PRESS RELEASE

13 February: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the full year ending 31 December 2018.

2018 Full Year | Key Financial Performance Measures

€m	FY 2018	FY 2017	Change	H2 2018	H2 2017	Change	H1 2018	Change H2 v H1
Revenue	€8,946	€8,562	4%	€4,518	€4,329	4%	€4,428	2%
EBITDA [1]	€1,545	€1,240	25%	€821	€671	22%	€724	13%
EBITDA Margin [1]	17.3%	14.5%		18.2%	15.5%		16.4%	
Pre-exceptional Operating Profit	€1,105	€820	35%	€576	€462	25%	€529	9%
Pre-exceptional Profit before Income Tax	€938	€601	56%	€485	€354	37%	€453	7%
Pre-exceptional Basic EPS (cent) [1]	292.2	185.3	58%	151.5	110.3	37%	140.7	8%
Free Cash Flow [1]	€494	€307	61%	€346	€261	33%	€148	134%
Return on Capital Employed [1]	19.3%	15.0%					18.1%	
Net Debt [1]	€3,122	€2,805	11%				€2,871	9%
Net Debt to EBITDA (LTM) [1]	2.0x	2.3x					2.1x	

Key Points

- Record performance across key measures
  - Revenue growth of 4%, with an underlying[2] increase of over 7%
  - EBITDA of €1,545 million, a 25% improvement. Group EBITDA margin of 17.3%
  - Pre-exceptional basic EPS up 58%
  - Strong free cash flow of €494 million, an increase of 61%
  - ROCE of 19.3%
  - Net debt to EBITDA ratio of 2.0x
- Significant acquisition activity with acquisitions in France, the Netherlands and Serbia
- Refinancing of senior credit facility and bond issuance of €1 billion
- Proposed final dividend increase of 12% to 72.2 cent per share

Performance Review and Outlook

Tony Smurfit, Group CEO, commented:

"Our 2018 performance demonstrates the Group's transformation of recent years, which is delivering progressively superior returns. This creates the platform for success in 2019 and beyond. The Group delivered on or exceeded its key measures. This reflects our market-leading positions, our innovation capability and investment decisions. Above all else, it reflects an unrelenting focus on delivering value to our customer base, a performance-led culture and the quality of our people. EBITDA of €1,545 million is materially better than 2017, representing a 25% increase, with a corresponding EBITDA margin of 17.3%.

[1] Additional information in relation to these Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on page 33.

[2] Underlying in relation to financial measures throughout this report excludes acquisitions, disposals, currency and hyperinflation movements where applicable.

“Our European business performed very strongly in 2018 with underlying revenue growth of 7%. This was driven by a combination of demand growth, input cost recovery and the benefits of our investment programme.

“The Americas region had underlying revenue growth of 8% and our business continued to improve as the year progressed with particularly strong performances in our major markets of Mexico and Colombia. Across the region, we have seen progress in input cost recovery, demand growth and, as with our European business, the benefits of our investment plans.

“The Group has made significant progress on its Medium-Term Plan since its announcement in February 2018, together with continued expansion of its geographic reach, including acquisitions in France, the Netherlands and Serbia. These acquisitions are well positioned in their respective markets and offer great opportunities for future growth, adding three paper machines and four converting sites to the Group’s operational footprint.

“The Group is proud to support and develop the many Corporate Social Responsibility initiatives in the countries in which we operate. Such initiatives are consistent with our long-term commitment to support and develop programmes that benefit our communities, and form an integral part of our corporate values. The year also marked a significant shift in consumer awareness as to the benefits of renewable, recyclable and biodegradable paper-based packaging as against less environmentally friendly materials. As the leader in our field, we launched our ‘Better Planet Packaging’ initiative, which will progressively promote our products and allow us to leverage our unique applications to capitalise on this opportunity and help us deliver a more sustainable world.

“After almost 65 years of successfully operating in Venezuela, due to the continuing actions and interference of the Government of Venezuela the Group deconsolidated its Venezuelan operations in August 2018. The Group has initiated international arbitration proceedings to protect the interests of its stakeholders and seek compensation from the Government of Venezuela for its unlawful actions.

“While we are always conscious of macro-economic risk, SKG is very well positioned to capitalise on industry opportunities and to deliver consistently excellent performance for all stakeholders. The current year has started positively, and together with the continued development of sustainable packaging, e-commerce and other demand drivers, SKG has an exciting future.

“Reflecting its confidence in the strength of and prospects for our business, the Board is recommending a 12% increase in the final dividend to 72.2 cent per share.”

About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with around 45,000 employees in over 350 production sites across 34 countries and with revenue of €8.9 billion in 2018. We are located in 22 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
Follow us on Twitter at @smurfitkappa and on LinkedIn at 'Smurfit Kappa'.

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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2018 Full Year | Performance Overview

In 2018 the Group reported its strongest ever result with EBITDA of €1,545 million and an EBITDA margin of 17.3%.

The European business delivered an underlying increase in revenue of 7% in 2018, driven by volume growth and continued input cost recovery. Together with the benefits of our capital spend programme this delivered a full year EBITDA of €1,267 million, a year-on-year increase of 33%. EBITDA margin for the year was 18.3% compared to 14.9% in 2017.

Box volumes grew by 2% in the year with notable performances in France, Portugal, Russia, Scandinavia, Spain and Eastern Europe. The Group also prioritised input cost recovery during the year which impacted corrugated demand in certain countries.

Input cost recovery in corrugated pricing continued into the second half of 2018 and was at the upper end of our expectations as we finished the year.

In 2018, the price of recovered fibre in our European business was down 27% year-on-year, broadly returning to long term average price levels. The Group expects recovered fibre prices in the region to remain stable in the short term and to trend upwards in the longer term.

The European pricing for both testliner and kraftliner were relatively stable through 2018. With market increases for both grades in the first quarter, prices for recycled containerboard reduced in the fourth quarter ending the year flat with kraftliner up for the same period.

During 2018, the Group completed a number of acquisitions. In July, the Group acquired Reparenco in the Netherlands, securing the Group's medium-term European recycled containerboard requirements through the acquisition of an independently owned mill system. In the fourth quarter, the Group announced its entry into Serbia with the acquisition of the FHB containerboard mill and the Avala Ada corrugated plant. This acquisition builds on our Greek acquisition in 2017, which is located in the North East of Greece and services the Balkan region. Finally, in the fourth quarter the Group completed the acquisitions of two corrugated plants and an erecting centre in France, further strengthening the Group's market presence in the North West of the country.

In the latter part of the year, the Group commenced a cost reduction programme across our operations. These actions will help reduce our fixed labour costs, the benefits of which are in addition to those outlined in our Medium-Term Plan.

The Americas segment reported a year-on-year increase in EBITDA of 2% to €317 million. The EBITDA margin in the Americas continues to recover and increased to 15.7% from 14.4% in 2017. Underlying revenue growth for the year was 8%, driven by volume growth of 2% and price recovery initiatives following on from the significant containerboard price increases incurred through 2017 and 2018.

For the year, 85% of the region's earnings was delivered by Colombia, Mexico and the USA. The combined EBITDA margin for these three countries was up approximately 230 basis points year-on-year as the countries grew corrugated volumes, recovered input costs and progressed investments.

In Colombia, corrugated volumes were up 7% for the year together with corrugated price recovery. Strong performances in the FMCG and flower sectors drove the growth while we saw acceleration in agriculture related volumes through the latter part of the year. The country also benefited from the continued ramp-up of the Papelsa Mill expansion project where we expect continued improvement into 2019.

In Mexico, we saw significant improvement on both an absolute EBITDA and EBITDA margin basis. The Group saw positive volume growth for the country with a strong performance in the legacy business through the year and a strong fourth quarter for the border region. The region has benefited from the continued ramp-up of the Los Reyes Mill investment, which on top of providing incremental containerboard for integration, also provides lightweight containerboard capacity to enhance the delivery of performance packaging to our customers.

In the US, our margins and profitability improved as we progressed through 2018 with a step up in the second half both year-on-year and sequentially. Further corrugated price recovery coupled with the exceptional performance of our Texas Mill were the chief contributors to this improvement. Our box volumes were lower due to some rationalisation projects in our operations in California but showed some good growth in the second half.

Our Brazilian business continues to perform in line with expectations with good volume growth in the second half. The Group's Argentinean business had a strong year from a volume growth perspective despite the country being impacted by inflationary pressures.

As communicated in September, due to the continuing actions and interference of the Government of Venezuela, the Group was no longer able to exercise control over the business of Smurfit Kappa Carton de Venezuela and so confirmed the deconsolidation of the Group's Venezuelan operations in the third quarter. On 3 December 2018, Smurfit Kappa submitted a Request for Arbitration with the World Bank's International Centre for Settlement of Investment Disputes ('ICSID') against the Bolivarian Republic of Venezuela (the ICSID Arbitration). In the submission, we are seeking compensation for the seizure of the Group's Venezuelan Business by the Venezuelan Government as well as for other arbitrary, inconsistent and disproportionate State measures that have destroyed the value of our investments in Venezuela.

The Group reported a free cash flow of €494 million in 2018 compared to €307 million in 2017, an increase of 61%. In June 2018, SKG issued a €600 million bond at a rate of 2.875% and in January 2019, the Group successfully priced a €400 million add-on offering to the June 2018 issue at a price of 100.75 giving a yield of 2.756%. Also in January 2019, the Group signed and completed a new 5-year €1,350 million revolving credit facility ('RCF') with 21 of its existing relationship banks. The new RCF refinances the Group's existing senior credit facility which was due to mature in March 2020. The average maturity profile of the Group's debt (including the effect of our latest financing activity) now stands at 4.6 years with an average interest rate of 3.7%. Net debt to EBITDA was 2.0x at the year-end. The Group remains well positioned within its Ba1/BB+/BB+ credit rating.

The Group made significant progress in its Medium-Term Plan during the year with over €450 million of projects approved. The acquisition of Reparenco in the Netherlands in July represented an early and significant achievement in our plan, which is in addition to the capital expenditure progress.

2018 Full year | Financial Performance

Revenue for the full year was €8,946 million, up 4% on the same period last year, or 7% on an underlying basis. Revenue in Europe was up 8%, driven by volume growth along with progressive input cost recovery. On an underlying basis, revenue in Europe was up 7%. Revenue in the Americas was down 6%, predominantly due to currency and the deconsolidation of the Venezuelan operations, on an underlying basis revenue growth in the Americas was 8% for the year.

EBITDA for the full year was €1,545 million, 25% ahead of 2017, with higher earnings in Europe and the Americas partly offset by higher Group centre costs.

Exceptional items charged within operating profit in 2018 amounted to €66 million. €28 million related to reorganisation and restructuring costs in Europe, €18 million related to the defence from the unsolicited approach by International Paper, €11 million to the loss on disposal of the Baden operations in Germany and €9 million was due to the UK High Court ruling on equalisation of guaranteed minimum pensions ('GMP') in the UK.

Exceptional items charged within operating profit in 2017 amounted to €23 million. €12 million related to reorganisation and restructuring costs in the Americas and €11 million related to impairment charges on property, plant and equipment in Europe and the Americas.

Exceptional finance costs charged in 2018 amounted to €6 million relating to the fee payable to the bondholders to secure their consent to the Group's move from quarterly to semi-annual reporting and the interest cost on the early termination of certain US dollar/euro swaps.

The exceptional finance cost of €2 million in 2017 represented the accelerated amortisation of issue costs relating to the debt within our senior credit facility, which was paid down with the proceeds of the €500 million bond issue in January 2017.

Net pre-exceptional finance costs at €167 million were €52 million lower than in 2017, primarily as a result of a decrease in non-cash costs, with a positive swing of €35 million from a net currency translation loss on debt of €13 million in 2017 to a net gain of €22 million in 2018 as well as a decrease of €12 million in the hyperinflation related net monetary loss. Cash interest at €155 million, including the exceptional finance costs of €6 million, was €3 million lower than in 2017 reflecting the benefits of prior-year refinancing.

With the combination of a €285 million increase in pre-exceptional operating profit and the €52 million decrease in net finance costs, the pre-exceptional profit before income tax of €938 million was €337 million higher than in 2017. The higher exceptional items, specifically the €1.3 billion non-cash charge relating to the deconsolidation of Venezuela, resulted in a loss before income tax of €404 million compared to a profit of €576 million in 2017. As stated in our third quarter 2018 trading update the non-cash exceptional charge related to currency recycling in the Consolidated Income Statement has a corresponding credit of €1.2 billion to the Consolidated Statement of Comprehensive Income and in turn has no impact on the net assets or total equity of the Group.

The income tax expense was €235 million compared to €153 million in 2017, with the increase of €82 million in the expense largely reflecting moves in profitability and non-recurring tax credits.

The resulting loss for the financial year was €639 million compared to a profit of €423 million in 2017. Excluding the exceptional items (and the related tax charges / credits), the after tax profit for 2018 would be €696 million.

Basic EPS for the full year of 2018 was (273.7) cent, compared to a positive 177.2 cent earned in the same period of 2017. On a pre-exceptional basis, EPS was 292.2 cent for the full year, 58% higher than the 185.3 cent in 2017.

2018 Full Year | Free Cash Flow

Free cash flow in 2018 was €494 million compared to €307 million in 2017, an increase of €187 million. The increase in EBITDA was partly offset by an increase of €103 million in capital outflows and by higher tax payments. The outflow relating to exceptional items was also higher in 2018 while the working capital outflow and the net outflow for other (mainly retirement benefits and hyperinflationary adjustments) were both lower.

The working capital outflow in 2018 was €94 million compared to €112 million in 2017. The outflow in 2018 was the combination of an increase in debtors and stocks, partly offset by an increase in creditors. These increases reflect the combination of volume growth, higher European selling prices and lower OCC costs. Working capital amounted to €683 million at December 2018, representing 7.5% of annualised revenue compared to 7.3% at December 2017.

Capital expenditure in 2018 amounted to €574 million, equating to 138% of depreciation, compared to €430 million or 109% of depreciation in 2017. The higher level of expenditure was in line with the Medium-Term Plan, with 2018 being the first year of our accelerated investment programme.

Cash interest of €155 million in 2018 included the exceptional finance costs of €6 million. Excluding these amounts, our cash interest amounted to €149 million in 2018 compared to €158 million in 2017. The year-on-year decrease reflects mainly lower average interest rates, partly as a result of the pay down in mid-June of the relatively higher cost 2018 senior notes.

Tax payments of €193 million in 2018 were €39 million higher than in 2017. This is predominantly due to higher profitability.

2018 Full Year | Capital Structure

Net debt was €3,122 million at the end of December, resulting in a net debt to EBITDA ratio of 2.0x compared to 2.3x at the end of 2017. The Group’s balance sheet continues to provide considerable financial strategic flexibility, subject to the stated leverage range of 1.75x to 2.5x through the cycle and SKG’s Ba1/BB+/BB+ credit rating.

In line with the Group's ongoing credit strategy of further extending maturity profiles, diversifying funding sources and increasing liquidity the Group has undertaken a number of actions in 2018 and January 2019. In June 2018, SKG issued a €600 million bond at a rate of 2.875%, and in January 2019, the Group successfully priced a €400 million add-on offering to the June 2018 issue at a price of 100.75 giving a yield of 2.756%. Also in January 2019, the Group signed and completed a new 5-year €1,350 million RCF with 21 of its existing relationship banks. The new RCF refinances the Group's existing senior credit facility which was due to mature in March 2020.

At 31 December 2018 (proforma for our January 2019 financing activity), the Group's average interest rate was 3.7% compared to 4.1% at 31 December 2017. The Group's diversified funding base and long dated maturity profile of 4.6 years (proforma for our new revolver and €400 million note issuance) provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €417 million at the end of the year, which was further supplemented by available commitments under its new RCF of approximately €930 million.

2018 Full Year | Dividend

The Group views its dividend as an important component of its investment thesis and a way to directly transfer value creation within the business to shareholders. For the year 2018, the Board is recommending a final dividend of 72.2 cent per share, a 12% increase year-on-year. Combined with an interim dividend of 25.4 cent per share paid in October 2018, this will bring the total dividend to 97.6 cent, an 11% increase year-on-year.

It is proposed to pay the final dividend on 10 May 2019 to all ordinary shareholders on the share register at the close of business on 12 April 2019.

2018 Full Year | Commercial Offering and Innovation

In the third quarter, the Group launched 'Better Plant Packaging' a multi-faceted initiative comprising innovative product design, extensive research and development and collaboration with existing and new partners. 'Better Planet Packaging' builds on the Group's industry leading sustainability credentials and business applications to help our customers, both existing and prospective, with their challenge of finding more sustainable packaging and merchandising solutions. Brand owners and retailers have made their plans and goals clear, and this is to move away from unsustainable packaging materials. 'Better Planet Packaging' positions Smurfit Kappa to lead in this mega-trend.

During 2018, the Group was recognised with over 52 national or international awards for packaging innovation, sustainability, design and print. The awards stretched across 11 countries and two continents including Argentina, Colombia, the Czech Republic, France, Germany, Ireland, the Netherlands, Poland, Russia, Switzerland and the UK.

2018 Full Year | Sustainability

SKG continues to feature at the top of independent sustainability accreditations with an 'A' rating from MSCI, a Gold rating with EcoVadis and the highest score in the sector (out of 31 corporates) with Sustainalytics. The company continues to be part of the 'FTSE4GOOD', 'Ethibel' and 'STOXX Global ESG leader' sustainability indices.

During 2018, the Group launched its 11th sustainability report with significant progress made in its sustainability goals reaching targets in many cases well ahead of the deadline. Building on these achievements the Group rolled out an ambitious new set of goals in October, please click on hyperlink for more details. October 2018 - Increased Sustainability Targets

Summary Cash Flow

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

	H2 2018 €m	H2 2017 €m	**FY 2018 €m**	FY 2017 €m
EBITDA	**821**	671	**1,545**	1,240
Exceptional items	**(12)**	(12)	**(29)**	(12)
Cash interest expense	**(74)**	(78)	**(155)**	(158)
Working capital change	**55**	13	**(94)**	(112)
Current provisions	**2**	1	**(1)**	(2)
Capital expenditure	**(369)**	(253)	**(574)**	(430)
Change in capital creditors	**39**	22	**13**	(28)
Tax paid	**(104)**	(77)	**(193)**	(154)
Sale of property, plant and equipment	**4**	2	**4**	5
Other	**(16)**	(28)	**(22)**	(42)
Free cash flow	**346**	261	**494**	307
Share issues	**-**	-	**-**	1
Purchase of own shares (net)	**-**	1	**(10)**	(10)
Sale of businesses and investments	**3**	-	**(8)**	5
Deconsolidation of Venezuela	**(17)**	-	**(17)**	-
Purchase of businesses and investments	**(500)**	(53)	**(516)**	(63)
Dividends	**(64)**	(57)	**(219)**	(195)
Derivative termination (payments)/receipts	**-**	(5)	**17**	(6)
Net cash (outflow)/inflow	**(232)**	147	**(259)**	39
Net debt acquired	**(3)**	(6)	**(3)**	(6)
Deferred debt issue costs amortised	**(5)**	(5)	**(10)**	(12)
Currency translation adjustment	**(11)**	44	**(45)**	115
(Increase)/decrease in net debt	**(251)**	180	**(317)**	136

Funding and Liquidity

The Group's primary sources of liquidity are cash flow from operations and borrowings under the RCF. 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 December 2018, Smurfit Kappa Treasury Funding Limited had outstanding US$292.3 million 7.50% senior debentures due 2025. The Group had outstanding €94.2 million and STG£77.2 million variable funding notes issued under the €230 million accounts receivable securitisation programme maturing in June 2023, together with €50 million variable funding notes issued under the €200 million accounts receivable securitisation programme maturing in February 2022.

Smurfit Kappa Acquisitions had outstanding €400 million 4.125% senior notes due 2020, €250 million senior floating rate notes due 2020, €500 million 3.25% senior notes due 2021, €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025 and €600 million 2.875% senior notes due 2026. Smurfit Kappa Acquisitions and certain subsidiaries are also party to a senior credit facility. At 31 December 2018, the Group’s senior credit facility comprised term drawings of €252.3 million, US$57.4 million and STG£94.6 million under the amortising Term A facility maturing in 2020. In addition, at 31 December 2018, the facility included an €845 million RCF of which €6 million was drawn in revolver loans, with a further €6 million in operational facilities including letters of credit drawn under various ancillary facilities.

The following table provides the range of interest rates at 31 December 2018 for each of the drawings under the various senior credit facility loans.

Borrowing Arrangement	Currency	Interest Rate
Term A Facility	EUR	0.982% - 1.034%
	USD	3.872%
	GBP	2.081%
Revolving Credit Facility	EUR	0.732%

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

In March 2018, the Group repaid €82 million of amortising Term A Facility borrowings under the terms of the senior credit facility.

In June 2018, the Group amended its €240 million receivables securitisation programme, which utilises the Group's receivables in France, Germany and the UK, reducing the facility to €230 million, extending the maturity from 2019 to 2023 and reducing the variable funding notes margin from 1.4% to 1.2%.

In June 2018, the Group completed the redemption of its €200 million 5.125% senior notes due 2018 and US$300 million 4.875% senior notes due 2018. The Group funded the redemption by drawing on its revolving credit and securitisation facilities.

In June 2018, the Group issued €600 million of 7.5 year euro denominated senior notes at a coupon of 2.875%. The net proceeds of the offering were used in July 2018 to fund the Reparenco acquisition and reduce borrowings under the RCF.

In November 2018, the Group increased its €175 million receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands, to €200 million.

In January 2019, the Group successfully priced a €400 million add-on offering to the June 2018 €600 million 2.875% bond issue at a price of 100.75 giving a yield of 2.756%. Also in January 2019, the Group signed and completed a new 5-year €1,350 million RCF with 21 of its existing relationship banks. The new RCF refinances the Group's existing senior credit facility which was due to mature in March 2020.

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 December 2018, the Group had fixed an average of 79% (86% proforma for our treasury refinancing transactions undertaken in January 2019) of its interest cost on borrowings over the following twelve months.

The Group's fixed rate debt comprised €400 million 4.125% senior notes due 2020, €500 million 3.25% senior notes due 2021, €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025 and €600 million 2.875% senior notes due 2026. In addition, the Group had €224 million in interest rate swaps converting variable rate borrowings to fixed rate with maturity dates ranging from January 2019 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 increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €6 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €4 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.

Principal Risks and Uncertainties

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified, evaluated and appropriate risk management strategies are implemented at each level.

The Board in conjunction with senior management identifies major business risks faced by the Group and determines the appropriate course of action to manage these risks.

The principal risks and uncertainties faced by the Group were outlined in our 2017 Annual Report on pages 36-41. The Annual Report is available on our website smurfitkappa.com. The principal risks and uncertainties for the financial year are summarised below.

- If the current economic climate were to deteriorate, especially as a result of Brexit or changes in free trade agreements, and result in an economic slowdown which was sustained over any significant length of time, or the sovereign debt crisis (including its impact on the euro) were to re-emerge or exacerbate as a result of Brexit or changes in free trade agreements, it could adversely affect the Group's financial position and results of the operations.
- The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.
- If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time it could adversely affect the Group's financial position and results of operations.
- Price fluctuations in raw materials and energy costs could adversely affect the Group's manufacturing costs.
- The Group is exposed to currency exchange rate fluctuations.
- The Group may not be able to attract and retain suitably qualified employees as required for its business.
- Failure to maintain good health and safety practices may have an adverse effect on the Group's business.
- The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.
- The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.
- The Group, similar to other large global companies, is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of data in its systems.

The Board regularly monitors all of the above risks and appropriate actions are taken to mitigate those risks or address their potential adverse consequences.

Consolidated Income Statement
For the Financial Year Ended 31 December 2018

	2018 Unaudited			2017 Audited		
	Pre-exceptional	**Exceptional**	**Total**	Pre-exceptional	Exceptional	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**8,946**	**-**	**8,946**	8,562	-	8,562
Cost of sales	**(5,989)**	**-**	**(5,989)**	(5,997)	(11)	(6,008)
Gross profit	**2,957**	**-**	**2,957**	2,565	(11)	2,554
Distribution costs	**(705)**	**-**	**(705)**	(667)	-	(667)
Administrative expenses	**(1,147)**	**-**	**(1,147)**	(1,078)	-	(1,078)
Other operating expenses	**-**	**(66)**	**(66)**	-	(12)	(12)
Operating profit	**1,105**	**(66)**	**1,039**	820	(23)	797
Finance costs	**(214)**	**(6)**	**(220)**	(248)	(2)	(250)
Finance income	**47**	**-**	**47**	29	-	29
Deconsolidation of Venezuela	**-**	**(1,270)**	**(1,270)**	-	-	-
(Loss)/profit before income tax	**938**	**(1,342)**	**(404)**	601	(25)	576
Income tax expense			**(235)**			(153)
(Loss)/profit for the financial year			**(639)**			423
Attributable to:						
Owners of the parent			**(646)**			417
Non-controlling interests			**7**			6
(Loss)/profit for the financial year			**(639)**			423
Earnings per share						
Basic earnings per share - cent			**(273.7)**			177.2
Diluted earnings per share - cent			**(273.7)**			175.8

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2018

	2018 Unaudited €m	2017 Audited €m
(Loss)/profit for the financial year	**(639)**	423
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**(201)**	(215)
- Recycled to Consolidated Income Statement on deconsolidation of Venezuela	**1,196**	-
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**11**	8
- New fair value adjustments into reserve	**(6)**	(3)
Changes in fair value of cost of hedging:		
- Movement out of reserve	**(1)**	-
- New fair value adjustments into reserve	**2**	-
	1,001	(210)
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(6)**	(9)
- Movement in deferred tax	**-**	1
	(6)	(8)
Total other comprehensive income/(expense)	**995**	(218)
Total comprehensive income for the financial year	**356**	205
Attributable to:		
Owners of the parent	**370**	225
Non-controlling interests	**(14)**	(20)
Total comprehensive income for the financial year	**356**	205

Consolidated Balance Sheet
At 31 December 2018

	2018 Unaudited €m	2017 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**3,613**	3,242
Goodwill and intangible assets	**2,590**	2,427
Other investments	**20**	21
Investment in associates	**14**	13
Biological assets	**100**	110
Other receivables	**40**	27
Derivative financial instruments	**8**	3
Deferred income tax assets	**153**	200
	6,538	6,043
Current assets		
Inventories	**847**	838
Biological assets	**11**	11
Trade and other receivables	**1,667**	1,558
Derivative financial instruments	**13**	16
Restricted cash	**10**	9
Cash and cash equivalents	**407**	530
	2,955	2,962
Total assets	**9,493**	9,005
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**1,984**	1,984
Other reserves	**355**	(678)
Retained earnings	**420**	1,202
Total equity attributable to owners of the parent	**2,759**	2,508
Non-controlling interests	**131**	151
Total equity	**2,890**	2,659
LIABILITIES		
Non-current liabilities		
Borrowings	**3,372**	2,671
Employee benefits	**804**	848
Derivative financial instruments	**17**	26
Deferred income tax liabilities	**173**	148
Non-current income tax liabilities	**36**	33
Provisions for liabilities	**47**	62
Capital grants	**18**	19
Other payables	**14**	17
	4,481	3,824
Current liabilities		
Borrowings	**167**	673
Trade and other payables	**1,871**	1,779
Current income tax liabilities	**24**	37
Derivative financial instruments	**10**	10
Provisions for liabilities	**50**	23
	2,122	2,522
Total liabilities	**6,603**	6,346
Total equity and liabilities	**9,493**	9,005

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2018

	Attributable to owners of the parent						
	Equity share capital €m	Share premium €m	Other reserves[1] €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Unaudited							
At 1 January 2018	**-**	**1,984**	**(678)**	**1,202**	**2,508**	**151**	**2,659**
(Loss)/profit for the financial year	**-**	**-**	**-**	**(646)**	**(646)**	**7**	**(639)**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**1,015**	**-**	**1,015**	**(20)**	**995**
Defined benefit pension plans	**-**	**-**	**-**	**(5)**	**(5)**	**(1)**	**(6)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**5**	**-**	**5**	**-**	**5**
Changes in fair value of cost of hedging	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Total comprehensive income/(expense) for the financial year	**-**	**-**	**1,021**	**(651)**	**370**	**(14)**	**356**
Purchase of non-controlling interests	**-**	**-**	**-**	**(5)**	**(5)**	**(3)**	**(8)**
Hyperinflation adjustment	**-**	**-**	**-**	**87**	**87**	**10**	**97**
Dividends paid	**-**	**-**	**-**	**(213)**	**(213)**	**(6)**	**(219)**
Share-based payment	**-**	**-**	**22**	**-**	**22**	**-**	**22**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(10)**	**-**	**(10)**	**-**	**(10)**
Venezuela deconsolidation	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**
At 31 December 2018	**-**	**1,984**	**355**	**420**	**2,759**	**131**	**2,890**
Audited							
At 1 January 2017	-	1,983	(507)	853	2,329	174	2,503
Profit for the financial year	-	-	-	417	417	6	423
Other comprehensive income							
Foreign currency translation adjustments	-	-	(189)	-	(189)	(26)	(215)
Defined benefit pension plans	-	-	-	(8)	(8)	-	(8)
Effective portion of changes in fair value of cash flow hedges	-	-	5	-	5	-	5
Total comprehensive (expense)/income for the financial year	-	-	(184)	409	225	(20)	205
Shares issued	-	1	-	-	1	-	1
Purchase of non-controlling interests	-	-	-	-	-	(15)	(15)
Hyperinflation adjustment	-	-	-	131	131	16	147
Dividends paid	-	-	-	(191)	(191)	(4)	(195)
Share-based payment	-	-	23	-	23	-	23
Net shares acquired by SKG Employee Trust	-	-	(10)	-	(10)	-	(10)
At 31 December 2017	-	1,984	(678)	1,202	2,508	151	2,659

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

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2018

	2018 Unaudited €m	2017 Audited €m
Cash flows from operating activities		
(Loss)/profit before income tax	**(404)**	576
Net finance costs	**173**	221
Depreciation charge	**379**	360
Impairment of assets	**-**	11
Amortisation of intangible assets	**40**	40
Amortisation of capital grants	**(2)**	(2)
Equity settled share-based payment expense	**22**	23
Profit on sale of property, plant and equipment	**(3)**	(9)
Loss on disposal of businesses	**11**	-
Deconsolidation of Venezuela – exceptional items	**1,270**	-
Net movement in working capital	**(93)**	(110)
Change in biological assets	**(3)**	(4)
Change in employee benefits and other provisions	**(26)**	(54)
Other (primarily hyperinflation adjustments)	**29**	6
Cash generated from operations	**1,393**	1,058
Interest paid	**(167)**	(161)
Income taxes paid:		
Irish corporation tax paid	**(10)**	(14)
Overseas corporation tax (net of tax refunds) paid	**(183)**	(140)
Net cash inflow from operating activities	**1,033**	743
Cash flows from investing activities		
Interest received	**4**	3
Business disposals	**(8)**	4
Deconsolidation of Venezuela	**(17)**	-
Additions to property, plant and equipment and biological assets	**(528)**	(442)
Additions to intangible assets	**(25)**	(16)
Receipt of capital grants	**2**	4
Increase in restricted cash	**(1)**	(2)
Disposal of property, plant and equipment	**7**	14
Disposal of associates	**-**	1
Dividends received from associates	**-**	1
Purchase of subsidiaries	**(482)**	(49)
Deferred consideration paid	**(1)**	(3)
Net cash outflow from investing activities	**(1,049)**	(485)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	**-**	1
Proceeds from bond issue	**600**	500
Purchase of own shares (net)	**(10)**	(10)
Purchase of non-controlling interests	**(16)**	(7)
Increase/(decrease) in other interest-bearing borrowings	**94**	(78)
Repayment of finance leases	**(2)**	(2)
Repayment of borrowings	**(525)**	(366)
Derivative termination receipts/(payments)	**17**	(6)
Deferred debt issue costs paid	**(9)**	(10)
Dividends paid to shareholders	**(213)**	(191)
Dividends paid to non-controlling interests	**(6)**	(4)
Net cash outflow from financing activities	**(70)**	(173)
(Decrease)/increase in cash and cash equivalents	**(86)**	85
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**503**	402
Currency translation adjustment	**(27)**	16
(Decrease)/increase in cash and cash equivalents	**(86)**	85
Cash and cash equivalents at 31 December	**390**	503

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

Selected Explanatory Notes to the Consolidated Financial Statements

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, graphicboard and bag-in-box. The Company is a public limited company whose shares are publicly traded. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

2. Basis of Preparation and Accounting Policies

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') as adopted by the European Union ('EU'); and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial information in this report 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 Consolidated Financial Statements included in the Group's Annual Report for the year ended 31 December 2017 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 year ended 31 December 2017 with the exception of IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* which are described below. A number of other changes to IFRS became effective in 2018, however they did not have a material effect on the financial information included in this report.

New and amended standards and interpretations effective during 2018
Financial instruments
IFRS 9, *Financial Instruments*, is the standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. The Standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 have not been restated.

The impact of adopting IFRS 9 on our Consolidated Financial Statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018.

Classification and measurement
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI'), or fair value through profit or loss ('FVPL'). The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows.

2. Basis of Preparation and Accounting Policies (continued)

The table below details the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			€m	€m
Financial assets				
Equity instruments	Available-for-sale	FVOCI	10	10
Listed and unlisted debt instruments	Available-for-sale	FVPL	11	11
Derivative financial instruments - non-qualifying hedges	FVPL	FVPL	5	5
Derivative financial instruments - qualifying hedges	Derivatives used for hedging	Derivatives used for hedging	14	14
Trade and other receivables	Loans and receivables	Amortised cost	1,474	1,474
Cash and cash equivalents	Loans and receivables	Amortised cost	530	530
Restricted cash	Loans and receivables	Amortised cost	9	9
Financial liabilities				
Borrowings	Other financial liabilities	Other financial liabilities	3,344	3,344
Derivative financial instruments - non-qualifying hedges	FVPL	FVPL	2	2
Derivative financial instruments - qualifying hedges	Derivatives used for hedging	Derivatives used for hedging	34	34
Trade and other payables	Other financial liabilities	Other financial liabilities	1,432	1,432

The financial assets held by the Group include equity and debt instruments which were previously classified as available-for-sale. Under IFRS 9, the Group will continue to measure all equity instruments at FVOCI. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead will be reclassified within equity from the FVOCI reserve to retained earnings. €1 million was reclassified from the available-for-sale reserve to the FVOCI reserve on 1 January 2018. Listed and unlisted debt instruments which were previously classified as available-for-sale are now classified as FVPL as the cash flows do not represent solely payments of principal and interest.

Refinancing
IFRS 9 requires that when a financial liability measured at amortised cost is modified without being derecognised, a gain or loss should be recognised in the income statement. This change in accounting policy did not have a material impact on the Group’s financial results.

2. Basis of Preparation and Accounting Policies (continued)

Hedge accounting
The Group has elected to adopt the new general hedge accounting model in IFRS 9. The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices and provides greater scope to apply hedge accounting. The Group's hedge documentation has been reworked in line with the new standard and all current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9. Under IFRS 9, when designating a foreign exchange derivative contract as a hedging instrument, the currency basis spread can be excluded and accounted for separately through other comprehensive income as a cost of hedging, being recognised in the income statement at the same time as the hedged item affects profit or loss. Accounting for foreign currency basis spreads as a cost of hedging has been applied prospectively, without restating comparatives. Costs of hedging pertaining to our foreign currency derivatives at the date of transition of €2 million were reclassified to the cost of hedging reserve on 1 January 2018.

Impairment of financial assets
IFRS 9 has introduced a new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as was the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15, *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. For trade receivables, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. The change in impairment methodology as a result of implementing IFRS 9 did not have a material impact on the Group's financial results.

Revenue recognition
IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 18, *Revenue* and IAS 11, *Construction Contracts* and related interpretations. IFRS 15 establishes a five-step model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognised as well as requiring enhanced disclosures. The core principle of the standard requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service. The Group has adopted IFRS 15 from 1 January 2018, using the modified retrospective approach and has not restated comparatives for 2017.

The Group used the five-step model to develop an impact assessment framework to assess the impact of IFRS 15 on the Group's revenue transactions. The results of our IFRS 15 assessment framework and contract reviews indicated that the impact of applying IFRS 15 on our Consolidated Financial Statements was not material for the Group and there was no adjustment to retained earnings on application of the new rules at 1 January 2018.

The adoption of IFRS 15 has had no material impact on the principles applied by the Group for reporting the nature, amount and timing of revenue recognition. Contracts with customers can be readily identified throughout the Group and include a single performance obligation to sell containerboard, corrugated containers and other paper-based packaging products. Revenue is recognised when control of the goods is transferred to the customer, which for the Group is at a point in time when delivery to the customer has taken place according to the terms of sale.

New and amended standards and interpretations issued but not yet effective or early adopted
Leases
IFRS 16, *Leases* issued in January 2016 by the IASB replaces IAS 17, *Leases* and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model with some exemptions for short-term and low-value leases. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. It also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease cost. For lessors, IFRS 16 substantially carried forward the accounting requirement in IAS 17.

2. Basis of Preparation and Accounting Policies (continued)

Impact - leases in which the Group is a lessee
The standard will primarily affect the accounting for the Group's operating leases. The application of IFRS 16 will result in the recognition of additional assets and liabilities in the Consolidated Balance Sheet and in the Consolidated Income Statement it will replace the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous instead the Group will perform impairment testing on the right-of-use asset.

The Group's non-cancellable operating lease commitments on an undiscounted basis at 31 December 2018 are €332 million and provide an indication of the scale of leases held by the Group. The actual impact of applying IFRS 16 on the Consolidated Financial Statements will depend on the discount rate at 1 January 2019, the expected lease term, including renewal options, exemptions for short-term and low-value leases and the extent to which the Group chooses to use practical expedients.

The Group has entered into operating leases for a range of assets, including property, plant and equipment and vehicles. The Group has elected to apply the recognition exemption for both short-term and low-value leases.

The Group's assessment of the impact of adopting IFRS 16 is in the process of being finalised. Based on the information currently available for those operating leases that will be recognised in the Consolidated Balance Sheet at 1 January 2019 the estimated impact on the Group's key measures at 1 January 2019 is as follows:

• Property, plant and equipment	increase	8%-9%
• Net debt	increase	11%-12%
• EBITDA	increase	approximately 5%
• Profit before tax	decrease	marginal
• Net debt to EBITDA	increase	marginal
• Return on capital employed	decrease	approximately 1%

Transition
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group will apply IFRS 16 from its effective date using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group will apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and related interpretations. On transition the Group has also elected to measure the right-of-use assets for certain property leases as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

Significant accounting judgements, estimates and assumptions
Preparation of the Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The significant accounting judgements, estimates and assumptions made by management in the preparation of the Group financial information are consistent with those described in the Annual Report for the year ended 31 December 2017 with the exception of those which are described below.

Venezuela
During the third quarter of 2018, the Government of Venezuela took control of Smurfit Kappa Carton de Venezuela's ('SKCV') business and operations. As a result of this action, Smurfit Kappa Group plc was no longer able to exercise control over the its Venezuelan business and operations. As a consequence of the Group's loss of control over SKCV, the Group has deconsolidated its Venezuelan operations in accordance with the requirements of IFRS 10, *Consolidated Financial Statements,* with effect from August 2018.

2. Basis of Preparation and Accounting Policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of this method requires certain estimates and assumptions relating, in particular, to the determination of the fair values of the acquired assets and liabilities assumed as at the date of acquisition. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated cash flows expected to be generated from these intangible assets using appropriate discount rates and revenue forecasts. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

Financial statements

The financial information presented in this preliminary release does not constitute full statutory financial statements. The Annual Report and Financial Statements will be approved by the Board of Directors and reported on by the auditors in due course. Accordingly, the financial information is unaudited. Full statutory financial statements for the year ended 31 December 2017 have been filed with the Irish Registrar of Companies. The audit report on those statutory financial statements was unqualified.

The preliminary release was approved by the Board of Directors.

3. Segment and Revenue Analyses

The Group has determined 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 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 EBITDA.

	FY 2018			FY 2017		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**6,922**	**2,024**	**8,946**	6,404	2,158	8,562
EBITDA	**1,267**	**317**	**1,584**	955	311	1,266
Segment exceptional items	**(48)**	**(1,270)**	**(1,318)**	-	(12)	(12)
EBITDA after exceptional items	**1,219**	**(953)**	**266**	955	299	1,254
Unallocated centre costs			**(39)**			(26)
Share-based payment expense			**(24)**			(24)
Depreciation and depletion (net)			**(376)**			(356)
Amortisation			**(40)**			(40)
Exceptional items			**(18)**			-
Impairment of assets			**-**			(11)
Finance costs			**(220)**			(250)
Finance income			**47**			29
(Loss)/profit before income tax			**(404)**			576
Income tax expense			**(235)**			(153)
(Loss)/profit for the financial year			**(639)**			423

3. Segment and Revenue Analyses (continued)

	H2 2018			H2 2017		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**3,525**	**993**	**4,518**	3,240	1,089	4,329
EBITDA	**680**	**160**	**840**	516	165	681
Segment exceptional items	**(34)**	**(1,270)**	**(1,304)**	-	(12)	(12)
EBITDA after exceptional items	**646**	**(1,110)**	**(464)**	516	153	669
Unallocated centre costs			**(19)**			(10)
Share-based payment expense			**(14)**			(16)
Depreciation and depletion (net)			**(209)**			(174)
Amortisation			**(22)**			(19)
Exceptional items			**(1)**			-
Impairment of assets			**-**			(11)
Finance costs			**(99)**			(119)
Finance income			**9**			11
Share of associates' loss (after tax)			**(1)**			-
(Loss)/profit before income tax			**(820)**			331
Income tax expense			**(114)**			(84)
(Loss)/profit for the financial year			**(934)**			247

Revenue information about geographical areas

The following information is a geographical analysis presented in accordance with IFRS 8, *Operating Segments*, which requires disclosure of information about country of domicile (Ireland) and countries with material revenue.

	2018	2017
	€m	€m
Ireland	**119**	116
Germany	**1,325**	1,292
France	**1,053**	985
United Kingdom	**797**	723
Mexico	**794**	769
Rest of world	**4,858**	4,677
Total revenue by geographical area	**8,946**	8,562

Revenue is derived almost entirely from the sale of goods and is disclosed based on the location of production. All revenue recognised relates to revenue from contracts with customers.

3. Segment and Revenue Analyses (continued)

Disaggregation of revenue

The Group derives revenue from the following major product lines and sells both in each of its operating segments.

	2018	2017
	€m	€m
Paper	**1,510**	1,402
Packaging	**7,436**	7,160
Total revenue by product	**8,946**	8,562

4. Exceptional Items

	2018	2017
	€m	€m
The following items are regarded as exceptional in nature:		
International Paper defence costs	**18**	-
Loss on the disposal of Baden operations	**11**	-
Impairment of assets	**-**	11
GMP equalisation pension adjustment	**9**	-
Reorganisation and restructuring costs	**28**	12
Exceptional items included in operating profit	**66**	23
Exceptional finance costs	**6**	2
Exceptional items included in net finance costs	**6**	2
Venezuela deconsolidation – currency recycling	**1,196**	-
Venezuela deconsolidation – write-off net assets	**61**	-
Venezuela deconsolidation – legal and reorganisation costs	**13**	-
Total Venezuela deconsolidation costs	**1,270**	**-**
Total exceptional items	**1,342**	25

Exceptional items charged within operating profit in 2018 amounted to €66 million. This comprised the cost of countering the unsolicited approach from International Paper of €18 million, the loss on the disposal of the Baden operations in Germany of €11 million, the GMP pension adjustment in the UK of €9 million and restructuring costs in Europe of €28 million. In 2017, exceptional items amounting to €23 million comprised impairment losses of €11 million relating to property, plant and equipment in one of our European mills and a corrugated plant in the Americas. The remaining €12 million related to reorganisation and restructuring costs in the Americas.

Exceptional finance costs of €6 million represented €4 million in respect of the fee payable to the bondholders to secure their consent to the Group’s move from quarterly to semi-annual reporting and €2 million representing the interest cost on the early termination of certain US dollar/euro swaps. The swaps were terminated following the paydown of the US dollar element of the 2018 bonds.

Exceptional finance costs of €2 million in 2017 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 January's €500 million bond issue.

Exceptional costs of €1,270 million in relation to the deconsolidation of Venezuela have been charged to the Consolidated Income Statement in 2018 as described further in Note 14.

5. Finance Costs and Income

	2018	2017
	€m	€m
Finance costs:		
Interest payable on bank loans and overdrafts	**47**	52
Interest payable on finance leases	**1**	1
Interest payable on other borrowings	**115**	119
Exceptional finance costs associated with debt restructuring	**-**	2
Exceptional consent fee – reporting waiver	**4**	-
Exceptional interest on early termination of cross currency swaps	**2**	-
Unwinding discount element of provision	**1**	1
Foreign currency translation loss on debt	**19**	27
Fair value loss on financial assets	**1**	-
Net interest cost on net pension liability	**18**	24
Net monetary loss - hyperinflation	**12**	24
Total finance costs	**220**	250
Finance income:		
Other interest receivable	**(4)**	(3)
Foreign currency translation gain on debt	**(41)**	(14)
Fair value gain on derivatives not designated as hedges	**(2)**	(12)
Total finance income	**(47)**	(29)
Net finance costs	**173**	221

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2018 €m	2017 €m
Current tax:		
Europe	**145**	143
The Americas	**54**	48
	199	191
Deferred tax	**36**	(38)
Income tax expense	**235**	153
Current tax is analysed as follows:		
Ireland	**18**	20
Foreign	**181**	171
	199	191

Income tax recognised in the Consolidated Statement of Comprehensive Income

	2018 €m	2017 €m
Arising on defined benefit pension plans	**-**	(1)

The income tax expense in 2018 is €82 million higher than in the comparable period in 2017. The increase primarily arises on the higher profits when compared to the prior year. The resulting tax effects are recorded in current tax and also in deferred tax, to the extent that tax credits and losses are used.

The current tax charge is €199 million compared to €191 million in 2017. The current tax expense is €2 million higher in Europe and €6 million higher in the Americas. The increases arise primarily from higher profitability, offset by other timing items which are recorded in the deferred tax expense.

The movement in deferred tax from a tax credit of €38 million in 2017 to a tax charge of €36 million in 2018 includes the effects of the reversal of timing differences on which deferred tax liabilities were previously recognised, the use and recognition of tax losses and credits and a positive impact from tax rate reductions.

There is a €7 million net tax credit included in the income tax expense in respect of exceptional items in 2018 compared to a €6 million tax credit in 2017.

7. Employee Benefits – Defined Benefit Plans

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

	2018	2017
	€m	€m
Current service cost	**29**	28
Past service cost – GMP equalisation	**9**	-
Past service cost - Other	**(2)**	-
Actuarial loss arising on other long-term employee benefits	**1**	1
Net interest cost on net pension liability	**16**	18
Defined benefit cost	**53**	47

Included in cost of sales, distribution costs, administrative expenses and other operating expenses is a defined benefit cost of €37 million (2017: €29 million). Net interest cost on net pension liability of €16 million (2017: €18 million) is included in finance costs in the Consolidated Income Statement.

There was a High Court ruling in October 2018 in the UK requiring pension schemes to equalise benefits for the effect of GMP, which has resulted in a past service cost for the Group of €9 million.

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

	2018	2017
	€m	€m
Present value of funded or partially funded obligations	**(2,145)**	(2,282)
Fair value of plan assets	**1,831**	1,953
Deficit in funded or partially funded plans	**(314)**	(329)
Present value of wholly unfunded obligations	**(489)**	(517)
Amounts not recognised as assets due to asset ceiling	**(1)**	(2)
Net pension liability	**(804)**	(848)

The employee benefits provision has reduced from €848 million at 31 December 2017 to €804 million at 31 December 2018, mainly as a result of Group cash contributions in excess of liability accrual and the disposal of the Baden operations in Germany.

8. Earnings per Share

Basic

Basic earnings per share is calculated by dividing the (loss)/profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year less own shares.

	2018	2017
(Loss)/profit attributable to owners of the parent (€ million)	**(646)**	417
Weighted average number of ordinary shares in issue (million)	**236**	235
Basic earnings per share (cent)	**(273.7)**	177.2

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. These comprise convertible shares issued under the Share Incentive Plan, which were based on performance and the passage of time, deferred shares held in trust, which are based on the passage of time, and matching shares, which are performance-based in addition to the passage of time. Both deferred shares held in trust and matching shares are issued under the Deferred Annual Bonus Plan. Where the conditions governing exercisability of these shares have been satisfied as at the end of the reporting period, they are included in the computation of diluted earnings per ordinary share.

	2018	2017
(Loss)/profit attributable to owners of the parent (€ million)	**(646)**	417
Weighted average number of ordinary shares in issue (million)	**236**	235
Potential dilutive ordinary shares assumed (million)	**-**	2
Diluted weighted average ordinary shares (million)	**236**	237
Diluted earnings per share (cent)	**(273.7)**	175.8

At 31 December 2018, there were 1,563,662 potential ordinary shares in issue that could dilute earnings per share ('EPS') in the future, but these were not included in the computation of basic diluted EPS in the year 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 2018.

Pre-exceptional

	2018	2017
(Loss)/profit attributable to owners of the parent (€ million)	**(646)**	417
Exceptional items included in profit before income tax (Note 4) (€ million)	**1,342**	25
Income tax on exceptional items (€ million)	**(7)**	(6)
Pre-exceptional profit attributable to owners of the parent (€ million)	**689**	436
Weighted average number of ordinary shares in issue (million)	**236**	235
Pre-exceptional basic earnings per share (cent)	**292.2**	185.3
Weighted average number of ordinary shares in issue (million)	**236**	235
Dilutive potential ordinary shares assumed (million)	**2**	2
Diluted weighted average ordinary shares (million)	**238**	237
Pre-exceptional diluted earnings per share (cent)	**290.2**	183.8

9. Dividends

In May 2018, the final dividend for 2017 of 64.5 cent per share was paid to the holders of ordinary shares. In October 2018, an interim dividend for 2018 of 25.4 cent per share was paid to the holders of ordinary shares.

The Board is recommending a final dividend of 72.2 cent per share for 2018 subject to the approval of the shareholders at the AGM. It is proposed to pay the final dividend on 10 May 2019 to all ordinary shareholders on the share register at the close of business on 12 April 2019. The final dividend and interim dividend are paid in May and October in each year.

10. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Financial year ended 31 December 2018			
Opening net book amount	**1,023**	**2,219**	**3,242**
Reclassifications	**60**	**(65)**	**(5)**
Additions	**2**	**537**	**539**
Acquisitions	**88**	**237**	**325**
Depreciation charge	**(51)**	**(328)**	**(379)**
Retirements and disposals	**(14)**	**(7)**	**(21)**
Deconsolidation of Venezuela	**(11)**	**(8)**	**(19)**
Hyperinflation adjustment	**17**	**24**	**41**
Foreign currency translation adjustment	**(55)**	**(55)**	**(110)**
At 31 December 2018	**1,059**	**2,554**	**3,613**
Financial year ended 31 December 2017			
Opening net book amount	1,004	2,257	3,261
Reclassifications	56	(57)	(1)
Additions	1	401	402
Acquisitions	23	15	38
Depreciation charge	(49)	(311)	(360)
Impairments	-	(11)	(11)
Retirements and disposals	(3)	(1)	(4)
Hyperinflation adjustment	42	34	76
Foreign currency translation adjustment	(51)	(108)	(159)
At 31 December 2017	1,023	2,219	3,242

11. Net Movement in Working Capital

	2018 €m	2017 €m
Change in inventories	**(84)**	(112)
Change in trade and other receivables	**(99)**	(136)
Change in trade and other payables	**90**	138
Net movement in working capital	**(93)**	(110)

12. Analysis of Net Debt

	2018 €m	2017 €m
Senior credit facility:		
Revolving credit facility[1] – interest at relevant interbank rate + 1.1%[8]	**4**	2
Facility A term loan[2] – interest at relevant interbank rate + 1.35%[8]	**407**	485
US$292.3 million 7.50% senior debentures due 2025 (including accrued interest)	**257**	245
Bank loans and overdrafts	**119**	154
2022 receivables securitisation variable funding notes (including accrued interest)[3]	**49**	4
2023 receivables securitisation variable funding notes[4]	**179**	88
2018 senior notes (including accrued interest)[5]	**-**	455
€400 million 4.125% senior notes due 2020 (including accrued interest)	**406**	405
€250 million senior floating rate notes due 2020 (including accrued interest)[6]	**251**	250
€500 million 3.25% senior notes due 2021 (including accrued interest)	**498**	497
€500 million 2.375% senior notes due 2024 (including accrued interest)	**499**	498
€250 million 2.75% senior notes due 2025 (including accrued interest)	**250**	249
€600 million 2.875% senior notes due 2026 (including accrued interest)[7]	**601**	-
Gross debt before finance leases	**3,520**	3,332
Finance leases	**19**	12
Gross debt including finance leases	**3,539**	3,344
Cash	**(417)**	(539)
Net debt including finance leases	**3,122**	2,805

(1) Revolving credit facility ('RCF') of €845 million (available under the senior credit facility) to be repaid in 2020.

(a) Revolver loans - €6 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - €6 million

(2) Facility A term loan ('Facility A') due to be repaid in certain instalments from 2018 to 2020. In March 2018, the Group prepaid €82 million of drawings under the term loan facility.

(3) €200 million 2022 receivables securitisation programme. In November 2018, the €175 million receivables securitisation programme was increased by €25 million.

(4) In June 2018, the €240 million receivables securitisation programme was amended and restated, reducing the facility to €230 million, extending the maturity to 2023 and reducing the variable funding notes margin from 1.4% to 1.2%. The amendment and restatement of the programme did not result in a material modification gain or loss.

(5) €200 million 5.125% senior notes due 2018 and US$300 million 4.875% senior notes due 2018 redeemed in full in June 2018.

(6) Interest at EURIBOR + 3.5%.

(7) On 28 June 2018 the Group issued €600 million of 7.5 year euro denominated senior notes at a coupon of 2.875%. The net proceeds of the offering were used in July 2018 to fund the Reparenco acquisition and reduce borrowings under the revolving credit facility.

(8) Following a reduction in leverage in December 2017, the margins on the RCF and Facility A reduced by 0.25%, to 1.10% and 1.35% respectively, effective February 2018.

The margins applicable under the senior credit facility are determined as follows:

Net debt/EBITDA ratio	**RCF**	**Facility A**
Greater than 3.0 : 1	1.85%	2.10%
3.0 : 1 or less but more than 2.5 : 1	1.35%	1.60%
2.5 : 1 or less but more than 2.0 : 1	1.10%	1.35%
2.0 : 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 €m	Cash flow hedging reserve €m	Cost of hedging reserve €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Own shares €m	Available-for-sale reserve €m	FVOCI reserve €m	Total €m
At 31 December 2017	**575**	**(17)**	**-**	**(1,382)**	**176**	**(31)**	**1**	**-**	**(678)**
Adjustment on initial application of IFRS 9 (net of tax)	**-**	**(2)**	**2**	**-**	**-**	**-**	**(1)**	**1**	**-**
At 1 January 2018	**575**	**(19)**	**2**	**(1,382)**	**176**	**(31)**	**-**	**1**	**(678)**
Other comprehensive income									
Foreign currency translation adjustments	**-**	**-**	**-**	**1,015**	**-**	**-**	**-**	**-**	**1,015**
Effective portion of changes in fair value of cash flow hedges	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Changes in fair value of cost of hedging	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Total other comprehensive income	**-**	**5**	**1**	**1,015**	**-**	**-**	**-**	**-**	**1,021**
Share-based payment	**-**	**-**	**-**	**-**	**22**	**-**	**-**	**-**	**22**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(10)**	**-**	**-**	**(10)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(13)**	**13**	**-**	**-**	**-**
At 31 December 2018	**575**	**(14)**	**3**	**(367)**	**185**	**(28)**	**-**	**1**	**355**
At 1 January 2017	575	(22)	-	(1,193)	165	(33)	1	-	(507)
Other comprehensive income									
Foreign currency translation adjustments	-	-	-	(189)	-	-	-	-	(189)
Effective portion of changes in fair value of cash flow hedges	-	5	-	-	-	-	-	-	5
Total other comprehensive income/(expense)	-	5	-	(189)	-	-	-	-	(184)
Share-based payment	-	-	-	-	23	-	-	-	23
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(10)	-	-	(10)
Shares distributed by SKG Employee Trust	-	-	-	-	(12)	12	-	-	-
At 31 December 2017	575	(17)	-	(1,382)	176	(31)	1	-	(678)

14. Venezuela

Control

During the third quarter of 2018, the Government of Venezuela took control of Smurfit Kappa Carton de Venezuela's ('SKCV') business and operations. As a result of this action, SKG plc was no longer able to exercise control over its Venezuelan business and operations. Consequently, the Group has deconsolidated its Venezuelan operations with effect from August 2018.

As a result of the deconsolidation of SKCV, the Group's Consolidated Financial Statements for the year ended 31 December 2018, are impacted as follows: write down of net assets of €61 million included in the Consolidated Balance Sheet with a corresponding charge in the Consolidated Income Statement and legal and reorganisation costs of €13 million charged to the Consolidated Income Statement.

As required under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, currency is recycled on deconsolidation. This results in a non-cash exceptional charge to the Consolidated Income Statement of €1,196 million, with a corresponding credit of €1,196 million to the Consolidated Statement of Comprehensive Income. This has no impact on the net assets or total equity of the Group. It represents the transfer of negative currency reserves, generated by previous devaluations of the Bolivar Fuerte, from the foreign currency translation reserve into the retained earnings reserve.

Hyperinflation

As discussed more fully in the 2017 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.

In 2018 and 2017, in the absence of published indices, management engaged an independent expert to determine an estimate of the annual inflation rate. The estimated level of inflation to June 2018 was 2,213% (December 2017: 971%).

15. Argentina

Argentina became hyperinflationary during 2018 when the three-year cumulative inflation rate using the wholesale price index exceeded 100% indicating that Argentina is a hyper-inflationary economy for accounting purposes. Consequently, it was considered as such from 1 July 2018 and the Group has applied the hyperinflationary accounting requirements of IAS 29, *Financial Reporting in Hyperinflationary Economies* to the results of our Argentinian operations from the beginning of 2018.

16. Business Combinations

The acquisitions completed by the Group during the year, together with percentages acquired and completion dates were as follows:

- Reparenco, (100%, 2 July 2018), a paper and recycling business in the Netherlands;
- Caradec, (100%, 4 December 2018), an integrated corrugated plant and an erecting centre in France; and
- Papcart, (100%, 4 December 2018), a specialist corrugated converter in France.

The table below reflects the fair value of the identifiable net assets acquired in respect of the acquisitions completed during the year. The acquisitions of Caradec and Papcart both completed on 4 December 2018 and, as such, the fair values assigned to them have been performed on a provisional basis. Any amendments to fair values will be made within the twelve month period from the date of acquisition, as permitted by IFRS 3, *Business Combinations.*

	Reparenco	Other*	Total
	€m	€m	€m
Non-current assets			
Property, plant and equipment	308	17	325
Intangible assets	95	-	95
Deferred income tax assets	18	-	18
Current assets			
Inventories	11	9	20
Trade and other receivables	30	12	42
Cash and cash equivalents	12	4	16
Non-current liabilities			
Employee benefits	-	(1)	(1)
Deferred income tax liabilities	(60)	-	(60)
Borrowings	(9)	(1)	(10)
Current liabilities			
Borrowings	(9)	-	(9)
Trade and other payables	(39)	(8)	(47)
Net assets acquired	357	32	389
Goodwill	109	-	109
Consideration	**466**	**32**	**498**
Settled by:			
Cash	466	32	498
	466	32	498

* In addition to the Caradec and Papcart acquisitions, other also includes fair value adjustments in relation to 2017 acquisitions.

The principal factors contributing to the recognition of goodwill are the realisation of cost savings and other synergies with existing entities in the Group which do not qualify for separate recognition as intangible assets.

None of the goodwill recognised is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition	€m
Cash consideration	498
Less cash & cash equivalents acquired	(16)
Total	482

16. Business Combinations (continued)

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €45 million. The fair value of these receivables is estimated at €42 million (all of which is expected to be recoverable).

Acquisition-related costs of €2 million were incurred and are included within administrative expenses in the Consolidated Income Statement.

The Group's acquisitions in 2018 have contributed €120 million to revenue and €21 million of profit to the result for the financial year. The proforma revenue and loss of the Group for the year ended 31 December 2018 would have been €9,144 million and €621 million respectively had the acquisitions taken place at the start of the current reporting period.

No contingent liabilities were recognised on the acquisitions completed during the year.

There have been no acquisitions completed subsequent to the balance sheet date which would be individually material to the Group, thereby requiring disclosure under either IFRS 3 or IAS 10, *Events after the Balance Sheet Date*.

Supplementary Financial Information

Alternative Performance Measures

Certain financial measures set out in this report are not defined under International Financial Reporting Standards ('IFRS'). An explanation for the use of these Alternative Performance Measures ('APMs') is set out within Financial Key Performance Indicators on pages 46-49 of the Group's 2017 Annual Report. The key APMs of the Group are set out below.

APM	Description
EBITDA	Earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible assets amortisation.
EBITDA Margin %	$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$
Pre-exceptional Basic EPS (cent)	$\frac{\text{Profit attributable to owners of the parent, adjusted for exceptional items included in profit before income tax and income tax on exceptional items}}{\text{Weighted average number of ordinary shares in issue}} \times 100$
Return on Capital Employed %	$\frac{\text{Last twelve months ('LTM') pre-exceptional operating profit plus share of associates' profit (after tax)}}{\text{Average capital employed (where capital employed is the average of total equity and net debt at the beginning and end of the LTM)}} \times 100$
Free Cash Flow	Free cash flow is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal activities. Free cash flow (APM) is included in the management report. The IFRS cash flow is included in the Consolidated Financial Statements. A reconciliation of free cash flow to cash generated from operations (IFRS measure) is included below.
Net Debt	Net debt is comprised of borrowings net of cash and cash equivalents and restricted cash.
Net Debt to EBITDA (LTM) times	$\frac{\text{Net debt}}{\text{EBITDA (LTM)}}$

Reconciliation of (Loss)/Profit to EBITDA

	2018 €m	2017 €m
(Loss)/profit for the financial year	**(639)**	423
Income tax expense (after exceptional items)	**235**	153
Deconsolidation of Venezuela	**1,270**	-
Exceptional items charged in operating profit	**66**	23
Net finance costs (after exceptional items)	**173**	221
Share-based payment expense	**24**	24
Depreciation, depletion (net) and amortisation	**416**	396
EBITDA	**1,545**	1,240

Return on Capital Employed

	2018 €m	2017 €m
Pre-exceptional operating profit plus share of associates' profit (after tax)	**1,105**	820
Total equity – current year end	**2,890**	2,659
Net debt – current year end	**3,122**	2,805
Capital employed – current year end	**6,012**	5,464
Total equity – prior year end	**2,659**	2,503
Net debt – prior year end	**2,805**	2,941
Capital employed – prior year end	**5,464**	5,444
Average capital employed	**5,738**	5,454
Return on capital employed	**19.3%**	15.0%

Reconciliation of Free Cash Flow to Cash Generated from Operations

		2018 €m	2017 €m
Free cash flow		**494**	307
Add back:	Cash interest	**155**	158
	Capital expenditure (net of change in capital creditors)	**561**	458
	Tax payments	**193**	154
Less:	Sale of property, plant and equipment	**(4)**	(5)
	Profit on sale of property, plant and equipment – non-exceptional	**(3)**	(9)
	Receipt of capital grants (in 'Other' in summary cash flow)	**(2)**	(4)
	Dividends received from associates (in 'Other' in summary cash flow)	**-**	(1)
	Non-cash financing activities	**(1)**	-
Cash generated from operations		**1,393**	1,058

The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows under IFRS ('IFRS cash flow') and as such the reconciling items between EBITDA and (increase)/decrease in net debt may differ to amounts presented in the 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 in the table above. The main adjustments are in respect of cash interest, capital expenditure, tax payments and the sale of property, plant and equipment.

(c) The IFRS cash flow has different sub-headings to those used in the summary cash flow.

- Current provisions in the summary cash flow are included within change in employee benefits and other provisions in the IFRS cash flow.
- The total of capital expenditure and change in capital creditors in the summary cash flow includes additions to intangible assets which is shown separately in the IFRS cash flow. It also includes capitalised leased assets which are excluded from additions to property, plant and equipment and biological assets in the IFRS cash flow.
- Other in the summary cash flow includes changes in employee benefits and other provisions (excluding current provisions), amortisation of capital grants, receipt of capital grants and dividends received from associates which are shown separately in the IFRS cash flow.