PRESS RELEASE

5 February: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the full year ending 31 December 2019.

2019 Full Year | Key Financial Performance Measures

€m	FY 2019	FY 2018	Change	H2 2019	H2 2018	Change	H1 2019	Change
Revenue	€9,048	€8,946	1%	€4,426	€4,518	(2%)	€4,622	(4%)
EBITDA [1]	€1,650	€1,545	7%	€803	€821	(2%)	€847	(5%)
EBITDA Margin [1]	18.2%	17.3%		18.2%	18.2%		18.3%	
Operating Profit before Exceptional Items [1]	€1,062	€1,105	(4%)	€504	€576	(12%)	€558	(9%)
Profit/(loss) before Income Tax	€677	(€404)		€221	(€820)		€456	
Basic EPS (cent)	201.6	(273.7)		61.1	(397.8)		140.6	
Pre-exceptional Basic EPS (cent) [1]	274.8	292.2	(6%)	133.2	151.5	(12%)	141.6	(6%)
Free Cash Flow [1]	€547	€494	11%	€388	€346	12%	€159	144%
Return on Capital Employed [1]	17.0%	19.3%					18.7%	
Net Debt [1]	€3,483	€3,122	12%				€3,751	(7%)
Net Debt to EBITDA (LTM) [1]	2.1x	2.0x					2.2x	

Key Points

- EBITDA of €1,650 million, up 7% with an increased margin of 18.2%
- Strong free cash flow of €547 million, an increase of 11% on 2018
- ROCE of 17.0%, in line with the Group's target
- Increased geographic reach with acquisitions in Bulgaria and Serbia
- Final dividend increased by 12% to 80.9 cent per share

Performance Review and Outlook
Tony Smurfit, Group CEO, commented:

"2019 represents another period of strong delivery and performance for SKG. EBITDA was €1,650 million, a 7% increase on 2018 with an increased EBITDA margin of 18.2%. Our vision is to be a *globally admired company, dynamically delivering secure and superior returns for all stakeholders.* Our recent performance shows progress towards the realisation of our vision.

"Across 35 countries, we continue to create market leading innovative solutions for over 65,000 customers, delivering sustainable and optimised paper-based packaging. The 2019 outcome also reflects our performance culture, which has, at its core, an unrelenting customer focus.

"During the year, we continued to strengthen our integrated model, following the acquisition of Reparenco in 2018, and our more recent acquisitions in France, Bulgaria and Serbia. These acquisitions significantly enhance our business and further expand our geographic reach. As with previous mergers and acquisitions, the new teams have integrated well and further strengthen the depth and quality of the Group.

"Our European business continued to perform strongly, delivering an EBITDA margin of 19.0%. Demand growth was ahead of the market and in line with our expectations for the year with particularly good performances in Iberia and Eastern Europe.

[1] Additional information in relation to these Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on page 36.

“The Americas region continued to perform well, delivering an increased EBITDA margin of 17.5% up from 15.7% in 2018. Our three main countries of Colombia, Mexico and the US had strong financial performances with demand in Colombia particularly strong.

“A central element of our continued success is the quality of our people. To ensure SKG attracts, retains and develops the best talent, we partner with leading global business schools such as INSEAD to develop global training programmes across our business. In the last three years alone, over 1,400 have participated in these programmes across the Group with many thousands more on local educational training programmes.

“Through our unique market offering, our ESG credentials, and a suite of industry leading applications that are impossible to replicate, SKG is increasingly well positioned to capitalise on the industry’s long-term growth potential. Our product is renewable, recyclable and biodegradable and is the most effective transport and merchandising medium for our customers, while improving their environmental footprint. The consistency of our delivery strategically, operationally and financially, through our recent Medium-Term Plan, reflects both the quality of our people and our world-class asset base.

“From a demand perspective, the year has started well and, while macro and economic risks remain, we expect another year of strong free cash flow and consistent progress against our strategic objectives.

“Reflecting the Board’s confidence in the unique strengths of SKG and its prospects, the Board is recommending a 12% increase in the final dividend to 80.9 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 46,000 employees in over 350 production sites across 35 countries and with revenue of €9.0 billion in 2019. We are located in 23 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.

Contacts

Garrett Quinn	**Melanie Farrell**
Smurfit Kappa	FTI Consulting
T: +353 1 202 71 80	T: +353 1 765 08 00
E: ir@smurfitkappa.com	E: smurfitkappa@fticonsulting.com

2019 Full Year | Performance Overview

The Group reported EBITDA for the year of €1,650 million, up 7% on 2018.

The Group EBITDA margin was 18.2%, up from 17.3% in 2018. The result reflects the benefits of our customer-focused innovation, the resilience of the Group's integrated model, the benefits of our capital spend programme, the contribution from acquisitions, volume growth, lower recovered fibre costs and the impact of IFRS 16, *Leases* ('IFRS 16').

In Europe, EBITDA increased by €65 million or 5% to €1,332 million. The EBITDA margin was 19.0%, up from 18.3% in 2018. Corrugated demand growth was approximately 4%, or approximately 1.5% for the year on an organic basis. On an operational basis, demand growth was approximately 2% for the year. The Group continued to advance its Medium-Term Plan ('MTP') in 2019 with the implementation of a number of significant projects across our corrugated and paper divisions. During 2020, the Group will complete a number of major European paper projects and will continue to invest in its market-facing corrugated division to capitalise on the many opportunities and secular trends.

European pricing for testliner and kraftliner has reduced by €145 per tonne and €185 per tonne respectively from the high of October 2018 to December 2019. In light of strong demand for recycled containerboard and tighter inventories, we have recently informed our customers of a €60 per tonne price increase effective for all new orders.

In 2019, the Group completed acquisitions in Bulgaria and Serbia and completed the buyout of a significant portion of its non-controlling interest in Colombia. SKG's entry into Bulgaria and Serbia represents a further step in the Group's South Eastern European strategy. The integration of these assets is progressing well, complementing the Group's broader integrated system.

In August, the Italian Competition Authority ('ICA') notified approximately 50 companies, of which Smurfit Kappa Italia S.p.A. was one, that an investigation had found the companies to have engaged in anti-competitive practices, in relation to which the ICA levied a fine of €124 million on Smurfit Kappa Italia S.p.A.. We are very disappointed with the decision of the ICA on many levels and will vigorously appeal this decision on both administrative and substantive grounds. This process may take a number of years. SKG is committed to the highest standards of conduct in its business and does not tolerate any actions that are inconsistent with its values.

In the Americas, EBITDA increased 13% on 2018 to €360 million. The EBITDA margin continues to improve, up from 15.7% in 2018 to 17.5% in 2019. Colombia, Mexico and the US delivered approximately 84% of the region's earnings with strong year-on-year performances in all three countries. The increasing focus on sustainable packaging solutions, together with the Group's unique Pan-American offering, have continued to help strengthen relationships and drive growth in the region.

In Colombia, volumes were up 9% for the year driven by continued high growth in the FMCG sector and flower markets. In June, the Group announced the successful tender offer to acquire the non-controlling interest in Cartón de Colombia S.A.. The consideration paid amounted to approximately €81 million. In Mexico, EBITDA margin continued to improve versus 2018 supported by our strong and developing market offering and position. In the US, EBITDA and EBITDA margin continued to improve year-on-year due to a strong operational performance in our mill system and lower recovered fibre costs. Similar to Europe, the Group advanced its MTP during the year with the successful completion of a number of projects in Colombia, Mexico and the US. The region continues to advance some significant and exciting projects for 2020 and beyond.

As previously communicated, the Group has initiated international arbitration proceedings to protect the interests of its stakeholders and seek compensation from the government of Venezuela. This continues to progress.

The Group reported free cash flow of €547 million in 2019 compared to €494 million in 2018. In January 2019, the Group successfully priced a €400 million add-on offering to the June 2018 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 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. Building on the €400 million add-on to the June 2018 bond, SKG issued an 8-year, €750 million bond in September 2019 at a coupon of 1.5%. The average maturity profile of the Group's debt was 5.5 years at 31 December 2019 with an average interest rate of 3.18%. Net debt to EBITDA was 2.1x at the year-end, with the Group's net debt impacted by IFRS 16 and the Group's acquisition activity. The Group remains strongly positioned within its

Ba1/BB+/BB+ credit rating. On 13 January 2020, the Group secured the agreement of all lenders in its RCF to extend the maturity date by a further year to 28 January 2025.

2019 Full Year | Financial Performance

Revenue for the full year was €9,048 million, up over 1% on 2018 reflecting the benefits of resilient box pricing, volume growth and the net contribution from acquisitions and disposals.

EBITDA for the full year was €1,650 million, €105 million ahead of 2018. In addition to the €92 million positive impact of IFRS 16, both Europe and the Americas continued to perform well. On an underlying[2] basis, Group EBITDA was down 1% on 2018, with Europe down 3% offset in part by the Americas up 7%.

Operating profit before exceptional items for the full year 2019 at €1,062 million was 4% or €43 million lower than €1,105 million in the same period of 2018.

Exceptional items charged within operating profit in 2019 amounted to €178 million, of which €124 million related to the ICA fine levied on Smurfit Kappa Italia S.p.A., €46 million related to the impairment of goodwill in Brazil and €8 million to the impairment of property, plant and equipment and customer related intangible assets in one of our North American corrugated plants.

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 in the UK.

Net exceptional finance costs charged in 2019 amounted to €17 million, comprised of a redemption premium of €31 million, and accelerated amortisation of debt issue costs of €6 million relating to the refinancing of the senior credit facility and the early redemption of bonds. These were partly offset by a €20 million fair value gain on the put option over the remaining 25% of our Serbian acquisition.

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.

Pre-exceptional net finance costs at €192 million were €25 million higher in 2019 primarily as a result of an increase in non-cash costs of €18 million, reflecting a negative swing from a currency translation gain of €22 million in 2018 to a €8 million loss in 2019. Cash interest was €7 million higher year-on-year, mainly as a result of the interest now booked in respect of leases.

With the €43 million decrease in operating profit before exceptional items along with the €25 million increase in net finance costs, the pre-exceptional profit before income tax of €872 million was €66 million lower than in 2018.

After exceptional items of €195 million, the profit before tax for the year 2019 was €677 million compared to a loss of €404 million (after exceptional items of €1,342 million primarily relating to the deconsolidation of the Group's operations in Venezuela) in 2018. The income tax expense was €193 million compared to €235 million in 2018, resulting in a profit of €484 million for 2019 compared to a loss of €639 million in 2018.

Basic EPS for 2019 was 201.6 cent, compared to a loss per share of 273.7 cent in 2018. On a pre-exceptional basis, EPS was 274.8 cent in 2019, 6% lower than the 292.2 cent in 2018.

2019 Full Year | Free Cash Flow

For the full year, free cash flow in 2019 was €547 million compared to €494 million for 2018 – an increase of €53 million. EBITDA growth of €105 million, a working capital inflow and the absence of the exceptional outflow of €29 million in 2019, were partly offset by higher outflows for capital expenditure and other items.

[2] Additional information on underlying performance is set out within Supplementary Financial Information on page 36

Working capital amounted to €630 million at December 2019, representing 7.2% of annualised revenue compared to 9.8% at June 2019 and 7.5% at December 2018. Working capital decreased by €53 million in the year, representing principally the net cash inflow of €45 million and an inflow in capital creditors of €19 million, partly offset by working capital acquired of €12 million.

Capital expenditure in 2019 amounted to €730 million (equating to 134% of depreciation) compared to €574 million (equating to 138%) in 2018. Excluding the impact of leases, capital expenditure for the year was €651 million and represented 141% of depreciation.

Cash interest was €156 million in 2019. Cash interest in 2018 was €155 million which included exceptional finance costs of €6 million. The year-on-year increase, net of exceptional costs mainly reflects the interest now recognised in respect of IFRS 16.

Tax payments in the full year of €222 million were €29 million higher than in 2018.

2019 Full Year | Capital Structure

Net debt was €3,483 million at the end of December, resulting in a net debt to EBITDA ratio of 2.1x compared to 2.2x at the end of June 2019 and 2.0x at the end of December 2018. Our net debt to EBITDA at December 2019 was negatively impacted by the adoption of IFRS 16, increasing our net debt by €356 million. 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.

At 31 December 2019, the Group's average interest rate was 3.18% compared to 3.63% at 31 December 2018. The Group's diversified funding base and long dated maturity profile of 5.5 years provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €203 million at the end of December, which was further supplemented by available commitments of €1,004 million under its new RCF and €330 million under its securitisation programme.

Dividends

The Board is recommending a final dividend of 80.9 cent per share, a 12% increase year-on-year. It is proposed to pay the final dividend on 15 May 2020 to shareholders registered at the close of business on 17 April 2020.

2019 Full Year | Sustainability

The Group continues to lead the way in sustainability reporting and action. SKG has led through new cross-industry initiatives such as 4evergreen, the development of electric trucks for its German-Dutch paper system, the first full beverage carton recycling plant in the Netherlands and over 8,000 SKG employees participating in World Cleanup Day. The Group also continues to be recognised by both NGOs and government bodies for its positive contribution to corporate and social responsibility, the most recent example being the Colombian government recognising SKG's 75 years of job creation, innovation and sustainability activity in the country.

In May, the Group launched its 12th annual sustainability report. An ambitious new set of sustainability goals was unveiled having met or exceeded previous targets ahead of their 2020 deadline. Smurfit Kappa continues to have a long-term commitment to making real and measurable progress against its five strategic sustainability priorities of forest, climate change, water, waste and people.

This report is evidence of our industry-leading transparency and demonstrates how Smurfit Kappa is making progress in supporting the UN's 2030 Sustainability Development Goals. For Smurfit Kappa, sustainability is not only about mitigating climate change and reducing inefficiency. For packaging to be truly sustainable, it must be produced and designed in a sustainable fashion and be biodegradable within a relatively short time. Paper-based packaging is uniquely positioned to do this.

In September, SKG was recognised on the new Solactive and ISS ESG Beyond Plastic Waste index which tracks companies that provide solutions for the reduction, replacement, reuse and recycling of plastic. Further recognition of the Group's efforts was received in December with the London Stock Exchange awarding SKG with the Green Economy mark.

With the increased consumer focus on waste in recent years, paper-based packaging is increasingly seen as the most effective solution due to its recyclable, renewable and bio-degradable nature.

Smurfit Kappa is listed on the FTSE4Good, Euronext Vigeo Europe 120, STOXX Global ESG Leaders, Solactive and ISS index, and Ethibel's sustainable investment register. SKG also performs strongly across a variety of third party certification bodies, including MSCI, Sustainalytics and EcoVadis.

2019 Full Year | Better Planet Packaging

Looking beyond our own operations, the Group continues to lead in innovative, sustainable packaging solutions for our customers, led by our 'Better Planet Packaging' initiative which provides our customers with sustainable solutions today, ready for the challenges of tomorrow.

The Group continues to progress its industry leading 'Better Planet Packaging' initiative, which seeks to reduce packaging waste by creating more sustainable packaging solutions through design, innovation and recycling capabilities. SKG's engagement with customers, both current and prospective, on this initiative was best illustrated with two flagship events, our biennial innovation event in May hosting over 350 customers from across the globe and our inaugural 'Global Better Planet Packaging Day' on 21 November which involved over 650 brand owners and retailers across our global operations with our Global Experience centre network providing a unique platform for the day.

2019 Full Year | Commercial Offering and Innovation

As consumer purchasing habits evolve, the importance of how our customer's product looks on the shop shelf, or, how it arrives when ordered online, is a key merchandising consideration in today's world. SKG is uniquely positioned to capitalise on these trends with its unrivalled market offering that enables our customers to increase sales, reduce costs and reduce risk. Customers benefit from SKG's innovative business applications, such as ShelfSmart, SupplySmart and eSmart, along with our geographic coverage, global experience centre network and depth of data to provide innovative packaging solutions whilst also delivering sustainable solutions.

Our innovation event noted above, was an industry-leading response to our customers' request for help in moving away from less sustainable packaging materials. The commercial pipeline in Smurfit Kappa has grown considerably on the back of this and we expect it to be a driver of incremental demand.

In 2019, the Group's leadership in innovation was recognised with 63 national or international awards for packaging innovation, sustainability, design and print. The Group's operations received awards in Argentina, Austria, Belgium, Brazil, Bulgaria, Colombia, the Czech Republic, France, Ireland, Mexico, the Netherlands, Russia, Sweden and the UK.

2019 Full Year | Medium-Term Plan

To date, over €700 million of capital projects have been approved or spent under the MTP covering almost 100 projects. In Europe, the main paper projects have either been started or completed in most instances. The most significant achievement was the acquisition of Reparenco in 2018, delivering in year one, what would otherwise have been a multi-year capital project through to 2021. This again highlights the flexibility of the plan.

In looking at our more consumer-oriented corrugated division, progress has been made across a number of investments, installing a variety of machinery to cater for high growth trends requiring speciality gluing machines, casemakers with 'shelf-ready packaging' functionality or high quality print machines to create greater impact for our customers' products at the point of purchase in the retailer.

Having achieved many of our objectives ahead of plan, and in light of a number of new opportunities that we have, supported by mega-trends, a new iteration of our strategic investments plan is under way and we will update the market in due course.

Summary Cash Flow

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

	H2 2019 €m	H2 2018 €m	FY 2019 €m	FY 2018 €m
EBITDA	**803**	821	**1,650**	1,545
Exceptional items	**-**	(12)	**-**	(29)
Cash interest expense	**(74)**	(74)	**(156)**	(155)
Working capital change	**214**	55	**45**	(94)
Current provisions	**(6)**	2	**(23)**	(1)
Capital expenditure	**(458)**	(369)	**(730)**	(574)
Change in capital creditors	**53**	39	**19**	13
Tax paid	**(130)**	(104)	**(222)**	(193)
Sale of property, plant and equipment	**2**	4	**4**	4
Other	**(16)**	(16)	**(40)**	(22)
Free cash flow	**388**	346	**547**	494
Share issues	**2**	-	**2**	-
Purchase of own shares (net)	**2**	-	**(23)**	(10)
Sale of businesses and investments	**-**	3	**-**	(8)
Deconsolidation of Venezuela	**-**	(17)	**-**	(17)
Purchase of businesses, investments and NCI*	**-**	(500)	**(204)**	(516)
Dividends	**(67)**	(64)	**(242)**	(219)
Derivative termination receipts	**1**	-	**1**	17
Early repayment of bonds	**(31)**	-	**(31)**	-
Net cash inflow/(outflow)	**295**	(232)	**50**	(259)
Net debt acquired	**(3)**	(3)	**(7)**	(3)
Adjustment on initial application of IFRS 16	**-**	-	**(361)**	-
Deferred debt issue costs amortised	**(7)**	(5)	**(14)**	(10)
Currency translation adjustment	**(17)**	(11)	**(29)**	(45)
Decrease/(increase) in net debt	**268**	(251)	**(361)**	(317)

* 'NCI' refers to non-controlling interests

Funding and Liquidity

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

At 31 December 2019, Smurfit Kappa Treasury Funding Limited had outstanding US$292.3 million 7.50% senior debentures due 2025. The Group had outstanding €70 million variable funding notes issued under the €230 million accounts receivable securitisation programme maturing in June 2023, together with €30 million variable funding notes issued under the €200 million accounts receivable securitisation programme maturing in February 2022.

Smurfit Kappa Acquisitions had outstanding €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025 and €1,000 million 2.875% senior notes due 2026. Smurfit Kappa Treasury had outstanding €750 million 1.5% senior notes due 2027. Smurfit Kappa Treasury is also party to a €1,350 million revolving credit facility with an original maturity date of 28 January 2024. In January 2020, the Group secured the agreement of all lenders to extend the maturity date by a further year to 28 January 2025. At 31 December 2019, the Group's drawings on this facility comprised €124 million and US$241.2 million, with a further €7 million drawn in operational facilities including letters of credit drawn under various ancillary facilities.

Funding and Liquidity (continued)

The following table provides the interest rates at 31 December 2019 for each of the drawings under the revolving credit facility loans:

Borrowing Arrangement	Currency	Interest Rate
Revolving Credit Facility	EUR	0.900%
	USD	2.806% - 2.853%

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

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. This new RCF refinanced the Group's existing senior credit facility which was due to mature in March 2020.

In September 2019, the Group successfully priced a €750 million 1.5% bond issuance. The proceeds were used to finance the early redemption in October 2019 of €250 million senior floating rate notes due 2020 and €500 million 3.25% senior notes due 2021.

In October 2019, the Group redeemed €400 million 4.125% senior notes due 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 2019, the Group had fixed an average of 90% of its interest cost on borrowings over the following twelve months.

The Group's fixed rate debt comprised €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, €1,000 million 2.875% senior notes due 2026 and €750 million 1.5% senior notes due 2027. In addition, the Group had €174 million in interest rate swaps converting variable rate borrowings to fixed rate with maturity dates ranging from October 2020 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 €5 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €2 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 in the organisation.

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 2018 Annual Report on pages 32-35. The Annual Report is available on our website smurfitkappa.com. The principal risks and uncertainties for the current financial year are summarised below.

- If the current economic climate were to deteriorate as a result of geopolitical uncertainty (including Brexit) and trade tensions it could result in an economic slowdown which if sustained over any significant length of time 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 2019

	2019 Unaudited			2018 Audited		
	Pre-exceptional	**Exceptional**	**Total**	Pre-exceptional	Exceptional	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**9,048**	**-**	**9,048**	8,946	-	8,946
Cost of sales	**(6,043)**	**(8)**	**(6,051)**	(5,989)	-	(5,989)
Gross profit	**3,005**	**(8)**	**2,997**	2,957	-	2,957
Distribution costs	**(730)**	**-**	**(730)**	(705)	-	(705)
Administrative expenses	**(1,213)**	**-**	**(1,213)**	(1,147)	-	(1,147)
Other operating expenses	**-**	**(170)**	**(170)**	-	(66)	(66)
Operating profit	**1,062**	**(178)**	**884**	1,105	(66)	1,039
Finance costs	**(210)**	**(37)**	**(247)**	(214)	(6)	(220)
Finance income	**18**	**20**	**38**	47	-	47
Share of associates' profit (after tax)	**2**	**-**	**2**	-	-	-
Deconsolidation of Venezuela	**-**	**-**	**-**	-	(1,270)	(1,270)
Profit/(loss) before income tax	**872**	**(195)**	**677**	938	(1,342)	(404)
Income tax expense			**(193)**			(235)
Profit/(loss) for the financial year			**484**			(639)
Attributable to:						
Owners of the parent			**476**			(646)
Non-controlling interests			**8**			7
Profit/(loss) for the financial year			**484**			(639)
Earnings per share						
Basic earnings per share - cent			**201.6**			(273.7)
Diluted earnings per share - cent			**200.0**			(273.7)

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2019

	2019 Unaudited €m	2018 Audited €m
Profit/(loss) for the financial year	**484**	(639)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**12**	(201)
- 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	**8**	11
- Fair value gain/(loss) on cash flow hedges	**5**	(6)
- Movement in deferred tax	**(1)**	-
Changes in fair value of cost of hedging:		
- Movement out of reserve	**(1)**	(1)
- New fair value adjustments into reserve	**-**	2
	23	1,001
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(117)**	(6)
- Movement in deferred tax	**26**	-
Net change in fair value of investment in equity instruments	**(11)**	-
	(102)	(6)
Total other comprehensive (expense)/income	**(79)**	995
Total comprehensive income for the financial year	**405**	356
Attributable to:		
Owners of the parent	**394**	370
Non-controlling interests	**11**	(14)
Total comprehensive income for the financial year	**405**	356

Consolidated Balance Sheet
At 31 December 2019

	2019 Unaudited €m	2018 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**3,920**	3,613
Right-of-use assets	**346**	-
Goodwill and intangible assets	**2,616**	2,590
Other investments	**10**	20
Investment in associates	**16**	14
Biological assets	**106**	100
Other receivables	**40**	40
Derivative financial instruments	**6**	8
Deferred income tax assets	**185**	153
	7,245	6,538
Current assets		
Inventories	**819**	847
Biological assets	**11**	11
Trade and other receivables	**1,634**	1,667
Derivative financial instruments	**13**	13
Restricted cash	**14**	10
Cash and cash equivalents	**189**	407
	2,680	2,955
Total assets	**9,925**	9,493
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**1,986**	1,984
Other reserves	**351**	355
Retained earnings	**615**	420
Total equity attributable to owners of the parent	**2,952**	2,759
Non-controlling interests	**41**	131
Total equity	**2,993**	2,890
LIABILITIES		
Non-current liabilities		
Borrowings	**3,501**	3,372
Employee benefits	**899**	804
Derivative financial instruments	**9**	17
Deferred income tax liabilities	**175**	173
Non-current income tax liabilities	**27**	36
Provisions for liabilities	**78**	47
Capital grants	**18**	18
Other payables	**10**	14
	4,717	4,481
Current liabilities		
Borrowings	**185**	167
Trade and other payables	**1,863**	1,871
Current income tax liabilities	**13**	24
Derivative financial instruments	**7**	10
Provisions for liabilities	**147**	50
	2,215	2,122
Total liabilities	**6,932**	6,603
Total equity and liabilities	**9,925**	9,493

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2019

	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 31 December 2018	**-**	**1,984**	**355**	**420**	**2,759**	**131**	**2,890**
Adjustment on initial application of IFRS 16 (net of tax) (Note 3)	**-**	**-**	**-**	**(21)**	**(21)**	**-**	**(21)**
At 1 January 2019	**-**	**1,984**	**355**	**399**	**2,738**	**131**	**2,869**
Profit for the financial year	**-**	**-**	**-**	**476**	**476**	**8**	**484**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**9**	**-**	**9**	**3**	**12**
Defined benefit pension plans	**-**	**-**	**-**	**(91)**	**(91)**	**-**	**(91)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**12**	**-**	**12**	**-**	**12**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Net change in fair value of investment in equity instruments	**-**	**-**	**(11)**	**-**	**(11)**	**-**	**(11)**
Total comprehensive income for the financial year	**-**	**-**	**9**	**385**	**394**	**11**	**405**
Shares issued	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Purchase of non-controlling interests	**-**	**-**	**(29)**	**45**	**16**	**(97)**	**(81)**
Hyperinflation adjustment	**-**	**-**	**-**	**24**	**24**	**-**	**24**
Dividends paid	**-**	**-**	**-**	**(238)**	**(238)**	**(4)**	**(242)**
Share-based payment	**-**	**-**	**39**	**-**	**39**	**-**	**39**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(23)**	**-**	**(23)**	**-**	**(23)**
At 31 December 2019	**-**	**1,986**	**351**	**615**	**2,952**	**41**	**2,993**
Audited							
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

An analysis of the movements in Other reserves is provided in Note 14.

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2019

	2019 Unaudited €m	2018 Audited €m
Cash flows from operating activities		
Profit/(loss) before income tax	**677**	(404)
Net finance costs	**209**	173
Depreciation charge	**496**	379
Impairment of property, plant and equipment and intangible assets	**8**	-
Impairment of goodwill	**46**	-
Amortisation of intangible assets	**45**	40
Amortisation of capital grants	**(2)**	(2)
Equity settled share-based payment expense	**39**	22
Profit on sale of property, plant and equipment	**(3)**	(3)
(Profit)/loss on purchase/disposal of businesses	**(4)**	11
Deconsolidation of Venezuela – exceptional items	**-**	1,270
Share of associates' profit (after tax)	**(2)**	-
Net movement in working capital	**48**	(93)
Change in biological assets	**6**	(3)
Change in employee benefits and other provisions	**51**	(26)
Other (primarily hyperinflation adjustments)	**4**	29
Cash generated from operations	**1,618**	1,393
Interest paid	**(233)**	(167)
Income taxes paid:		
Irish corporation tax paid	**(5)**	(10)
Overseas corporation tax (net of tax refunds) paid	**(217)**	(183)
Net cash inflow from operating activities	**1,163**	1,033
Cash flows from investing activities		
Interest received	**4**	4
Business disposals	**-**	(8)
Deconsolidation of Venezuela	**-**	(17)
Additions to property, plant and equipment and biological assets	**(612)**	(528)
Additions to intangible assets	**(20)**	(25)
Receipt of capital grants	**2**	2
Increase in restricted cash	**(4)**	(1)
Disposal of property, plant and equipment	**7**	7
Dividends received from associates	**1**	-
Purchase of subsidiaries (net of acquired cash)	**(99)**	(482)
Deferred consideration paid	**(14)**	(1)
Net cash outflow from investing activities	**(735)**	(1,049)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	**2**	-
Proceeds from bond issuance	**1,153**	600
Proceeds from other debt issuance	**417**	-
Purchase of own shares (net)	**(23)**	(10)
Purchase of non-controlling interests	**(81)**	(16)
(Decrease)/increase in other interest-bearing borrowings	**(222)**	94
Repayment of lease liabilities (2018: repayment of finance lease liabilities)	**(83)**	(2)
Repayment of borrowings	**(1,528)**	(525)
Derivative termination receipts	**1**	17
Deferred debt issue costs paid	**(23)**	(9)
Dividends paid to shareholders	**(238)**	(213)
Dividends paid to non-controlling interests	**(4)**	(6)
Net cash outflow from financing activities	**(629)**	(70)
Decrease in cash and cash equivalents	**(201)**	(86)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**390**	503
Currency translation adjustment	**(17)**	(27)
Decrease in cash and cash equivalents	**(201)**	(86)
Cash and cash equivalents at 31 December	**172**	390

An analysis of the net movement in working capital is provided in Note 12.

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 and accounting policies
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 2018 which is available on the Group's website; smurfitkappa.com. The accounting policies adopted by the Group and the significant accounting judgements, estimates and assumptions made by management 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 2018 with the exception of the accounting policy for put and call options arising in business combinations (described below) and IFRS 16, *Leases*. The impact of the adoption of IFRS 16 and the new leases accounting policy are disclosed in Note 3 *Changes in Significant Accounting Policies*. A number of other changes to IFRS became effective in 2019, however, they did not have a material effect on the Consolidated Financial Statements included in this report.

Put and call options arising in business combinations
Where a put option is held by a non-controlling interest in a subsidiary whereby that party can require the Group to acquire the non-controlling interest's shareholding in the subsidiary at a future date and the non-controlling interest does not retain present access to the results of the subsidiary, the Group applies the anticipated acquisition method of accounting to the arrangement. The Group recognises a contingent consideration liability at fair value, being the Group's estimate of the amount required to settle that liability, which is included in the consideration transferred. Any subsequent remeasurements required due to changes in the fair value of the put liability are recognised in the Consolidated Income Statement. Where the Group has a call option over the shares held by a non-controlling interest in a subsidiary, whereby the Group can require the non-controlling interest to sell its shareholding in the subsidiary at a future date, the option is classified as a derivative and is recognised as a financial instrument on inception with fair value movements recognised in the Consolidated Income Statement.

Statutory financial statements and audit opinion
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 2018 have been filed with the Irish Registrar of Companies. The audit report on those statutory financial statements was unqualified.

This preliminary release was approved by the Board of Directors.

3. Changes in Significant Accounting Policies

IFRS 16, *Leases*, 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.

3. Changes in Significant Accounting Policies (continued)

The Group has adopted IFRS 16 using the modified retrospective approach, with a date of initial application of 1 January 2019. Under this method, the impact of the standard is calculated retrospectively, however, the cumulative effect arising from the new leasing rules is recognised at the date of initial application. Accordingly, the comparative information presented for 2018 has not been restated.

The Group's leasing activities and how these are accounted for
The Group leases a range of assets including property, vehicles and plant and equipment. Further information regarding the Group's leasing activities is disclosed in Note 16.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership to the Group. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Under IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term and low-value assets, and recognises right-of-use assets and lease liabilities.

Significant accounting policies
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. Right-of-use assets are subject to impairment testing.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate known at the commencement date, payments for a purchase option, payments for an optional renewal period and termination option payments if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The Group has elected to avail of the practical expedient not to separate lease components from any associated non-lease components. Lease liabilities are included in borrowings.

The lease payments are discounted using the lessee's incremental borrowing rate as the interest rate implicit in the lease is generally not readily determinable. Incremental borrowing rates are determined using a build-up approach that uses externally benchmarked information adjusted to take consideration of the lessee's risk profile and the specific lease characteristics. These characteristics include the type of leased asset, the term of the lease and the currency of the lease.

After the commencement date, the lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a modificiation, a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract.

The Group has elected to apply the recognition exemptions for short-term and low-value leases and recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain items of IT equipment and small items of office furniture.

3. Changes in Significant Accounting Policies (continued)

Transition

On transition to IFRS 16, the Group has elected to apply the practical expedient to grandfather the assessment of which transactions are or contain leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach for certain property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.
- Relied on its assessment of whether leases were onerous under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application to meet the impairment requirement.

For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on Consolidated Financial Statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities relating to operating leases, recognising the difference in retained earnings. Right-of-use assets were adjusted by an onerous lease contract which was previously reported in 'Provisions for liabilities'. The impact on transition is summarised below.

	1 January 2019 **€m**
Right-of-use assets	**331**
Deferred income tax assets	**4**
Provisions for liabilities	**(5)**
Lease liabilities presented in borrowings	**361**
Retained earnings	**(21)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the lessees' incremental borrowing rates at 1 January 2019. The weighted average rate applied was 3%.

3. Changes in Significant Accounting Policies (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	€m*
Operating lease commitments at 31 December 2018	**332**
Add:	
Extension options reasonably certain to be exercised	80
Non-lease components	13
Less:	
Commitments relating to short-term and low-value leases	(2)
Total future lease payments	423
Effect of discounting	(62)
Finance lease liabilities recognised at 31 December 2018	19
Lease liabilities at 1 January 2019	**380**

***** Following the finalisation of the implementation of IFRS 16 in 2019, the reconciliation has been updated from that presented in the Interim Financial Statements.

The impact of IFRS 16 on the Consolidated Financial Statements is set out in Note 16. The impact of IFRS 16 on our APMs is set out in the Supplementary Financial Information section.

4. 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 of 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 2019			FY 2018		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**6,994**	**2,054**	**9,048**	6,922	2,024	8,946
EBITDA	**1,332**	**360**	**1,692**	1,267	317	1,584
Segment exceptional items	**(124)**	**-**	**(124)**	(48)	(1,270)	(1,318)
EBITDA after exceptional items	**1,208**	**360**	**1,568**	1,219	(953)	266
Unallocated centre costs			**(42)**			(39)
Share-based payment expense			**(41)**			(24)
Depreciation and depletion (net)			**(502)**			(376)
Amortisation			**(45)**			(40)
Impairment of assets (exceptional)			**(8)**			-
Impairment of goodwill (exceptional)			**(46)**			-
Other exceptional items			**-**			(18)
Finance costs			**(247)**			(220)
Finance income			**38**			47
Share of associates' profit (after tax)			**2**			-
Profit/(loss) before income tax			**677**			(404)
Income tax expense			**(193)**			(235)
Profit/(loss) for the financial year			**484**			(639)

4. Segment and Revenue Analyses (continued)

	H2 2019 Europe €m	H2 2019 The Americas €m	H2 2019 Total €m	H2 2018 Europe €m	H2 2018 The Americas €m	H2 2018 Total €m
Revenue and results						
Revenue	**3,420**	**1,006**	**4,426**	3,525	993	4,518
EBITDA	**644**	**181**	**825**	680	160	840
Segment exceptional items	**(124)**	**-**	**(124)**	(34)	(1,270)	(1,304)
EBITDA after exceptional items	**520**	**181**	**701**	646	(1,110)	(464)
Unallocated centre costs			**(22)**			(19)
Share-based payment expense			**(16)**			(14)
Depreciation and depletion (net)			**(259)**			(209)
Amortisation			**(24)**			(22)
Impairment of assets (exceptional)			**(8)**			-
Impairment of goodwill (exceptional)			**(46)**			-
Other exceptional items			**-**			(1)
Finance costs			**(137)**			(99)
Finance income			**31**			9
Share of associates' profit/(loss) (after tax)			**1**			(1)
Profit/(loss) before income tax			**221**			(820)
Income tax expense			**(75)**			(114)
Profit/(loss) for the financial period			**146**			(934)

Assets	2019 Europe €m	2019 The Americas €m	2019 Total €m	2018 Europe €m	2018 The Americas €m	2018 Total €m
Segment assets	**7,610**	**2,128**	**9,738**	7,101	1,973	9,074
Investment in associates	**1**	**15**	**16**	1	13	14
Group centre assets			**171**			405
Total assets			**9,925**			9,493

Liabilities	2019 Europe €m	2019 The Americas €m	2019 Total €m	2018 Europe €m	2018 The Americas €m	2018 Total €m
Segment liabilities	**2,965**	**604**	**3,569**	2,549	442	2,991
Group centre liabilities			**3,363**			3,612
Total liabilities			**6,932**			6,603

4. Segment and Revenue Analyses (continued)

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.

	2019 €m	2018 €m
Ireland	**117**	119
Germany	**1,291**	1,325
France	**1,095**	1,053
Mexico	**878**	794
United Kingdom	**774**	797
The Netherlands	**758**	696
Rest of world	**4,135**	4,162
Total revenue by geographical area	**9,048**	8,946

Revenue is derived almost entirely from the sale of goods and is disclosed based on the location of production.

Disaggregation of revenue

The Group derives revenue from the following major product lines. The economic factors which affect the nature, amount, timing and uncertainty of revenue and cash flows from the sub categories of both paper and packaging products are similar.

	2019			2018		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Europe	**1,134**	**5,860**	**6,994**	1,204	5,718	6,922
The Americas	**285**	**1,769**	**2,054**	306	1,718	2,024
Total revenue by product	**1,419**	**7,629**	**9,048**	1,510	7,436	8,946

Packaging revenue is derived mainly from the sale of corrugated products. The remainder of packaging revenue is comprised of bag-in-box and other paper-based packaging products.

5. Exceptional Items

	2019	2018
	€m	€m
The following items are regarded as exceptional in nature:		
Impairment of assets	**8**	-
Italian Competition Authority fine	**124**	-
Goodwill impairment	**46**	-
International Paper defence costs	**-**	18
Loss on the disposal of Baden operations	**-**	11
GMP equalisation pension adjustment	**-**	9
Reorganisation and restructuring costs	**-**	28
Exceptional items included in operating profit	**178**	66
Exceptional finance costs (net)	**17**	6
Exceptional items included in net finance costs	**17**	6
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	**195**	1,342

Exceptional items charged within operating profit in 2019 amounted to €178 million, of which €8 million related to the impairment of property, plant and equipment and customer related intangible assets in one of our North American corrugated plants and €124 million to the Italian Competition Authority fine levied on Smurfit Kappa Italia S.p.A.. The remaining €46 million related to the impairment of goodwill in Brazil. Management has reassessed the expected future business performance in the country as a result of the continuing difficult economic conditions and consequently the projected cashflows are lower, giving rise to an impairment charge.

The net exceptional finance costs of €17 million comprised of a redemption premium of €31 million and the accelerated amortisation of the debt issue costs of €6 million relating to the refinancing of the senior credit facility and the early redemption of bonds, partly offset by a fair value gain of €20 million on the valuation of the Serbian put option at 31 December 2019.

In 2018, exceptional items related mainly to the deconsolidation of our Venezuelan operations. The remainder comprised of redundancy costs in Europe, a pension adjustment related to guaranteed minimum pension equalisation (‘GMP’) in the UK, the cost of countering the unsolicited approach from International Paper and the loss on the disposal of the Baden operations.

The exceptional finance cost of €6 million in 2018 related to the fee of €4 million payable to the bondholders to secure their consent to the Group’s move from quarterly to semi-annual reporting and €2 million in relation to 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.

6. Finance Costs and Income

	2019	2018
	€m	€m
Finance costs:		
Interest payable on bank loans and overdrafts	**45**	47
Interest payable on leases	**11**	1
Interest payable on other borrowings	**114**	115
Exceptional finance costs associated with debt restructuring	**37**	-
Exceptional consent fee – reporting waiver	**-**	4
Exceptional interest on early termination of cross currency swaps	**-**	2
Foreign currency translation loss on debt	**18**	19
Fair value loss on derivatives not designated as hedges	**4**	-
Fair value loss on financial assets	**-**	1
Net interest cost on net pension liability	**17**	18
Net monetary loss - hyperinflation	**-**	12
Unwinding discount element of provision	**1**	1
Total finance costs	**247**	220
Finance income:		
Other interest receivable	**(4)**	(4)
Foreign currency translation gain on debt	**(10)**	(41)
Fair value gain on derivatives not designated as hedges	**-**	(2)
Exceptional fair value gain on financial liabilities	**(20)**	-
Fair value gain on financial assets	**(1)**	-
Net monetary gain – hyperinflation	**(3)**	-
Total finance income	**(38)**	(47)
Net finance costs	**209**	173

7. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2019 €m	2018 €m
Current tax:		
Europe	**145**	145
The Americas	**55**	54
	200	199
Deferred tax	**(7)**	36
Income tax expense	**193**	235
Current tax is analysed as follows:		
Ireland	**7**	18
Foreign	**193**	181
	200	199

Income tax recognised in the Consolidated Statement of Comprehensive Income

	2019 €m	2018 €m
Arising on defined benefit pension plans	**(26)**	-
Arising on derivative cash flow hedges	**1**	-
	(25)	-

The income tax expense for the financial year 2019 is €42 million lower than in the comparable period in 2018. However, in 2018 the income tax expense included a €14 million charge for Venezuela which does not occur in 2019 as it was deconsolidated for the full year. The remaining €28 million net reduction in tax expense is mainly attributable to lower profitability in 2019 and other tax credits, offset in part by the tax effect of non-deductible exceptional items.

There is a net €1 million increase in current tax. In Europe, the current tax is in line with 2018 due to lower profitability and other tax credits, partly offset by the tax effect of non-deductible exceptional items. In the Americas, the current tax expense is €1 million higher than in the comparable period. However, after adjusting for the deconsolidation of Venezuela, there is an overall €15 million net increase in current tax expense on a like-for-like basis. This is primarily due to the mix of profits and exceptional items, with the tax credit on those exceptional items being recorded in deferred tax.

The movement in deferred tax from a charge of €36 million in 2018 to a tax credit of €7 million in 2019 includes the effects of the reversal of timing differences on which tax was previously recognised, as well as the use and recognition of tax losses and credits and a tax credit associated with the impairment of goodwill in Brazil.

There is a net tax credit of €22 million on exceptional items in 2019 compared to a €7 million tax credit in the prior year.

8. Employee Benefits – Defined Benefit Plans

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

	2019 €m	2018 €m
Current service cost	**29**	29
Past service cost - GMP equalisation	**-**	9
Past service cost - Other	**1**	(2)
Actuarial loss arising on other long-term employee benefits	**-**	1
Gain on settlement	**(2)**	-
Net interest cost on net pension liability	**17**	16
Defined benefit cost	**45**	53

Included in cost of sales, distribution costs and administrative expenses is a defined benefit cost of €28 million (2018: €37 million). Net interest cost on net pension liability of €17 million (2018: €16 million) is included in finance costs in the Consolidated Income Statement.

In 2018, a High Court ruling in the UK required pension schemes to equalise benefits for the effect of GMP, which resulted in an exceptional past service cost for the Group of €9 million.

Analysis of actuarial (losses)/gains recognised in the Consolidated Statement of Comprehensive Income:

	2019 €m	2018 €m
Return on plan assets (excluding interest income)	**228**	(107)
Actuarial loss due to experience adjustments	**(9)**	(2)
Actuarial (loss)/gain due to changes in financial assumptions	**(348)**	81
Actuarial gain due to changes in demographic assumptions	**12**	22
Total loss recognised in the Consolidated Statement of Comprehensive Income	**(117)**	(6)

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

	2019 €m	2018 €m
Present value of funded or partially funded obligations	**(2,473)**	(2,145)
Fair value of plan assets	**2,109**	1,831
Deficit in funded or partially funded plans	**(364)**	(314)
Present value of wholly unfunded obligations	**(534)**	(489)
Amounts not recognised as assets due to asset ceiling	**(1)**	(1)
Net pension liability	**(899)**	(804)

The employee benefit provision has increased from €804 million at 31 December 2018 to €899 million at 31 December 2019, primarily due to lower discount rates as a result of significantly lower Euro and Sterling AA corporate bond yields.

9. Earnings per Share

Basic

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

	2019	2018
Profit/(loss) attributable to owners of the parent (€ million)	**476**	(646)
Weighted average number of ordinary shares in issue (million)	**236**	236
Basic earnings per share (cent)	**201.6**	(273.7)

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 continuing service, deferred shares held in trust, which are based on continuing service, and matching shares, which are performance-based in addition to continuing service. 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.

	2019	2018
Profit/(loss) attributable to owners of the parent (€ million)	**476**	(646)
Weighted average number of ordinary shares in issue (million)	**236**	236
Potential dilutive ordinary shares assumed (million)	**2**	-
Diluted weighted average ordinary shares (million)	**238**	236
Diluted earnings per share (cent)	**200.0**	(273.7)

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 diluted EPS in that year because they would have had the effect of reducing the loss per share. Accordingly, there was no difference between basic and diluted loss per share in 2018.

Pre-exceptional

	2019	2018
Profit/(loss) attributable to owners of the parent (€ million)	**476**	(646)
Exceptional items included in profit before income tax (Note 5) (€ million)	**195**	1,342
Income tax on exceptional items (€ million)	**(22)**	(7)
Pre-exceptional profit attributable to owners of the parent (€ million)	**649**	689
Weighted average number of ordinary shares in issue (million)	**236**	236
Pre-exceptional basic earnings per share (cent)	**274.8**	292.2
Weighted average number of ordinary shares in issue (million)	**236**	236
Dilutive potential ordinary shares assumed (million)	**2**	2
Diluted weighted average ordinary shares (million)	**238**	238
Pre-exceptional diluted earnings per share (cent)	**272.6**	290.2

10. Dividends

The following dividends were declared and paid by the Group.

	2019 **€m**	2018 €m
Final: paid 72.2 cent per ordinary share on 10 May 2019 (2018: paid 64.5 cent per ordinary share on 11 May 2018)	**172**	153
Interim: paid 27.9 cent per ordinary share on 25 October 2019 (2018: paid 25.4 cent per ordinary share on 26 October 2018)	**66**	60
	238	213

The Board is recommending a final dividend of 80.9 cent per ordinary share for 2019 (approximately €193 million) to all ordinary shareholders on the share register at the close of business on 17 April 2020 subject to the approval of the shareholders at the AGM.

11. Property, Plant and Equipment

	Land and buildings €m	**Plant and equipment €m**	**Total €m**
Financial year ended 31 December 2019			
Opening net book amount	**1,059**	**2,554**	**3,613**
Adjustment on initial application of IFRS 16 (Note 3)*	**(9)**	**(10)**	**(19)**
Restated balance at 1 January 2019	**1,050**	**2,544**	**3,594**
Reclassifications	**57**	**(58)**	**(1)**
Additions	**2**	**618**	**620**
Acquisitions	**42**	**47**	**89**
Depreciation charge	**(54)**	**(355)**	**(409)**
Impairments	**-**	**(4)**	**(4)**
Retirements and disposals	**(1)**	**(3)**	**(4)**
Hyperinflation adjustment	**3**	**8**	**11**
Foreign currency translation adjustment	**7**	**17**	**24**
At 31 December 2019	**1,106**	**2,814**	**3,920**
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

*Capitalised leased assets in relation to leases that were classified as 'finance leases' under IAS 17

12. Net Movement in Working Capital

	2019 **€m**	2018 €m
Change in inventories	**40**	(84)
Change in trade and other receivables	**52**	(99)
Change in trade and other payables	**(44)**	90
Net movement in working capital	**48**	(93)

13. Analysis of Net Debt

	2019 €m	2018 €m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.9%(1)	**333**	-
Senior credit facility(2):		
Revolving credit facility – interest at relevant interbank rate + 1.1%	**-**	4
Facility A term loan – interest at relevant interbank rate + 1.35%	**-**	407
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**262**	257
Bank loans and overdrafts	**118**	119
€200 million receivables securitisation variable funding notes due 2022 (including accrued interest)	**29**	49
€230 million receivables securitisation variable funding notes due 2023	**69**	179
€400 million 4.125% senior notes due 2020 (including accrued interest)(3)	**-**	406
€250 million senior floating rate notes due 2020 (including accrued interest)(3)	**-**	251
€500 million 3.25% senior notes due 2021 (including accrued interest)(3)	**-**	498
€500 million 2.375% senior notes due 2024 (including accrued interest)	**500**	499
€250 million 2.75% senior notes due 2025 (including accrued interest)	**250**	250
€1,000 million 2.875% senior notes due 2026 (including accrued interest)(4)	**1,004**	601
€750 million 1.5% senior notes due 2027 (including accrued interest)(5)	**744**	-
Gross debt before leases	**3,309**	3,520
Leases(6)	**377**	19
Gross debt including leases	**3,686**	3,539
Cash and cash equivalents (including restricted cash)	**(203)**	(417)
Net debt including leases	**3,483**	3,122

(1) Revolving credit facility ('RCF') of €1,350 million maturing in 2024. In January 2020, the Group secured the agreement of all lenders in its RCF to extend the maturity date by a further year to 28 January 2025.
(a) Revolver loans - €339 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - €7 million

(2) In January 2019, the senior credit facility which was due to mature in March 2020 was refinanced with a new 5-year RCF.

(3) €400 million 4.125% senior notes due 2020, €250 million senior floating rate notes due 2020 and €500 million 3.25% senior notes due 2021 were redeemed in full in October 2019.

(4) In February 2019, the Group issued €400 million senior notes which form a single series with the existing €600 million senior notes.

(5) In September 2019, the Group issued €750 million senior notes, the proceeds of which were used to redeem the 2020 senior floating rate notes and 2021 senior notes in October 2019.

(6) The adoption of IFRS 16 effective 1 January 2019 increases reported leases by €356 million at 31 December 2019.

14. 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 1 January 2019	**575**	**(14)**	**3**	**(367)**	**185**	**(28)**	**-**	**1**	**355**
Other comprehensive income									
Foreign currency translation adjustments	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**-**	**9**
Effective portion of changes in fair value of cash flow hedges	**-**	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**12**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Net change in fair value of investment in equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**	**(11)**
Total other comprehensive income/(expense)	**-**	**12**	**(1)**	**9**	**-**	**-**	**-**	**(11)**	**9**
Purchase of non-controlling interest	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**-**	**(29)**
Share-based payment expense	**-**	**-**	**-**	**-**	**39**	**-**	**-**	**-**	**39**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(23)**	**-**	**-**	**(23)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(9)**	**9**	**-**	**-**	**-**
At 31 December 2019	**575**	**(2)**	**2**	**(387)**	**215**	**(42)**	**-**	**(10)**	**351**
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 expense	-	-	-	-	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

15. Business Combinations

The acquisitions completed by the Group in 2019, together with percentages acquired and completion dates were as follows:

- Fabrika Hartije d.o.o. Beograd ('FHB') and Avala Ada d.o.o. Beograd ('Avala Ada'), (75%, 1 January 2019 with put and call options in place over the remaining 25%), respectively a paper mill and a corrugated plant in Serbia;

- Balkanpack EOOD ('Balkanpack'), (100%, 28 February 2019), an integrated corrugated plant in Bulgaria; and

- Vitavel AD ('Vitavel'), (100%, 30 April 2019), an integrated corrugated plant in Bulgaria.

The table below reflects the fair value of the identifiable net assets acquired in respect of the acquisitions completed during the year. 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*. None of the business combinations completed during the year were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

	Total*
	€m
Non-current assets	
Property, plant and equipment	**89**
Right-of-use assets	**8**
Intangible assets	**30**
Current assets	
Inventories	**7**
Trade and other receivables	**23**
Cash and cash equivalents	**10**
Non-current liabilities	
Employee benefits	**(1)**
Deferred income tax liabilities	**(9)**
Borrowings	**(11)**
Current liabilities	
Borrowings	**(6)**
Trade and other payables	**(18)**
Current income tax liabilities	**(1)**
Net assets acquired	**121**
Goodwill	**55**
Negative goodwill	**(4)**
Consideration	**172**
Settled by:	
Cash	**109**
Deferred consideration	**10**
Deferred contingent consideration	**53**
	172

* In addition to the 2019 acquisitions, the amounts also include fair value adjustments in relation to 2018 acquisitions.

15. Business Combinations (continued)

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.

During the year, the Group recognised €4 million of negative goodwill from the Papcart acquisition in 2018. This is included within administrative expenses in the Consolidated Income Statement.

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

Net cash outflow arising on acquisition	**€m**
Cash consideration	**109**
Less cash & cash equivalents acquired	**(10)**
Total	**99**

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €24 million. The fair value of these receivables is estimated at €23 million (all of which is expected to be recoverable).

Acquisition-related costs of €1 million were incurred and are included within administrative expenses in the Consolidated Income Statement.

The Group's acquisitions in 2019 have contributed €76 million to revenue and €5 million to profit after tax.

The deferred contingent consideration is for the remaining 25% of our Serbian acquisition. Put and call options are in place over this non-controlling interest and the Group has applied the anticipated acquisition method of accounting for this arrangement. The present value is based on a multiple of underlying profitability.

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*.

16. Leases

Amounts recognised in the Consolidated Balance Sheet

	2019 €m	1 January 2019* €m
Right-of-use assets:		
Land and buildings	**250**	255
Vehicles	**62**	61
Plant and equipment	**34**	34
	346	350

The Group presents lease liabilities in borrowings in the Consolidated Balance Sheet. The amounts included within borrowings are as follows:

	2019 €m	1 January 2019* €m
Lease liabilities:		
Current	**78**	73
Non-current	**299**	307
	377	380

* In 2018, the Group recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 only. For adjustments recognised on adoption of IFRS 16 on 1 January 2019 please refer to Note 3.

Additions to the right-of-use assets during 2019 were €87 million, of which €8 million related to acquired right-of-use assets (Note 15).

Amounts recognised in the Consolidated Income Statement

The Consolidated Income Statement includes the following amounts relating to leases:

	2019 €m
Depreciation charge of right-of-use assets:	
Land and buildings	**44**
Vehicles	**31**
Plant and equipment	**12**
	87
Interest expense on lease liabilities	**11**
Expenses relating to short-term leases	**11**
Expenses relating to leases of low-value assets	**2**
Expenses relating to variable lease payments not included in the lease liabilities	**6**

Lease commitments for short-term leases are similar to the portfolio of short-term leases for which the costs were expensed to the Consolidated Income Statement.

Amounts recognised in the Consolidated Statement of Cash Flows

	2019 €m
Total cash outflow for leases	**113**

16. Leases (continued)

Leasing activities

The Group enters into leases for a range of assets, principally relating to property. These property leases, which consist of office buildings and warehouses, have varying terms, renewal rights and escalation clauses, including periodic rent reviews linked with indices. The Group also leases vehicles which include motor vehicles for management and sales functions and trucks for distribution. Plant and equipment includes a lease for a cogeneration facility (previously classified as a finance lease under IAS 17).

The effect of excluding future cash outflows arising from variable lease payments, termination options, residual value guarantees, and leases not yet commenced from lease liabilities was not material for the Group. Income from subleasing and gains/losses on sale and leaseback transactions were not material for the Group. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

Extension and termination options

Extension and termination options are included in a number of property, equipment and vehicle leases throughout the Group. They are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining whether or not a renewal or termination option will be taken, the following factors are normally the most relevant.

- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate).
- If leasehold improvements are expected to have a significant remaining value, when the option becomes exercisable, the Group is typically reasonably certain to extend (or not to terminate).
- Strategic importance of the asset to the Group.
- Past practice.
- Costs and business disruption to replace the asset.

The lease term is reassessed if an option is actually exercised (or not exercised) and this decision has not already been reflected in the lease term as part of a previous determination. The assessment of reasonable certainty is revised only if a significant change in circumstances occurs, which affects this assessment, and this is within the control of the lessee.

Comparative lease disclosures under IAS 17

Operating leases

Future minimum lease payments under non-cancellable operating leases were as follows:

	2018 €m
Within one year	82
Within two to five years	166
Over five years	84
	332

The Group leased properties, plant and equipment and vehicles under operating leases. The leases had various terms, escalation clauses and renewal rights.

16. Leases (continued)

Finance leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	2018	
	Minimum payments €m	Present value of minimum payments €m
Within one year	2	2
Within two to five years	8	5
Over five years	14	12
Total minimum lease payments	24	19
Less: amounts allocated to future finance costs	(5)	–
Present value of minimum lease payments	19	19

The Group had an arrangement in place in relation to a cogeneration facility that did not take the legal form of a lease but conveyed the right to use the underlying assets in return for a series of payments. This arrangement had been assessed as having the substance of a finance lease arrangement.

Supplementary Financial Information

Alternative performance measures

The Group uses certain financial measures as set out below in order to evaluate the Group's financial performance. These Alternative Performance Measures ('APMs') are not defined under IFRS and are presented because we believe that they, and similar measures, provide both SKG management and users of the Consolidated Financial Statements with useful additional financial information when evaluating the Group's operating and financial performance.

These measures may not be comparable to other similarly titled measures used by other companies, and are not measurements under IFRS or other generally accepted accounting principles, and they should not be considered in isolation or as substitutes for the information contained in our Consolidated Financial Statements.

The principal APMs used by the Group, together with reconciliations where the non-IFRS measures are not readily identifiable from the Consolidated Financial Statements, are as follows:

EBITDA

Definition

EBITDA is 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. It is an appropriate and useful measure used to compare recurring financial performance between periods. A reconciliation of profit/(loss) to EBITDA is included below:

Reconciliation of Profit/(Loss) to EBITDA

	2019 €m	2018 €m
Profit/(loss) for the financial year	**484**	(639)
Income tax expense (after exceptional items)	**193**	235
Deconsolidation of Venezuela	**-**	1,270
Exceptional items charged in operating profit	**178**	66
Net finance costs (after exceptional items)	**209**	173
Share of associates' profit (after tax)	**(2)**	-
Share-based payment expense	**41**	24
Depreciation, depletion (net) and amortisation	**547**	416
EBITDA	**1,650**	1,545

EBITDA margin

Definition

EBITDA margin is a measure of profitability by taking our EBITDA divided by revenue.

	2019 €m	2018 €m
EBITDA	**1,650**	1,545
Revenue	**9,048**	8,946
EBITDA margin	**18.2%**	17.3%

Operating profit before exceptional items
Definition
Operating profit before exceptional items represents operating profit as reported in the Consolidated Income Statement before exceptional items. Exceptional items are excluded in order to assess the underlying financial performance of our operations.

	2019 €m	2018 €m
Operating profit	**884**	1,039
Exceptional items	**178**	66
Operating profit before exceptional items	**1,062**	1,105

Pre-exceptional basic earnings per share
Definition
Pre-exceptional basic EPS serves as an effective indicator of our profitability as it excludes exceptional one-off items and, in conjunction with other metrics such as ROCE, is a measure of our financial strength.
Pre-exceptional basic EPS is calculated by dividing profit attributable to owners of the parent, adjusted for exceptional items included in profit before income tax and income tax on exceptional items, by the weighted average number of ordinary shares in issue. The calculation of pre-exceptional basic EPS is shown in Note 9.

Free cash flow ('FCF')
Definition
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. We use free cash flow to assess and understand the total operating performance of the business and to identify underlying trends.

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 from 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 below. 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 are shown separately in the IFRS cash flow. It also includes right-of-use 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.

A reconciliation of free cash flow (APM) to cash generated from operations (IFRS measure) is included below:

Reconciliation of Free Cash Flow to Cash Generated from Operations

	2019 €m	2018 €m
Free cash flow	**547**	494
Reconciling items:		
Cash interest	**156**	155
Capital expenditure (net of change in capital creditors)	**711**	561
Tax payments	**222**	193
Sale of property, plant and equipment	**(4)**	(4)
Lease terminations/modifications (in 'Other' in summary cash flow)	**(9)**	-
Profit on sale of property, plant and equipment – non-exceptional	**(3)**	(3)
Receipt of capital grants (in 'Other' in summary cash flow)	**(2)**	(2)
Dividends received from associates (in 'Other' in summary cash flow)	**(1)**	-
Non-cash financing activities	**1**	(1)
Cash generated from operations	**1,618**	1,393

Return on capital employed ('ROCE')
Definition
ROCE measures profit from capital employed. It is calculated as operating profit before exceptional items plus share of associates' profit (after tax) divided by the average capital employed (where average capital employed is the average of total equity and net debt at the current and prior year end).

	2019 €m	2018 €m
Operating profit before exceptional items plus share of associates' profit (after tax)	**1,064**	1,105
Total equity – current year end	**2,993**	2,890
Net debt – current year end	**3,483**	3,122
Capital employed – current year end	**6,476**	6,012
Total equity – prior year end	**2,890**	2,659
Net debt – prior year end	**3,122**	2,805
Capital employed – prior year end	**6,012**	5,464
Average capital employed	**6,244**	5,738
Return on capital employed	**17.0%**	19.3%

Net debt

Definition

Net debt comprises borrowings net of cash and cash equivalents and restricted cash. We believe that this measure highlights the overall movement resulting from our operating and financial performance.

	2019 €m	2018 €m
Borrowings (see Note 13)	**3,686**	3,539
Less:		
Restricted cash	**(14)**	(10)
Cash and cash equivalents	**(189)**	(407)
Net debt	**3,483**	3,122

Net debt to EBITDA

Definition

Leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position.

	2019 €m	2018 €m
Net debt	**3,483**	3,122
EBITDA	**1,650**	1,545
Net debt to EBITDA (times)	**2.1**	2.0

Capital expenditure

Definition

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, biological assets and intangible assets.

	2019 €m	2018 €m
Property, plant and equipment	**620**	530
Right-of-use assets	**79**	8
Biological assets	**11**	11
Intangible assets	**20**	25
Total capital expenditure	**730**	574

Capital expenditure as a percentage of depreciation

Definition

Capital expenditure as defined above as a percentage of total depreciation. Total depreciation includes depreciation of property, plant and equipment, right-of-use assets, change in biological assets and amortisation of intangible assets.

	2019 €m	2018 €m
Capital expenditure	**730**	574
Depreciation	**547**	416
Capital expenditure as a percentage of depreciation	**134%**	138%

Working capital

Definition

Working capital represents total inventories, trade and other receivables and trade and other payables.

	2019 €m	2018 €m
Inventories	**819**	847
Trade and other receivables (current and non-current)	**1,674**	1,707
Trade and other payables	**(1,863)**	(1,871)
Working capital	**630**	683

Working capital as a percentage of sales

Definition

Working capital as a percentage of sales represents working capital as defined above shown as a percentage of annualised quarterly revenue.

	2019 €m	2018 €m
Working capital	**630**	683
Annualised revenue	**8,790**	9,096
Working capital as a percentage of sales	**7.2%**	7.5%

Underlying EBITDA and revenue

Definition

Underlying EBITDA and revenue are arrived at by excluding the incremental EBITDA and revenue contributions from current and prior year acquisitions and disposals and the impact of currency translation, hyperinflation and any non-recurring items.

The Group uses underlying EBITDA and underlying revenue as additional performance indicators to assess performance on a like-for-like basis each year.

	Europe 2019	**The Americas 2019**	**Total 2019**	Europe 2018	The Americas 2018	Total 2018
EBITDA						
Currency	**-**	**-**	**-**	(1%)	(9%)	(3%)
Hyperinflation	**-**	**(1%)**	**-**	-	(3%)	-
Acquisitions/disposals	**3%**	**(2%)**	**2%**	4%	(6%)	1%
IFRS 16	**5%**	**9%**	**6%**	-	-	-
Underlying EBITDA change	**(3%)**	**7%**	**(1%)**	30%	20%	27%
Reported EBITDA change	**5%**	**13%**	**7%**	33%	2%	25%
Revenue						
Currency	**-**	**-**	**-**	(1%)	(12%)	(3%)
Hyperinflation	**-**	**-**	**-**	-	4%	1%
Acquisitions/disposals	**3%**	**(4%)**	**1%**	2%	(6%)	-
Underlying revenue change	**(2%)**	**6%**	**-**	7%	8%	7%
Reported revenue change	**1%**	**2%**	**1%**	8%	(6%)	5%

The impact of new accounting standards

The application of IFRS 16, *Leases* had the following impact on our APMs:

	2019
EBITDA (million)	**€92**
EBITDA margin (%)	**100 bps**
Operating profit before exceptional items (million)	**€8**
Pre-exceptional basic EPS (cent)	**(0.9)**
Return on capital employed (%)	**(40) bps**
Free cash flow (million)	**€11**
Net debt (million)	**€356**
Net debt to EBITDA (LTM)	**0.1 x**
Capital expenditure (million)	**79**
Capital expenditure/depreciation (%)	**(714) bps**