted weighted average ordinary shares (million)	**234**	229
Pre-exceptional diluted earnings per share (cent)	**43.5**	30.5

9. Dividends

The Board has recommended a final dividend of 40 cent per share for 2014 payable on 8 May 2015 subject to the approval of the shareholders at the AGM.

10. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Three months ended 31 March 2015			
Opening net book amount	**1,079**	**1,954**	**3,033**
Reclassifications	**2**	**(2)**	**-**
Additions	**-**	**69**	**69**
Depreciation charge for the period	**(11)**	**(68)**	**(79)**
Retirements and disposals	**(1)**	**-**	**(1)**
Hyperinflation adjustment	**2**	**1**	**3**
Foreign currency translation adjustment	**(92)**	**(23)**	**(115)**
At 31 March 2015	**979**	**1,931**	**2,910**
Year ended 31 December 2014			
Opening net book amount	1,107	1,915	3,022
Reclassifications	44	(49)	(5)
Assets classified as held for sale	(20)	(19)	(39)
Additions	9	391	400
Acquisitions	1	49	50
Depreciation charge for the year	(48)	(292)	(340)
Impairments	(5)	(34)	(39)
Retirements and disposals	(3)	(1)	(4)
Hyperinflation adjustment	45	39	84
Foreign currency translation adjustment	(51)	(45)	(96)
At 31 December 2014	1,079	1,954	3,033

11. Net Movement in Working Capital

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Change in inventories	**(26)**	(19)
Change in trade and other receivables	**(123)**	(133)
Change in trade and other payables	**95**	95
Net movement in working capital	**(54)**	(57)

12. Analysis of Net Debt

	31-Mar-15	31-Dec-14
	€m	€m
Senior credit facility:		
Revolving credit facility[1] – interest at relevant interbank rate + 1.10%[6]	**98**	100
Facility A term loan[2] – interest at relevant interbank rate + 1.35%[6]	**494**	745
US$292.3 million 7.50% senior debentures due 2025 (including accrued interest)	**278**	242
Bank loans and overdrafts	**71**	65
Cash	**(290)**	(399)
2018 receivables securitisation variable funding notes	**174**	173
2019 receivables securitisation variable funding notes	**236**	236
2018 senior notes (including accrued interest)[3]	**473**	446
€400 million 4.125% senior notes due 2020 (including accrued interest)	**398**	402
€250 million senior floating rate notes due 2020 (including accrued interest)[4]	**248**	248
€500 million 3.25% senior notes due 2021 (including accrued interest)	**498**	494
€250 million 2.75% senior notes due 2025 (including accrued interest) [5]	**246**	-
Net debt before finance leases	**2,924**	2,752
Finance leases	**6**	7
Net debt including leases	**2,930**	2,759

(1) Revolving credit facility ('RCF') of €625 million (available under the senior credit facility) to be repaid in 2020 (maturity dates extended from 2018 effective 13 March 2015).
(a) Revolver loans - €105 million (b) drawn under ancillary facilities and facilities supported by letters of credit – nil and (c) other operational facilities including letters of credit - €18 million.

(2) Facility A term loan ('Facility A') due to be repaid in certain instalments from 2018 to 2020 (maturity dates extended from 2016 to 2018 effective 13 March 2015).

(3) €200 million 5.125% senior notes due 2018 and US$300 million 4.875% senior notes due 2018.

(4) Interest at EURIBOR + 3.5%.

(5) On 11 February 2015 the Group priced €250 million of ten-year euro denominated senior notes at a coupon of 2.75%. The proceeds of the offering were used to reduce term loan borrowings under the senior credit facility.

(6) Following a reduction in the margins applicable to the senior credit facility of 0.65% as part of the amendment and extension of that facility effective 13 March 2015, the margins are determined as follows:

Net debt/EBITDA ratio	**RCF**	**Facility A**
Greater than 3.00 : 1	1.85%	2.10%
3.00 : 1 or less but more than 2.50 : 1	1.35%	1.60%
2.50 : 1 or less but more than 2.00 : 1	1.10%	1.35%
2.00 : 1 or less	0.85%	1.10%

13. Other Reserves

Other reserves included in the Consolidated Statement of Changes in Equity are comprised of the following:

	Reverse acquisition reserve	Cash flow hedging reserve	Foreign currency translation reserve	Share-based payment reserve	Own shares	Available-for-sale reserve	Total
	€m	€m	€m	€m	€m	€m	€m
At 1 January 2015	**575**	**(33)**	**(689)**	**156**	**(40)**	**1**	**(30)**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(303)**	**-**	**-**	**-**	**(303)**
Effective portion of changes in fair value of cash flow hedges	**-**	**7**	**-**	**-**	**-**	**-**	**7**
Net change in fair value of available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Total other comprehensive income/(expense)	**-**	**7**	**(303)**	**-**	**-**	**1**	**(295)**
Share-based payment	**-**	**-**	**-**	**11**	**-**	**-**	**11**
Shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**(15)**	**-**	**(15)**
Shares distributed by the SKG Employee Trust	**-**	**-**	**-**	**(13)**	**13**	**-**	**-**
At 31 March 2015	**575**	**(26)**	**(992)**	**154**	**(42)**	**2**	**(329)**
At 1 January 2014	575	(15)	(456)	131	(28)	1	208
Other comprehensive income							
Foreign currency translation adjustments	-	-	(208)	-	-	-	(208)
Effective portion of changes in fair value of cash flow hedges	-	(5)	-	-	-	-	(5)
Total other comprehensive expense	-	(5)	(208)	-	-	-	(213)
Share-based payment	-	-	-	7	-	-	7
Shares acquired by SKG Employee Trust	-	-	-	-	(13)	-	(13)
Shares distributed by the SKG Employee Trust	-	-	-	(1)	1	-	-
At 31 March 2014	575	(20)	(664)	137	(40)	1	(11)

14. Venezuela

Hyperinflation

As discussed more fully in the 2014 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 – *Financial Reporting in Hyperinflationary Economies* to its Venezuelan operations at 31 December 2009 and for all subsequent accounting periods.

The index used to reflect current values is an estimate derived from the most recent published Banco Central de Venezuela's National Consumer Price Index. The most recent index published relates to December 2014. The level of and movement in the price index at March 2015 and 2014 are as follows:

	31-Mar-15	31-Mar-14
Index at period end	**980.2**	548.3
Movement in period	**16.8%**	10.0%

As a result of the entries recorded in respect of hyperinflationary accounting under IFRS, the Consolidated Income Statement is impacted as follows: Revenue €94 million decrease (2014: €37 million decrease), pre-exceptional EBITDA €9 million decrease (2014: €5 million decrease) and profit after taxation €4 million decrease (2014: €18 million decrease). In 2015, a net monetary loss of €2 million (2014: €10 million loss) was recorded in the Consolidated Income Statement. The impact on our net assets and our total equity is an increase of €27 million (2014: €13 million increase).

Exchange Control and Devaluation

In quarter one of 2015, the Venezuelan government announced changes to its system of multiple exchange rates for the Venezuelan Bolivar Fuerte ('VEF') as follows:

- Sicad I and Sicad II rates were unified into a single variable Sicad rate, which was 12 VEF per US dollar at 31 March 2015;

- A new rate, ('SIMADI'), was created to allow individuals and businesses to buy and sell foreign currency more easily and to offset the parallel market rate. The SIMADI rate was VEF 193 per US dollar at 31 March 2015; and

- The existing 'official rate' continues to be fixed at VEF 6.3 per US dollar.

The Group changed the rate at which it consolidates its Venezuelan operations from the Sicad rate to the SIMADI rate as at 31 March 2015. The Group believes that SIMADI is the most appropriate rate for accounting and consolidation, as it believes that this is the rate at which the Group extracts economic benefit. The change from the Sicad rate to the SIMADI rate reduced the Group's cash by approximately €96 million and its net assets by €573 million. Following this change, the Group's operations in Venezuela now accounts for less than 1% of its EBITDA.

Control

The nationalisation of foreign owned companies or assets by the Venezuelan government remains a risk. Market value compensation is either negotiated or arbitrated under applicable laws or treaties in these cases. However, the amount and timing of such compensation is necessarily uncertain.

The Group continues to control operations in Venezuela and, as a result, continues to consolidate all of the results and net assets of these operations at the period end in accordance with the requirement of IFRS 10.

In 2015, the Group's operations in Venezuela represented approximately 1% (2014: 4%) of its total assets and 2% (2014: 11%) of its net assets. Cumulative foreign translation losses arising on its net investment in these operations amounting to €926 million (2014: €539 million) are included in the foreign exchange translation reserve.

Supplementary Financial Information

EBITDA before exceptional items and share-based payment expense is denoted by EBITDA in the following schedules for ease of reference.

Reconciliation of Profit to EBITDA

	3 months to 31-Mar-15 €m	3 months to 31-Mar-14 €m
Profit for the financial period	**69**	66
Income tax expense	**29**	38
Exceptional items charged in operating profit	**39**	9
Net finance costs (after exceptional items)	**29**	56
Share-based payment expense	**11**	7
Depreciation, depletion (net) and amortisation	**89**	93
EBITDA	**266**	269

Supplementary Historical Financial Information

€m	Q1, 2014	Q2, 2014	Q3, 2014	Q4, 2014	FY, 2014	**Q1, 2015**
Group and third party revenue	3,217	3,289	3,341	3,459	13,306	**3,235**
Third party revenue	1,932	2,015	2,027	2,108	8,083	**1,962**
EBITDA	269	295	302	295	1,161	**266**
EBITDA margin	13.9%	14.6%	14.9%	14.0%	14.4%	**13.5%**
Operating profit	160	194	182	126	661	**127**
Profit before income tax	104	124	93	58	378	**98**
Free cash flow	59	76	208	19	362	**25**
Basic earnings per share - cent	28.8	33.6	31.9	11.6	105.8	**30.9**
Weighted average number of shares used in EPS calculation (million)	227	228	228	228	228	**230**
Net debt	2,640	2,676	2,578	2,759	2,759	**2,930**
Net debt to EBITDA (LTM)	2.33	2.31	2.23	2.38	2.38	**2.53**