ANNUAL REPORT 2015

GROWTH THROUGH INNOVATION

Growth through innovation

We are committed to continuous innovation in packaging solutions that deliver growth for our customers. Our global innovation combined with local expertise and rapid transfer of knowledge fosters a culture of innovation across our products, processes and people. This, combined with our insights and understanding of our customers' needs, opens opportunities that drive business success.

PAPER | PACKAGING | SOLUTIONS

Smurfit Kappa

reddot design award
winner 2015

One of the world's largest design competitions, in 2015 alone, Red Dot received more than 17,000 applications from 70 countries. Receiving this renowned award acts as proof of the excellent achievements of our designers and leads to a unique selling proposition on the market.

The Smurfit Kappa Group strives to be a customer-orientated, market led company where the satisfaction of customers, the personal development of employees, and respect for local communities and the environment are seen as being inseparable from the aim of creating value for the shareholders.

Contents

Group Profile

People employed

45,000

Hectares of Latin American forest plantations

103,000

WE OPERATE IN

21	Countries in Europe
13	Countries in the Americas

WE OWN

36	Mills (28 produce containerboard)
247	Converting Plants
51	Recovered fibre facilities /wood procurement
33	Other production facilities

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group') is one of the world's largest integrated manufacturers of paper-based packaging products, with operations in Europe, Latin America, the United States and Canada. It manufactures, distributes and sells containerboard, corrugated containers and other paper-based packaging products such as solidboard, graphicboard and bag-in-box.

The Group has two operating segments, Europe and the Americas. The Europe segment, which is highly integrated, includes a system of mills and plants that primarily produces a full line of containerboard that is converted into corrugated containers. In addition to other types of paper, such as solidboard and sack kraft paper, and paper-based packaging, such as solidboard packaging and folding cartons, this segment includes the Group's bag-in-box operations. The Americas segment comprises all the Group's forestry, paper, corrugated, paper sack and folding carton activities in a number of Latin American countries and in the United States.

The Group operates in 21 countries in Europe and is the European leader in corrugated packaging, containerboard and solidboard with key positions in several other packaging and paper market segments. We also have three bag-in-box facilities, located in Argentina, Canada and Mexico, which are managed as part of our European operations. The Group operates in 13 countries in the Americas and is the largest pan-regional producer of containerboard and corrugated containers in Latin America. In terms of world market positions, the Group is one of the largest producers of corrugated packaging.

Given the high degree of integration between the mills and its conversion plants, particularly in terms of containerboard, the Group's end customers are primarily in the corrugated packaging market, which uses the packaging for product protection and product merchandising purposes. The Group's large manufacturing footprint provides it with a competitive advantage because the corrugated packaging market is a localised market and corrugated box plants need to be close to customers (generally 300 kilometres or less) due to the relatively high cost of transporting the product. Approximately 60% of the Group's corrugated customers are in the fast moving consumer goods ('FMCG') sector, comprising food, beverage, and household consumables, the remainder being split across a wide range of different industries.

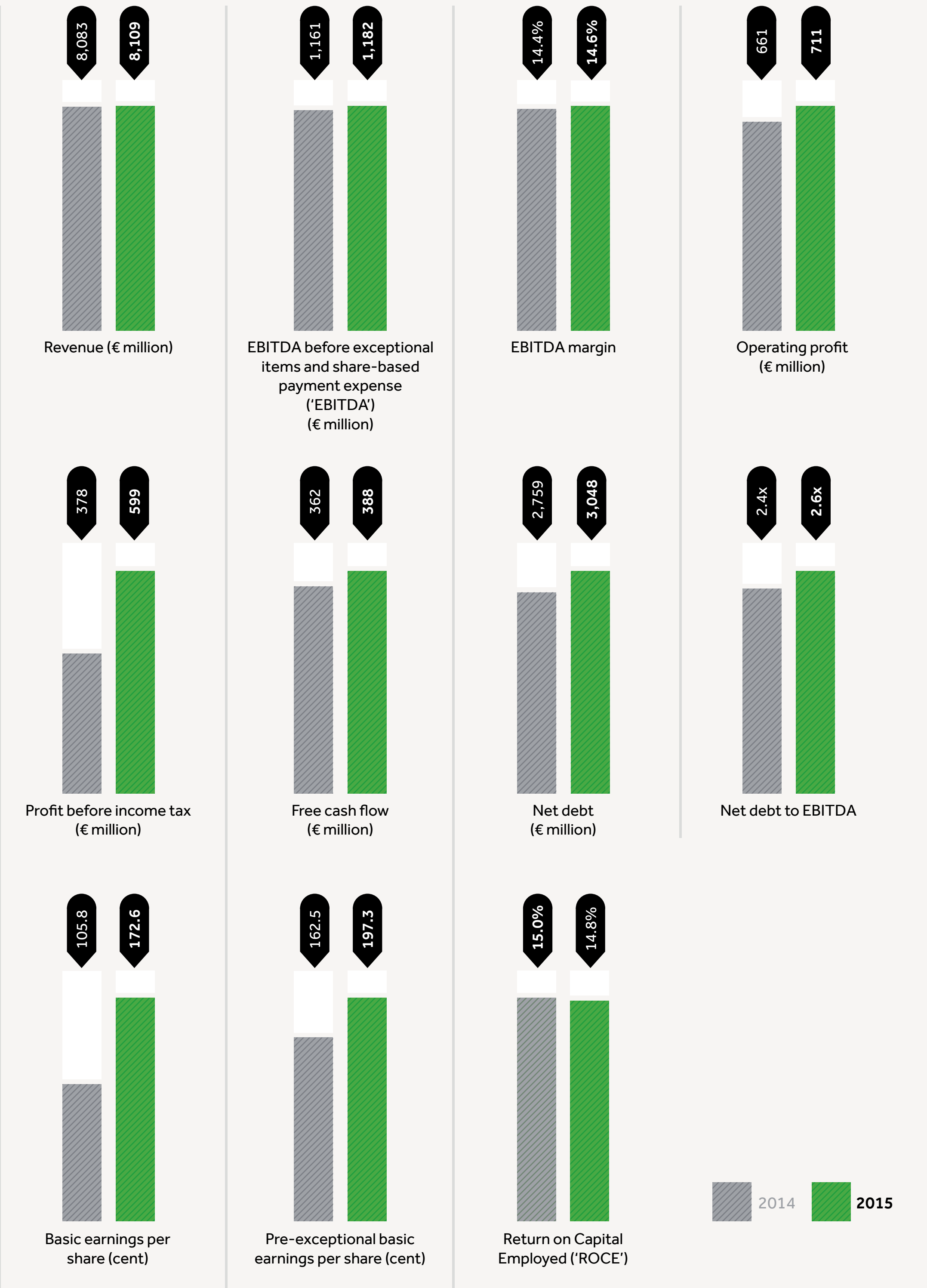
In 2015, the Group's Europe and Americas segments accounted for approximately 77% and 23% of revenue respectively.

At the date of this report, the Group owns 36 mills (28 of which produce containerboard), 247 converting plants (most of which convert containerboard into corrugated boxes), 49 recovered fibre facilities and two wood procurement operations (which together provide raw material for our mills) and 33 other production facilities carrying on other related activities. In addition, the Group owns approximately 103,000 hectares of forest plantations in Latin America.

2015 Financial Performance Overview

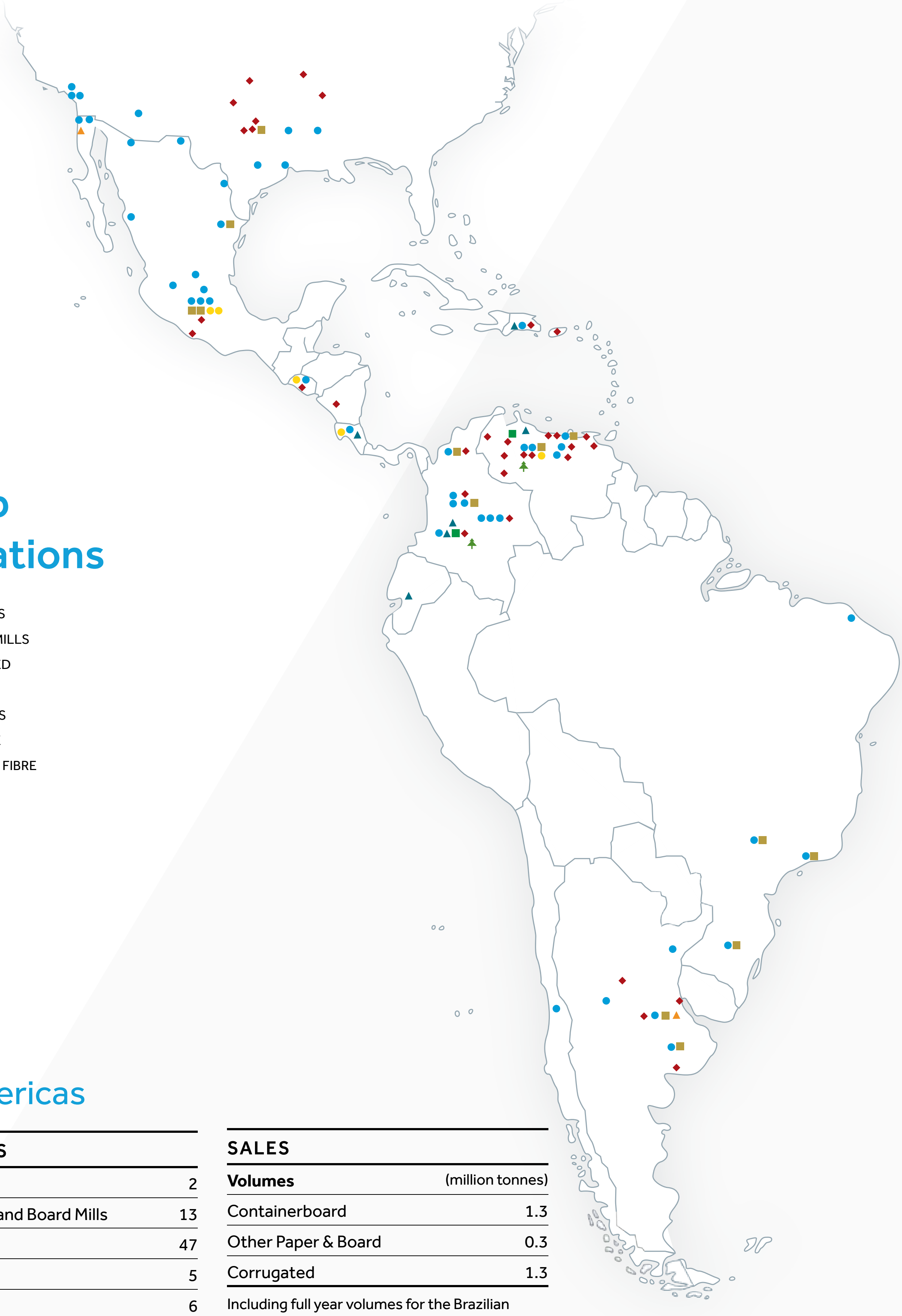
European
Market Position

in corrugated packaging and containerboard



Group Operations

- VIRGIN MILLS
- RECYCLED MILLS
- CORRUGATED
- CARTONS
- PAPER SACKS
- BAG-IN-BOX
- RECOVERED FIBRE
- FORESTRY

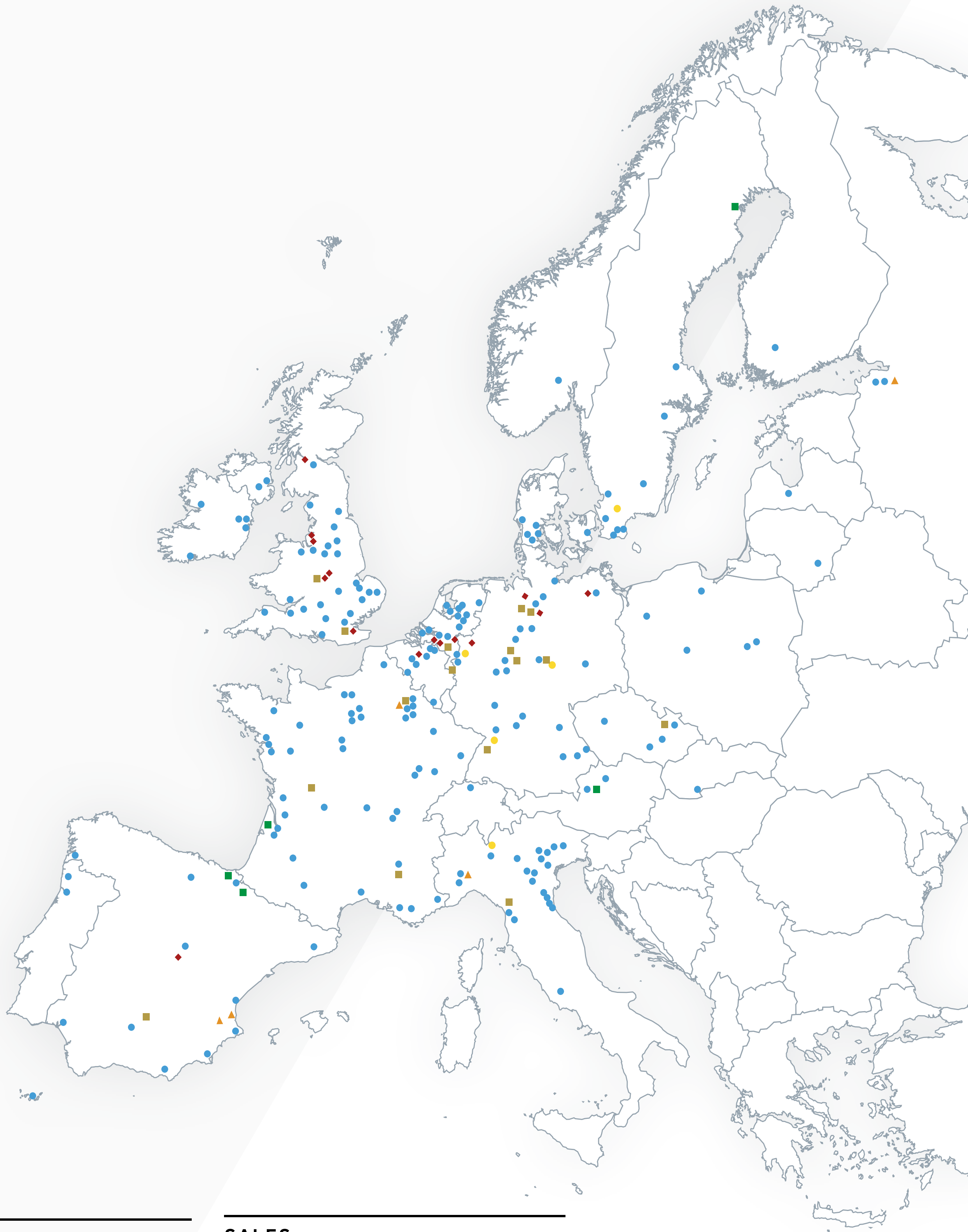


The Americas

OPERATIONS	
Virgin Mills	2
Recycled Paper and Board Mills	13
Corrugated	47
Cartons	5
Paper Sacks	6
Recovered Fibre	35
Other	8

SALES	
Volumes	(million tonnes)
Containerboard	1.3
Other Paper & Board	0.3
Corrugated	1.3

Including full year volumes for the Brazilian operations acquired in late 2015.



Europe

OPERATIONS	
Virgin Mills	5
Recycled Containerboard Mills	12
Other Recycled Paper and Board Mills	4
Corrugated	157
Cartons and Solidboard Packaging	5
Recovered Fibre	14
Other	54

SALES	
Volumes	(million tonnes)
Kraftliner	1.6
Recycled Containerboard	2.9
Other Paper & Board	0.8
Corrugated	4.4
Solidboard Packaging	0.1

Excluding the output of the solidboard operations sold in April 2015.

Chairman's Statement

Year in Review

We are pleased to report a strong 2015 outcome delivering significant improvement across all key financial and operating metrics with the Group's highest ever EBITDA of €1,182 million, ROCE of 14.8% and underlying packaging volume growth of 3% year on year.

We will continue to drive our performance by focusing on marketing and innovation initiatives for our customers, cost efficiency and financial discipline. Our objective is to continue to deliver on our target of 15% ROCE through the cycle. On behalf of the Board, I would like to acknowledge the ongoing commitment of all our employees in contributing to the continued progress made during the year.

Governance and Board

The Board and management of SKG support the highest standards of Corporate Governance and ethical business conduct. We believe that Corporate Governance is not just a matter for the Board but that a culture of high standards of governance must be promoted from the top and fostered throughout the whole organisation. We believe that governance is about ensuring that 1) we have the right strategy to deliver for our shareholders and other stakeholders, 2) the executive team is leading and managing effectively to reach our strategic goals and in doing so they are held accountable and at the same time are fairly remunerated and 3) the risks to the Group are managed and mitigated and appropriate controls are in place at all levels of the organisation. The key principles and practices designed to achieve these standards are set out in the Corporate Governance Statement. I would like to thank all of the Directors for their continued support and contribution to the development and effectiveness of the workings of the Board and its various Committees during the year.

Group Chief Executive Officer

Mr Gary McGann retired as Group Chief Executive Officer ('CEO') on 31 August 2015 after 17 years with the Group. Gary led the transformation of SKG since his appointment as CEO in 2002. Under his stewardship, the Group has more than doubled in size, consolidated its position as European market leader; increased the Group's presence in Latin America; and, re-entered the US market. He also led the Group's return to public markets in 2007 in what was the largest ever capital raising in the sector globally. On behalf of the Board I would like to thank Gary for his substantial contribution in leading the Group's growth and development over the last 13 years. We are delighted that Gary has agreed to remain with the Group as a non-executive Director.

Mr Tony Smurfit, the Group Chief Operations Officer, was appointed Group CEO Designate in May 2015 and succeeded Gary on his retirement at the end of August 2015. This followed a succession process directed by the Board details of which are set out in the Corporate Governance report on page 38. Tony has held various senior management positions across the Group in a 29 year career, and has a track record of significant achievement over many years while playing a key role in the performance and development of Smurfit Kappa. We are extremely pleased to have an experienced executive of Tony's calibre to succeed Gary as CEO.

Directors

The Board would like to express our great sadness on the passing of our Senior Independent Director and friend, Mr Nicanor Restrepo in March 2015 following a short illness. As noted in last year's report, Nicanor was a director since the IPO in 2007 and we benefitted greatly from his wise counsel and inputs. Mr Thomas Brodin has taken on the role of Senior Independent Director.

We were pleased to announce that Mr Gonzalo Restrepo in June 2015 and Mr Jim Lawrence in October 2015 were co-opted to the Board as independent non-executive Directors. Both Directors bring an extensive range of experience and skills to the Board and we believe Gonzalo and Jim will make a valuable contribution to the continuing development of SKG.

In October 2015, Mr Sam Mencoff and Mr Paul Stecko retired from the Board having been directors for 13 and 7 years respectively. The Board would like to record our sincere appreciation for the outstanding contribution of both Sam and Paul throughout their period as directors. They have been valued Board members during a period of significant growth and development for the Group and we wish them well for the future.

Since the year-end Mr Ian Curley has informed the Board of his intention to step down as Group Chief Financial Officer ('CFO') and Director on 31 March 2016. On behalf of the Board I would like to express our gratitude to Ian for his significant contribution to the successful development of the Group during his time with the Group and in particular the past 16 years as CFO. We wish him well for the future. The Board has appointed Mr Ken Bowles, Group Financial Controller as Group CFO Designate to succeed Ian on 1 April 2016.

Operational Visits

In July 2015, the Board travelled to the United States and visited our Forney mill and our Forth Worth corrugated operations in Texas. The Board was also pleased to meet and review strategy and performance with the senior management teams from the Americas. In October 2015 the Board travelled to Amsterdam to visit our Global Experience Centre at Schiphol Airport which had opened in April 2015. As noted in previous years, these visits play a hugely important role in giving the Board a first-hand view of the nature, extent, and differing characteristics of our local businesses, and their strategic positioning in an overall Group and industry context. They also provide valuable direct access for local and regional people to interface directly with the Board. As is the case throughout the Group, the Board came away impressed with the quality of our businesses and the ability and vitality of our local teams who play such an important part in delivering overall Group results. During 2015, I made additional visits to facilities in Argentina, Chile, Colombia, Germany, Italy, Mexico, the Netherlands, Spain and the United States, covering mills, corrugated plants and other operations.

Differentiation

SKG continues to be the best positioned supplier of differentiated paper-based packaging solutions in its chosen markets of Europe and the Americas. We provide customers with innovative, consumer focused, sustainable and cost efficient packaging and logistical solutions that help to drive the sale of our customers' products. The Group seeks to differentiate itself in the market through better insights, superior service, quality, delivery and customer relationships. SKG is clearly established as a committed partner to many of our key customers, working in their industries and in many cases within their operations to define and meet their increasingly complex packaging needs. This is evidenced by the sizeable market share that SKG has with the major international branded companies as well as local customers in the 34 countries in which we operate. Customer partnering is an area in which SKG continues to give significant focus and which will be the beneficiary of further developments over the next couple of years.

Sustainability

Sustainability and social responsibility remain core values at SKG. They are at the heart of how we operate and interact with customers, suppliers, employees and the communities in which we are privileged to do business. We see sustainability as a key business driver providing challenges and business opportunities and is therefore one of our key platforms for differentiation in a competitive market. I am very pleased to acknowledge the third party recognition of our work in this area and especially the awards which we have received from key customers and industry groups. This is covered in greater detail in our eighth Sustainable Development Report which was produced in June 2015 and is available on our website: smurfitkappa.com. A summary of this report is contained on page 33 to 35 of this Annual Report. A further such report will be issued in 2016.

Acquisitions

The Group completed the acquisition of seven businesses across nine countries in 2015 for a total consideration of over €380 million. The Group was pleased to successfully complete the acquisitions of two businesses in Brazil, in December, which combined equate to an approximately 5% market share in the largest market in Latin America. These acquisitions in 2015 represent tangible evidence of SKG's commitment to not only grow organically but also to develop and strengthen our global reach which allows us to improve our packaging offering to our multinational customers.

Capital Structure

Following a period of significant debt pay down and debt refinancing from 2009 to 2013 the Group has established its credentials as a strong cross-over credit in the debt market. The Group's materially enhanced financial flexibility has facilitated the completion of the acquisitions during 2015 without any significant impact on the Group's overall leverage position year-on-year. The Board has confirmed its commitment to maintaining its current credit rating at Ba1 / BB+, and the Group's strong free cash flow generation will continue to comfortably support the Group's stated leverage range.

Review of Stock Exchange Listing Arrangements & Share Trading Currency

The Board confirms it is reviewing the listing arrangements of SKG's shares and reviewing SKG's share trading currency. Specifically it is considering transferring the listing category of SKG's ordinary shares on the Official List of the United Kingdom Listing Authority ('UKLA') from a Standard to a Premium Listing, subject to clearance from the UKLA. The Group switched trading in the ordinary shares on the London Stock Exchange from euro to Sterling on 1 March 2016. The Company remains committed to retaining an Irish Stock Exchange euro denominated listing, which will continue to provide access to a wide range of international investors.

The Board believes that these changes will position the Company for potential future admission to the UK Series of FTSE Indices, subject to meeting the eligibility criteria including applicable securities trading requirements.

Dividends

The Board's confidence in the strength of the business is reflected in a proposed 20% increase in the final dividend to 48 cent per share. Combined with an interim dividend of 20 cent per share paid in October 2015, this will bring the total dividend to 68 cent, a 23% increase year-on-year. Our dividend is a core component of our commitment to driving value for shareholders.

Outlook

Having established a strong platform for growth over the past few years, we expect to deliver good earnings growth in 2016. While this will, to some extent, be influenced by the broader macro-economic environment, we are confident our current investment initiatives, our geographic diversity, our integrated business model and our strong free cash flow generation positions us well for 2016 and beyond.

Liam O'Mahony

Liam O'Mahony
Chairman

Growth through **Innovation**

reddot design award

Winner of a Red Dot Award 2015, the Protective Wings pack is constructed from a single piece of FSC® certified corrugated board, with folding wings as a buffer zone to lift and protect the device from free-floating during transport, perfect for tech companies who need to transport tablets, laptops and smartphones.

Benefits vs previous solution

- Uses 36% less material
- Requires half the set-up time
- Zero damage in transit

269mm

36%

reduction in material used and costs less to produce than the previous Acer packaging

143mm


acer
explore beyond limits™
acer
acer
DHL ZERTIFIZIERTE VERPACKUNG
acer
www.acer.com

Chief Executive's Review

2015 Overview

The EBITDA result for 2015 of €1,182 million, which is a record for the Group, indicates solid progress across most metrics, underscoring the strong underlying performance and the resilience of our geographically diversified and vertically integrated business model.

In Europe, SKG's underlying corrugated volumes grew by 3% year-on-year reflecting good levels of demand across most countries and market segments. Corrugated pricing increased by 1% sequentially on the third quarter following earlier positive developments in the containerboard market. We have seen some further positive impact of this in early 2016.

In the Americas, our underlying business has grown strongly as a result of solid performances in most markets and steady delivery of over €320 million of acquisitions in five countries in the region over the course of the year. The profile of our Americas business is primarily weighted to the US, Mexican and Colombian markets, which accounted for over 80% of the Americas' EBITDA in 2015.

Following €160 million of acquisitions in 2014, the Group completed the acquisition of seven businesses across nine countries in 2015 for a total consideration of over €380 million. The Group was pleased to successfully complete the acquisitions of two businesses in Brazil, in December, which combined equate to an approximately 5% market share in the largest market in Latin America. The transaction was completed at a post synergy valuation of 6.3 times EV / EBITDA. Commercially, the expansion into Brazil will allow SKG to better service its international customers across Latin America, significantly boosting its total service footprint while offering a compelling platform for further growth in a still fragmented market. We also completed the disposal of the Group's solidboard operations in Belgium, the Netherlands and the UK with net assets disposed amounting to €41 million.

The Group has a proven track record of quality earnings delivery and strong free cash flows through the cycle, and a key pillar of this solid operational performance has been the Group's commitment to its cost take-out programme. Having met our target of €75 million in 2015, we expect to deliver a further €75 million of cost reductions in 2016.

The Group delivered a strong free cash flow performance in 2015 resulting in a 7% increase in free cash flow year-on-year to €388 million. Lower working capital outflows and cash interest contributed a net €30 million while outflows in respect of exceptional items associated with the impact of the adoption of the Simadi rate in Venezuela, and restructuring charges relating to the Group's European rationalisation programme completed in 2015, are not expected to reoccur in 2016.

Capital Structure

During the first quarter of 2015, the Group undertook two transactions, which combined have further reduced our annual cash interest by €3 million and extended our average maturity profile. In February 2015, the Group issued a €250 million ten-year bond at a coupon of 2.75%, the proceeds of which were used to prepay term debt under its Senior Credit Facility. This successful bond financing enabled the Group to amend and extend its Senior Credit Facility in March 2015 at a reduced level of €1.1 billion, extend the maturity date to March 2020 and reduce the margin by 0.65%.

Following acquisitions of over €380 million in 2015, including the Brazilian acquisitions in December, the Group increased the Term Loan under its Senior Credit Facility from €500 million to €750 million in February 2016. The margin on the additional facility is 1.60%, similar to that on the existing Term Loan. The proceeds will be substantially applied to reduce the drawings under the revolving credit facility, thereby further improving the Group's liquidity. With net debt to EBITDA at 2.4 times adjusting for the Brazilian acquisitions in December, a long dated maturity profile and EBITDA to cash interest cover of almost 10 times at the end of 2015, the Group remains a strong Ba1 / BB+ rated company. The Group will continue to balance the maintenance of a strong capital structure with its growth objectives through 2016.

New Management Structures

Following my appointment as CEO, in September 2015, we announced a new management structure which is expected to meaningfully contribute to the continued growth and development of the business through enhanced integration across the operations.

Effective 1 October 2015, Roberto Villaquiran, previously the CEO Corrugated Europe, assumed the new role of CEO Europe with overall responsibility for the existing European Paper and Corrugated divisions. Roberto reports directly to me. Reporting to the European CEO are two new Chief Operations Officers ('COO') in Paper Europe and Corrugated Europe. Laurent Sellier has been appointed to the new role of COO, Paper Europe, and Saverio Mayer to the new role of COO, Corrugated Europe.

In the Americas, the senior management of the region remains unchanged, with Juan Guillermo Castaneda as CEO continuing to report to me.

Commercial Offering and Innovation

Smurfit Kappa continuously seeks to improve the packaging service offering for its customers through constant innovation and services development. In recent years, the Group has been at the forefront of the industry in developing effective and cost efficient solutions for our customers across a range of areas such as performance packaging, quality management, supply chain optimisation and strong sustainability credentials. This development has been driven by a service culture adopted throughout the business, and an unparalleled combination of depth and breadth in our offering to the customer. It is further strengthened by the Group's geographic diversity - with a presence in 34 countries across three continents, Smurfit Kappa has the largest packaging footprint of any global supplier. This allows for robust insights into most market segments and the quick transfer of knowledge and expertise across the globe, offering customers fast, credible solutions supported by a suite of bespoke tools. Such a profile ensures that the Group continues to attract top talent for future development.

Throughout 2015, the Group's differentiation initiative has progressed to a point of integration within the business, and is delivering tangible results through greater engagement with our customers on issues important to them. During 2015, we opened a new Global Experience Centre at Amsterdam's Schiphol Airport which is the showcase hub for a global network that harnesses groupwide expertise to develop packaging solutions together with customers, and is one of the largest packaging Experience Centres in the world. The Group's ShelfSmart approach, launched in 2015, is continuing to gain traction with our customers and is also attracting new customers to Smurfit Kappa. A scientific approach to instore marketing, ShelfSmart delivers benefits through improved visibility, navigation and increased quality perception for brands. With a large proportion of FMCG customers, this is a value added service that will continue to drive growth for Smurfit Kappa and translate into increased sales for customers.

In support of this innovation, the Group invested over €85 million in Europe on 20 new conversion machines which entered production in 2015. In addition, a major focus is also put on maximising the efficiency of existing machinery while simultaneously measuring and improving quality performance. This is done through strong local management, focused investment and target setting using the Group's internal benchmarking systems, which can compare individual work teams on comparable machines in any plant throughout the Group.

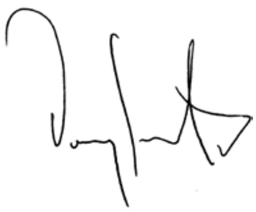
I would like to thank all our customers worldwide, for the continuing confidence and trust they place in us and we look forward to continuing to work with them to enhance their success in their marketplace.

Corporate Social Responsibility

In its eighth annual Sustainable Development Report, released in June 2015, SKG highlighted its continued progress and commitment to social and environmental best practices. Our contribution to meeting some of these societal challenges was recognised when we were listed on the FTSE4Good index in recognition of our continuing efforts to minimise our impact on the environment and to increase the social benefit we create. This continues to be a high priority for the Group in fulfilling its obligation to its customers, its employees, the communities in which we are privileged to operate and the environment from which we draw our natural resources.

Our People

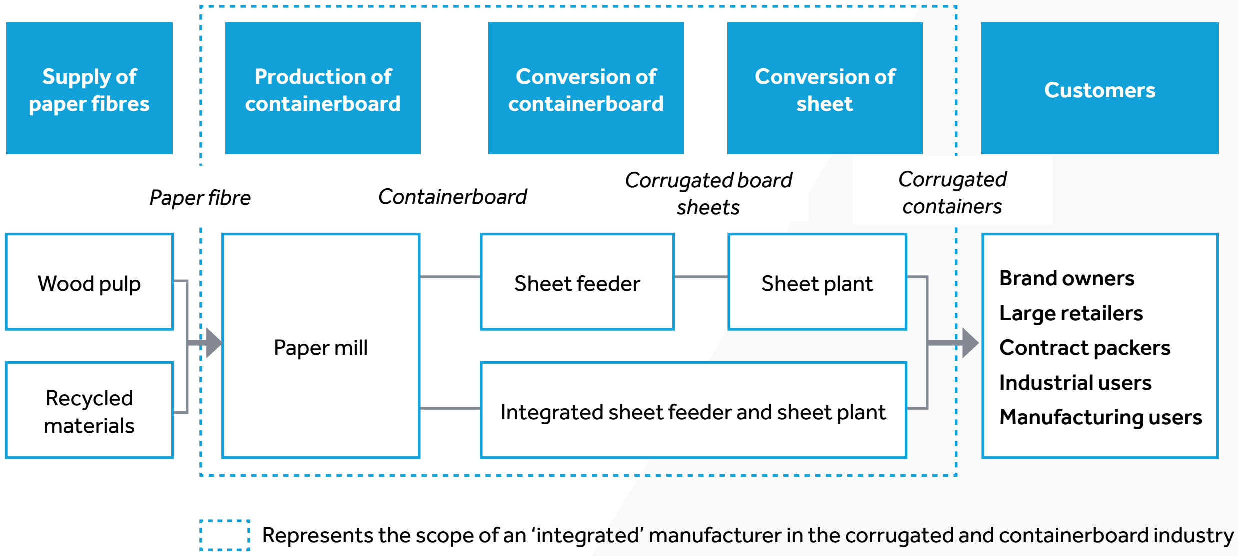
Our key competitive advantage and point of differentiation is our people, both individually, but in particular working as cohesive teams. Our continued focus is on recruiting, developing, motivating and retaining skilled employees dedicated to working as a team to support and service our diverse customer base. For the first time in our company's history and as part of our continuing commitment to invest in the development of our employees we launched a global engagement survey, My Voice, giving our employees a greater voice in shaping the future direction of our company. I would like to acknowledge the effort and commitment of our approximately 45,000 employees in the 34 countries in which we operate for their significant contribution to the results achieved in 2015. We look forward to the challenges and opportunities of 2016 and to continuing our efforts to make SKG the safest and most customer focused company in which to work in our industry.



Tony Smurfit
Group Chief Executive Officer

Business Model

Production Process and Supply Chain for Corrugated Containers



The Group generates a significant portion of its revenue from packaging products for FMCG (including food, beverages and household consumables). Demand for consumer staples, and by extension demand for SKG's products, is resilient especially during periods of economic downturn. While the Group is involved at all levels of the supply chain, the Group's final products are designed to protect, transport and assist in the promotion and marketing of the Group's customers' products to their end consumers. We believe that an integrated model, from the sources of fibre to end products, is the most cost effective and efficient way to provide innovative packaging, logistical solutions and high quality service to the Group's customers.

The Group's recycling, wood procurement and forestry operations provide raw material to its mills which is processed into paper for its corrugated converting plants. Similarly, the Group's solidboard, recycled boxboard and sack kraft mills are integrated with our respective solidboard packaging, folding carton and paper sack operations. The benefits of this integration in the Group's main business area includes:

- security of paper supply during periods of market fluctuation where major producers decrease utilisation or implement closures;
- the ability to offer products tailored to the requirements of end customers (such as quality, grades and innovation) through the Group's control of the supply chain;
- the capability to innovate in a sustainable manner through the whole supply chain in areas such as original fibre, paper recipes, technology advances, structural and graphic design;
- lower exposure to volatility in containerboard prices and, in regions in which SKG owns forests, to recovered paper prices;
- achieving efficiencies in the supply chain, including through paper machine optimisation, management of logistics; and
- the ability to provide better service to corrugated container customers through innovation and tailored services.

Strategy

The Group's objective is to develop long-term customer relationships by providing customers with differentiated packaging solutions that enhance the customers' prospects of success in their end markets. In that context, by generating strong sustainable revenue and profitability, together with judicious capital allocation decisions we expect to deliver an increasingly strong return on capital through the cycle. This objective is underpinned by the Group's clearly stated ambition to maintain its premier position in the industry by delivering superior customer satisfaction; pursuing cost and operating efficiencies; maintaining proactive environmental awareness; and reinforcing its commitment to continuous improvement in the areas of health and safety and corporate social responsibility.

The Group's objectives and strategies are:

- to expand its market positions in Europe and the Americas through selective focused growth, including:
  - organic growth from increased market share through consolidating, and where appropriate, extending its leadership position. This will be achieved by deepening the Group's customer relationships at an international and local level through a relentless pursuit of innovative initiatives that assist the customers' market impact and optimises their supply chain activities; and
  - the pursuit of accretive acquisitions in higher growth markets such as Eastern Europe and Latin America.

- to become the supplier/partner of choice of its customers by:
  - deepening SKG's understanding of its customers' world and developing proactive initiatives to improve their offering;
  - constantly innovating its products, service, quality and delivery in order to develop and/or maintain preferred supplier status; and
  - pursuing superior performance measured against clearly defined metrics in all aspects of its business and at all levels in its organisation.

- to focus on enhancing its operational excellence, from the offering to the customers' end markets by relentlessly pursuing the continuous upgrade of its customer offering. This will be facilitated by:
  - improving the output from the Group's high quality asset base through judicious capital investment, continuous improvement programmes, transfer of best practice, industrial engineering, and other progressive initiatives emanating from its technical and scientific experts;
  - increasing the proportion of differentiated ideas, products and services on offer to its customers through the use of the Group's development and technology centres and its innovation tools, and delivering the results to customers operating in its widely based international footprint; and
  - ensuring that the driving force behind all its operations, whether in the converting operations, the mill divisions or the support areas is one of customer satisfaction and excellence in the marketplace.

- to recruit, retain, develop, and motivate the best people who will excel in a dynamic progressive company, thereby achieving their full potential. We will do this through:
  - high quality graduate and other recruitment initiatives, progressive goal setting, and performance appraisal programmes;
  - focused job training and coaching;
  - cross divisional in-house development programmes; and
  - selective executive development programmes.

- to maintain a disciplined approach to capital allocation and maintain the focus on cash generation as a fundamental measure of the success of its strategy.

Growth through **Experience Centres**

Smurfit Kappa EXperience Centre

Our network of Experience Centres gives customers hands-on, real-time insights into how to meet their business needs, through the implementation of packaging solutions and service innovations designed to maximise their business success.

40%

up to 40% of the visual impact of products viewed on a shelf comprises secondary packaging.

269mm

143mm


Processing Products
PRODUCING BOXES — AND SO MUCH MORE BESIDES
FOR ALL LIGHT WEIGHT STRUCTURES BENDING REDUCTION IS KEY
Smurfit Kappa

Principal Risks and Uncertainties

The Board determines the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. Risks are identified and evaluated and appropriate risk management strategies are implemented at each level in the organisation. Further details of our risk management process are set on page 41 in the Corporate Governance Statement. The principal risks and uncertainties, together with the principal mitigation measures are set out below.

Risk Area	Risk Description	Mitigation
Economic	If the current economic climate were to deteriorate and result in an increased economic slowdown which was sustained over any significant length of time, or the sovereign debt crisis (including its impact on the euro) were to re-emerge and intensify, it could adversely affect the Group's financial position and results of operations.	▶ The Group supplies 60% of its packaging to FMCG customers whose consumption volumes remain relatively stable through market downturns. ▶ The Group's customer base is spread across Europe and the Americas spanning 34 countries across multiple industries. ▶ The Group could significantly curtail capital expenditure and take additional cost cutting measures within a relatively short period as required. ▶ Stress testing for the viability statement indicates we will continue to have significant headroom on our covenants even in a sustained downturn.
Pricing	The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.	▶ As a highly integrated player we are better able to cope with the effects of cyclicality and capacity additions than a pure paper or corrugated producer. ▶ Our differentiation programmes ensure we are at the forefront of the industry in developing cost efficient solutions for our customers through performance packaging, quality management, supply chain optimisation and strong sustainability credentials. This service offering distinguishes the Group from pure commodity suppliers, providing a support for more stable pricing. ▶ Our continuous investment programmes in our operations ensure we remain competitive and have low cost mill systems. In an environment of overcapacity, our well invested, low cost mill system will enable the Group to continue economic production through a period of lower prices while higher cost mills will be forced to shut.
Business interruption	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.	▶ The Group ensures that all facilities have adequate insurance to mitigate the impact of significant interruption. ▶ Operational contingency plans are in place for all mills and plants in the event of a shutdown, which have been demonstrated to work during shorter interruptions in the past. ▶ In Europe, the Group has a network of operations which can facilitate the transfer of significant volume to other mills in the event of a shutdown. Furthermore, our European Paper Sourcing operation centrally coordinates all external paper purchases for the European operations. ▶ There is continuous investment in a rigorous programme of preventative maintenance for all key mills and other plants.
Raw materials and other input costs	Price fluctuations in raw materials and energy costs could adversely affect the Group's manufacturing costs.	▶ The Group maintains a dedicated purchasing function which has responsibility for all input costs and ongoing cost reduction programmes. ▶ The Group maintains a strong supply arrangement on approximately 75% of its recovered fibre requirements which provide it with security of supply for its primary raw material while maintaining an optimum level of flexibility with respect to pricing. ▶ In line with the usual time lag, the Group would expect implemented containerboard price increases to support corrugated price recovery of increased input cost. ▶ A proactive policy of forward pricing is in place which is designed to minimise where possible material short-term volatility in energy price risk within approved parameters. ▶ The Group continually invests in a range of cost reduction projects, primarily in the areas of energy and raw material efficiency, that can deliver demonstrable economic returns.

Risk Area	Risk Description	Mitigation
Currency	The Group is exposed to currency exchange rate fluctuations.	▶ The Group ensures that short-term trading exposures are hedged and where practical are financed as much as possible in local currency. ▶ The Group continually monitors and manages our foreign currency exposures for all countries and constantly seeks opportunities to reduce these exposures. Our Group Treasury Policy sets out rules and guidance for managing in this area.
Employee recruitment and retention	The Group may not be able to attract and retain suitably qualified employees as required for its business.	▶ Continuous development by our HR department of a People Strategy to attract, engage, train, motivate and retain our people. ▶ My Voice survey initiated to measure employee engagement and set future priorities as well as programmes to increase engagement. ▶ Processes in place to identify and develop our high potential people together with a continuous focus on leadership training and succession planning. ▶ Development of our existing competitive remuneration packages and review processes. ▶ Reinforcement of our talent recruitment strategy (universities, graduate programmes etc), to attract highly talented people with the potential to become the future leaders of the Group.
Legislation & regulation	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's environmental structure ensures each mill has a manager who is responsible for environmental issues including monitoring air, noise and water emissions and ensuring that the mill is running within its permits. ▶ The Group's environmental management is in contact with appropriate local authorities and environmental upgrades are made in consultation with them. ▶ All our paper and board mills with the exception of our newly acquired mills in Brazil are operated under an EMS (Environmental Management System) (ISO 14001). ▶ The Group has an IT reporting system in over 300 sites ensuring environmental data is reported on a regular basis. ▶ We have a centralised co-ordination of all environmental activity providing a key interface to the EU, supported by a committee of senior executives who meet regularly to review such issues, and report directly to the CEO.
	The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.	▶ Group Competition Law Compliance policy is in place and communicated to all employees. All senior management are required to formally confirm adherence to the policy by signing a Competition Law Compliance Certificate on an annual basis. ▶ Group General Counsel advises and supports employees and management in this area. ▶ Regular communication and promotion of Competition Law Compliance and other similar legislation to staff and local management. ▶ Continuous process to ensure understanding of issues and implications of regulatory and legislative amendments.
Cyber and information security	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 systems.	▶ Formally documented policies in relation to information security including cyber security are in place. ▶ The Group maintains a framework to ensure awareness at each level of the organisation with regard to the implementation of cyber security. This framework is regularly audited. ▶ Specific controls are in place to prevent and detect security issues relating to business critical systems. ▶ Defined business continuity and IT disaster recovery plans are in place and are frequently tested. ▶ The Group is committed to ongoing capital expenditure as appropriate to continually enhance the IT infrastructure.

Operations Review

We invested over €380 million in acquisitions in 2015 to strengthen and diversify our geographic reach and drive earnings. During the year we invested €450 million to optimise the asset quality in our system and our investments in high return capital investment projects are now also delivering incremental EBITDA growth. We are continually enhancing the breadth and depth of our service offering for customers, while consistently lowering operating costs through our supply chain.

The Group continues to make good progress on its three-year programme of 'Quick Win' capital expenditure projects. In its second year, the programme delivered a meaningful EBITDA contribution of €17 million in 2015. The Group expects to deliver incremental EBITDA of €25 million in 2016, with the remaining €33 million of incremental EBITDA in 2017 in line with the Group's overall target of €75 million from the programme. The projects are generally insensitive to volume variances and are subject to two key criteria; a) that their associated internal rates of return must be in excess of 20% and b) that their payback periods should be less than three years. With €70 million of the related capital expenditure incurred to date, a further €80 million of investment in 2016 and 2017 will bring the total capital investment in these projects to €150 million.

Capital expenditure in total amounted to €451 million in 2015 and equated to 123% of depreciation compared to 120% in 2014. Capital expenditure is expected to remain at approximately this level in 2016 as the Group completes a number of high return investments in its mill systems in Europe and the Americas along with the 'Quick Win' programme.

In addition to our capital expenditure programme, we have further expanded our operations in 2015 through acquisitions in both Europe and the Americas. Following over €160 million of acquisitions in 2014, the Group completed the acquisition of seven businesses across nine countries in 2015 for a total consideration of over €380 million, including acquired debt.

In the first half of 2015, we completed four transactions including two sizeable acquisitions; the US$105 million acquisition of Cybsa, a corrugated packaging business in Costa Rica and El Salvador, and the STG£44 million acquisition of the Inspirepac corrugated and high-end display business in Northern England. In addition, the Group completed two smaller bolt-on acquisitions, the European and Mexican operations of Hexacomb, a protective packaging business, and Beacon Packaging in the UK. In the third quarter, the Group acquired Nigua, a paper sack business in the Dominican Republic.
In December 2015, the Group successfully completed the acquisition of two businesses, INPA and Paema, in Brazil, which combined have an approximate 5% share of the largest market in Latin America. The transaction was completed at a post synergy valuation of 6.3 times EV / EBITDA. Commercially, the expansion into Brazil will allow SKG to better service its international customers across Latin America, significantly boosting its total service footprint while offering a compelling platform for further growth in a still fragmented market.

In January 2016, the Group completed the acquisition of Sound Packaging, a corrugated packaging business in Arizona and the integration of this business is now underway. In February 2016, the Group completed the acquisition of Empire Packaging, a sheet plant located in Los Angeles. Following the acquisition of Smurfit Kappa Orange County ('SKOC') in November 2012, we expanded our footprint in the US with the acquisition in late 2014 of Bates, a corrugated business in Texas, and Brian Thomas, a sheet plant also based in Texas. The further expansion of the Group's corrugated operations in the US fits perfectly with SKG's integrated model, providing scope for synergies through supplying their containerboard from SKOC's 350,000 tonnes recycled containerboard mill.

Europe

The Europe segment is the larger of the Group's two segments, accounting for 77% of its revenue and 76% of its EBITDA in 2015. It comprises primarily our integrated containerboard mills and corrugated operations as well as the bag-in-box and solidboard businesses. Following the sale of the solidboard operations in Belgium, the Netherlands and the UK in April 2015, the Group continues to produce solidboard and graphicboard at its four mills in Germany and solidboard packaging products at its plants in Germany and Sweden.

The Group has facilities in 21 countries in Europe. These comprise 21 mills, 15 of which produce containerboard, 187 converting plants (the majority of which produce corrugated packaging products) and 27 other production facilities carrying on other related activities. The mills are supported by 14 recovered fibre collection facilities and two wood procurement operations.

The Group's European containerboard mill system consists of three kraftliner mills, in Sweden, France and Austria, which between them produced approximately 1.6 million tonnes of brown and white kraftliner in 2015 and 12 recycled containerboard mills which, together with a machine at our Sanguesa mill in Spain, produced approximately 2.9 million tonnes of paper. The containerboard machine at the Sanguesa mill was closed in January 2016 and is being converted to Machine Glazed ('MG') paper. The mill produced approximately 50,000 tonnes of virgin-based MG paper in 2015.

We also have a sack kraft mill in Spain, which produced approximately 150,000 tonnes of sack kraft paper in 2015. Our four other recycled mills in Germany together produced approximately 500,000 tonnes of solidboard and boxboard and 80,000 tonnes of graphicboard in 2015.

On the conversion side, the operations comprise 103 corrugated plants, which produced approximately 4.4 million tonnes (8.2 billion square metres) in 2015 and 54 sheet plants. In addition, we have 30 plants which produce high end packaging differentiation products such as litho-laminated corrugated products, display units and solidboard-based packaging – extending the range of packaging solutions within our portfolio. Our converting operations are supported by a number of other small plants producing pre-print packaging, fulfilment activities and other packaging related products. Our European managed bag-in-box operations comprise eight plants located in Europe, Argentina, Canada and Mexico.

Revenue for the Europe segment was €6.2 billion in 2015 compared to €6.1 billion in 2014, with underlying growth of €158 million reflecting a good performance from the Group's European packaging business, supported by strong fundamentals and positive containerboard pricing. Segmental EBITDA increased by €19 million to €901 million, with an underlying increase of €25 million, the equivalent of 3%.

As a result of the €30 per tonne recycled containerboard price increase in July, the Group's overall corrugated pricing increased by 1% sequentially in the fourth quarter and we expect further progress in the first quarter of 2016. The Group's underlying corrugated volumes increased by 3% year-on-year in Europe with demand steady at a high level throughout 2015.

The Group's recycled containerboard operations delivered a strong financial and operational performance in 2015 as a result of positive market dynamics and the impact of recent capital investment and cost efficiency initiatives. For the second consecutive year, the generally tight inventory position in the European market through the second half of the year supported a drive for higher prices and a €30 per tonne increase was implemented in July. With little new capacity expected to enter the market until the latter part of 2016, the Group expects the market to remain structurally balanced through 2016.

Due to the integrated nature of the Group's business, Old Corrugated Container ('OCC') remains its primary raw material and, more broadly, an important base driver of corrugated pricing in Europe. European OCC prices increased significantly in the first six months of the year and tapered somewhat in November and December to end the year at approximately €125 per tonne. This seasonal softness in pricing appears to have abated in February and continued good demand for the material, both domestically and from export markets, is expected to support prices at current levels in the near term.

In 2015, the Group's kraftliner operations delivered a strong performance as a result of good demand and aggregate price increases of €50 per tonne implemented in the twelve months to June 2015. Looking to 2016, we have seen some pressure on prices in the first quarter as the well flagged new capacity commences saleable production in Finland. However, continued good demand for the grade and some capacity closures, including the conversion of our containerboard machine at Sanguesa, can be expected to provide a positive counterweight to this process over the course of the year.

The Group's global bag-in-box operations continued to perform very well in 2015, with double digit growth year-on-year, as in 2014, in both bags and taps. This reflects both strong market demand and the benefit of a full year's output from Ibi in Spain, which commenced production in July 2014. The Group expanded its bag-in-box business to Mexico in 2015 with the start-up of a facility in Tijuana.

The Americas

The Group's operations in the Americas consist of 15 paper mills in six countries (Argentina, Brazil, Colombia, Mexico, the US and Venezuela) producing containerboard, boxboard, sack paper and printing and writing paper, with a combined production of 1.6 million tonnes in 2015, including the recently acquired Brazilian operations on a full year basis. The mills are supported by 35 recovered fibre plants in eight countries and forestry operations in Colombia and Venezuela. We have 47 corrugated plants in 10 countries with a 2015 production, including the recently acquired Brazilian operations on a full year basis, of approximately 1.3 million tonnes (2.2 billion square metres). We also have 13 other converting plants in seven countries producing mainly paper sacks or folding cartons, a preprint facility and three foam packaging plants in Mexico and two flexible packaging plants, one in the US and one in El Salvador. Together, INPA and Paema produced approximately 0.2 million tonnes of containerboard and over 0.1 million tonnes (0.3 billion square metres) of corrugated in 2015.

Reported revenue in the Americas of €1,860 million in 2015 was €87 million lower than in 2014 with net negative currency movements, primarily in respect of the Bolivar, more than offsetting the combination of underlying growth and the contribution from acquisitions, including the presence of Bates Container for a full year. Absolute corrugated volumes increased by 18% year-on-year as a result of the positive impact of acquisitions across the region and good market conditions in the larger operations. Excluding these acquisitions and Venezuela (which was down 9%), underlying volumes in the region were 3% higher than in 2014, with year-on-year growth of 5% in the fourth quarter. This was driven by improving performances across the three major markets of the US, Colombia and Mexico, which all grew well in the fourth quarter.

With currency weakness remaining an issue in the early part of 2016, the Group remains focused on implementing price increases across its existing operations and driving synergies in new acquisitions to maximise profitability in the region.

Reported EBITDA in the Americas of €306 million in 2015 was marginally higher than in 2014 with net negative currency movements again offsetting the combination of underlying growth and the contribution from acquisitions. Excluding the impact of currency movements and acquisitions, comparable EBITDA grew by 13% year-on-year.

The Group's US operations delivered good earnings growth compared to 2014, with the first full year inclusion of the Bates and Brian Thomas businesses. EBITDA margins improved during the year, primarily due to the strong performance in the 350,000 tonne recycled mill in Forney, Texas, which benefitted from lower OCC prices through the year. While the Californian business remains under pressure, volumes in the fourth quarter were encouragingly stronger than in previous periods. The Group completed the acquisition of a corrugated packaging facility (Sound Packaging) in Arizona in January 2016 and integration of the business is now underway. This was followed by the acquisition in February of Empire Packaging, a sheet plant in Los Angeles.

In Colombia, underlying volumes strengthened in the fourth quarter to a growth rate of 6% year-on-year reflecting the good position of the economy. However, currency pressures throughout 2015 resulted in reported EBITDA remaining relatively flat compared to 2014 despite historically strong EBITDA margins in local currency terms.

The Group's Mexican business grew well through 2015 with good EBITDA growth driven by a 5% increase in corrugated volumes and higher EBITDA margins. The Group continues to target corrugated price increases to offset recent currency headwinds.

With a good geographic footprint in the country, with facilities in the south, centre and north of the country, SKG is well positioned to service most segments of the market throughout Mexico. Construction of the Group's new 100,000 tonne recycled machine in Los Reyes is expected to be completed in December 2016 at a cost of US$62 million.

Venezuela remains a challenging operating environment and the Group's corrugated volume shipments declined by 9% in 2015 compared to 2014. However, following the adoption of the Simadi rate in the first quarter of 2015, the Venezuelan operations comprised less than 2% of the Group's EBITDA in 2015. SKG remains committed to its operations in the country and is focused on continuing to drive cost efficiencies through its operations to offset the deteriorating market conditions insofar as possible.

Following the elections in Argentina in December, the Argentinian Peso depreciated by 35% with the lifting of currency controls. While the event had a negative impact on the financial results in the year, it is regarded as a positive development for the economy into 2016. Despite the currency headwinds, SKG's operations reported a strong outcome in 2015 with both EBITDA and volume growth supported by price increases and significant cost take-out through higher paper integration, lower waste and logistics optimisation.

The Group's leadership position as the largest pan-regional corrugated packaging supplier in Latin America was enhanced by our recent Brazilian acquisitions. Together, INPA and Paema provide the Group with a strong entry point into the local market while further strengthening the service offering to our existing international customers. In recognition of the increasing importance to our customers of operating truly global supply chains, the Group established a targeted Pan American Sales ('PAS') division in 2015. Leveraging the Group's expanding footprint throughout the Americas as well as its leading presence in Europe, the PAS business reported year-on-year volume growth of over 6% in 2015. A large element of this was driven by new business as the Group's geographic scale is increasingly viewed as a key differentiator by our customers in the region.

Cost Take-out Programme

The Group successfully delivered its 2015 cost take-out target of €75 million with a strong fourth quarter performance of €20 million. In an environment of creeping cost inflation, SKG's cost take-out programme has been an important part of the Group's capacity to deliver quality earnings and strong free cash flows.

The Group expects to deliver a further cost take-out target of €75 million in 2016.

76%

of purchase decisions are made by consumers in store in an average of 4 seconds

269mm

Growth through **Shelf Smart**

ShelfSmart

Shelf Smart has a single-minded focus on improving its customers' product performance at the point-of-purchase. It is the first service on the market that gives our customers the ability to identify their optimum shopper marketing solution in a risk-free environment, and to quickly measure the results with real shoppers.

143mm


Coffissimo
fee all over again
Americano
Vanilla

Finance Review

The Group's materially enhanced financial flexibility has facilitated the completion of over €380 million in acquisitions during 2015 without any material impact on the Group's overall leverage position year-on-year. We are committed to maintaining the Group's current credit rating at Ba1 / BB+, and the strong free cash flow generation will continue to comfortably support our stated leverage range.

Results

Revenue of €8.1 billion in 2015 was marginally higher than in 2014 with higher revenue in Europe largely offset by a reduction in the Americas, reflecting the impact of our adopting the Simadi exchange rate. Allowing for net negative currency movements, principally in respect of the Bolivar, hyperinflationary adjustments in Venezuela and the contribution from acquisitions net of disposals, the underlying year-on-year move in revenue was an increase of €248 million, the equivalent of over 3%, with higher underlying revenue in both Europe and the Americas.

European revenue rose by €113 million year-on-year, with underlying growth of €158 million, positive currency movements and the contribution from net acquisitions, mainly Inspirepac, partly offset by the absence of the revenue of the solidboard operations sold in April 2015. The increase in comparable revenue equated to over 3% and arose across the operations, with the larger increase on the corrugated side reflecting higher volumes.

Although average box prices were flat year-on-year, higher corrugated shipments drove revenue growth. Excluding acquisitions, corrugated shipments were 3% higher than in 2014. Including the recently acquired operations, reported corrugated volumes in Europe were almost 4% higher. On the mill side, comparable revenue was also higher, with revenue growth in the containerboard mills, the recovered fibre operations and in the German solidboard mills. Containerboard volumes in 2015 were over 2% higher year-on-year while average kraftliner prices were 4% higher. Average recycled containerboard prices were flat.

Although reported revenue in the Americas was €87 million lower than in 2014, the decrease arose largely as a result of significant negative currency movements, which more than offset the contribution from the acquisitions completed in 2015 and the presence of Bates for a full year. Allowing for net negative currency movements, hyperinflation and acquisitions, the underlying year-on-year move in revenue was an increase of €90 million with generally higher revenue across the region. Comparable corrugated volumes were almost 2% higher in 2015, although conditions varied from country to country with inflationary pressures supporting pricing in Venezuela and thereby pushing up revenue despite lower volumes. Including acquisitions, primarily Bates and Cybsa, corrugated volumes were 18% higher year-on-year.

At €1,182 million in 2015 compared to €1,161 million in 2014, EBITDA was €21 million higher as a result of earnings growth in Europe. Reported EBITDA in the Americas was €1 million higher year-on-year while Group Centre costs were €1 million lower. The impact of negative currency movements, primarily in respect of the Venezuelan Bolivar, in the Americas was partly offset by the presence for a full year of the acquisitions made in 2014 and by the contribution from those made in 2015. In Europe, currency movements were modest while the contribution from acquisitions was more than offset by the impact of the solidboard disposal. Allowing for net negative currency movements, hyperinflation and the contribution from acquisitions net of disposals, the underlying year-on-year move in EBITDA was an increase of €66 million (equating to almost 6%) with higher earnings in both Europe and the Americas respectively and lower Group Centre costs.

At €901 million for the year to December, EBITDA in Europe was €19 million higher than in 2014. With a modest net positive currency movement and the contribution from acquisitions more than offset by the absence of the solidboard operations, comparable earnings were €25 million higher than in 2014. The growth in European earnings was driven mainly by the mills reflecting both higher volumes and improved kraftliner pricing. Kraftliner and recycled containerboard shipments in 2015 were 2% higher than in 2014 while average kraftliner prices were 4% higher and average recycled containerboard prices broadly flat. OCC costs, however, were 6% higher than in 2014. With average box prices broadly unchanged year-on-year, EBITDA in the corrugated operations was higher than in 2014 although the benefit of volume growth of almost 4% was partly offset by the negative impact on margins of containerboard price movements during the year.

Allowing for currency movements, hyperinflation and net acquisitions, the underlying year-on-year move in EBITDA in the Americas was an increase of €40 million with earnings growth across the region.

The year-on-year increase of €21 million in EBITDA was partly offset by increases of €8 million in the share-based payment expense in 2015 and €4 million in the overall charge for depreciation, depletion and amortisation. As a result, the Group's pre-exceptional operating profit increased by €9 million to €780 million in 2015 compared to €771 million in 2014.

The Group's pre-exceptional net finance costs amounted to €129 million (costs of €177 million less income of €48 million) in 2015 compared to €248 million in 2014. The year-on-year decrease of €119 million resulted mainly from the combination of cash interest savings of €14 million and a reduction of €94 million in the non-cash net monetary loss from hyperinflation, with a gain of over €15 million in 2015 compared to a loss of over €78 million in 2014. The change reflects a net monetary liability position in 2015 compared to a net monetary asset position in 2014 and a significant increase in the local consumer price index.

Non-cash costs in 2015 were also reduced by the combination of a higher translation gain on non-hedged foreign currency debt and a lower net interest cost on net pension liabilities. The decrease in cash interest, which arose in the first half of the year, reflected the benefits of our refinancing activities in recent years, including the redemption of the 2019 bonds in July 2014, and the expiry during 2014 of certain fixed interest rate swaps, which had been entered into when interest rates were higher.

With the higher operating profit complemented by significantly lower net finance costs and by an increase of €1 million in our share of associates' profit, the pre-exceptional profit before tax was €129 million higher year-on-year at €654 million in 2015 compared to €525 million in 2014.

Exceptional Items

Exceptional items charged within operating profit in 2015 amounted to €69 million in total, primarily relating to a charge of €69 million which represented the higher cost to our Venezuelan operations of discharging their non-Bolivar denominated payables following our adoption of the Simadi rate on 31 March 2015. At the time, the Simadi rate was VEF 193 per US dollar compared to the Sicad rate of VEF 12 per US dollar with the large loss reflecting the very different rates. The charge comprised €33 million booked in the first quarter and a subsequent adjustment of €36 million, mainly in the fourth quarter, for hyperinflation and re-translation at the 31 December 2015 exchange rate.

The remaining offsetting amounts in 2015 comprised a charge of €12 million relating to the solidboard operations (including an impairment loss of €8 million reported within cost of sales) and €1 million in reorganisation and restructuring costs less the gain of €13 million on the sale of the site of our former Nanterre mill, near Paris.

Exceptional finance income of €16 million in 2015 represented the gain in Venezuela on their US dollar denominated intra-group loans as a result of our adoption of the Simadi rate. This gain was partly offset by an exceptional finance cost of €2 million. This represented the accelerated amortisation of the issue costs relating to the debt within our Senior Credit Facility which was paid down with the proceeds of February's €250 million bond issue.

Exceptional items charged within operating profit in 2014 amounted to €110 million, of which €46 million related to our solidboard operations in Belgium, the Netherlands and the UK. The charge of €46 million comprised an impairment of plant and equipment of €27 million and a goodwill impairment of €19 million. The remaining impairment charge of €12 million related to one mill and four corrugated plants in Europe which we closed during 2015. The impairment charges amounted to €58 million in total and were reported within cost of sales. The reorganisation and restructuring costs were mainly in respect of these plant closures. The currency trading loss of €10 million related to losses on the translation of non-Bolivar denominated payables following the Group's decision to translate Venezuelan operations at the Sicad I rate. The translation loss reflected the higher cost to its Venezuelan operations of discharging these payables.

Exceptional finance costs in 2014 of €48 million comprised €42 million relating to the repayment of the 2019 bonds in July and an impairment loss of €6 million in respect of one of the Group's unlisted investments. Exceptional finance income of €11 million in 2014 represented the gain in Venezuela on their US dollar denominated intra-group loans following our adoption of the Sicad I rate.

Profit before Income Tax

After exceptional items, the Group's total profit before income tax amounted to €599 million in 2015, comprising the pre-exceptional profit of €654 million and a net exceptional charge of €55 million. In 2014, the total profit before income tax was €378 million, comprising the pre-exceptional profit of €525 million and a net exceptional charge of €147 million. The year-on-year increase of €221 million reflected the increase of €129 million in our pre-exceptional profit and a reduction of €92 million in the net charge for exceptional items.

Income Tax Expense

The income tax expense in 2015 was €186 million (comprising a current tax charge of €146 million and a deferred tax charge of €40 million) compared to €126 million (comprising a current tax charge of €125 million and a deferred tax charge of €1 million) in 2014. The overall year-on-year increase was €60 million with a higher expense in both Europe and the Americas.

In Europe, the income tax expense was higher by €54 million and reflects the impact of lower financing costs, increased profitability, as well as the effects of timing benefits recorded in 2014 and comparatively lower tax refunds in 2015. There was a further movement in deferred tax in Europe on timing items and in particular from the use of tax losses on which a deferred tax credit was recorded in prior periods. In the Americas, the tax expense was €6 million higher and includes the effects of the introduction of new taxes in Colombia, increased profitability and the recognition of deferred tax assets on prior period timing differences as well as the impact in Venezuela from the adoption of the Simadi rate. There was also a €10 million increase in the deferred tax expense in Venezuela from tax law changes in December 2015. There was a net tax expense on exceptional items in 2015 of €3 million compared to a net tax credit of €18 million in 2014.

Earnings per Share

The basic earnings per share amounted to 172.6 cent in 2015 compared to 105.8 cent in 2014. On a diluted basis, our earnings per share in 2015 amounted to 169.4 cent compared to 102.6 cent in 2014.

The year-on-year increase in the Group's basic earnings per share equated to 63% and was driven by a combination of the strong growth in pre-exceptional profit and a reduced net exceptional charge, partly offset by the higher income tax expense. On a pre-exceptional basis, earnings per share in 2015 amounted to 197.3 cent compared to 162.5 cent in 2014 with the year-on-year increase equating to 21%.

The earnings per share figures are calculated on the basis of the weighted average number of shares in issue during the year, which was 231,756,000 in 2015 compared to 227,777,000 in 2014.

Financial Performance Indicators

Certain financial measures set out below, including pre-exceptional EBITDA (as used below, 'EBITDA'), are not defined under International Reporting Standards ('IFRS'). These measures are presented because we believe that they, and similar measures, are widely used in the paper and packaging manufacturing industry as a means of evaluating a company's operating performance and financing structure and, in the case of EBITDA, because we believe it presents a helpful comparison of the most appropriate measure of recurring financial performance between periods.

These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and they should not be considered as substitutes for the information contained in our Financial Statements. EBITDA and our other non-IFRS measures and ratios have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our operating income or cash flows as reported under IFRS.

We consider the following measures to be important indicators of the underlying performance of our operations:

- **EBITDA and EBITDA margin**
EBITDA increased by €21 million to €1,182 million in 2015 from €1,161 million in 2014. Allowing for currency movements, hyperinflation accounting and the contribution from acquisitions, comparable EBITDA increased by €66 million, the equivalent of almost 6%. This increase reflected earnings growth in both Europe and the Americas and relatively unchanged Group Centre costs. Excluding acquisitions, corrugated shipments in Europe were 3% higher year-on-year while average box prices were broadly flat. In the Americas, the strong underlying performance was driven by corrugated volume growth of 2% overall. Including the contribution from acquisitions, absolute corrugated volumes in total were 6% higher than in 2014, with growth of 18% in the Americas.

With a slightly stronger increase in EBITDA than in revenue, our EBITDA margin increased from 14.4% in 2014 to 14.6% in 2015. This result further underscores the relatively stable nature of our integrated and geographically diverse business model.

- **Net Debt to EBITDA**
We believe leverage (ratio of net debt to EBITDA) is an important measure of our overall financial position and one which we provide to investors as we believe they find it useful. Net debt comprises interest-bearing loans and borrowings net of cash and cash equivalents and we believe it enables investors to see the overall movement resulting from a company's operating and financial performance.

	2015	2014
EBITDA* (€ million)	**1,182**	1,161
EBITDA margin to revenue (%)	**14.6**	14.4
Net debt (€ million)	**3,048**	2,759
Net debt to EBITDA (times)	**2.6**	2.4
Free cash flow (€ million)	**388**	362
Return on capital employed** (%)	**14.8**	15.0
Basic earnings per share (cent)	**172.6**	105.8
Pre-exceptional earnings per share (cent)	**197.3**	162.5

* *Earnings before exceptional items, share-based payment expense, net finance costs, income tax expense, depreciation and depletion (net) and intangible assets amortisation.*

** *Pre-exceptional operating profit plus share of associates' profit/average capital employed (where capital employed is the sum of total equity and net debt at each year-end).*

Reconciliation of Profit to EBITDA

	2015 €m	2014 €m
Profit for the financial year	**413**	252
Income tax expense	**186**	126
Exceptional items charged in operating profit	**69**	110
Share of associates' profit (after tax)	**(3)**	(2)
Net finance costs (after exceptional items)	**115**	285
Depreciation, depletion (net) and amortisation	**368**	364
Share-based payment expense	**34**	26
EBITDA	**1,182**	1,161

Net debt amounted to €3,048 million at December 2015 compared to €2,759 million at December 2014. The year-on-year increase of €289 million mainly reflected the relatively high expenditure on acquisitions (including acquired debt) and significant negative currency movements.

With the higher level of net debt more than offsetting the benefit of EBITDA growth, our leverage (net debt as a multiple of EBITDA) was 2.6 times at December 2015 compared to 2.4 times at December 2014. The acquisitions made in 2015 have a distorting effect on leverage, where we have the full impact of the debt but EBITDA for only a number of months. This is particularly so in the case of INPA and Paema given the scale of the investment and its timing with the impact of the earlier acquisitions offset by that of the disposal of the solidboard operations in April. Adjusting to exclude the investment in INPA and Paema, our leverage at December 2015 would fall to 2.4 times.

- **Free Cash Flow**
Free cash flow is shown in the Summary Cash Flow table below, the format of which was developed by us in order to show the cash generated by our operations and the overall change in our net debt. 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.

Our free cash flow of €388 million in 2015 was €26 million higher than the €362 million reported in 2014. The year-on-year increase resulted mainly from EBITDA growth, lower working capital and other outflows and cash interest savings offset by higher outflows for exceptional items, provisions and tax. The free cash flow in 2015 also included the proceeds of €27 million on the disposal of the site of our former mill at Nanterre.

- **Return on Capital Employed (‘ROCE’)**
Despite an increased level of operating profit, our ROCE at December 2015 decreased as a result of our acquisitions in Brazil late in the year. With an increase in net debt as a result of the acquisitions, our average capital was higher year-on-year leading to a ROCE of 14.8% at December 2015 compared to 15.0% at December 2014. Adjusting to exclude the investment in INPA and Paema, our ROCE at December 2015 would increase to a more comparable 15.1%.

In recent years, our ROCE has improved, primarily as a result of improving operating profit. This in turn is driven by growth in our business base, a continued focus on cost efficiencies, judicious capital investment and accretive acquisitions. The progress achieved supports our objective of continuing to deliver on our ROCE target of 15% through the cycle, reflecting our focus on maximising returns to shareholders.

- **Earnings per Share (‘EPS’)**
EPS serves as an indicator of a company’s profitability and, in conjunction with other metrics such as ROCE, of a company’s financial strength. Given the fundamental repositioning of the Group through debt pay down and interest savings and, consequently, earnings growth and lower leverage, EPS is an important measure for us. In order to more truly reflect our operational performance, EPS is also reported on a pre-exceptional basis.

Our basic EPS in 2015 was 172.6 cent compared to 105.8 cent in 2014 with the year-on-year increase of 66.8 cent (equating to 63%) primarily driven by a higher pre-exceptional profit before tax and a reduced charge for exceptional items partly offset by a higher income tax expense.

On a pre-exceptional basis, our EPS in 2015 was 197.3 cent compared to 162.5 cent in 2014 with a year-on-year increase of 34.8 cent (equating to 21%). The more modest year-on-year increase resulted from the greater impact of negative exceptional items in 2014 on the Group’s basic EPS.

Cash Generation

At €388 million compared to €362 million in 2014, our free cash flow for 2015 was €26 million higher than in 2014. The year-on-year increase resulted mainly from EBITDA growth, lower working capital and other outflows and cash interest savings offset by higher outflows for exceptional items, provisions and tax. The free cash flow in 2015 also included the proceeds of €27 million on the disposal of the site of our former mill at Nanterre, near Paris.

The outflows in respect of exceptional items related primarily to the currency losses in Venezuela reflecting the higher cost of discharging their non-Bolivar denominated payables following our adoption of the Simadi exchange rate in 2015 and the Sicad I rate in 2014. The larger outflow of €69 million in 2015 reflects both the substantially greater move in the exchange rate and the higher level of local price inflation, particularly in the fourth quarter. At its adoption, the Simadi rate was VEF 193 per US dollar compared to the Sicad rate of VEF 12. When we adopted the Sicad I rate in 2014, it was VEF 10.7 per US dollar compared to the official rate of VEF 6.3.

Cash interest at €123 million in 2015 was €14 million lower than in 2014, primarily reflecting the benefit of our refinancing activities in recent years, including the redemption of the 2019 bonds in July 2014. These refinancing activities have enabled the Group to achieve cash savings through the replacement of higher cost debt with a consequent reduction in our average rate of interest. We have also benefited in the first half of 2015 from a lower cost in respect of interest rate swaps as a result of the maturity during 2014 of old swaps entered into at a time of higher rates.

Cash Generation
Summary Cash Flow[1]

	2015 €m	2014 €m
EBITDA	**1,182**	1,161
Exceptional items	**(69)**	(12)
Cash interest expense	**(123)**	(137)
Working capital change	**(24)**	(40)
Current provisions	**(28)**	(2)
Capital expenditure	**(451)**	(438)
Change in capital creditors	**12**	(8)
Tax paid	**(131)**	(107)
Sale of fixed assets	**33**	5
Other	**(13)**	(60)
Free cash flow	**388**	362
Share issues	**2**	2
Purchase of own shares (net)	**(13)**	(13)
Sale of businesses and investments	**29**	1
Purchase of businesses and investments	**(321)**	(151)
Dividends	**(145)**	(112)
Derivative termination payments	**(2)**	(13)
Early repayment of bonds	**-**	(35)
Net cash (outflow)/inflow	**(62)**	41
Net debt acquired	**(62)**	-
Deferred debt issue costs amortised	**(11)**	(16)
Currency translation adjustments	**(154)**	(163)
Increase in net debt	**(289)**	(138)

1 *The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows under IFRS ('IFRS cash flow') and is produced to further assist readers of the accounts. 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 fixed assets and businesses.*
   c) *The IFRS cash flow has different sub-headings to those used in the summary cash flow.*

Reconciliation of Free Cash Flow to Cash Generated from Operations

	2015 €m	2014 €m
Free cash flow	**388**	362
Add back:		
Cash interest	**123**	137
Capital expenditure (net of change in capital creditors)	**439**	446
Tax payments	**131**	107
Financing activities	**-**	1
Less:		
Sale of fixed assets	**(33)**	(5)
Profit on sale of assets and businesses - non-exceptional	**(7)**	(4)
Receipt of capital grants (in 'Other' per summary cash flow)	**(2)**	(3)
Dividends received from associates (in 'Other' per summary cash flow)	**(1)**	(1)
Cash generated from operations	**1,038**	1,040

The working capital outflow in 2015 was €24 million compared to €40 million in 2014 and resulted from an increase in debtors and stocks partly offset by an increase in creditors. Working capital amounted to €548 million at December 2015, representing 6.6% of annualised revenue compared to 6.7% at December 2014.

The outflow of €28 million in respect of provisions related mainly to restructuring charges booked in late 2014 in respect of the planned plant closures in Europe. The Viersen mill in Germany was closed in early 2015 while the four corrugated plants were progressively closed over the course of the year.

Capital expenditure (fixed asset additions) amounted to €451 million in 2015 and equated to 123% of depreciation, depletion and amortisation compared to 120% in 2014. The moves in capital creditors were relatively modest in both years with an inflow of €12 million in 2015 compared to an outflow of €8 million in 2014. In total, capital outflows amounted to €439 million in 2015 compared to €446 million in 2014.

Tax payments in 2015 were €131 million, €24 million higher than in 2014. In Europe, tax payments were higher by €28 million and in the Americas they were €4 million lower. The increase in Europe is due to increased profitability and the timing of tax payments. The overall reduction in the Americas included the effects of lower payments in Venezuela due to the adoption of the Simadi exchange rate partly offset by higher payments elsewhere.

Fixed asset disposals, primarily that of the Nanterre site, generated an inflow of €33 million compared to €5 million in 2014. At €13 million in 2015, other net outflows were €47 million lower than in 2014 as a result of a significantly higher inflow in respect of hyperinflationary adjustments, which arose mainly in the fourth quarter.

Investment and financing cash flows in 2015 amounted to a net outflow of €450 million compared to €321 million in 2014. The year-on-year increase reflects the acquisitions undertaken in the current year (including those of INPA and Paema in the fourth quarter) as well as the higher level of dividend payments to Group shareholders. The outflow of €321 million for acquisitions included €313 million in respect of our recent acquisitions (Cybsa, Hexacomb, Inspirepac, Beacon, Nigua, INPA and Paema) and deferred consideration of €8 million in respect of earlier acquisitions, mainly Bates Container. The outflow of €151 million in 2014 related mainly to Bates Container in the fourth quarter and Corrumed and Rierba earlier in the year.

The sale of businesses and investments, primarily the solidboard operations in the second quarter, generated a net cash inflow of €29 million in 2015. Other investment and financing cash flows in both years were modest apart from the outflow of €13 million in respect of share purchases under the DABP and derivative termination payments and the €35 million bond redemption premium in 2014, which arose from the early repayment of the 2019 bonds.

With the free cash flow of €388 million in 2015 reduced by the net investment and financing outflows of €450 million, the result was a net cash outflow of €62 million. This compares to a net inflow of €41 million in 2014, which comprised the free cash flow of €362 million and the net investment and financing outflows of €321 million.

In addition to net debt acquired of €62 million, the reconciliation of the net cash outflow to the increase in net debt includes certain non-cash items. For 2015, these amounted to a net negative €165 million and comprised €11 million in respect of the amortisation of debt issue costs (€2 million of which was accelerated by the pay down of the relevant debt) and negative currency translation adjustments on net debt of €154 million. As a result, the Group's net debt increased by €289 million from €2,759 million at December 2014 to €3,048 million at December 2015.

In 2014, the net cash inflow of €41 million was more than offset by €16 million in respect of the amortisation of deferred debt issue costs (€7 million of which was accelerated) and negative currency translation adjustments of €163 million. As a result, the Group's net debt increased by €138 million.

The net negative currency translation adjustments of €154 million in 2015 related primarily to the Venezuelan Bolivar and the US dollar. The adoption of the Simadi rate reduced the value of our Bolivar denominated cash by €78 million. The relative strength of the US dollar over the course of 2015 increased the value of our US dollar denominated debt by €70 million. In addition, the progressive strengthening of Sterling over the course of the six months to June increased the value of our Sterling denominated debt by €27 million, but a weakening relative to the euro in the second half of the year reduced the increase for the year to €15 million.

In 2014, the net negative currency translation adjustments of €163 million related primarily to the Venezuelan Bolivar but also to the US dollar, Sterling and the Swedish krona. The adoption of the Sicad I rate in the first quarter and the subsequent further weakening of the Bolivar reduced our Bolivar denominated cash by €82 million. A strengthening of the US dollar, mainly in the second half of the year, increased the value of our US dollar denominated debt by €51 million. In addition, a relative strengthening of Sterling and a weakening of the Swedish krona increased the value of our Sterling denominated debt by €15 million and reduced the value of our krona denominated cash by €14 million.

With net debt of €3,048 million, our leverage was 2.6 times at December 2015 compared to 2.4 times at December 2014. With EBITDA growth year-on-year, the increase in leverage is driven by higher debt, which in turn reflects the significant negative currency translation adjustments as well as the impact of acquisitions, including the investments in Brazil in the fourth quarter. The acquisitions made in 2015 have a distorting effect on leverage through the inclusion of the full cost while having their contribution to EBITDA for only a number of months. This is particularly so in the case of INPA and Paema given the scale of the investment and its timing with the impact of the earlier acquisitions offset by that of the disposal of the solidboard operations in April 2015. Adjusting to exclude the investment in INPA and Paema, our leverage at December 2015 would fall to 2.4 times.

Capital Resources and Liquidity

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €3,901 million (2014: €3,644 million) of which €3,285 million (2014: €3,140 million) was utilised at 31 December 2015. The weighted average period until maturity of undrawn committed facilities is 4.1 years (2014: 3.6 years).

Following a period of significant debt pay down and debt refinancing from 2009 to 2013 the Group has established its credentials as a strong cross-over credit in the debt market. The Group's materially enhanced financial flexibility has facilitated the completion of over €380 million in acquisitions during 2015 without any significant impact on the Group's overall leverage position year-on-year. The Board has confirmed its commitment to maintaining its current credit rating at Ba1 / BB+, and the Group's strong free cash flow generation will continue to comfortably support the Group's stated leverage range.

During the first quarter of 2015, the Group undertook two transactions, which combined have further reduced our annual cash interest by €3 million and extended our average maturity profile. In February, the Group issued a €250 million ten-year bond at a coupon of 2.75%, the proceeds of which were used to prepay term debt under its Senior Credit Facility. This successful bond financing enabled the Group to amend and extend its Senior Credit Facility in March at a reduced level of €1.1 billion, extend the maturity date to March 2020 and reduce the margin by 0.65%.

Following expenditure on acquisitions of over €380 million in 2015, including the Brazilian acquisitions in December, the Group increased the Term Loan under its Senior Credit Facility from €500 million to €750 million in February 2016. The margin on the additional facility is 1.60%, similar to that on the existing Term Loan. The proceeds will be substantially applied to reduce the drawings under the revolving credit facility, thereby further improving the Group's liquidity.

At 31 December 2015, the Group's average debt maturity was 4.7 years. The Group's average interest rate increased slightly from 3.8% to 4.1% at the end of the year, as a result of the Brazilian acquisitions in December 2015. This is expected to increase cash interest costs in 2016 by approximately €18 million to €141 million. At the year end, the Group held a cash balance of €275 million with further liquidity available under the revolving credit facility of €460 million.

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

Market Risk and Risk Management Policies

The Board of Directors sets the Group's treasury policies and objectives, which include controls over the procedures used to manage financial market risks. These are set out in detail in Note 29 to the Consolidated Financial Statements.

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 2015, the Group had fixed an average of 68% of its interest cost on borrowings over the following twelve months.

At 31 December 2015, the Group's fixed rate debt comprised €200 million 5.125% senior notes due 2018, US$300 million 4.875% senior notes due 2018 (US$50 million swapped to floating), €400 million 4.125% senior notes due 2020, €500 million 3.25% senior notes due 2021, €250 million 2.75% senior notes due 2025 and US$292.3 million 7.50% senior debentures due 2025. In addition the Group had €349 million in interest rate swaps with maturity dates ranging from October 2018 to January 2021.

The Group's earnings are affected by changes in short-term interest rates as a result of its floating rate borrowings. If LIBOR/EURIBOR interest rates for these borrowings increase by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €12 million over the following twelve months. Interest income on the Group's cash balances would increase by approximately €3 million assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group uses foreign currency borrowings, currency swaps, options and forward contracts in the management of its foreign currency exposures.

Farewell

I am stepping down as Group Chief Financial Officer and Director on 31 March 2016 after 27 years with the Group and 16 years as CFO.

The Group is in a strong position today with a range of strategic and financial options available to it. I am confident Tony Smurfit, Ken Bowles and the team will continue the successful development of the Group.

I would like to say a personal thanks to the professional team we developed at Group and to my colleagues in Europe and the Americas for the support they have given me over the years.

Ian Curley
Group Chief Financial Officer

Growth through **Sustainability**

AC²
GRÜNDUNG
WACHSTUM
INNOVATION

Smurfit Kappa's Zülpich paper was awarded The AC² Innovation Award for its sustainable and profitable operational approach. The paper mill operates a closed loop for process water which, due to local restrictions on returning water to the environment, ensures that zero water waste is emitted from the mill. It also captures the biogas produced in the waste water treatment operation as a by-product and uses this for energy to generate power.

269mm

70%

fresh water saved due to use of the new and efficient FlowJec dosing system

188mm

Sustainability

Sustainable Development Report

SKG regards sustainability as a central part of its business strategy. SKG's mission is to be a customer oriented, market-led company where the satisfaction of customers, the personal development of employees and respect for local communities and the environment are seen as being inseparable from the aim of optimising value for the shareholders.

Sustainability is concerned with ensuring that the human and natural environment with which SKG interacts are protected both today and into the future as it continues to use a wide range of such resources in meeting its business objectives. SKG is determined to manage its business in a way which recognises its responsibilities in all aspects of corporate social responsibility and the wider environment.

SKG published its eighth annual Sustainable Development Report in June 2015 and it is available on the Group's website: smurfitkappa.com. It includes details of the principles by which the Group abides in its interaction with key areas of the environment, social development (including health and safety) and business development. An overview of the Group's performance in 2014 was included in the report. Also, an overview of SKG's long-term sustainability commitments were included outlining the Group's commitment to continued progress and performance improvement in the areas which we have identified as specifically underpinning the concept of sustainability. Using the guidelines issued by the Global Reporting Initiative ('GRI') we maintained the transparency of the Group's reporting with the application level of its reporting set to GRI G4 Comprehensive level. We also engaged KPMG for the sixth consecutive year to undertake an external overview and to provide limited assurance on the data and text of the report. SKG will continue to drive the sustainability agenda and its objective is to improve its performance every year. A further Sustainable Development Report will be issued in May 2016, which will advance SKG's commitments in this area.

SKG has specific policy statements on key areas of sustainability and they are integral in the drive to improve the Group's performance going forward. These policy statements cover the Environment, Sustainable Forestry, Social Citizenship and Health and Safety. These policies have been added to those already in place covering Good Faith Reporting, a Code of Business Conduct, a Code of Ethics for Senior Financial Officers, a Group Financial Reporting Guide, a Group Treasury Policy, a Financial Monitoring Policy, a Treasury Compliance Programme and a Competition Compliance Programme.

A report on Corporate Governance is detailed on pages 38 to 42 of this Annual Report and a short overview on SKG's performance in the other key areas now follows.

Social Citizenship

SKG conducts a large part of its commitment to corporate social responsibility under the heading of Social Citizenship. SKG is committed to managing its business in accordance with its declared values which recognise that good social citizenship, reflected in the manner in which it interacts with its employees, business partners and local communities, is an essential ingredient in creating and maintaining a sustainable future.

SKG applies the principles of respect for human rights, freedom of association, fair compensation, and diversity regardless of age, gender, sexual orientation, ethnic origin, disability or nationality. Merit is the key determinant in recruitment and promotion.

SKG values open, constructive, regular and timely dialogue with its employees and their representatives, particularly in all matters affecting the business including safety, working conditions, profitability, business outlook, investment decisions or the terms and conditions of employment.

Implementing SKG's Social Citizenship Policy is the responsibility of line management who are supported by the Human Resource Managers at country, segment and Group level.

SKG trains and develops its employees through various programmes that vary from language skills training to horizontal knowledge sharing and from sales training to advanced management development programmes.

Community participation is encouraged by SKG and this very important element of social citizenship is practised at local plant level where managers are best positioned to positively contribute and support worthy local causes.

The European Works Council ('EWC'), which was created to assist in the development of an open two way communication process for all employees and Unions on all such matters, had two meetings during the year, with an additional three meetings with the Select Committee of the EWC. Matters typically discussed at the EWC include employment opportunities, financial status, projected developments, business conditions, relocation, curtailment or business closures and health and safety.

Health and Safety

SKG has made the health and safety of its workforce an overriding consideration. It adopts a structured and systematic approach to the management of health and safety considerations in the workplace.

The SKG Health and Safety Policy statement states that:

"At Smurfit Kappa, we promote a health and safety culture founded on understanding, responsibility and accountability. We aim to continually improve our performance by adopting a structured systematic approach to the management of health and safety aspects supported by continual improvement of our systems".

"It is Smurfit Kappa policy to implement good health and safety practice by adopting proven industry practice across the organisation" and "foster a work environment where every member of the workforce has an individual responsibility to execute their tasks in a safe, diligent and professional manner."

The commitments within the revised Group health and safety policies are consistent with those of the internationally recognised OHSAS18001 occupational health and safety system specification.

Every facility within SKG adopts a suite of good health and safety management systems designed to protect employees, visitors to its sites, contractors and the public at large from injury and ill-health.

All performance reviews at plant, country, division and regional level include a review of recent health and safety performance. On a quarterly basis the Board receive a progress report outlining key health and safety developments.

SKG promotes the development and implementation of technical and engineering improvements through continual internal benchmarking of health and safety performance and promotes the introduction of innovation solutions through its annual health and safety awards programme.

SKG recognises the importance of strong leadership, continual employee involvement, and representation in the development and maintenance of a positive safety culture. To that extent, it maintains an interconnected and collaborative health and safety "expert community" that supports the operations management teams as they take steps, both locally and regionally, to address common and unique challenges. This expert network leverages the rich knowledge of employees in areas such as human resources, production, industrial design, and process control. This network positions SKG to deliver innovative solutions based on proven principles.

The safety of every member of the workforce is a key consideration for the Group. SKG devotes considerable time and effort to the management of health and safety aspects so that employees and subcontracted workers are aware of and follow the appropriate protective procedures. While there were no fatalities affecting employees across the Group in 2015, regrettably, the employee of a subcontractor sustained fatal injuries arising from an accident with an external truck on our premises at our Cerro Gordo mill in Mexico in April 2015. The prevention of every accident is and will remain a key priority for the Group.

SKG is committed to making continual advances in its health and safety management processes. It has recently established a comprehensive health and safety verification and audit process tailored specifically to its global operations. Based on its internal health and safety operating standards, this audit process verifies the presence of the appropriate protective measures.

Environment

The principles SKG applies in terms of the environment include:

- Complying with national and international environmental legislation and seeking to achieve best practice through benchmarking and the promotion of continuous improvement programmes.
- Developing appropriate environmental management systems that continue to question the status quo thereby helping to reduce any negative impacts on the environment.
- Continuing focus on the efficient use of natural resources.
- Meeting stakeholders' reasonable expectations on environmental performance in forestry, product manufacture, distribution and end use.

The Sustainable Development Report also discusses what we consider to be the key environmental challenges and risks for the Group and its industry. These concerns focus on several subjects including water, fibre availability, waste and energy. All four areas are fundamental to the Group's processes/products and we strongly support the sustainable deployment of these scarce resources provided a resource hierarchy and a global level playing field are guaranteed.

People

As part of our overall business vision, we have developed key People Strategies to attract, engage, develop and retain talented people, offering them the opportunity and conditions to become high-performers in Smurfit Kappa and to achieve their full potential.

The strategies cover three main areas: Employee Engagement; Performance Management; and Talent and Leadership Development.

Employee engagement

We embrace our diverse workforce, and we are committed to fair practices and equal treatment of all our employees and external parties, including business partners and local communities.

For us, open communication with our employees and their representatives is important. We regularly update our employees on the overall performance of the organisation and any other relevant social issues.

Internal awards take place every year to recognise, reward and encourage entrepreneurship, innovation and superior performance. Awards are issued in the areas of operations, innovation, safety and sustainability. The awards are visible to all employees and help to create an inspirational climate.

Following on from our first company-wide Employee Engagement survey ''My Voice'' in 2014, over 1,000 local actions were initiated in order to give a concrete response to the areas our employees highlighted as potential improvement opportunities.

Company-wide actions were activated also, with specific focus on internal communication, career opportunities and performance recognition. Employee engagement is now a business focus and we expect an improvement in 2017 when the next global survey will take place.

Performance management

Smurfit Kappa is committed to the continuous personal and professional development of all its people. The performance appraisals process has been recently renamed as "Performance Dialogue", in order to highlight the importance of a 2-way communication between managers and employees.

Focus is not only on the performance of the previous year and the objectives of next year. It is on how these objectives have been or will be reached, on individual strengths and individual areas of improvement, as well as on the agreement of an individual development plan that will enable the employee to grow.

Our stated goal is that by 2020 all employees at Smurfit Kappa will have an annual performance dialogue discussion.

We see the performance dialogue as a key element of the Company's performance management process. The performance dialogue process is in place to facilitate that each and every employee can reach not only their own individual performance potential, but also contribute to the team/department and overall Company objectives/results.

Talent and leadership development

Development of our employees is a key objective. We encourage our employees to reach their potential by continuous training. We support several learning and development programmes and promote opportunities for individual progression and learning activities.

The diverse range of learning and development initiatives includes, for example:

- Advanced Management Development Programme ('AMD'): A Group programme to support the development of high potential talent, early in their career, from all regions and functions in the Group.
- General Manager and Mill Manager Programme ('GMMP'): Providing newly appointed managers with the tools to succeed in their job and to offer a deeper insight into the Group culture and strategy.
- English Immersion Programme: English is the official business language of Smurfit Kappa. The Immersion programme forms a crucial link with language courses at local levels and with our online learning strategy. The aim is to improve our employees' level of English through an immersive learning experience.
- Business Economics Training: Shows the impact that individual decisions and actions can have on the financial performance of our organisation. This has been successfully implemented across the globe and more than 2,000 of our employees have participated.

In Latin America, for more than a decade, employees have implemented the philosophy of Management for Continuous Improvement ('MCI') in order to deliver value to our clients – delivering what they need, when they need it and in the quantity needed. Similar programmes and initiatives have also been championed across Europe.

In addition, across our operations, a wide range of training programmes are being delivered locally for both teams and individual employees. The Company believes that learning never stops and seeks to ensure that all employees in the organisation receive appropriate training.

As an important step forward, during 2015 our new leadership model was launched, to clarify the leadership qualities we expect our managers to develop to outperform the competition and to anticipate and meet the changing demands of the markets.

Training programmes under the heading "Open Leadership" were initiated in partnership with primarily business schools, helping all our leaders within the Group to develop their leadership style, with specific focus on the capability required to Align, Empower and Inspire their people and teams.

Board of Directors

BOARD COMMITTEES

AUDIT
R. Thorne, Chairman [1]
C. Bories [1]
T. Brodin [1]
I. Finan [1]
J. Lawrence [1]
R. Newell [1]
J. Moloney [4]
G. Restrepo [1]

COMPENSATION
I. Finan, Chairman [1]
C. Bories [1]
L. O'Mahony [1]
J. Moloney [4]
R. Newell [1]
G. Restrepo [1]

NOMINATION
T. Brodin, Chairman [1]
F. Beurskens [2]
J. Lawrence [1]
L. O'Mahony [1]
G. McGann [3]
R. Thorne [1]

SENIOR INDEPENDENT DIRECTOR
T. Brodin

(1) *Joined the Committee on IPO in 2007 or appointment date if later (See page 39)*
(2) *Joined the Nomination Committee in 2013*
(3) *Joined the Nomination Committee in 2015*
(4) *Joined the Audit Committee in 2014 and the Compensation Committee in 2015*

1 Liam O'Mahony
2 Anthony Smurfit
3 Ian Curley
4 Frits Beurskens
5 Christel Bories
6 Thomas Brodin
7 Irial Finan
8 James Lawrence
9 Gary McGann
10 John Moloney
11 Roberto Newell
12 Gonzalo Restrepo
13 Rosemary Thorne

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1 Liam O'Mahony
CHAIRMAN

Liam O'Mahony joined the Board upon the Company being admitted to trading on the Irish Stock Exchange and the London Stock Exchange in March 2007. He was appointed Chairman in December 2008. He is a Director of Project Management Limited and was previously Chairman of IDA Ireland. He was the Chief Executive Officer of CRH plc from January 2000 until his retirement in December 2008, prior to which in a 37 year executive career within the CRH Group he held a number of senior management positions including Chief Executive of its US operations and Managing Director, Republic of Ireland and UK companies. He retired from the Board of CRH plc in 2011. (Age 69, Irish)

2 Anthony Smurfit
GROUP CHIEF EXECUTIVE OFFICER

Anthony Smurfit has served as a Director since 1989 and was appointed Group Chief Executive Officer in September 2015. He has worked in various parts of the Smurfit Group both in Europe and the United States since he joined the Group. He was Group Chief Operations Officer from November 2002 to September 2015 and Chief Executive of Smurfit Europe from October 1999 to 2002 prior to which he was Deputy Chief Executive of Smurfit Europe and previously Chief Executive Officer of Smurfit France. He is a non-executive Director of C&C Group plc. (Age 52, Irish)

3 Ian Curley
GROUP CHIEF FINANCIAL OFFICER

Ian Curley has served as a Director since 2002. He was appointed Group Chief Financial Officer in January 2000. He joined the Group in 1989 having previously worked for a number of multinationals in Ireland. He was appointed Chief Financial Officer of Smurfit Europe in 1997, prior to which he served as Financial Controller of Smurfit Continental Europe for a number of years based in the UK and France. Mr Curley is a Fellow of the Institute of Chartered Management Accountants. (Age 53, Irish)

4 Frits Beurskens

Frits Beurskens has served as a Director of the Group since December 2005. He joined the Kappa Group in 1990 and held various Managing Director positions until his appointment as its President in 1996 which he held until the merger with Smurfit. He is a member of the Board of Sappi Limited. He is a former Chairman of both the Confederation of European Paper Industries and the International Corrugated Cases Association. In December 2007 he was appointed by the Dutch Queen as Officer in the Order of Oranje Nassau. (Age 68, Dutch)

5 Christel Bories

Christel Bories joined the Board in November 2012. Ms Bories was Deputy Chief Executive Officer of Ipsen SA from March 2013 to March 2016. She was President and Chief Executive Officer of Constellium (formerly Engineered products, Rio Tinto) from 2007 to the end of 2011 prior to which she was a senior executive in both Pechiney Packaging and Alcan for fourteen years of which eight years was as the General Manager of the Packaging business. Ms Bories spent seven years in strategic consulting prior to her industrial experience. She is a non–executive Director of Legrand SA. (Age 51, French)

6 Thomas Brodin

Thomas Brodin joined the Board in April 2008. He is a partner at Swedish investment management firm Cliens Kapitalförvaltning since November 2013. He was Head of Equities and Head of Equity Research and a member of the executive management team at Erik Penser Bankaktiebolag, a privately owned Swedish bank from 2007 to 2011. He was previously a European paper and packaging research analyst and Managing Director at Citigroup between 1995 and 2007. Prior to that, he was a paper and packaging research analyst at Credit Suisse First Boston from 1992 to 1995 and at Svenska Handelsbanken from 1990 to 1992. Between 1998 and 2007 Mr Brodin was ranked as the leading European analyst covering the paper and packaging sector by Extel and Institutional Investor Surveys. (Age 51, Swedish)

7 Irial Finan

Irial Finan joined the Board in February 2012. He is currently Executive Vice President of The Coca-Cola Company and President of the Bottling Investments Group. He is also responsible for the stewardship of The Coca-Cola Company's Equity Investments. He joined the Coca-Cola System in 1981. Prior to his appointment to his current role in 2004, Mr Finan served as Chief Executive Officer of Coca-Cola Hellenic Bottling Company SA. Mr Finan is a Fellow of the Institute of Chartered Management Accountants. (Age 58, Irish)

8 James Lawrence

James Lawrence joined the Board in October 2015. He is currently Chairman of Great North Star LLC, an investment and advisory firm. He served as Chairman of Rothschild North America from 2012 to 2015 and previously served as Chief Executive Officer of Rothschild North America from 2010 to 2012. Prior to this, Mr Lawrence served as Chief Financial Officer and an executive Director of Unilever plc. Mr Lawrence joined Unilever from General Mills where he was Vice-Chairman and Chief Financial Officer. He previously also held senior positions with Northwest Airlines and Pepsico Inc. He is a non-executive Director of Avnet, Inc. and International Consolidated Airlines Group S.A. (Age 63, American)

9 Gary McGann

Gary McGann has served as a Director since 2000. He was previously Group Chief Executive Officer of SKG from November 2002 until his retirement in August 2015 and President and Chief Operations Officer of SKG from 2000 to 2002. He joined the Smurfit Group in 1998 as Chief Financial Officer. He had held a number of senior positions in both the private and public sectors over the previous 20 years, including Chief Executive of Gilbeys of Ireland and Aer Lingus Group. He is Chairman of Paddy Power Betfair plc, Aon Ireland and Sicon Ltd (Sisk Group). He is a non-executive Director of MPS Ltd (Multi-Packaging Solutions), Green REIT plc and the Irish Business and Employers' Confederation. (Age 65, Irish)

10 John Moloney

John Moloney joined the Board in December 2013. He is the former Group Managing Director of Glanbia plc, a global performance nutrition and ingredients company. He served as Group Managing Director of Glanbia plc from 2001 until he retired from this position in November 2013. He joined Glanbia plc in 1987 and held a number of senior management positions before he was appointed Deputy Group Managing Director in 2000. He is Chairman of Coillte Teo and Chairman of DCC plc and a non-executive Director of Greencore Group plc. (Age 61, Irish)

11 Roberto Newell

Roberto Newell joined the Board in June 2010. He is Vice Chairman of the Board of the Instituto Mexicano para la Competitividad, A.C. ('IMCO'), an independent think-tank in Mexico, established to develop policies to enhance Mexico's competitiveness. Prior to joining IMCO, Mr Newell served Mexico's Federal Government, most recently as Deputy Secretary for Agriculture. Between 1984 and 2001, Mr Newell worked for McKinsey & Co., where he served clients in North America and Latin America. At McKinsey, Mr Newell advised large corporations and national governments with a focus on the financial and telecommunications sectors. Mr Newell serves on the Board of a number of institutions in Mexico. (Age 68, Mexican)

12 Gonzalo Restrepo

Gonzalo Restrepo joined the Board in June 2015. He is the former Chief Executive Officer of Almacenes Exito SA, a leading retail company in Latin America and a subsidiary of the French company, Casino Group. He served as the Chief Executive Officer of Almacenes Exito from 1990 until he retired from this position in 2013. He is a non-executive Director of Cardif Colombia Seguros Generales SA. He is a member of the Entrepreneurs Council of Proantioguia in Colombia. (Age 65, Colombian)

13 Rosemary Thorne

Rosemary Thorne joined the Board in March 2008. She was most recently Group Finance Director for Ladbrokes plc from 2006 to April 2007. Prior to that she was Group Finance Director at Bradford and Bingley plc from 1999 to 2005 and at J Sainsbury plc from 1992 to 1999. Ms Thorne has extensive experience as a non-executive Director and currently serves as a non-executive Director of Solvay S.A. and First Global Trust Bank plc. Ms Thorne is a Fellow of the Institute of Chartered Management Accountants and a Fellow of the Association of Corporate Treasurers. (Age 64, British)

Corporate Governance Statement

The Directors are committed to maintaining the highest standards of corporate governance. This Corporate Governance Statement describes how throughout the financial year ended 31 December 2015 Smurfit Kappa Group plc applied the principles of the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in September 2014 ('the Code') as adopted by the Irish Stock Exchange ('ISE') and London Stock Exchange ('LSE') and the Irish Corporate Governance Annex ('the Annex') which supplements the Code with additional corporate governance provisions. The Directors believe that the Group has complied with the provisions of the Code and the Annex throughout the year under review.

A copy of the Code can be obtained from the FRC's website: www.frc.org.uk. A copy of the Annex can be obtained from the ISE's website: www.ise.ie.

Board of Directors

The Board is primarily responsible for the long-term success of the Group, for setting the Group's strategic aims, for the leadership and control of the Group and for reviewing the Group's system of internal control and risk management. There is a clear division of responsibilities within the Group between the Board and executive management, with the Board retaining control of strategic and other major decisions under a formal schedule of matters reserved to it which includes:

- Approval of the Group's strategy which is set out on page 13
- Board appointments including those of the Chairman and Group Chief Executive Officer
- Agreement of terms of appointment of the Chairman, Group Chief Executive Officer and other executive Directors
- Agreement of any fundamental changes to the Group management and control structure
- Approval of the annual financial budgets
- Approval of capital expenditure above fixed limits
- Approval of material acquisitions and disposals of businesses
- Approval of the Interim Management Statements, the Interim Report, the Preliminary Results Release and the Annual Report
- Establishment and review of corporate governance policy and practice
- Monitoring of the Group's risk management and internal control systems
- Confirming that the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance of the Group, its business model and strategy.

As recommended by the Code, the roles of Chairman and Group Chief Executive Officer are held by separate individuals and the division of responsibilities between them is clearly established and has been set out in writing and approved by the Board. The Board has delegated responsibility for the day-to-day management of the Group, through the Group Chief Executive Officer, to executive management. The Group Chief Executive Officer is responsible for implementing strategy and policy as approved by the Board. As discussed below, the Board has also delegated some of its responsibilities to Committees of the Board. The powers of Directors are determined by Irish legislation and the Articles of Association of the Company. The Directors have access to independent professional advice at the Group's expense, if and when required. No such advice was sought by any Director during the year. The Board Committees are provided with sufficient resources to undertake their duties.

Membership, Board Size and Independence

At present there are thirteen Directors on the Board, comprising: a non-executive Chairman, two executive Directors and ten non-executive Directors. A list of Directors is set out on page 39 and biographical details are set out on pages 36 and 37. The Board considers that the Board comprising thirteen Directors is not so large as to be unwieldy and that the Directors with a broad spread of nationalities, backgrounds and expertise bring the breadth and depth of skills, knowledge and experience that are required to effectively lead the Group.

The Code recommends that, apart from the Chairman, at least half of the Board of Directors of a listed company should comprise non-executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement. During the year under review the Company complied with the Code recommendation on Board independence. The Chairman was independent on appointment.

The Group has an effective Board to provide good governance for an internationally diverse business whose interests span three continents and 34 individual countries. Each of the Group's non-executive Directors has broad-based international business expertise and many have gained significant and relevant industry specific expertise over a number of years. The composition of the Board reflects the need, as outlined by the Code, for an effective Board to maintain a balance of "skills, knowledge and experience". The experience of each Director is set out in their biographies which are detailed on pages 36 and 37.

The Board through the Nomination Committee reviews the composition of the Board on an annual basis. This includes a review of refreshment and renewal policies, Board diversity, including gender diversity and the skills, knowledge and experience of the Directors.

The Board reviewed the composition of the Board and determined that Ms Bories, Mr Brodin, Mr Finan, Mr Lawrence, Mr Moloney, Mr Newell, Mr Restrepo, and Ms Thorne are independent. In reaching that conclusion the Board took into account the principles relating to independence contained in the Code and specifically whether any non-executive Director:

- has been an employee of the Group;
- has or had within the last three years, a material business relationship with the Group;
- receives remuneration from the Group other than a Director's fee;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their first election.

The Board is satisfied that the independence of the relevant Directors is not compromised by these or any other factors.

While Mr Beurskens and Mr McGann were employees of the Group, the Board does not believe these facts compromise either their independence of judgement, their contribution to the Board or the quality of their oversight.

Director	Role	Independent	Appointment Date *
Liam O'Mahony	Non-executive Chairman	**	2007
Anthony Smurfit	Group Chief Executive Officer	No	1989
Ian Curley	Group Chief Financial Officer	No	2002
Frits Beurskens	Non-executive Director – former Executive	No	2005
Christel Bories	Non-executive Director	Yes	2012
Thomas Brodin	Non-executive Director	Yes	2008
Irial Finan	Non-executive Director	Yes	2012
James Lawrence	Non-executive Director	Yes	2015
John Moloney	Non-executive Director	Yes	2013
Gary McGann	Non-executive Director – former Executive	No	2000
Roberto Newell	Non-executive Director	Yes	2010
Gonzalo Restrepo	Non-executive Director	Yes	2015
Rosemary Thorne	Non-executive Director	Yes	2008

* *For Smurfit Kappa Group plc and predecessor companies. SKG returned to the ISE and LSE in March 2007*
** *On his appointment as Chairman in December 2008 Mr O'Mahony was independent*

Group Chief Executive Officer Succession

A committee of the Board comprising the Chairman, Mr Irial Finan, Mr Sam Mencoff, Mr John Moloney and Mr Paul Stecko, was appointed in 2015 to lead the process for the appointment of a successor to the Group Chief Executive Officer. Mr Tony Smurfit had been identified as a candidate through the succession planning process. Following a comprehensive process the Committee was satisfied that Tony was the person most appropriate to fill the role of Group Chief Executive Officer having regard to the depth of knowledge and experience he possessed of the Group and the industry in general as well as his strategic and operational experience. He was Group Chief Operations Officer from November 2002 to September 2015 and previously was Chief Executive of Smurfit Europe from October 1999 to 2002. Prior to this he had worked in various parts of the Smurfit Group both in Europe and the United States since he joined the Group in 1986.

The appointment of Tony as Group Chief Executive Officer Designate was recommended to the Board on 30 April 2015 and he was appointed as Group Chief Executive Officer Designate on that date, with his appointment as Group Chief Executive Officer to be effective on 1 September 2015 following the retirement of Mr Gary McGann. The Committee did not use an external search consultancy or open advertising for the appointment of the Group Chief Executive Officer as it was not deemed necessary.

Executive and Non-executive Directors - Experience and Skills

Each of the executive Directors has extensive experience of the paper-based packaging industry. Their knowledge is backed up by the general business skills of the individuals involved and previous relevant experience. The non-executive Directors use their broad based skills, their diverse range of business and financial experiences and their international backgrounds in reviewing and assessing any opportunities or challenges facing the Group and play an important role in developing the Group's strategy and scrutinising the performance of management in meeting the Group's goals and objectives. Four of the non-executive Directors have the additional benefit of many years exposure to paper-based packaging companies either as employees, directors or stakeholders which complements the experiences of the executive Directors.

Appointments, Retirement and Re-election to the Board

Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first Annual General Meeting ('AGM') after their appointment and, pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in accordance with the Code and the Annex, the Directors individually retire at each AGM and submit themselves for re-election if appropriate.

The procedures governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with Irish company law.

The standard letter of appointment of non-executive Directors will be available for inspection at the AGM and is available on request, from the Company Secretary.

Mr Ian Curley will step down from the Board on 31 March 2016.

Each of the Directors, other than Mr Ian Curley, are offering themselves for re-election at the 2016 AGM.

External Directorships

The Board believes that there is benefit for the Group if executive Directors hold non-executive directorships with other companies as it enhances their overall business experience. Consequently, the executive Directors are encouraged to accept a small number of external appointments as non-executive Directors or on industry associations. Directors are permitted to retain any payments received in respect of such appointments.

Remuneration

Details of remuneration paid to Directors (executive and non-executive) are set out in the Remuneration Report on pages 48 to 60. Non-executive Directors are paid fees for their services and none of their remuneration is performance related. They are not eligible to participate in the Group's annual bonus scheme or long-term incentive plans ('LTIP'). Non-executive Directors' fees are not pensionable. The Remuneration Report will be presented to shareholders for the purposes of a non-binding advisory vote at the AGM on 6 May 2016.

Corporate Governance Statement (continued)

Chairman

Mr Liam O'Mahony who joined the Board upon the Company being admitted to trading on the ISE and the LSE in March 2007 was appointed Chairman in December 2008. As recommended by the Code, the Chairman was independent at his time of appointment. The Chairman is responsible for the leadership of the Board and the efficient and effective working of the Board. He sets and manages the Board agenda in order that at appropriate times it addresses all matters reserved to the Board and ensures that adequate time is available for discussion on strategy and the strategic issues facing the Group. He ensures that the Directors receive accurate, timely and clear information, and that the Directors are updated periodically on the views or concerns of the major investors. He also ensures that a culture of openness and debate is fostered to facilitate the effective contribution of the non-executive Directors to the Board.

Senior Independent Director

Mr Thomas Brodin was appointed the Group's Senior Independent Director in April 2015. His duties include being available to shareholders if they have concerns which cannot be resolved through the Chairman or Group Chief Executive Officer. He is available to serve as an intermediary for other Directors where necessary. The Senior Independent Director also conducts an annual evaluation of corporate governance compliance, the operation and performance of the Board, the Directors, its Committees and the Chairman's performance in conjunction with the other non-executive Directors on an annual basis except in the year when an external evaluation takes place.

Group Secretary

The Directors have access to the advice and services of the Group Secretary who is responsible to the Board for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on its corporate governance obligations and developments in best practice. The Group Secretary is responsible for formal minuting of any unresolved concerns that any Director may have with the operation of the Company. During the year there were no such unresolved issues. The Group Secretary also acts as secretary to all of the Board Committees.

Board Meetings

The Board meets at least five times each year with additional meetings as required. The Board met six times in 2015. Details of the meetings held during the period are contained in the schedule on page 42, which also includes information on individual attendance. The Board holds at least one of its meetings each year at a Group operation to give the Directors an opportunity to meet with a wider range of management and to see and remain familiar with the Group's operating activities. In 2015 the July Board meeting was held in Dallas, in the United States and the October meeting was held at our Global Experience Centre at Schiphol Airport, Amsterdam. The Board is supplied on a timely basis in advance of Board meetings with a Board Report comprising strategic updates, operational, financial, health and safety, and investor relations information together with Board papers on key issues in a form and of a quality to enable it to discharge its duties effectively. The Board papers also include the minutes of all Board Committee meetings and at each Board meeting the Chairman of each Committee gives a report on major agenda items discussed at Committee meetings held since the last Board meeting.

When Directors are unable to attend a meeting having been advised in the Board papers circulated prior to the meeting of the matters to be discussed they are given an opportunity to make their views known to the Chairman or the Group Chief Executive Officer prior to the meeting.

Induction and Development

On appointment, all non-executive Directors receive comprehensive briefing documents on the Group, its operations and their duties as a Director. They are also given presentations by the senior management team and are given the opportunity to visit sites and meet with the local management. During the year Directors meet with senior management at Board meetings, on individual site visits and at the annual visit by the Board to a Group operation. Directors also receive regular briefings and presentations on a wide range of the Group's activities together with all significant analyst and rating reports. All Directors are encouraged to go for training to ensure they are kept up to date on relevant legal developments or changes in best practice.

Succession Planning and Diversity

The Board believes that appointing the best people to the Group's Board is critical to the success of the Company and as a result all appointments are made purely on merit regardless of gender, race, religion, age or disability. The Board believes diversity is an essential cornerstone for building long-term business success and ensures different perspectives are introduced into Board discussion. The Board considers gender and a wide geographical experience base to be essential aspects of diversity for a company with business in 34 countries worldwide. This policy plays a key role in the Group's succession planning when considering new appointments to the Board.

External Board Evaluation

An external Board evaluation was carried out in 2013 by an independent third party, ICSA Board Evaluation ('ICSA'). The overall outcome was very positive and indicated the Board was operating effectively and cohesively with the performance being rated in the upper quartile of a seven point scale. ICSA is part of an organisation that supplies some IT services to the Group; however, the annual value of the contract is not material to either party. The next external evaluation will be conducted this year.

Internal Board Evaluation

The Senior Independent Director co-ordinates an annual evaluation of corporate governance compliance, the operation and performance of the Board, the Directors, its Committees and the performance of the Chairman except in years when an external evaluation is carried out. This is achieved through the completion of a detailed questionnaire by each Director and separate discussions with each Director by the Senior Independent Director. The Chairman conducts an annual evaluation of the performance of the Senior Independent Director. The Committees undertake an annual evaluation of their performance and report back to the Board. At least once a year the Chairman meets with the non-executive Directors without the executive Directors to review the Board's performance. The Board discusses the results of its evaluations in order to identify and address areas in which the effectiveness of the Board might be improved.

Share Ownership and Dealing

Details of Directors' shareholdings are set out on page 55. The Group has a policy on dealing in shares that applies to all Directors and senior management. This policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority and the ISE. Under this policy, Directors and senior management are required to obtain clearance from prescribed persons before dealing. Directors and senior management are prohibited from dealing in SKG plc shares during designated close periods and at any other time when the individual is in possession of Inside Information (as defined by the Market Abuse (Directive 2003/6/EC) Regulations 2005).

Board Committees

As recommended by the Code, the Board has established three Committees to assist in the execution of specific matters within its responsibility. These are the Audit Committee, the Compensation Committee and the Nomination Committee. The responsibilities of each of these Committees are set out clearly in written terms of reference, which are reviewed annually and are available on the Group's website. The Chairman of each Committee reports to the Board on the major agenda items discussed since the last meeting and the minutes of all Committee meetings are circulated to all of the Directors.

The current membership of each Committee, details of attendance and each member's tenure are set out in the individual Committee reports.

Communication with Shareholders

The Board gives a high priority to effective communications with shareholders and recognises the need to understand the views of major investors. On a day-to-day basis, contact with institutional shareholders is the responsibility of the Group Chief Executive Officer, the Group Chief Financial Officer and the Investor Relations Manager. The Chairman, Senior Independent Director and any other member of the Board are available to meet major investors if required. There is regular dialogue with individual shareholders, as well as general presentations, plant visits, attendance at relevant conferences and conference calls and presentations at the time of the release of the annual and quarterly results. Investors and analysts also attend the Group's Innovation and Sustainability Awards exhibition which is held every 18 months. The Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer Europe and the Chief Executive Officer the Americas also participate in these events.

The papers for each Board meeting include a comprehensive report summarising investor relations activity during the preceding period including contacts between executive management and current and prospective institutional shareholders. The views and issues highlighted by shareholders are also included in the report.

The Group issues its annual and quarterly results promptly to shareholders and also publishes them on the Group's website: smurfitkappa.com. The Group operates an investor relations section on the website, which in addition to the annual and quarterly reports, contains investor presentations and all press releases immediately after their release to the Stock Exchange.

The Group also has an Investor Relations web app which makes it easier for investors to learn about the Group and keep in touch with relevant corporate activity.

The Group's AGM affords each shareholder the opportunity to question the Chairman of the Board, the Chairmen of all Committees and all other Board members. The Notice of the AGM and related papers together with the Annual Report are sent to shareholders at least 20 working days before the meeting. In addition, the Group responds throughout the year to numerous queries from shareholders on a broad range of issues.

Shareholder Meetings and Shareholder Rights

Shareholders' meetings are governed by the Articles of Association of the Company and the Companies Acts 2014 (the 'Companies Act').

The Company must hold an AGM each year in addition to any other shareholder meeting in that year and must specify that meeting as such in the notices calling it. The Directors may convene general meetings. Extraordinary general meetings may also be convened as provided by the Companies Act. Notice of a general meeting must be provided as required by the Companies Act.

At its general meetings the Company proposes a separate resolution on each substantially separate issue and does not bundle resolutions together inappropriately. Resolutions on the receipt of the Annual Report and the approval of the Directors' Remuneration Report are put to shareholders at the AGM.

The Chairman of the Board of Directors or, in his absence, another Director nominated by the Directors will preside as chairman of a general meeting. Ordinary Shares carry voting rights. Three members entitled to vote at the meeting present either in person or by proxy constitute a quorum. Votes may be given either personally or by proxy. On a show of hands, every member present in person and every proxy will have one vote and on a poll, every member present in person or by proxy, shall have one vote for every share carrying voting rights of which he is the holder. The following persons may demand a poll: the Chairman of a general meeting, at least five members present in person or by proxy having the right to vote at the meeting, any member(s) present in person or by proxy representing at least one-tenth of the total voting rights of all the members having the right to vote at the meeting, or, a member(s) present in person or by proxy holding shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Companies Act provides for a number of key powers of general meetings, including the right to elect or re-elect a Director, the right to give authority to the Company to disapply pre-emption rights, the right to give authority to the Company to buy back shares and the right to amend the Memorandum and Articles of Association of the Company.

The Companies Act also provides for a number of shareholder rights in respect of the general meeting and the methods of exercising of those rights, which are set out in the notes to the Notice of the AGM, including the right a) to table agenda items and resolutions for inclusion on the agenda of an annual general meeting b) to table a draft resolution in respect of an item already on the agenda of the general meeting c) to ask questions in relation to an item on the agenda of a general meeting and d) to appoint a proxy electronically.

Code of Business Conduct

The Smurfit Kappa Code of Business Conduct includes principles of best practice in this area which apply to the Group's Board of Directors, officers and employees worldwide. We also require individuals, entities, agents or anyone acting on the Group's behalf to comply with its Code. The revised Code is available on the Group's website: smurfitkappa.com and is translated into 17 languages.

Sustainability

Sustainability is concerned with ensuring that the human and natural environment remains intact both today and into the future as we continue to use natural resources. SKG manages its business in a way which recognises its key responsibilities in all aspects of its corporate social responsibility especially in the areas of Environment, Sustainable Forestry, Social Citizenship and Health and Safety. The Group's principles are summarised on pages 33 to 35 and are described in detail in the Sustainable Development Report for 2014 which is available on the Group's website. The Sustainable Development Report for 2015 will be published in May 2016.

Risk Management and Internal Control

The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring and reviewing its effectiveness, in order to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Directors confirm there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group which is in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. This process has been in place throughout the accounting period and up to the date of approval of the Annual Report and Consolidated Financial Statements and is subject to regular review by the Board.

Group executive management is responsible for implementing strategy and for the continued development of the Group's operations within parameters set down by the Board. Day-to-day management of the Group's operations is devolved to operational management within clearly defined authority limits and subject to tight reporting of financial performance. Management at all levels is responsible for

Corporate Governance Statement (continued)

internal control over the respective operations that have been delegated to them. As such, the system of internal control throughout the Group's operations ensures that the organisation is capable of responding quickly to evolving operational and business risks and that significant internal control issues should they arise are reported promptly to appropriate levels of management.

The Board is responsible for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified and evaluated, and appropriate risk management strategies are implemented at each level. The key business risks are identified by the senior management team. The Audit Committee and Board in conjunction with senior management review the key business risks faced by the Group and determine the appropriate course of action to manage these risks. The Internal Audit function monitors compliance and considers the effectiveness of internal control throughout the Group. The Audit Committee meets with the Group Compliance Manager and the Group Internal Auditor at least quarterly in order to satisfy itself on the adequacy of the Group's internal control system. The Chairman of the Audit Committee reports to the Board on all significant issues considered by the Committee.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group's business model, future performance, solvency and liquidity. The Directors also confirm they have conducted an annual review of the effectiveness of the Group's risk management and system of internal control up to and including the date of approval of the Annual Report and Consolidated Financial Statements. This had regard to the principal risks that could affect the Group's business (as outlined on pages 16 and 17), the methods of managing those risks, the controls that are in place to contain them and the procedures to monitor them.

Financial Reporting

As part of its overall system of internal control the Group has in place control and risk management systems to govern the Group's financial reporting process and the process for the preparation of the Group's Consolidated Financial Statements. The requirements for producing financial information are governed by the Group's Financial Reporting Guide and Financial Monitoring Policy which gives guidance on the maintenance of records that accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded correctly to permit the preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards and that require reported data to be reviewed and reconciled. These systems include the following financial reporting controls: access controls, reconciliations, verification controls, asset security controls and segregation of duties. Segment management and the Group's executive management team review the results of the operations on a monthly basis. The Group's executive management team receive detailed monthly reports from all operations and meet with the segment management at least on a quarterly basis to review the year to date results against budget and rolling forecasts enabling them to monitor and challenge any variance against the expected financial outcome for the period. Internal Audit review financial controls in different locations on a test basis each year and report quarterly to the Audit Committee. Each operation through to segment level is required to self-assess on the effectiveness of its financial control environment. This includes the completion of an Internal Control Questionnaire which is reviewed by the Group Financial Controller and audited on a test basis by Internal Audit. Senior management representations with respect to the Group Consolidated Financial Statements showing a true and fair view are also required and supplied at year-end.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Viability Statement

The Directors have assessed the prospects of the Group over a three-year period. The Directors consider this period to be appropriate as the Group's strategic business plan is devised and assessed over a three-year period in line with the cyclical nature of the business in which the Group operates. A three-year consolidated financial model was built using a bottom up approach reflecting the Group's current position and including management's estimates of future profitability and assumptions for the Income Statement, Cash Flows and Balance Sheet. The model incorporates and considers the important indicators of underlying performance of the operations of the Group, EBITDA, EBITDA margin, Free Cash Flow, Net Debt to EBITDA, Return on Capital Employed and Earnings per Share.

The Directors have undertaken a robust assessment of the principal risks facing the Group as detailed on pages 16 and 17 which would threaten the Group's business model, future performance, solvency or liquidity. Using the principal risks identified, stress test scenario analysis has been applied to the Group's consolidated financial model to assess the effect on the Group's key indicators of underlying performance.

Based on the results of this analysis, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the three-year period of their assessment.

Directors' Report

The Change of Control, Capital Structure and Purchase of Own Shares information are set out on pages 43 and 44 in the Directors' Report and form part of this Corporate Governance Statement.

Attendance at Board Meetings during the Year to 31 December 2015

	A*	B*
L. O'Mahony	6	6
F. Beurskens	6	6
C. Bories	6	6
T. Brodin	6	6
I. Finan	6	6
J. Lawrence**	1	1
S. Mencoff**	5	3
J. Moloney	6	6
G. McGann	6	6
R. Newell	6	5
G. Restrepo**	3	3
N. Restrepo**	2	2
P. Stecko**	5	5
R. Thorne	6	6
A. Smurfit	6	6
I. Curley	6	5

* *Column A indicates the number of meetings held during the period the Director was a member of the Board and was eligible to attend and Column B indicates the number of meetings attended.*

** *Mr G. Restrepo joined the Board in June 2015 and Mr Lawrence joined the Board in October 2015. Mr Stecko and Mr Mencoff retired from the Board in October 2015. Mr N. Restrepo passed away in March 2015.*

Directors' Report

Report of the Directors

The Directors submit their Report and Financial Statements for the financial year ended 31 December 2015.

Principal Activity and Business Review

The Group is an integrated paper and paperboard manufacturer and converter whose operations are divided into Europe and the Americas. Geographically, the major economic environments in which the Group conducts its business are Europe (principally Eurozone, Sweden and the United Kingdom) and the Americas (principally Argentina, Brazil, Colombia, Mexico, Venezuela and the United States).

The Chairman's Statement, the Chief Executive Review, the Strategy Statement, the Operations Review and the Finance Review (including financial risk management policies) on pages 6 to 13 and 18 to 31 report on the performance of the Group during the year and on future developments.

Results for the Year

The results for the year are set out in the Consolidated Income Statement on page 68. The profit attributable to the owners of the parent amounted to €400 million (2014: €241 million).

Key financial performance indicators are set out in the Finance Review on pages 26 to 28. The Consolidated Financial Statements for the financial year ended 31 December 2015 are set out in detail on pages 68 to 133.

Dividends

In October 2015, an interim dividend of 20.00 cent per share was paid to ordinary shareholders. The Board is recommending a final dividend of 48.00 cent per share for 2015. Subject to shareholders' approval at the AGM on 6 May 2016, it is proposed to pay a final dividend on 13 May 2016 to all ordinary shareholders on the share register at the close of business on 15 April 2016.

Research and Development

The Company's subsidiaries are engaged in ongoing research and development aimed at providing innovative paper-based packaging solutions and improving products and processes and expanding product ranges. Expenditure on research and development in the year amounted to €10 million.

Accounting Records

The Directors are responsible for ensuring that adequate accounting records, as outlined in Section 281-286 of the Companies Act, are kept by the Company. The Directors are also responsible for the preparation of the Annual Report. The Directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the finance function in order to ensure that those requirements are met. The accounting records of the Company are maintained at the Group's principal executive offices located at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2.

Directors

The members of the current Board of Directors are named on pages 36 and 37, together with a short biographical note on each Director.

Mr Nicanor Restrepo passed away in March 2015.

Mr Gonzalo Restrepo and Mr James Lawrence were appointed to the Board on 1 June 2015 and 22 October 2015 respectively.

Mr Sam Mencoff and Mr Paul Stecko retired from the Board on 22 October 2015.

Mr Ian Curley will retire from the Board on 31 March 2016.

Any Director co-opted to the Board by the Directors is subject to election by the shareholders at the first AGM after their appointment and, pursuant to the Articles of Association of the Company, all Directors are subject to re-election at intervals of no more than three years. However, in compliance with the Code and the Annex, all Directors other than Mr Curley will retire at the 2016 AGM and will offer themselves for re-election.

To enable shareholders to make an informed decision, reference should be made to pages 36 and 37 which contains a biographical note on each Director offering themselves for re-election and to the Notice of the AGM which explains why the Board believes the relevant Directors should be re-elected. The Directors intend to confirm at the AGM that the performance of each individual seeking re-election continues to be effective and demonstrates commitment to the role.

Shareholders are referred to the information contained in the Corporate Governance Statement on pages 38 to 42 concerning the operation of the Board and the composition and functions of the Committees of the Board.

Directors' and Secretary's Interests

Details of the Directors' and Company Secretary's interests in the share capital are set out in the Remuneration Report on pages 55 to 57 and are incorporated into this Directors' Report.

Principal Risks and Uncertainties

Under Irish company law (Section 327 of the Companies Act), the Directors are required to give a description of the principal risks and uncertainties which it faces. These principal risks and uncertainties are set out on pages 16 and 17, and form part of this report.

Corporate Governance

Under Section 1373 of the Companies Act, the Directors' Report is required to include a Corporate Governance Statement. The Directors' Corporate Governance Statement is set out on pages 38 to 42 and forms part of this report. The Audit Committee Report, the Remuneration Report and the Nomination Committee Report are set out on pages 45 to 61. A copy of the Code (September 2014) can be obtained from the FRC's website: frc.org.uk. A copy of the Annex can be obtained from the ISE's website: ise.ie.

Purchase of Own Shares

Special resolutions will be proposed at the AGM to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the Company's ordinary shares in issue at the date of the AGM and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased by the Company and not cancelled) may be re-issued off-market by the Company. If granted, the authority will expire on the earlier of the date of the AGM in 2017 or 4 August 2017.

A similar authority was granted at the AGM in 2015, which is due to expire on the earlier of the date of the AGM in 2016 or 1 August 2016.

Change of Control

On a change of control following a bid, the Lenders under the Senior Credit Facility would have the option to cancel the commitments under the facility and/or to declare all outstanding amounts immediately due and payable, and under the Senior Notes Indentures the Group is obliged to offer to repurchase the notes at 101% of the principal amount due.

Directors' Report (continued)

	31 December 2015		4 March 2016	
	Number of shares	**% of issued ordinary share capital**	**Number of shares**	**% of issued ordinary share capital**
Norges Bank	20,025,712	8.5%	20,025,712	8.5%
GMT Capital Corp.	15,916,535	6.8%	15,916,535	6.7%
Schroders plc	9,419,371	4.0%	10,477,216	4.4%
BlackRock, Inc	*	*	12,524,598	5.3%

** Shareholding was below 3% at 31 December 2015.*

Subsidiary and Associated Undertakings

A list of principal subsidiaries and associates as at 31 December 2015 is set out in Note 35 to the Consolidated Financial Statements.

Capital Structure

Details of the structure of the Company's capital are set out in Note 23 to the Consolidated Financial Statements and are deemed to form part of this Directors' Report. Details of the Group's long-term incentive plans are set out in the Remuneration Report and Note 26 to the Consolidated Financial Statements and are incorporated into this Directors' Report.

Substantial Holdings

The table above shows all notified shareholdings in excess of 3% of the issued ordinary share capital of the Company as at 31 December 2015 and 4 March 2016.

Statutory Auditor

The Statutory Auditor, PricewaterhouseCoopers ('PwC'), is willing to continue in office and a resolution authorising the Directors to fix their remuneration will be submitted to the AGM.

A. Smurfit
I. Curley
Directors

4 March 2016

Audit Committee Report

As Chairman of the Audit Committee it is my pleasure to report to you on our activities in relation to the financial year ended 31 December 2015.

Role of the Audit Committee

The Audit Committee ('the Committee') is responsible for providing oversight and assurance to the Board regarding: the integrity of the Group's financial reporting; risk management and internal control processes; the internal audit function; the Statutory Audit arrangements; the governance framework and; whether the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The role and responsibilities of the Committee are set out in its Terms of Reference which is available on the Group's website: smurfitkappa.com. The Terms of Reference and the performance of the Committee was reviewed and the Committee is considered to be operating effectively and efficiently.

Membership of the Committee

The Board has reviewed the composition of the Committee during the year and is satisfied that the mix of business and financial experience enables the Committee to effectively fulfil its responsibilities. The Committee is currently comprised of eight independent non-executive Directors. Of these Mr Irial Finan and I, the Committee Chairman, have recent and relevant financial experience. The Committee met five times during the year under review. Details of the Committee members and meetings attended are provided in the table below. The Group Chief Executive Officer, the Group Chief Financial Officer, the Group Internal Auditor, the Group Compliance Manager, and senior members of the Group finance team normally attend meetings of the Committee. The Statutory Auditor also attends all meetings and together with the Group Internal Auditor have direct access to the Committee Chairman at all times. In advance of every meeting the Committee Chairman meets individually with the Group finance team, the Group Compliance Manager, the Group Internal Auditor and the Statutory Auditor.

Attendance record	A*	B*	Appointment date
R. Thorne (Chairman)	5	5	2008
C. Bories	5	5	2012
T. Brodin	5	5	2008
I. Finan	5	5	2012
J. Lawrence**	1	1	2015
R. Newell	5	5	2010
J. Moloney	5	5	2014
G. Restrepo**	1	1	2015
P. Stecko**	4	3	2008

* *Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.*

** *Mr Restrepo and Mr Lawrence joined the Committee and Mr Stecko retired from the Committee in 2015.*

Financial Reporting and Significant Financial Issues

The Group's Consolidated Financial Statements are prepared by finance personnel with the appropriate level of qualifications and expertise. The Committee review any published financial information including the Annual Report and quarterly financial reports, and any other published information for statutory and regulatory compliance. The Committee reports its views to the Board to assist in its approval of the results announcements and the Annual Report.

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. For example, in the current year the Committee considered a number of accounting papers in relation to developing matters in Venezuela and the impact the increasingly difficult operating environment with respect to matters such as exchange control and the implications a multiple exchange rate environment has on the Group.

The Committee also reviews reports by the Statutory Auditor on the hard-close and year-end audit procedures which highlight any issues identified from the work undertaken on the audit.

The significant issues that the Committee considered in relation to the Financial Statements are detailed below:

1. Goodwill Impairment Review

The Committee considered the risk of impairment in respect of the carrying value of goodwill held by the Group and reviewed the annual impairment test prepared by management. In particular it considered the judgements around the assumptions underlying the calculation of the value-in-use of the businesses being tested; including the reasonableness of the business plan and the overall macroeconomic assumptions underlying the valuation process and also the determination of an appropriate discount rate and terminal value.

Management have developed what the Committee considers to be an extensive, detailed and robust process to identify any potential impairment of goodwill at a cash–generating unit ('CGU') level. This is performed annually or where an impairment indicator has been separately identified. The business plan used in the impairment review was approved by the Board. The annual impairment test includes the engagement of independent experts to assist management with the development of an appropriate discount rate. They also consider other macroeconomic assumptions included in the forecasts as well as the terminal value multiple used.

The Committee addressed these matters using reports received from management outlining the basis for assumptions used and by reviewing the independent expert's report. The Committee reviewed the methodology applied including ensuring the discount rate used was within an acceptable range and that the terminal value multiple used was appropriate. The Committee also considered a number of different scenarios to test the sensitivity of the model to changes in its key drivers and to understand the level of headroom available at a CGU level. The Committee noted that while headroom in the French CGU had increased on the prior year it remained on watch and will monitor developments in it throughout 2016.

Following this process the Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the Consolidated Financial Statements. The Committee concluded that the goodwill is not impaired and approved the disclosures in Note 14 to the Consolidated Financial Statements.

2. Venezuela

The Committee has considered the recent developments in Venezuela and their potential impact on the Group's Consolidated Financial Statements as follows:

Exchange control

The Committee has reviewed accounting papers prepared by management which detail the exchange control developments during the year, including the establishment of the Simadi exchange rate. The Committee has discussed these matters in detail with management and our Statutory Auditor and considered the appropriate rate to consolidate the Venezuelan operations. Based on the facts and circumstances, the Committee considered that the Simadi rate was the appropriate rate to consolidate the Venezuelan operations for the financial year ended 31 December 2015. The Committee also considered the impact of exchange control on the net assets of its operations and its cash balances in Venezuela. The Committee consider the disclosures in Note 3 to the Consolidated Financial Statements to be appropriate.

Inflation rate

During 2015, no official inflation statistics were published by the Central Bank of Venezuela. In the absence of such information, management engaged an independent expert to determine an estimate of the annual

Audit Committee Report (continued)

inflation rate, for the purposes of recording the hyperinflationary adjustments required by IAS 29. After due consideration and discussion with management, the Committee is satisfied that this inflation rate fairly reflects the inflationary environment in Venezuela in 2015.

Control

The Committee has considered and discussed with management as to whether the Group maintains control of its Venezuelan operations, particularly as the risk of nationalisation of foreign owned companies and assets by the Venezuelan government remains a risk. After due consideration and discussion with management, the Committee is satisfied that the Group continues to control its operations in Venezuela and, as a result, continues to consolidate the results and net assets of these operations at year-end in accordance with the requirements of IFRS 10, *Consolidated Financial Statements*.

Price control

The Committee has previously considered the announcements in 2013 by the Venezuelan government that companies in Venezuela can only seek price increases if they have clearance that their margins are within certain guidelines. On 18 February 2016, the Venezuelan government announced a review of their price laws without giving further details. The Committee has considered the risk that if its Venezuelan operations cannot implement price increases in a timely manner to cover the increasing costs of raw material and labour as a result of inflation, that this may have an adverse impact on the results of the operations. Based on discussions with management and our consideration of these matters, the Committee is satisfied that these developments do not have an impact on the Group's operations at 31 December 2015. The Committee will continue to monitor developments in this area with management.

3. Taxation – Valuation of Deferred Tax Assets

In conjunction with their goodwill impairment review the Committee also assessed the recoverability of deferred tax assets. The value of deferred tax assets at 31 December 2015 was €200 million. The Committee reviewed the estimates of future profitability which management provided and relied on the managements work with local tax specialists who considered any regulatory changes which would impact the recoverability of deferred tax assets.

The Committee concluded that the deferred tax asset recognised on the Group Consolidated Balance Sheet at 31 December 2015 was appropriate.

4. Employee Benefits

The Committee noted that the liability for post-retirement and other long-term employee benefits had decreased during 2015. The Group Compensation and Benefits Manager informed the Committee that the key driver was an increase in discount rates in the Eurozone and the UK which was partly offset by an increase in long-term inflation assumptions.

The Committee concluded that the assumptions used to calculate the pension liabilities are appropriate and consistent with market practice at the balance sheet date.

5. Exceptional Items

The Committee noted that the Exceptional Items for the Group in 2015 were €55 million. Management presented the Committee with detailed assumptions and calculations in relation to the proposed exceptional items and discussed them in the context of the Group's accounting policy for such matters and prior years' disclosure of similar items.

The Committee concluded that the size and nature of the items disclosed as exceptional items complied with the Group's accounting policy to be separately disclosed as exceptional items.

6. Treasury

During 2015 the Committee noted that the Group had issued new Senior Notes with a ten-year maturity at a coupon of 2.75%. It also noted that it had completed a transaction to amend and extend its Senior Credit Facility. The Committee considered the disclosure around the early debt repayment costs, and related costs, as an exceptional item.

The Committee also discussed management's processes, procedures and controls in respect of the Group's Treasury function.

The Committee concluded that the disclosure of financial instruments and key financial risks was appropriate at 31 December 2015.

Developments in IFRS

The Committee has received reports from management and discussed future accounting developments which are likely to affect the presentation of the Group's Consolidated Financial Statements.

Review of Annual Report

The Committee reviewed the Annual Report and Consolidated Financial Statements and were able to confirm to the Board that, in its view, taken as a whole, they were fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Risk Management and Internal Control

The Internal Audit function monitors compliance and considers the effectiveness of internal control throughout the Group. The Committee meets with the Group Compliance Manager, the Group Internal Auditor and the Statutory Auditor at least quarterly in order to satisfy itself on the adequacy of the Group's internal control system.

Risk assessment and evaluation is an integral part of the management process throughout the Group. Risks are identified and evaluated and are assessed in the light of the risk profile that is acceptable in order to achieve the Group's strategic objectives. Appropriate risk management strategies are implemented at each level. The key business risks including risks relating to IT security, fraud and related matters are identified by the senior management team. The Committee and Board in conjunction with senior management review the major business risks faced by the Group and determine the appropriate course of action to manage these risks. The Chairman of the Committee reports to the Board on all significant issues considered by the Committee.

Whistleblowing

In line with best practice, the Group has an independent and confidential whistleblowing procedure which allows all employees through anonymous submissions to raise concerns regarding accounting or auditing matters or questionable business practice. The Committee ensures through the Group Compliance Manager that arrangements are in place for the proportionate, independent investigation and appropriate follow up of such matters. It receives reports from the Group Compliance Manager on the follow up to all whistleblowing concerns received by the Company.

Internal Audit

The Group operates an internally resourced Internal Audit function which reports directly to the Committee. The Committee reviews internal audit and monitors its relationship with the Statutory Auditor, including plans and performance. It reviews and assesses the quarterly Internal Audit reports together with management's actions on findings to gain assurance as to the effectiveness of the internal control framework throughout the Group. A third party review of the effectiveness of the Internal Audit function was carried out in 2012 and all recommendations have been implemented.

Statutory Auditor

The Committee is responsible to the Board for recommendations on the appointment, re-appointment and removal of the Statutory Auditor. As part of this process the Committee assesses annually the independence and objectivity of the Statutory Auditor taking into account relevant professional and regulatory requirements and the relationship with the Statutory Auditor as a whole, including the provision of any non-audit services. The Committee monitors the

Statutory Auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Committee's decision to recommend re-appointment on an annual basis.

The Committee continues to be satisfied with the work of PwC and that they continue to remain objective and independent. The Committee has therefore recommended to the Board that a resolution be put to shareholders for the re-appointment of the Statutory Auditor, and their remuneration and terms of engagement, at the AGM of the Company.

The Statutory Auditor attends all meetings of the Committee. The Committee discusses and agrees the scope of the annual audit plan with the Statutory Auditor before they commence. The Statutory Auditor provides reports at each Committee meeting on topics such as the control environment, key accounting matters and mandatory communications. It is standard practice for the Statutory Auditor to meet privately with the Committee without any member of management or the executive Directors being present so as to provide a forum to raise any matters of concern in confidence.

Audit Tendering

The Committee notes the provisions of the Code, the recent findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract at least every ten years. The Group's external audit was last tendered in 2006, resulting in a change of Statutory Auditor to PwC. Since 2006, there have been three different senior Statutory Auditors in line with the required rotation timetable. Having previously conducted a full tender exercise the Committee will continue to give consideration to the timing of the next formal tender in light of the regulatory requirements, the transitional arrangements and any further changes in the regulatory framework. In any event, the Committee does not anticipate that this will be earlier than the date of the rotation of the current senior Statutory Auditor. There are no contractual obligations that restrict the choice of Statutory Auditor.

Statutory Auditor Non-audit Services

The Committee has agreed the types of permitted and non-permitted non-audit services and those which require explicit prior approval.

The Group has a policy governing the conduct of non-audit work by the Statutory Auditor. All contracts for non-audit services in excess of €50,000 must be notified to and approved by the Chairman of the Committee. The engagement of the Statutory Auditor to provide any non-audit services must be pre-approved by the Committee or entered into pursuant to pre-approval policies and procedures established by the Committee. The policy exists to ensure that the Statutory Auditor does not audit its own work, participate in activities that would normally be undertaken by management, have a mutuality of financial interest with the Group or act in an advocacy role for the Group. Details of the amounts paid to the Statutory Auditor during the year for audit and other services are set out in Note 5 on page 88. The value of non-audit services provided by PwC in 2015 amounted to €0.6 million (2014: €0.3 million). Non-audit services relates to the provision of tax advisory and other non-audit services. These services provided by the Group Statutory Auditor are considered by the Committee to be necessary in the interests of the business and, by their nature, these services could not easily be provided by another professional auditing firm.

The provision of tax advisory services, due diligence/transaction services and litigation services may be permitted with the Committee's prior approval. The provision of internal audit services, valuation work and any other activity that may give rise to any possibility of self-review are not permitted under any circumstance. During the year there were no circumstances where PwC was engaged to provide services which might have led to a conflict of interests.

How the Committee has Addressed its Responsibilities

In order to discharge the responsibilities set out in the Terms of Reference, the Committee in 2015:

- Reviewed with management the Group's 2014 preliminary results announcement, its 2014 Annual Report, the 2015 first and third quarter results, the 2015 interim report and management's annual going concern report and viability statement
- Reviewed the Statutory Auditor's year-end audit report for December 2014, the limited procedures reports on the 2015 first and third quarter results and the limited procedures report on the 2015 interim report
- Reviewed the Statutory Auditor's report on its review of the nine months to September 2014 for inclusion in the Offering Memorandum for the senior note offering in February 2015
- Reviewed the Offering Memorandum for the senior note offering completed in February 2015
- Reviewed the Statutory Auditor's plan for the audit of the Group's 2015 Consolidated Financial Statements, which included consideration of the scope of the audit, key risks to the Consolidated Financial Statements, the proposed audit fee and approval of the terms of engagement for the audit
- Addressed the annual fraud enquiries carried out by the Statutory Auditor as part of its year-end audit
- Reviewed on a quarterly basis the Statutory Auditor services and fees
- Reviewed on a quarterly basis cyber-attack reports
- Reviewed tax and accounting services and fees from firms other than the Statutory Auditor
- Reviewed the quarterly internal audit reports with the Group Internal Auditor and management and any consequent actions
- Approved the internal audit plan and the related resourcing of the function required to meet that plan
- Approved changes proposed to the Group Internal Audit Charter by the Group Internal Auditor and management
- Reviewed all reports submitted by the Group Compliance Manager which comprised an Internal Control Effectiveness Report, an Internal Control Questionnaire update for 2015, the Treasury Compliance Certifications, the Competition Law Policy Compliance Certification results and various Whistleblower and Code of Conduct updates
- Reviewed the control environment and ensured that the Code of Business Conduct, the Code of Ethics for Senior Financial Officers, the Good Faith Reporting Policy, the Group Financial Reporting Guide, the Group Treasury Policy, the Financial Monitoring Policy, the Treasury Compliance Programme and the Competition Compliance Programme are up to date and embedded in the Group's processes
- Had presentations from and discussions with the senior management of the Treasury function on the Treasury organisation, governance, objectives and the key risks. Reviewed and approved the updated Treasury Policy
- Reviewed and approved the Group's risk assessment framework (see Risk Management and Internal Control - pages 41 and 42)
- Reviewed and approved each significant risk facing the Group together with the actions proposed by management to accept, avoid or mitigate risk
- Reviewed the Group's monitoring processes over internal control
- Reviewed the Statutory Auditor's report on the 2015 hard-close audit procedures and the 2015 year-end audit and also reviewed the confirmation of Statutory Auditor independence
- Reviewed the Committee's performance and its Terms of Reference.

Rosemary Thorne
Chairman of the Audit Committee

4 March 2016

Remuneration Report

Dear Shareholder

As Chairman of SKG's Compensation Committee, I am pleased to present our Remuneration Report for the financial year ended 31 December 2015.

In order to maintain the highest standards of good corporate governance practice, although not a legal requirement for SKG which is an Irish incorporated company, the Compensation Committee ('the Committee') similar to last year presents this year's report in accordance with the main elements of the disclosure requirements relating to remuneration reports issued by the UK Department for Business, Innovation and Skills ('BIS') as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. In addition, the Remuneration Report will be subject to an advisory shareholder vote at the forthcoming AGM on 6 May 2016.

Remuneration Policy and Strategy

The Compensation Committee has responsibility for setting the Group's overall remuneration policy and strategy, determining the level and structure of remuneration of all executive Directors and the Chairman and monitoring the level and structure of remuneration for senior management. The operation of each of the individual remuneration components is reviewed on an ongoing basis to ensure they are aligned with the strategic direction of the business, that performance targets are appropriate and stretching and that they continue to attract, retain and motivate executives to deliver superior performance.

The Committee receives independent advice from leading external remuneration consultants as appropriate. The Group Chief Executive Officer attends meetings except when his own remuneration is being discussed and the Group V.P. Human Resources when appropriate.

The Company is operating in line with the remuneration policy which is set out on pages 58 to 60 and which was approved at the AGM on 2 May 2014. The Company will seek a further advisory vote on the policy next year or earlier should there be a requirement to change the policy.

Group Performance

The Group delivered the third sequential year of strong EBITDA growth in 2015 with a 2% increase from €1,161 million in 2014 to €1,182 million in 2015, pre-exceptional EPS growth of 21%, strong free cash flows at €388 million and the completion of over €380 million of acquisitions to further strengthen and diversify our geographic reach.

2015 Review

As set out above the executive Directors and the broader SKG management team reported a strong 2015 outcome delivering significant improvement across all key financial and operating metrics. In February 2016 the Committee reviewed the performance metrics against the performance targets under the annual bonus plan for 2015 as set out on page 49. Following this review the Committee approved the awards under the annual bonus plan for the executive Directors as set out on page 52.

As explained in more detail on page 50 and 51, the Deferred Annual Bonus Plan ('DABP') is a long-term incentive arrangement which is intended to align the interests of executive Directors and senior management with shareholders and focus on the creation of value over a medium to long-term time horizon. Over the past three years, the management team has generated an EBITDA of over €1 billion annually with a sequential improvement each year, reduced the leverage and successfully repositioned the Group's capital structure. Within our global peer group SKG's share price was one of the top performers over the three-year period with a share price increase of over 160%. ROCE and Free Cash Flow ('FCF') for the three-year period to December 2015 amounted to 43.2% and €1.1 billion respectively and as a result the Matching Shares which were awarded in 2013 under the DABP resulted in a 2 times match from a possible 3 times match and was approved by the Committee in February 2016.

The Committee reviewed and approved the Deferred and Matching Share Awards for the executive Directors and the management team for the performance period 2015-2017 and similar to last year determined that the maximum multiple for the awards for the 2015-2017 performance period should be reduced to 2.25 times.

Following the appointment of Mr Tony Smurfit as Group Chief Executive Officer the Committee taking into account advice from its external advisors set the salary for the new Group Chief Executive Officer at €1.1 million. The committee was also mindful that there was no current intention to appoint a replacement as Group Chief Operating Officer.

Mr Paul Stecko retired from the Board and from his position as Chairman of the Compensation Committee at the end of October 2015. I would like to thank Paul for his great contribution to the development of the Committee and its work over the last seven years and wish him well for the future.

Irial Finan
Chairman of the Compensation Committee

4 March 2016

The Compensation Committee

The Compensation Committee chaired by Mr Irial Finan currently comprises six non-executive Directors. The Directors' biographical details on pages 36 and 37 demonstrate that the members of the Committee bring to it a wide range of experience in the area of senior executive remuneration in comparable companies. The Committee receives advice from independent remuneration consultants, as appropriate, to supplement their own knowledge and to keep the Committee updated on current trends and practices. In 2015, the Committee received advice from its independent advisors, Hay Group, who provided advice to the Committee and management on the salaries of the executive Directors and the senior management team. The Committee considers that the advice provided by Hay Group, is objective and independent.

The role and responsibilities of the Committee are set out in its Terms of Reference which is available on the Group's website: smurfitkappa.com. The Terms of Reference and the performance of the Committee was reviewed and the Committee is considered to be operating effectively and efficiently.

The Committee met four times during the year. Details of Committee members and meetings attended are provided in the table below. The Group Chief Executive Officer normally attends the meetings and the Group V.P. Human Resources attends when appropriate.

Attendance record	**A***	**B***	**Appointment date**
I. Finan (Chairman)**	4	4	2012
C. Bories	4	4	2012
L. O'Mahony	4	4	2007
R. Newell	4	4	2010
G. Restrepo***	3	3	2015
J. Moloney***	1	1	2015
N. Restrepo****	1	1	2010
P. Stecko ***	3	3	2008

* *Column A indicates the number of meetings held during the period that the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.*

** *Mr Finan was appointed Chairman on the retirement of Mr Stecko from the Committee in 2015.*

*** *Mr G. Restrepo and Mr Moloney joined and Mr Stecko retired from the Committee in 2015.*

**** *Mr N. Restrepo passed away in March 2015.*

Salary and Benefits

The base salaries for executive Directors are reviewed annually by the Compensation Committee taking into account the metrics set out in the remuneration policy on page 58. The remuneration of executive Directors and other senior executives is set after taking appropriate account of trends of other employees around the Group. At the first meeting each year the Committee receives a report from management on pay practices across the Group, including salary levels and trends, proposed bonus participation and payments and the proposal for general staff increases in all locations.

The outcome of the reviews in early 2016 and 2015 are set out below.

	From 1 January 2016	**From 1 January 2015**
A. Smurfit	0.0%*	0.1%
I. Curley	0.0%	0.1%
G. McGann	*	0.0%

** Mr Smurfit's salary was increased on his appointment as Group Chief Executive Officer on 1 September 2015. Mr McGann retired as Group Chief Executive Officer on 31 August 2015.*

The executive Directors are encouraged to accept a small number of external appointments as non-executive Directors or on industry associations. They are permitted to retain any payments received in respect of such appointments.

Annual Bonus

Executive Directors participate in an annual bonus scheme which is based on the achievement of clearly defined stretching annual financial targets for some of the Group's Financial Key Performance Indicators ('KPI'), together with targets for Health and Safety. A further consideration is the comparison of the Group's financial performance compared to that of its peer group.

The annual bonus calculated over the key target areas was as follows:

	2015		2014	
	Potential %	**Outcome %**	Potential %	Outcome %
EPS	**25.0**	**10.9**	25.0	16.7
FCF	**20.0**	**3.5**	20.0	14.2
ROCE	**25.0**	**10.9**	25.0	11.3
Peer Comparison	**20.0**	**6.7**	20.0	13.3
Health and Safety	**10.0**	**10.0**	10.0	-
	100.0	**42.00**	100.0	55.5

Remuneration Report (continued)

Targets and the weighting of targets are reviewed each year by the Compensation Committee in the context of the prior year performance, the position in the cycle, the annual budget and the strategic goals of the Group. EPS, FCF and ROCE (see Finance Review pages 26 to 28) were the KPIs selected by the Committee for 2015. The peer comparison ensures that results, especially in a cyclical industry, while market driven, are as a result of the ongoing relative performance of the Group's operations and management teams rather than some windfall benefits. The peer group used for the annual bonus comprises the companies as set out on page 51. The Health and Safety targets ensure a continuing awareness that while driving the business, we continue to promote safe and healthy working conditions and conduct within the working environment throughout the organisation.

For members of the DABP (see below) the maximum bonus is 1.5 times the bonus percentages in the schedule above, with half of the bonus paid in cash and the balance deferred into Company shares which vest after three years subject to the continuity of employment of the executive or in certain circumstances based on normal good leaver provisions.

Long-term Incentive Plans

In May 2011, the SKG AGM approved the adoption of the 2011 DABP which replaced the 2007 Share Incentive Plan.

Deferred Annual Bonus Plan

The size of award to each participant under the DABP is subject to the level of annual bonus outcome in any year. The maximum annual bonus potential for participants in the DABP is 150% of salary. The actual bonus in any financial year is based on the achievement of clearly defined stretching annual financial targets for some of the Group's KPIs as set out above. The structure of the plan is that 50% of any annual bonus earned for a financial year will be deferred into SKG plc shares ('Deferred Shares') to be granted in the form of a Deferred Share Award. The Deferred Shares will vest (i.e. become unconditional) after a three-year holding period based on continuity of employment or in certain circumstances based on normal good leaver provisions.

At the same time as the grant of a Deferred Share Award, a Matching Share Award can be granted up to the level of the Deferred Share Award. Following a three-year performance period, the Matching Shares could vest up to a maximum of 3 times the level of the Deferred Share Award. The maximum match was reduced to 2.25 times by the Committee in 2014 for the awards for the 2014-2016 performance period and the same was applied for 2015-2017 performance period. Matching Share Awards will vest provided the Compensation Committee consider that the Group's ROCE and Total Shareholder Return ('TSR') are competitive against the constituents of a comparator group of international paper and packaging companies over that performance period. The actual number of Matching Shares that will vest under the Matching Share Awards will be dependent on the achievement of the Group's cumulative FCF[1] and ROCE targets measured over the same three-year performance period on an inter-conditional basis and the multiplier will be calculated by interpolation.

The actual performance targets assigned to the Matching Awards are set by the Compensation Committee on the granting of awards at the start of each three-year cycle. The Group is required to lodge the actual targets with the Group's Statutory Auditor prior to the grant of any awards under the DABP.

The Compensation Committee is entitled to claw back some or all of the shares which are the subject of a participant's Deferred Share Award or Matching Share Award at any time if, in the opinion of the Committee (acting fairly and reasonably) either the underlying performance of the Group or the occurrence of an event that causes or is likely to cause reputational damage to the Group, or serious misconduct by the participant warrants this.

In 2013, Matching Share Awards totalling 790,543 SKG shares were granted to eligible employees which gave a potential maximum of 2,223,303 SKG shares that could vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2015.

The targets for the three-year period ending on December 2015 which were set in 2013, were as follows:

Targets and Match Matrix

			Three-year performance period 2013 - 2015			
					ROCE	
				38%	**42.6%**	**46.6%**
		Level of performance attained over three-year period	**Below Threshold**	**Threshold**	**Target**	**Stretch**
		Below Threshold	0	0	0	0.5
FCF (€m)	**983***	**Threshold**	0	1	1.5	2
	1,136*	**Target**	0	1.5	2.25	2.5
	1,286*	**Stretch**	0.5	2	2.5	3

** Adjusted for acquisitions in three-year period.*

Over the past three years, the management team has generated an EBITDA of over €1 billion each year, reduced the leverage and successfully repositioned the Group's capital structure. Within our global peer group SKG's share price was one of the top performers over the three-year period with a share price increase of over 160%. ROCE and FCF for the three-year period to December 2015 amounted to 43.2% and €1.1 billion respectively and as a result the Matching Shares which were awarded in 2013 under the DABP resulted in a 2 times match from a maximum 3 times which was approved by the Committee in February 2016.

In March 2015, Deferred Share Awards totalling 622,933 SKG shares were granted to eligible employees in respect of the financial year ended 31 December 2014. Matching Share Awards totalling 379,134 SKG shares were also granted which give a potential maximum of 1,016,706 SKG shares that may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2017.

1 *In calculating FCF, capital expenditure will be set at a minimum of 90% of depreciation for the three-year performance cycle.*

Deferred Share Awards and Matching Share Awards will be granted in 2016 to eligible employees in respect of the financial year ended 31 December 2015. The Matching Share Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2018.

Details of the executive Directors' awards are set out on page 57.

2007 Share Incentive Plan

This scheme expired for the purpose of issuing invitations to subscribe for convertible shares, however a number of earlier convertible shares remain extant.

Invitations to subscribe under the 2007 Share Incentive Plan were in the form of new class B convertible shares and new class C convertible shares for which executives were invited to subscribe at a nominal value of €0.001 per share.

The maximum aggregate market value of the new class B and new class C convertible shares that could be issued in any year to an executive under the plan was 150% of basic salary divided equally into new class B and new class C convertible shares. On satisfaction of specified performance conditions, the new class B convertible shares and the new class C convertible shares automatically converted on a one-for-one basis into D convertible shares. The performance condition was based on the Group's total shareholder return over a three-year period relative to the total shareholder return of a peer group of companies ('TSR condition') with the Compensation Committee retaining an overriding discretion to disallow the vesting of the award in full or in part if, in its opinion the Group's underlying financial performance or total shareholder return (or both) was unsatisfactory during the performance period. The peer group of companies are as set out below. The D convertible shares may be converted by the holder on a one-for-one basis into ordinary shares, upon payment of a conversion price. The conversion price for each D convertible share was the average of the market value of an ordinary share for the three consecutive dealing days immediately prior to the date the executive was invited to subscribe for the new class B or new class C convertible shares, less the nominal subscription price paid per share. The performance period for the new class B and new class C convertible shares was three financial years.

Details of restrictions on transfer of shares are set out in Note 23 on page 102. Details of the executive Directors' holdings of convertible shares are set out on page 56.

Peer Group of Companies

	Company	**Region**
1	Billerud	Europe
2	Mondi	Europe
3	M-real	Europe
4	Norske Skog	Europe
5	Stora Enso	Europe
6	UPM-Kymmene	Europe
7	DS Smith plc	Europe
8	Cascades/Norampac	North America
9	International Paper	North America
10	Packaging Corporation of America	North America
11	RockTenn	North America
12	Bio-PAPPEL	Latin America
13	Klabin	Latin America

Pensions

Mr Smurfit and Mr Curley participate in a Group contributory defined benefit pension plan based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service and is designed to provide two thirds of salary at retirement for full service. Mr McGann and Mr Curley are members of defined contribution pension plans.

All pension benefits are determined solely in relation to basic salary. Fees paid to non-executive Directors are not pensionable.

The Irish Finance Act 2006 effectively established a cap on pension provision by introducing a penalty tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7 December 2005. As a result of these legislative changes, the Compensation Committee of SKG decided that Irish based executive Directors should have the option once they reached the cap of continuing to accrue pension benefits as previously, or of choosing an alternative arrangement with a similar overall cost to the Group.

Mr Smurfit (in 2015 and 2014) chose an alternative arrangement which involved capping his individual pension in line with the provisions of the Finance Act and receiving a supplementary taxable non-pensionable cash allowance, in lieu of prospective pension foregone. This is calculated based on actuarial advice as the equivalent of the reduction in SKG's liability to the individual and spread over the term to retirement as annual compensation allowances. Mr McGann also chose an alternative arrangement and received his pension contribution as a supplementary taxable non-pensionable cash allowance.

Remuneration Report (continued)

Total Executive Directors' Remuneration in 2015

The following table shows a single figure of total remuneration for each executive Director for the year 2015 calculated under the BIS disclosure rules. The individual remuneration in the tables below is also set out on page 54 as required under the Irish Listing rules. The LTIP columns reflect LTIP awards received or receivable for periods of more than one financial year where the final vesting was determined as a result of performance measures that ended in 2015, the year being reported on, and are not subject to achievement of performance measures or targets in a future financial year.

						LTIP			
	Basic salary €'000	Annual cash bonus €'000	Pension €'000	Benefits €'000	Individual remuneration €'000	Deferred shares €'000	Performance element[1] €'000	Share price appreciation element[2] €'000	Total €'000
Directors									
A. Smurfit*	963	303	240	25	**1,531**	303	785	705	**3,324**
I. Curley	764	241	163	48	**1,216**	241	727	652	**2,836**
G. McGann*	842	530**	300	12	**1,684**	-**	1,135	1,018	**3,837**

1 *Performance element - matching shares that vested in February 2016 at the grant price in 2013. They vested as a result of the achievement of the relevant performance targets for the three-year period ended 31 December 2015.*

2 *Share price appreciation element - the estimated additional value generated through share price growth over the grant price in 2013. The share price used is €22.56 compared to the grant price of €11.89 per share.*

* *Mr Smurfit was appointed Group Chief Executive Officer on 1 September 2015. Mr McGann retired as Group Chief Executive Officer on 31 August 2015.*

** *None of Mr McGann's annual bonus was deferred as he had retired at the date of receipt.*

Total Executive Directors' Remuneration in 2014

						LTIP			
	Basic salary €'000	Annual cash bonus €'000	Pension €'000	Benefits €'000	Individual remuneraton €'000	Deferred shares €'000	Performance element €'000	Share price appreciation element[1] €'000	Total €'000
Directors									
G. McGann	1,262	525	450	34	**2,271**	525	1,390	3,017	**7,203**
A. Smurfit	893	372	245	24	**1,534**	372	962	2,088	**4,956**
I. Curley	763	318	187	25	**1,293**	318	822	1,784	**4,217**

1 *Share price appreciation element - the estimated additional value generated through share price growth over the grant price in 2012. The share price used is €23.75 compared to the grant price of €7.49 per share.*

Percentage Change in Group Chief Executive Officer Remuneration

Details of the salary, annual bonus and benefits of the Group Chief Executive Officer are set out below:

		Basic salary €'000	Annual cash bonus €'000	Benefits €'000
Group Chief Executive Officer *	2015*	1,208 **	645**	20**
	2014	1,262	525	34
	% change	(4)%	23%	(41)%

* *Mr Smurfit was appointed Group Chief Executive Officer on 1 September 2015. Mr McGann retired as Group Chief Executive Officer on 31 August 2015.*

** *Represents amounts corresponding to Mr McGann's eight months in office and Mr Smurfit's four months in office.*

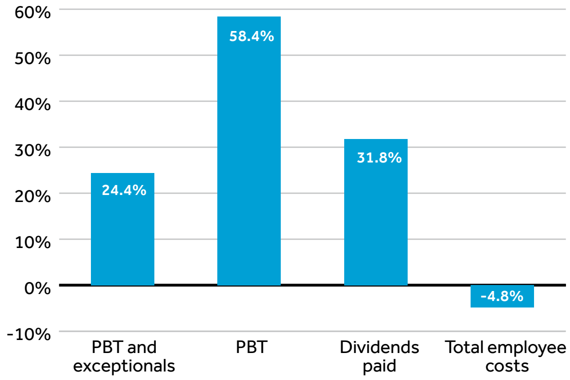
Relative Importance of Spend on Pay

The following tables set out the amounts and percentage change in profit, dividends and total employee costs for the financial years ended 31 December 2015 against 2014.

	2015 €m	2014 €m
Profit before income tax and exceptional items	**654**	525
Profit before income tax ('PBT')	**599**	378
Dividends paid to shareholders	**141**	107
Total employee costs[1]	**1,955**	2,054

1 *Total employee costs for continuing operations, includes wages and salaries, social security costs, share-based payment expense, pension costs and redundancy costs for all employees, including Directors. The average full time equivalent number of employees, including Directors and part-time employees in continuing operations was 43,354 (2014: 41,523) with the increase being mainly due to the acquisitions made during the year.*

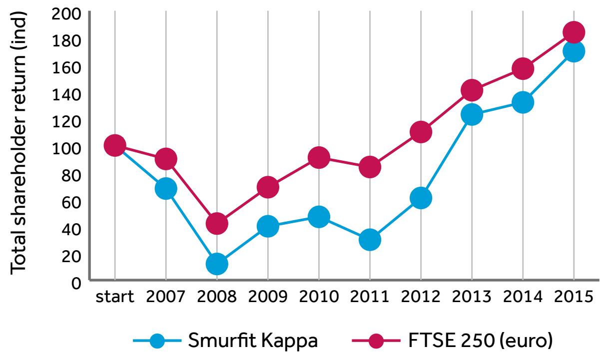
Percentage Change of Spend on Pay 2015 vs 2014



Total Shareholder Return Performance

The performance graph below shows the Group TSR performance since IPO in March 2007 to December 2015 against the performance of the FTSE 250 over the same period. The FTSE 250 has been chosen as it is a broad equity market index.

Total Return Indices - Smurfit Kappa vs FTSE 250



Group Chief Executive Officer Performance

The table below summarises the single figure of total remuneration for the Group Chief Executive Officer for the past five years as well as how the actual awards under the annual bonus and LTIP compare to the maximum opportunity.

	Group Chief Executive Officer	Single figure of total remuneration €'000	Annual bonus award against maximum opportunity	LTIP award against maximum opportunity
2015	A. Smurfit (appointed 1 September)	1,180	42%*	67%[1]
2015	G. McGann (retired 31 August)	3,837	42%*	67%[1]
2014	G. McGann	7,203	55%*	75%[1]
2013	G. McGann	5,278	54%*	93%[1]
2012	G. McGann	3,169	60%*	30%[2]
2011	G. McGann	3,358	65%*	100%[3]
2010	G. McGann	2,641	55%	-[4]

1 *The Matching and Conditional Matching Awards (see page 57) granted in 2013, 2012 and 2011 vested in February 2016, 2015 and 2014 respectively based on the achievement of the relevant performance targets for the three-year periods ending on 31 December 2015, 2014 and 2013.*
2 *The awards under the 2007 Share Incentive Plan ('SIP') vested 30% in February 2013 with the TSR condition being at the median.*
3 *The SIP awards vested 100% in February 2012 with the TSR condition being in the upper quartile of the peer group.*
4 *The SIP awards lapsed in March 2010 and March 2011 respectively having failed to meet the required performance conditions.*

* *The annual bonus award for 2015, 2014, 2013, 2012 and 2011 was paid 50% in cash and 50% in Deferred Share Awards.*

Remuneration Report (continued)

The information below forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 76.

Directors' Remuneration

	2015 €'000	2014 €'000
Executive Directors		
Basic salary	**2,569**	2,918
Annual cash bonus	**1,074**	1,215
Pension	**703**	882
Benefits	**85**	83
Executive Directors' remuneration	**4,431**	5,098
Average number of executive Directors	**3**	3
Non-executive Directors		
Fees	**1,278**	1,285
Non-executive Directors' remuneration	**1,278**	1,285
Average number of non-executive Directors	**11**	11
Directors' remuneration	**5,709**	6,383

Individual Remuneration for the Financial Year Ended 31 December 2015

	Basic salary and fees €'000	Annual cash bonus €'000	Pension[1] €'000	Benefits €'000	Total 2015 €'000	Total 2014 €'000
Executive Directors						
A. Smurfit[2]	963	303	240	25	**1,531**	1,534
I. Curley	764	241	163	48	**1,216**	1,293
G. McGann[2]	842	530[2]	300	12	**1,684**	2,271
	2,569	1,074	703	85	**4,431**	5,098
Non-executive Directors						
L. O'Mahony	300				**300**	300
F. Beurskens[3]	130				**130**	130
C. Bories	80				**80**	80
T. Brodin	117				**117**	80
I. Finan	88				**88**	80
J. Lawrence[4]	15				**15**	-
J. Moloney	80				**80**	80
S. Mencoff[4]	65				**65**	80
G McGann[2]	27				**27**	-
R. Newell	80				**80**	80
G. Restrepo[4]	47				**47**	-
N. Restrepo[4]	33				**33**	135
P. Stecko[4]	96				**96**	120
R. Thorne	120				**120**	120
	1,278				**1,278**	1,285

Mr Smurfit acted as a non-executive Director of C&C Group plc and received €65,000 in respect of the appointment. Mr McGann acted as a non-executive Director of Green Reit plc, Paddy Power plc and Aon Ireland Limited and retained gross fees, while an executive Director up to 31 August 2015, totalling €180,000 in respect of these appointments up to that date.

1 *Pension: The Irish Finance Act 2006 effectively established a cap on pension provision by introducing a penalty tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7 December 2005. As a result of these legislative changes, the Compensation Committee of SKG in 2007 decided that Irish based executive Directors should have the option once they reached the cap of continuing to accrue pension benefits as previously, or of choosing an alternative arrangement with a similar overall cost to the Group.*

Mr Smurfit (in 2015 and 2014) chose the alternative arrangement and received a supplementary taxable non-pensionable cash allowance in lieu of contributions to a pension fund in the amount of €191,964 (2014: €200,500). Mr McGann also chose the alternative arrangement and received €300,000 (2014: €450,000) as a supplementary taxable non-pensionable cash allowance.

The aggregate amount of contributions paid to defined contribution schemes and defined benefit schemes in respect of Directors was €100,045 (2014: €nil) and €100,749 (2014: €231,257) respectively.

2 *Mr Smurfit was appointed Group Chief Executive Officer on 1 September 2015. Mr McGann retired as Group Chief Executive Officer and became a non-executive director on 31 August 2015. None of Mr McGann's annual bonus was deferred as he had retired at the date of receipt.*

3 *Mr Beurskens received an additional fee of €50,000 (2014: €50,000) for services as a Director of a Group subsidiary.*

4 *Mr G. Restrepo joined the Board in June 2015 and Mr Lawrence joined the Board in October 2015. Mr Stecko and Mr Mencoff retired from the Board in October 2015. Mr N. Restrepo passed away in March 2015.*

Share-based Payment

In addition to the above the executive Directors receive Deferred Share Awards and Matching Share Awards details of which are outlined on page 57 of this report. The share-based payment expense recognised in the Consolidated Income Statement for the executive Directors in the year totalled €3,710,424 (2014: €1,852,000).

Pension Entitlements – Defined Benefit

Executive Directors	Increase/(decrease) in accrued pension during year[1] €'000	Transfer value of increase/(decrease) in accrued pension[2] €'000	2015 Total accrued pension[3] €'000
A. Smurfit	-	17	270
I. Curley	1	(545)	290

1 *Increases are after allowing for inflation over the year if applicable.*

2 *In the case of Mr Smurfit and Mr Curley retirement benefits payable on death in retirement continue to accrue in accordance with scheme rules so transfer values have been included and calculated on the basis of actuarial advice. These transfer values do not represent sums paid or due, but are the amounts that the pension scheme would transfer to another pension scheme in relation to the benefits accrued in 2015 in the event of the member leaving service.*

3 *Accrued pension benefit is that which would be paid annually on normal retirement date. The defined benefit accrued pension for Mr Smurfit has been set at his Personal Fund Threshold level.*

Directors' Interests in Share Capital at 31 December 2015

The interests of the Directors and Secretary in the shares of the Company as at 31 December 2015 which are beneficial unless otherwise indicated are shown below. The Directors and Secretary have no beneficial interests in any of the Group's subsidiary or associated undertakings.

	31 December 2015	31 December 2014*
Ordinary Shares		
Directors		
L. O'Mahony	**19,830**	19,830
F. Beurskens	**2,500**	2,500
T. Brodin	**30,000**	30,000
J. Lawrence**	**150,000**	-
G. McGann	**397,810**	431,810
J. Moloney	**3,000**	3,000
R. Thorne	**10,000**	10,000
A. Smurfit	**1,100,568**	1,070,568
I. Curley	**84,267**	214,267
Secretary		
M. O'Riordan	**95,018**	85,018

* *Or at date of appointment if later.*
** *Mr Lawrence joined the Board in October 2015.*

The changes in the Directors' and Secretary's interests between 31 December 2015 and 4 March 2016 were as follows: Mr Smurfit, Mr McGann and Mr O'Riordan increased their holdings by 24,764, 45,721, and 15,000 shares respectively in February 2016, following the vesting of the Deferred and Matching Share Awards. Mr Finan, Mr Newell and Ms Bories acquired 8,650, 4,000 and 1,800 shares respectively.

Remuneration Report (continued)

Convertible Shares

		Note	31 December 2014	Exercised	31 December 2015	Conversion price	Expiry date
Directors							
G. McGann	D (converted from B)	I	48,100	(48,100)*	-	4.36	Sep 2019
	D (converted from C)	I	48,100	(48,100)*	-	4.36	Sep 2019
	D (converted from B)	I	14,244	(14,244)*	-	6.50	Mar 2020
	D (converted from C)	I	14,244	(14,244)*	-	6.50	Mar 2020
I. Curley	D (converted from B)	I	28,440	(28,440)**	-	4.36	Sep 2019
	D (converted from C)	I	28,440	(28,440)**	-	4.36	Sep 2019
	D (converted from B)	I	8,424	(8,424)**	-	6.50	Mar 2020
	D (converted from C)	I	8,424	(8,424)**	-	6.50	Mar 2020
Secretary							
M. O'Riordan	D (converted from B)	I	11,050		11,050	4.36	Sep 2019
	D (converted from C)	I	11,050		11,050	4.36	Sep 2019
	D (converted from B)	I	3,273		3,273	6.50	Mar 2020
	D (converted from C)	I	3,273		3,273	6.50	Mar 2020

Convertible Shares

I. Issued under the 2007 Share Incentive Plan – see note on page 51. The shares automatically converted into D convertible shares to the extent that the performance conditions were achieved at the end of three years.

** These shares were exercised in September 2015 and the market price at the date of exercise was €26.43.*

*** These shares were exercised in February 2015 and the market price at the date of exercise was €23.75.*

Deferred Annual Bonus Plan Awards

Deferred Share Awards and Matching Share Awards

Deferred Share Awards and Matching Share Awards were granted to eligible employees in 2015 in respect of the financial year ended 31 December 2014. The Matching Share Awards may vest up to a maximum of 2.25 times the Deferred Share Award, based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2017.

	31 December 2014		Granted(Lapsed) in year 2015		Shares distributed on vesting		31 December 2015		Market price on award date	Performance period
	Deferred	Matching	Deferred	Matching	Deferred	Matching	Deferred	Matching		
Directors										
G. McGann	82,468	82,468			(82,468)[1]	(185,553)[2]	-	-	7.49	01/01/2012- 31/12/2014
	47,683	47,683			(47,683)[3]		-	47,683[5]	11.89	01/01/2013- 31/12/2015
	25,124	25,124		(8,375)[6]	(25,124)[3]		-	16,749	20.23	01/01/2014- 31/12/2016
			21,845	7,282[7]	(21,845)[3]		-	7,282	24.05	01/01/2015- 31/12/2017
A. Smurfit	57,068	57,068			(57,068)[1]	(128,403)[2]	-	-	7.49	01/01/2012- 31/12/2014
	32,997	32,997					32,997[4]	32,997[5]	11.89	01/01/2013- 31/12/2015
	17,733	17,733					17,733	17,733	20.23	01/01/2014- 31/12/2016
			15,450	15,450			15,450	15,450	24.05	01/01/2015- 31/12/2017
I. Curley	48,764	48,764			(48,764)[1]	(109,719)[2]	-	-	7.49	01/01/2012- 31/12/2014
	30,549	30,549					30,549[4]	30,549[5]	11.89	01/01/2013- 31/12/2015
	16,282	16,282					16,282	16,282	20.23	01/01/2014- 31/12/2016
			13,202	13,202			13,202	13,202	24.05	01/01/2015- 31/12/2017
Secretary										
M. O'Riordan	18,944	18,944			(18,944)[1]	(42,624)[2]	-	-	7.49	01/01/2012- 31/12/2014
	12,159	12,159					12,159[4]	12,159[5]	11.89	01/01/2013- 31/12/2015
	7,239	7,239					7,239	7,239	20.23	01/01/2014- 31/12/2016
			5,364	5,364			5,364	5,364	24.05	01/01/2015- 31/12/2017

1 *The deferred shares vested in February 2015 and were distributed. The market price at date of vesting was €23.75.*

2 *Based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2014 the shares vested in February 2015 with a match of 2.25 times the level of the Matching Share Award and were distributed. The market price at the date of vesting was €23.75.*

3 *These shares vested on Mr McGann's retirement and were distributed in September 2015. The market price at the date of vesting was €26.43.*

4 *The deferred shares vested in February 2016 and were distributed. The market price at the date of vesting was €22.56.*

5 *Based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2015 the shares vested in February 2016 with a match of 2 times the level of the Matching Share Award and were distributed. The market price at the date of vesting was €22.56.*

6 *Shares lapsed due to his retirement.*

7 *Matching shares totalling 21,845 were issued in 2015 and 14,563 of them lapsed due to his retirement.*

The market price of the Company's shares at 31 December 2015 was €23.54 and the range during 2015 was €18.21 to €29.60.

End of information in the Remuneration Report that forms an integral part of the audited Consolidated Financial Statements.

Statement on Shareholder Voting

The Company is committed to ongoing shareholder dialogue when formulating remuneration policy. If there are substantial numbers of votes against resolutions in relation to directors' remuneration the Company will seek to understand the reasons for any such vote and will provide details of any actions in response to such a vote.

The following tables show the voting outcome at the 1 May 2015 AGM for the 2014 Directors' Remuneration Report.

Directors' Remuneration Report

Votes for and discretionary	% votes cast	Votes against	% votes cast	Total votes cast	Vote withheld
140,104,194	99.1%	1,258,048	0.9%	141,362,242	386,243

Remuneration Report (continued)

Remuneration Policy

The remuneration policy is designed to attract, retain and motivate Directors and senior management of the highest calibre who are expected to deliver superior performance and to provide strong leadership to the Group. In return the Group aims to provide an attractive compensation package which ensures that management are focused on those corporate metrics which support the Group's business strategy and which support the objective of developing superior sustainable returns and value at acceptable levels of risk but with a clear and intelligible link to performance and the financial prosperity of the Group and consequently its shareholders. The key elements of the package comprise salary and benefits, a performance related annual bonus, a long-term equity based incentive plan and provision of pension benefits. As set out below, the performance related annual bonus forms a key part of executive Director remuneration. As the Group is multinational, remuneration packages in each geographical location must be competitive for that location and at a most senior level, on an international basis.

It is intended that the Remuneration Policy set out in this report will cover the three years from 1 January 2014.

Component	Purpose and link to strategy	Operation	Metrics	Opportunity
(i) Basic Salary	Competitive salaries and benefits are set to attract, retain and motivate executives to deliver superior performance in line with the Group's business strategy.	Reviewed annually; changes are generally effective on 1 January. Set by reference to competitive market practice and prevailing market conditions.	Consideration is given to: i. scope of role and responsibility; ii. personal performance; iii. Group performance; iv. step changes in responsibilities; v. remuneration trends across the Group; and vi. competitive market practice.	Set at a level which will be sufficient to attract, retain and motivate directors of the required quality and which the Committee considers appropriate taking into consideration both the individual's skills, experience, performance and the position against peers.
(ii) Benefits	Competitive benefits taking into account market value of role.	Benefits relate principally to the use of company cars.	Not applicable.	The level of benefit provision is fixed.
(iii) Annual Bonus Plan	To incentivise the executives to achieve clearly defined stretching annual targets which are aligned with the Group strategy. A deferral element in shares provides a retention element and aligns executives with shareholder interests.	Targets and weighting of targets are reviewed each year by the Committee to ensure continued alignment with the Group strategy. Payouts are determined by the Committee after the year-end based on performance against targets.	The key target metrics are EPS, FCF, ROCE, Peer Comparison and Health and Safety. See table on page 49 for prior year weightings. This plan covers the top 400 managers within the Group with the target metrics covering divisional and plant performance.	Maximum payout of 150% of basic salary, half of which is deferred (see below).
(iv) DABP	To incentivise executives to achieve certain targets over a three-year time frame which are aligned with the Group Strategy, to help attract and retain key executives and to further align executives with shareholder interests.	Involves half of the annual bonus earned being deferred into SKG plc shares ('Deferred Share Award'). At the same time a Matching Share Award can be granted up to the level of the Deferred Share Award. The vesting period for the DABP awards is three years. Awards are made annually after the final results announcement. Clawback provisions are in place. The percentage of share capital which can be issued complies with institutional guidelines.	The Deferred Share Award is based on continuity of employment over three years. The Matching Share Award vests based on achievement of cumulative targets for FCF and ROCE over the three-year period. In addition ROCE and TSR must be competitive against peers. This plan covers approximately the top 200 managers within the Group.	The Matching Share Award may vest up to a maximum of 2.25 times the level of the Deferred Share Award.
(v) Pension	To provide a market competitive package to attract and retain executives.	Executive Directors participate in a defined benefit scheme or a defined contribution pension plan.	Not applicable.	Two thirds of pensionable salary at retirement for full service or cash in lieu of pension accrual calculated by actuaries or defined contribution amount.

Share Ownership Requirements

The Group Chief Executive Officer is required to build a shareholding equivalent to 150% of base salary, and other executive Directors a shareholding equivalent to at least 100% of base salary, over a period of not more than three years from the date of appointment. As at 31 December 2015, all executive Directors had more than the shareholding requirements.

Current Shareholdings of the Executive Directors

	Times salary*
A. Smurfit	25.5
I. Curley	2.8

** The calculation above is based on an average share price for 2015 of €25.45 per share and shareholdings at 31 December 2015.*

Executive Directors' Service Contracts

Details of the service contracts of the executive Directors are as follows:

	Effective date of contract	Notice period
A. Smurfit	9 March 2007 (Amended 1 September 2015)	12 months notice
I. Curley	9 March 2007	12 months notice

In the event of early termination the payment in lieu of notice would equal annual salary, the highest annual bonus for the most recent three years, the regular pension contribution in respect of the annual salary and the cash value of any benefits.

For any new executive Director payment in lieu of notice would, consistent with best practice, include salary, pension and other benefits, but not annual bonus.

Non–executive Directors and the Chairman

All non-executive Directors have letters of appointment for a period of three years which are renewable but generally for no more than three terms in aggregate, however, in compliance with the Code, all Directors will retire at each AGM and offer themselves for re-election. A copy of the letter of appointment is available for inspection at the registered office and prior to and during the AGM. Non-executive Directors are not eligible to participate in the annual bonus plan or the long-term incentive plans and their service as a non-executive Director is not pensionable.

There were no changes in the non-executive Directors' fees in 2015 or 2014.

A summary of the non-executive Directors' fees is as follows:

	Annual fee
Chairman	€300,000
Non-executive Director base fee	€60,000
Additional fees:	
Senior Independent Director fee	€75,000
Audit Committee Chairman fee	€60,000
Remuneration Committee Chairman fee	€60,000
Committee fee	€20,000

Executive Directors do not receive any Directors fees.

The remuneration of the non-executive Directors is determined by the Board within the limits set out in the Articles of Association.

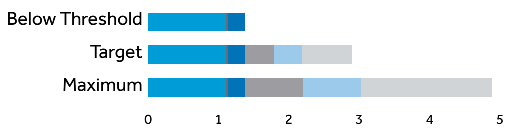
Remuneration Report (continued)

Value and Composition of Remuneration Packages

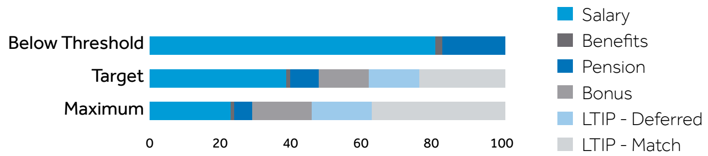
The Committee believes it is important for executive Directors and the senior management that a significant portion of the package is performance related and a significant portion is delivered in shares to align their interests with shareholders. The potential value and composition of the executive Directors' remuneration packages at below threshold, target and maximum scenarios under the SKG remuneration policy are set out in the charts below.

A. Smurfit

VALUE OF PACKAGE (€m)

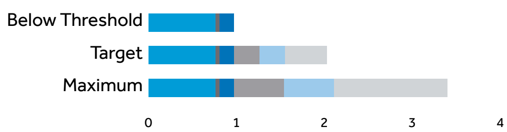


COMPOSITION OF OVERALL PACKAGE (%)

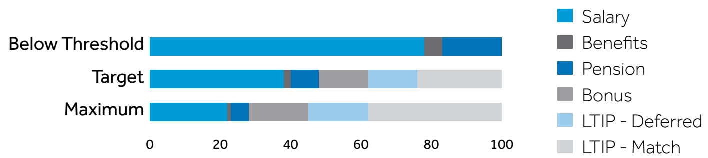


I. Curley

VALUE OF PACKAGE (€m)



COMPOSITION OF OVERALL PACKAGE (%)



In developing the scenarios the following assumptions have been made and exclude the effect of share price movements:

Salary: Salary at 31 December 2015.

Benefits: Estimate based on benefits received in 2015.

Pension: Cash in lieu rate or contribution rate applied to salary.

Below Threshold: No pay-outs under any incentive plan.

Target: 50% of the maximum potential under the annual bonus plan and Deferred Share Award is earned and a multiplier of 1.6875 times is applied to the Matching Share Awards.

Maximum: The maximum potential under the incentive plans is earned.

Nomination Committee Report

As Chairman of the Nomination Committee I am pleased to present the report of the Committee in relation to the financial year ended 31 December 2015.

Role of the Nomination Committee

The role of the Nomination Committee ('the Committee') is to:

- lead the process for appointments to the Board and making recommendations to the Board
- evaluate the balance of skills, knowledge, experience and diversity on the Board and preparing descriptions of the role and requirements for new appointees
- give full consideration to succession planning for Directors.

The Committee uses the services of external advisors where necessary in order to assist in the search for new appointments to the Board and they are provided with a brief which takes into consideration the skills, experience and diversity, both gender and geographical, required at the time to give balance to the Board. When suitable candidates has been identified some Committee members will meet with them and if a candidate is agreed upon, the Committee will then recommend the candidate to the Board. All appointments to the Board are approved by the Board as a whole. Non-executive Directors are expected to serve two three-year terms although they may be invited to serve for a further period.

All newly appointed Directors are subject to election by shareholders at the AGM following their appointment and in compliance with the Code all Directors are required to retire at each AGM and offer themselves for re-election.

The terms and conditions of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM of the Company.

The role and responsibilities of the Committee are set out in its Terms of Reference which is available on the Group's website: smurfitkappa.com. The Terms of Reference are reviewed each year by the Committee.

Membership of the Committee

The Committee is currently comprised of six non-executive Directors. The Committee met three times during the year under review. Details of Committee members and meetings attended are provided in the table below. The Group Chief Executive Officer normally attends meetings of the Committee.

Attendance record	A*	B*	Appointment date
T. Brodin - Chairman	3	3	2008
F. Beurskens	3	3	2013
J. Lawrence**	1	1	2015
S. Mencoff **	2	1	2013
G. McGann**	2	2	2015
L. O'Mahony	3	3	2007
R. Thorne	3	3	2008
N. Restrepo***	-	-	2008

* *Column A indicates the number of meetings held during the period the Director was a member of the Committee and was eligible to attend and Column B indicates the number of meetings attended.*

** *Mr Lawrence and Mr McGann joined and Mr Mencoff retired from the Committee in 2015.*

*** *Mr Restrepo passed away in March 2015.*

Main Activities during the Year

During the year the Committee evaluated the composition of the Board with respect to the balance of skills, knowledge, experience and diversity, including geographical and gender diversity, on the Board and updated a policy document on Board succession which was approved by the Board.

The Committee instigated a search for a new non-executive Director in 2014 as part of the ongoing Board renewal process, using the services of an external advisor, KORN/FERRY Whitehead Mann, who do not have any other affiliation with the Group and continued the process through 2015. Mr Gonzalo Restrepo had been identified as a candidate a number of years ago and we remained in contact with him following his retirement from a full time executive role. Mr Jim Lawrence was identified through the search process. Following interviews with KORN/FERRY Whitehead Mann and a number of the Committee members, the Committee recommended Mr Gonzalo Restrepo and Mr Jim Lawrence for co-option to the Board. The appointment of Mr Gonzalo Restrepo was confirmed by the Board in June 2015 and Mr Lawrence in October 2015. Mr Restrepo has significant experience of the Latin America region generally and the retail industry specifically. Mr Lawrence has a breadth and depth of expertise, across markets and business sectors and especially those in the United States.

The Terms of Reference and the performance of the Committee was reviewed and the Committee is considered to be operating effectively and efficiently.

I was appointed Chairman of the Committee following the untimely death of Mr Nicanor Restrepo in March 2015. I would like to acknowledge Nicanor's significant contribution as Chairman of the Committee to the development of the Committee and its work from his appointment in 2008.

Thomas Brodin
Chairman of the Nomination Committee

4 March 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare an Annual Report including Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that financial year. The Directors have prepared the Group and the Company Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and as regards the Company's Financial Statements, in accordance with the provisions of the Companies Act.

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with applicable International Financial Reporting Standards as adopted by the EU, subject to any material departures disclosed and explained in the Financial Statements;
- include any additional information required by the Companies Act; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are also required by Irish law and the Listing Rules issued by the Irish Stock Exchange to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance. In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the 'Transparency Regulations'), the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors confirm that they have complied with the above requirements in preparing the 2015 Annual Report and Consolidated Financial Statements.

The Directors are responsible for:

- keeping accounting records that are sufficient to correctly record and explain the transactions of the Company;
- disclosing with reasonable accuracy at any time the financial position of the Company and the Group;
- maintaining adequate accounting records which enable those financial statements to be audited;
- enabling them to ensure that the Financial Statements comply with the Companies Act and as regards the Group Consolidated Financial Statements, Article 4 of the International Accounting Standards ('IAS') Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' Statement Pursuant to the Transparency Regulations

Each of the Directors, whose names and functions are listed on pages 36 and 37, confirms that, to the best of each person's knowledge and belief:

As required by the Transparency Regulations:

- the Annual Report and Consolidated Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position of the Company and the Group and of the profit of the Group; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

As required by the UK Corporate Governance Code:

- the Annual Report and Financial Statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

On behalf of the Board

A. Smurfit
Director and Group Chief Executive Officer

I. Curley
Director and Group Chief Financial Officer

4 March 2016

Independent Auditors' Report

to the members of Smurfit Kappa Group plc

Report on the financial statements

Our opinion

In our opinion:

- Smurfit Kappa Group plc's Consolidated Financial Statements and Company Financial Statements (the "financial statements") give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2015;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and IFRSs as adopted by the European Union and, as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2014.

Our audit approach

Overview

Materiality

- Overall Group materiality: €29 million (2014: €28 million) which represents circa 2.5% of pre-exceptional EBITDA (earnings before exceptional items, net finance costs, income tax expense, depreciation and intangible asset amortisation).

Audit scope

- The Group is structured along two operating segments being Europe and the Americas. The Group financial statements are a consolidation of 365 operating plants and centralised functions spread across 34 countries. We conducted audit work in 23 countries.
- Taken together, the territories and functions where we performed our audit work accounted for 77% of Group revenues and 87% of the Group's pre-exceptional EBITDA and 79% of the Group's total assets.

Areas of focus

- Goodwill impairment assessment
- Venezuela – political and associated risks
- Taxation – valuation of deferred tax assets
- Employee benefits – valuation of retirement benefits liabilities
- Exceptional items – presentation and disclosure

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report (continued)

Area of focus	How our audit addressed the area of focus
Goodwill impairment assessment	
Refer to Page 45 (Audit Committee Report), Note 3 Significant accounting judgements, estimates and assumptions and Note 14 Goodwill and intangible assets. At 31 December 2015 goodwill amounted to €2,328 million. The goodwill is allocated to 16 Cash Generating Units ('CGUs') and three units individually account for between 10% and 20% of the total carrying amount. The three units are Europe France, Europe Benelux and Europe Germany, Austria and Switzerland as set out in Note 14 where the Directors' annual impairment review is described in detail. No impairment was recognised during the year. We focused on this area because the Directors assessment of the carrying value of goodwill involves complex and subjective judgements by the Directors about the future results of the business. We focussed on those CGUs we considered to carry more judgement due to historic underperformance against budget or for which management's impairment assessment gave lower headroom relative to other CGUs, in particular, the Europe France CGU.	We evaluated the Directors' future cash flow forecasts, including comparing them to the latest Board approved budgets, and we compared actual historic results to budget as part of our consideration of the accuracy of the forecasting process. In performing our work we paid particular attention to the CGU with limited headroom, the Europe France CGU (see Note 14). For each of the 16 CGUs, we challenged the Directors' key trading assumptions which comprise volume, price and certain costs such as energy and recovered fibre. Where appropriate we compared the assumptions to external data such as RISI paper pricing forecasts, IMF economic growth indicators, IMF inflation forecasts and similar data. We also considered the appropriateness of the discount rate used by the Group by assessing the assumptions used in the weighted average cost of capital calculation against external benchmarks. We assessed the terminal value calculation by reference to comparable industry multiples. We also performed sensitivity analysis by changing certain assumptions and considered the likelihood of such changes arising. We considered the disclosures in the Annual Report in relation to these matters. The Directors have described their impairment review in detail in Note 14 including the impact on goodwill of changes to assumptions, in particular, the impact of changes in assumptions in respect of the Europe France CGU.
Venezuela – political and associated risks	
At 31 December 2015 the Group's net assets in Venezuela amounted to €101 million. The economy, which is heavily dependent on oil revenues, is hyper-inflationary and there are extensive exchange controls and multiple exchange rates. The Group is exposed to a number of risks in relation to its operations in Venezuela, where the political climate continues to be volatile and the operating environment is complex. The principal risks and uncertainties with respect to Venezuela are outlined in the Directors' Report on page 43 and the key judgements and estimates are set out in Note 3. The choice of the appropriate rate to consolidate the results for Venezuela is a key judgement. The Group changed the rate at which it consolidates its Venezuelan operations as at 31 March 2015 from the Sicad rate to a new official exchange rate, Sistema Marginal de Divisas – ('Simadi'). The Group believes that the Simadi rate is the rate at which it extracts economic benefit. The Simadi rate at 31 December 2015 was Venezuelan Bolivar Fuerte ('VEF') 198.7 per US dollar compared to the Sicad rate of VEF 13.5 per US dollar. The impact of this change at 31 March 2015 was to reduce the Group's net assets by €573 million and its cash balances by €96 million. We focused on this area due to the political and associated risks, the existence of multiple exchange rates which are materially different and the importance of the judgement made by the Directors in determining the appropriate exchange rate to use for consolidation of the Venezuelan operations.	We updated our understanding of the key developments during the current year and up to the date the financial statements were approved and considered the potential impact on the financial statements, including disclosures. We read public pronouncements by the Venezuelan Government and authorities and other appropriate commentators and we discussed the operating environment in detail with our PwC Venezuelan audit team. We considered the latest guidance issued by relevant accounting bodies in relation to hyper-inflationary accounting and the appropriate accounting where there is a choice between multiple exchange rates. We assessed the Directors' choice of the Simadi exchange rate for consolidation by reference to the Venezuelan authorities published regulations giving effect to the various rates together with actual experience in relation to availability of and rates for foreign currency transactions. We also considered the impact of exchange controls in relation to the cash balances within Venezuela. We discussed these matters with group, divisional and local management, and the Audit Committee and we considered the Group's oversight framework and position in relation to these matters and, in particular, the Group's ability to continue to control the Venezuelan operations. We also considered the disclosures in the Annual Report in relation to these matters, including in respect of developments since the year end.

Area of focus	How our audit addressed the area of focus
Taxation – valuation of deferred tax assets	
Refer to Page 46 (Audit Committee Report), Note 3 Significant accounting judgements, estimates and assumptions and Note 18 Deferred tax assets and liabilities. At 31 December 2015 the Group recognised deferred tax assets of €200 million. The recovery of the deferred tax assets is dependent of the availability of future taxable profits. The Group operates in a number of tax jurisdictions which apply local and differing tax and regulatory rules including time period restrictions for utilisation of available losses. We focused on deferred tax assets because of their size and because the assessment of recovery is based on complex and subjective judgements by the Directors about the future results of the business.	We evaluated the Directors' forecasts of future taxable profits, which are the same as those which we considered in connection with our work on the goodwill impairment assessment (see above). We engaged with our local entity tax specialists and considered whether there were any local tax or regulatory rules which would limit the utilisation of tax losses (such as time limits) to determine whether such limits were appropriately reflected in the assessment of recoverability.
Employee benefits – valuation of retirement benefits liabilities	
Refer to Page 46 (Audit Committee Report), Note 3 Significant accounting judgements, estimates and assumptions and Note 25 Employee benefits. The Group operates a number of pension plans and at 31 December 2015 the net pension liability amounted to €818 million. The liabilities in respect of these plans are valued on an actuarial basis and are subject to a number of actuarial assumptions. We focused on this area due to the size of the balance and because there is inherent judgement in determining the actuarial assumptions.	We considered the Group pension arrangements and assessed the impact of any changes to the pension plans. We considered the actuarial valuations of pension liabilities including both the methodologies and assumptions to determine whether the key assumptions lay within an acceptable range. We considered the disclosure in Note 25 including the sensitivity analysis in relation to changes in the key actuarial assumptions of discount, mortality and inflation rates.
Exceptional items – presentation and disclosure	
Refer to Page 46 (Audit Committee Report) and Note 5 Operating costs and income. The Directors adopt an income statement format which highlights significant items within the Group results for the year. Exceptional items for the year ended 31 December 2015 amounted to €55 million. The main elements of the net charge comprise €53 million in respect of Venezuela translation losses, a loss on disposal of operations amounting to €13 million and a gain of €12 million on disposal of fixed assets. We focused on this area because EBIDTA before exceptional items is a key metric when measuring performance of the Group and the Directors exercise judgement in assessing the classification of items as exceptional.	We considered the size and nature of the items disclosed as exceptional items and assessed whether the individual items complied with the Group's accounting policy to be separately disclosed as exceptional items.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured along two operating segments, Europe and the Americas. The nature of the Group's activities is such that the corrugated paper plants are typically located close to their customer base and therefore the Group's operations are significantly disaggregated. The Consolidated Financial Statements are a consolidation of 365 operating plants and centralised functions spread across 34 countries. In determining our audit scope we first focus on individual reporting units. Reporting units are structured by individual plants, grouping of plants or on a country basis depending on their management team and structure.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC ROI and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated Financial Statements as a whole.

Accordingly, we identified those reporting units which, in our view, required an audit of their complete financial information, due to their size and risk characteristics. These full scope reporting units amount to 77% of the Group's revenue, 87% of the Group's pre-exceptional EBITDA and 79% of the Group's total assets. We allocated materiality levels and issued instructions to each component auditor, we received detailed memoranda of examination on work performed and relevant findings in addition to the audit report which supplemented our understanding of the component, its results and the audit findings and we attended a number of local audit closing meetings. In addition we identified certain other reporting units where specific audit procedures on certain balances were performed. This, together with additional procedures performed at Group level, gave us the evidence we needed for our opinion on the Consolidated Financial Statements as a whole.

Independent Auditors' Report (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	€29 million (2014: €28 million).
How we determined it	2.5% of pre-exceptional EBITDA.
Rationale for benchmark applied	We have applied a rate of 2.5% to pre-exceptional EBITDA. We also considered materiality as determined by reference to other benchmarks such as revenues or pre-exceptional profit before tax and €29 million falls in the lower end of the range of the alternative commonly used benchmarks. In deciding that pre-exceptional EBITDA represented the appropriate benchmark we considered the strong weighting given to pre-exceptional EBITDA in assessing performance given both the specific circumstances of the Group and the industry norms and practice as indicated by brokerage reports, industry commentaries, communications with the investor community as well as internal management focus and reporting.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1 million (2014: €1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules of the Irish Stock Exchange ('Listing Rules') we are required to review the Directors' statement, set out on page 42, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company has adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2014 opinion

In our opinion the information given in the Directors' Report is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

▶ information in the Annual Report is: ▶ materially inconsistent with the information in the audited financial statements; or ▶ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or ▶ otherwise misleading.	We have no exceptions to report.
▶ the statement given by the Directors on page 62, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
▶ the section of the Annual Report on page 47, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

▶ the Directors' confirmation on page 42 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
▶ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
▶ the Directors' explanation on page 42 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Directors' remuneration

Under the Companies Act 2014, we are required to report to you if, in our opinion, the disclosure of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made, and under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of our audit of the financial statements:
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;

  included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of our audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.
- Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report having performed our review.

Other matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company Financial Statements to be readily and properly audited.
- The Company Balance Sheet is in agreement with the accounting records.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Craig
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

4 March 2016

Consolidated Income Statement

For the Financial Year Ended 31 December 2015

		2015			2014		
		Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total
	Note	€m	€m	€m	€m	€m	€m
Revenue	4	**8,109**	**-**	**8,109**	8,083	-	8,083
Cost of sales		**(5,672)**	**(8)**	**(5,680)**	(5,642)	(58)	(5,700)
Gross profit		**2,437**	**(8)**	**2,429**	2,441	(58)	2,383
Distribution costs	5	**(643)**	**-**	**(643)**	(630)	-	(630)
Administrative expenses	5	**(1,016)**	**-**	**(1,016)**	(1,042)	-	(1,042)
Other operating income	5	**2**	**-**	**2**	2	-	2
Other operating expenses	5	**-**	**(61)**	**(61)**	-	(52)	(52)
Operating profit		**780**	**(69)**	**711**	771	(110)	661
Finance costs	8	**(177)**	**(2)**	**(179)**	(284)	(48)	(332)
Finance income	8	**48**	**16**	**64**	36	11	47
Share of associates' profit (after tax)	6	**3**	**-**	**3**	2	-	2
Profit before income tax		**654**	**(55)**	**599**	525	(147)	378
Income tax expense	9			**(186)**			(126)
Profit for the financial year				**413**			252
Attributable to:							
Owners of the parent				**400**			241
Non-controlling interests				**13**			11
Profit for the financial year				**413**			252
Earnings per share							
Basic earnings per share - cent	10			**172.6**			105.8
Diluted earnings per share - cent	10			**169.4**			102.6

Consolidated Statement of Comprehensive Income

For the Financial Year Ended 31 December 2015

	Note	2015 €m	2014 €m
Profit for the financial year		**413**	252
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustments:			
- Arising in the financial year		**(485)**	(265)
Effective portion of changes in fair value of cash flow hedges:			
- Movement out of reserve		**10**	10
- New fair value adjustments into reserve		**1**	(29)
- Movement in deferred tax	9	**-**	1
		(474)	(283)
Items which will not be subsequently reclassified to profit or loss			
Defined benefit pension plans:			
- Actuarial gain/(loss)	25	**37**	(227)
- Movement in deferred tax	9	**(10)**	49
		27	(178)
Total other comprehensive expense		**(447)**	(461)
Total comprehensive expense for the financial year		**(34)**	(209)
Attributable to:			
Owners of the parent		**18**	(188)
Non-controlling interests		**(52)**	(21)
Total comprehensive expense for the financial year		**(34)**	(209)

Consolidated Balance Sheet

At 31 December 2015

	Note	2015 €m	2014 €m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,103**	3,033
Goodwill and intangible assets	14	**2,508**	2,407
Available-for-sale financial assets	15	**21**	21
Investment in associates	16	**17**	17
Biological assets	17	**98**	130
Trade and other receivables	20	**34**	12
Derivative financial instruments	29	**34**	2
Deferred income tax assets	18	**200**	237
		6,015	5,859
Current assets			
Inventories	19	**735**	701
Biological assets	17	**8**	9
Trade and other receivables	20	**1,451**	1,422
Derivative financial instruments	29	**28**	3
Restricted cash	22	**5**	12
Cash and cash equivalents	22	**270**	387
		2,497	2,534
Assets classified as held for sale	12	**-**	92
		2,497	2,626
Total assets		**8,512**	8,485
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	23	**-**	-
Share premium	23	**1,983**	1,981
Other reserves	23	**(425)**	(30)
Retained earnings		**619**	271
Total equity attributable to owners of the parent		**2,177**	2,222
Non-controlling interests		**151**	197
Total equity		**2,328**	2,419
LIABILITIES			
Non-current liabilities			
Borrowings	24	**3,238**	3,093
Employee benefits	25	**818**	893
Derivative financial instruments	29	**15**	23
Deferred income tax liabilities	18	**179**	183
Non-current income tax liabilities		**25**	28
Provisions for liabilities and charges	27	**52**	47
Capital grants		**13**	12
Other payables	28	**13**	10
		4,353	4,289
Current liabilities			
Borrowings	24	**85**	65
Trade and other payables	28	**1,672**	1,573
Current income tax liabilities		**30**	12
Derivative financial instruments	29	**10**	27
Provisions for liabilities and charges	27	**34**	57
		1,831	1,734
Liabilities associated with assets classified as held for sale	12	**-**	43
		1,831	1,777
Total liabilities		**6,184**	6,066
Total equity and liabilities		**8,512**	8,485

A. Smurfit
Director

I. Curley
Director

Company Balance Sheet

At 31 December 2015

	Note	2015 €m	2014 €m
ASSETS			
Non-current assets			
Financial assets	15	**2,055**	2,039
		2,055	2,039
Current assets			
Amounts receivable from Group companies	20	**40**	56
		40	56
Total assets		**2,095**	2,095
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital		**-**	-
Share premium		**1,983**	1,981
Share-based payment reserve		**109**	93
Retained earnings		**2**	17
Total equity		**2,094**	2,091
LIABILITIES			
Current liabilities			
Amounts payable to Group companies	28	**1**	4
Total liabilities		**1**	4
Total equity and liabilities		**2,095**	2,095

A. Smurfit
Director

I. Curley
Director

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

	Attributable to owners of the parent						
	Equity share capital	Share premium	Other reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
	€m	€m	€m	€m	€m	€m	€m
At 1 January 2015	**-**	**1,981**	**(30)**	**271**	**2,222**	**197**	**2,419**
Profit for the financial year	**-**	**-**	**-**	**400**	**400**	**13**	**413**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(420)**	**-**	**(420)**	**(65)**	**(485)**
Defined benefit pension plans	**-**	**-**	**-**	**27**	**27**	**-**	**27**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**11**	**-**	**11**	**-**	**11**
Total comprehensive (expense)/ income for the financial year	**-**	**-**	**(409)**	**427**	**18**	**(52)**	**(34)**
Shares issued	**-**	**2**	**-**	**-**	**2**	**-**	**2**
Hyperinflation adjustment	**-**	**-**	**-**	**61**	**61**	**7**	**68**
Dividends paid	**-**	**-**	**-**	**(141)**	**(141)**	**(4)**	**(145)**
Share-based payment	**-**	**-**	**28**	**-**	**28**	**-**	**28**
Shares (acquired)/disposed by SKG Employee Trust	**-**	**-**	**(14)**	**1**	**(13)**	**-**	**(13)**
Acquired non-controlling interest	**-**	**-**	**-**	**-**	**-**	**3**	**3**
At 31 December 2015	**-**	**1,983**	**(425)**	**619**	**2,177**	**151**	**2,328**
At 1 January 2014	-	1,979	208	121	2,308	199	2,507
Profit for the financial year	-	-	-	241	241	11	252
Other comprehensive income							
Foreign currency translation adjustments	-	-	(233)	-	(233)	(32)	(265)
Defined benefit pension plans	-	-	-	(178)	(178)	-	(178)
Effective portion of changes in fair value of cash flow hedges	-	-	(18)	-	(18)	-	(18)
Total comprehensive (expense)/income for the financial year	-	-	(251)	63	(188)	(21)	(209)
Shares issued	-	2	-	-	2	-	2
Hyperinflation adjustment	-	-	-	194	194	22	216
Dividends paid	-	-	-	(107)	(107)	(5)	(112)
Share-based payment	-	-	26	-	26	-	26
Shares acquired by SKG Employee Trust	-	-	(13)	-	(13)	-	(13)
Acquired non-controlling interest	-	-	-	-	-	2	2
At 31 December 2014	-	1,981	(30)	271	2,222	197	2,419

[1] An analysis of Other reserves is provided in Note 23.

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2015

	Equity share capital	Share premium	Share-based payment reserve	Retained earnings	Total equity
	€m	€m	€m	€m	€m
At 1 January 2015	**-**	**1,981**	**93**	**17**	**2,091**
Profit for the financial year	**-**	**-**	**-**	**126**	**126**
Dividends paid to shareholders	**-**	**-**	**-**	**(141)**	**(141)**
Shares issued	**-**	**2**	**-**	**-**	**2**
Share-based payment	**-**	**-**	**16**	**-**	**16**
At 31 December 2015	**-**	**1,983**	**109**	**2**	**2,094**
At 1 January 2014	-	1,979	81	6	2,066
Profit for the financial year	-	-	-	118	118
Dividends paid to shareholders	-	-	-	(107)	(107)
Shares issued	-	2	-	-	2
Share-based payment	-	-	12	-	12
At 31 December 2014	-	1,981	93	17	2,091

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2015

	Note	2015 €m	2014 €m
Cash flows from operating activities			
Profit before income tax		**599**	378
Adjustment for:			
Net finance costs	8	**115**	285
Depreciation charge	13	**338**	340
Impairment of assets		**8**	58
Amortisation of intangible assets	14	**37**	26
Amortisation of capital grants	5	**(2)**	(2)
Equity settled share-based payment expense	26	**28**	26
Profit on sale of assets and businesses		**(15)**	(4)
Share of associates' profit (after tax)	6	**(3)**	(2)
Net movement in working capital	21	**(18)**	(37)
Change in biological assets		**(7)**	(2)
Change in employee benefits and other provisions		**(85)**	(30)
Other (primarily hyperinflation adjustments)		**43**	4
Cash generated from operations		**1,038**	1,040
Interest paid		**(128)**	(197)
Income taxes paid:			
Irish corporation tax (net of tax refunds) paid		**(2)**	(1)
Overseas corporation tax (net of tax refunds) paid		**(129)**	(106)
Net cash inflow from operating activities		**779**	736
Cash flows from investing activities			
Interest received		**5**	6
Business disposals	12	**30**	-
Additions to property, plant and equipment and biological assets		**(428)**	(430)
Additions to intangible assets	14	**(11)**	(16)
Receipt of capital grants		**2**	3
Disposal of available-for-sale financial assets		**-**	1
Decrease/(increase) in restricted cash		**2**	(5)
Disposal of property, plant and equipment		**39**	9
Dividends received from associates	16	**1**	1
Purchase of subsidiaries and non-controlling interests		**(332)**	(149)
Deferred consideration paid		**(8)**	(1)
Net cash outflow from investing activities		**(700)**	(581)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares		**2**	2
Proceeds from bond issue		**250**	500
Purchase of own shares (net)		**(13)**	(13)
Increase in other interest-bearing borrowings		**106**	27
Payment of finance leases		**(4)**	(2)
Repayment of borrowings		**(264)**	(507)
Derivative termination payments		**(2)**	(13)
Deferred debt issue costs paid		**(10)**	(10)
Dividends paid to shareholders		**(141)**	(107)
Dividends paid to non-controlling interests		**(4)**	(5)
Net cash outflow from financing activities		**(80)**	(128)
(Decrease)/increase in cash and cash equivalents		**(1)**	27
Reconciliation of opening to closing cash and cash equivalents			
Cash and cash equivalents at 1 January		**361**	424
Currency translation adjustment		**(97)**	(90)
(Decrease)/increase in cash and cash equivalents		**(1)**	27
Cash and cash equivalents at 31 December	22	**263**	361

Company Statement of Cash Flows

For the Financial Year Ended 31 December 2015

	2015 €m	2014 €m
Cash flows from operating activities		
Profit before income tax	**126**	118
Adjustment for:		
Dividends received	**(128)**	(119)
Cash used in operations	**(2)**	(1)
Dividends received	**128**	119
Net cash inflow from operating activities	**126**	118
Cash flows from financing activities		
Group loan movements	**13**	(19)
Proceeds from issue of new ordinary shares	**2**	2
Dividends paid to shareholders	**(141)**	(107)
Net cash outflow from financing activities	**(126)**	(124)
Decrease in cash and cash equivalents	**-**	(6)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**-**	6
Decrease in cash and cash equivalents	**-**	(6)
Cash and cash equivalents at 31 December	**-**	-

Notes to the Consolidated Financial Statements

For the Financial Year Ended 31 December 2015

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

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 4 March 2016.

2. Summary of significant accounting policies

Statement of compliance

The Consolidated Financial Statements have been 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 Company Financial Statements have been prepared in accordance with EU adopted IFRS and as applied by the Companies Act 2014. IFRS adopted by the EU differ in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

Basis of preparation

The Consolidated Financial Statements are presented in euro rounded to the nearest million. They have been prepared under the historical cost convention except for the following which are recognised at fair value: derivative financial instruments; available-for-sale financial assets; biological assets; share-based payments and; pension plan assets. Pension obligations are measured at the present value of the future estimated cash flows of benefits earned. The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit currency at the end of the reporting period. This is the case for the Group's subsidiaries in Venezuela.

The preparation of financial statements in accordance with IFRS and Irish law requires the use of accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgement and areas where assumptions and estimates are significant are discussed in the *'Significant accounting judgements, estimates and assumptions'* note.

The Consolidated Financial Statements include the information in the Remuneration Report that is described as being an integral part of the Consolidated Financial Statements.

New and amended standards and interpretations effective during 2015

The Group adopted International Financial Reporting Interpretations Committee ('IFRIC') 21, Levies with effect from 1 January 2015. This interpretation did not have a material impact on the Consolidated Financial Statements.

There are a number of other changes to IFRS which became effective in 2015, however, they either did not have an effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

Standards issued but not yet effective or early adopted

Financial instruments

IFRS 9, *Financial instruments*, is the standard which will replace IAS 39, *Financial Instruments: Recognition and Measurement*. It has been completed in a number of phases with the final version issued by the IASB in July 2014. The Standard includes requirements for recognition, measurement, impairment and derecognition of financial instruments, and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, and subject to EU endorsement, the Group will apply IFRS 9 from its effective date. The adoption of IFRS 9 is expected to have an effect on the classification and measurement of the Group's financial assets, but is not expected to impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of IFRS 9.

Revenue recognition

IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 18, *Revenue* and IAS 11, *Construction contracts* and related interpretations. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It specifies how and when revenue should be recognised as well as requiring enhanced disclosures. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, and subject to EU endorsement, the Group will apply IFRS 15 from its effective date. The Group is currently assessing the impact of IFRS 15.

Leases

IFRS 16, *Leases* issued in January 2016 by the IASB replaces IAS 17 *Leases* and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions. For lessors, IFRS 16 substantially carried forward the accounting requirement in IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and subject to EU endorsement, the Group will apply IFRS 16 from its effective date. The Group is currently assessing the impact of IFRS 16.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

2. Summary of significant accounting policies (continued)

Basis of consolidation
The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries and associates, drawn up to 31 December.

Business combinations
The Group uses the acquisition method in accounting for business combinations. Under the acquisition method, the assets and liabilities of an acquired business are initially recognised at their fair value at the date of acquisition. The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of any assets transferred, liabilities incurred or assumed and equity instruments issued in exchange for control. When settlement of all or part of a business combination is deferred, the fair value of the deferred component is determined by discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest expense in the Consolidated Income Statement over the life of the obligation.

Where a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the contingent consideration is measured at fair value. Any subsequent re-measurement of the contingent amount is recognised in profit or loss. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated to the identifiable assets and liabilities are made within twelve months of the acquisition date. Non-controlling interests are measured either, at their proportionate share of the acquiree's identifiable net assets or, at fair value as at the acquisition date, on a case by case basis. Acquisition related costs are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Group. They are consolidated from the date on which control is obtained by the Group; they cease to be consolidated from the date on which control is lost by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. All significant subsidiaries have coterminous financial year ends. Where necessary, the accounting policies of subsidiaries have been modified to ensure consistency with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements, except to the extent that such a loss provides evidence of impairment. The Company's investments in subsidiaries are carried at cost less impairment.

Non-controlling interests represent the portion of a subsidiary's equity which is not attributable to the Group. They are presented separately in the Consolidated Financial Statements. Changes in ownership of a subsidiary which do not result in a change of control are treated as equity transactions.

Associates
Associates are entities in which the Group has significant influence arising from its power to participate in the financial and operating policy decisions of the investee. Associates are recognised using the equity method. Under the equity method investments in associates are recognised at cost and subsequently adjusted to reflect the post acquisition movements in the Group's share of the associates' net assets. The Group profit or loss includes its share of the associates profit or loss after tax and the Group other comprehensive income includes its share of the associates other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Associates are equity accounted from the date on which significant influence is obtained until the date on which such influence is lost. Losses in associates are not recognised once the Group's carrying value reaches zero, except to the extent that the Group has incurred further obligations in respect of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are similarly eliminated to the extent that they do not provide evidence of impairment. When appropriate, the accounting policies of associates are modified to ensure consistency with Group accounting policies.

Foreign currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions in foreign currencies are translated into the functional currency of the entity at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities carried at cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss with the exception of differences on foreign currency borrowings that qualify as a hedge of the Group's net investment in foreign operations. The portion of exchange gains or losses on foreign currency borrowing used to provide a hedge against a net investment in a foreign operation and that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

The assets and liabilities of entities that do not have the euro as their functional currency, including goodwill arising on consolidation, are translated to euro at the foreign exchange rates ruling at the balance sheet date. Their income, expenses and cash flows are translated to euro at average exchange rates during the year. However, if a Group entity's functional currency is the currency of a hyperinflationary economy, that entity's financial statements are first restated in accordance with IAS 29, *Financial Reporting in Hyperinflationary Economies* (see 'Reporting in hyperinflationary economies' below). Under IAS 29, income, costs and balance sheet amounts are translated at the exchange rates ruling at the balance sheet date.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

2. Summary of significant accounting policies (continued)

Foreign exchange differences arising on translation of net investments including those arising on long-term intragroup loans deemed to be quasi-equity in nature are recognised in other comprehensive income. When a quasi-equity loan ceases to be designated as part of the Group's net investment, accumulated currency differences are reclassified to profit or loss only when there is a change in the Group's proportional interest. On disposal or partial disposal of a foreign operation, accumulated currency translation differences are reclassified to profit or loss as part of the overall gain or loss on disposal.

Reporting in hyperinflationary economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the balance sheet, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. The gain or loss on the net monetary position for the year is included in finance costs or income. Comparative amounts are not restated. The restated income, expenses and balance sheets are translated to euro at the closing rate at the end of the reporting period. Differences arising on translation to euro are recognised in other comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the assets. Software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any retired component is derecognised. Other repair and maintenance expenditure that does not meet the asset recognition criteria is expensed to profit or loss as incurred. Assets are depreciated from the time they are brought into use, however land is not depreciated. Depreciation on other assets is calculated to write off the carrying amount of property, plant and equipment, other than freehold land, on a straight-line basis at the following annual rates:

Freehold and long leasehold buildings:	2 - 5%
Plant and equipment:	3 - 33%

The estimated residual value and the useful lives of assets are reviewed at each balance sheet date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

Goodwill and impairment

Goodwill is the excess of the cost of an acquisition over the Group share of the fair value of the identifiable assets and liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of a combination the values are reassessed and any remaining gain is recognised immediately in profit or loss. Goodwill is allocated to the groups of cash-generating units ('CGUs') that are expected to benefit from the synergies of the combination. This is the lowest level at which goodwill is monitored for internal management purposes. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

Goodwill is subject to impairment testing on an annual basis at a consistent time each year and, at any time an impairment indicator is considered to exist. Impairment is determined by comparing the carrying amount to the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable amount is the greater of; fair value less costs to sell, and value-in-use. When the recoverable amount of the groups of CGUs is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the group of CGUs retained.

In the year in which a business combination occurs, and the goodwill arising affects the goodwill allocation to CGUs, the groups of CGUs are tested for impairment prior to the end of that year. Impairment losses on goodwill are recognised in profit or loss and are not reversed following recognition.

Intangible assets (other than goodwill)

These include software development costs as well as marketing and customer related intangible assets generally arising from business combinations. They are initially recognised at cost which, for those arising in a business combination, is their fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. Further information is provided in the *Goodwill and intangible assets* note.

Impairment of non-financial assets (other than goodwill)

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (continued)

Research and development
Expenditure on research and development activities is generally recognised in profit or loss as an expense when incurred. Costs incurred on development projects are recognised as intangible assets only if the criteria for capitalisation of internally generated intangible assets in IAS 38, Intangible Assets, are met.

Biological assets
The Group holds standing timber which is classified as a biological asset and is stated at fair value less estimated costs to sell. Changes in value are recognised in profit or loss. The fair value of standing timber is calculated using weighted average prices for similar transactions with third parties. At the time of harvest, wood is recognised at fair value less estimated costs to sell and transferred to inventory.

Financial instruments
A financial instrument is recognised when the Group becomes a party to its contractual provisions. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire, are extinguished or transferred to a third party. Financial liabilities are derecognised when the Group's obligations specified in the contracts expire, are discharged or cancelled.

Cash and cash equivalents comprise; cash balances held to meet short-term cash commitments, and; investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows. Cash and cash equivalents are carried at amortised cost.

Restricted cash comprises cash held by the Group but which is ring fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is measured at amortised cost.

Short-term bank deposits of greater than three months maturity which do not meet the definition of cash and cash equivalents are classified as financial assets within current assets and stated at amortised cost.

Equity and debt investments are classified as available-for-sale and are stated at fair value. Changes in fair value are recognised directly in other comprehensive income, however impairment losses are recognised in profit or loss. On disposal the cumulative gain or loss recognised in other comprehensive income is reclassified to profit or loss as part of the gain or loss arising. When applicable, interest is recognised in profit or loss using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

The Group has entered into a series of securitisation transactions involving certain of its trade receivables and the establishment of certain special purpose entities to effect these transactions. These special purpose entities are consolidated as they are considered to be controlled by the Group. The related securitised assets continue to be recognised on the Consolidated Balance Sheet.

Trade and other receivables are recognised initially at fair value and are thereafter measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Impairments are recognised in profit or loss once identified.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to manage certain foreign currency, interest rate and commodity price exposures. All derivatives are recognised at fair value. The treatment of changes in fair value depends on whether the derivative is designated as a hedging instrument, the nature of the item being hedged and the effectiveness of the hedge. The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised floating rate asset or liability or a highly probable forecast transaction (cash flow hedges) or
- hedges of net investments in foreign operations (net investment hedges).

At inception the Group documents the relationship between the hedging instrument and hedged items, its risk management objectives and the strategy for undertaking the transaction. The Group also documents its assessment of whether the derivative is highly effective in offsetting changes in fair value or cash flows of hedged items, both at inception and in future periods.

The fair values of various derivative instruments used for hedging purposes are disclosed in the *Financial instruments* note. Movements on the cash flow hedging reserve in shareholders' equity are shown in the *Capital and reserves* note. The full fair value of a hedging derivative is classified as a non-current asset or liability when its remaining maturity is more than one year; it is classified as a current asset or liability when its remaining maturity is less than one year. Non-hedging derivative assets and liabilities are classified as current or non-current based on expected realisation or settlement dates.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

2. Summary of significant accounting policies (continued)

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the same periods that the hedged items affect profit or loss. The reclassified gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance income or costs respectively. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or costs respectively. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar manner to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or costs respectively. Gains and losses accumulated in other comprehensive income are reclassified to profit or loss when the foreign operation is sold.

Derivatives not designated as hedges

Changes in the fair value of derivatives which are not designated for hedge accounting are recognised in profit or loss.

Embedded derivatives

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and, the host contracts are not carried at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Fair value hierarchy

The Group reports using the fair value hierarchy in relation to its assets and liabilities which are measured at fair value except for those which are exempt as defined under IFRS13, *Fair Value Measurement*. The fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on its estimated future cash flows, or for equity securities, there is a significant or prolonged decline in value below its carrying amount. Impairment of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognised in profit or loss including any cumulative loss in respect of an available-for-sale financial asset previously recognised in other comprehensive income. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities the reversal is recognised directly in other comprehensive income. For other financial assets the reversal is recognised in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on the first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. For finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. The cost of wood is its fair value less estimated costs to sell at the date of harvest, determined in accordance with the policy for biological assets. Any change in value at the date of harvest is recognised in the Consolidated Income Statement. Net realisable value is the estimated proceeds of sale less costs to completion and any costs to be incurred in selling and distribution. Full provision is made for all damaged, deteriorated, obsolete and unusable materials.

Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale within one year from the date of classification rather than continued use are classified as held for sale. Such assets are measured at the lower of their fair value less costs to sell and their carrying amount prior to being classified as held for sale. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies (continued)

Own shares
Ordinary shares acquired by the Company or purchased on behalf of the Company are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance expense.

Income taxes
The income tax expense recognised in each financial year comprises current and deferred tax and is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is similarly recognised in other comprehensive income or in equity.

Current tax
Current tax consists mainly of the expected tax payable or recoverable on the taxable income for the year using the applicable tax rates during the year and any adjustment to tax payable in respect of previous years.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. If the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Government grants
Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with any related conditions. Grants that compensate the Group for expenses are offset against the related expense in profit or loss in the same accounting periods. Grants related to the cost of an asset are recognised in profit or loss as other operating income over the useful life of the asset.

Leases
Arrangements which transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as finance leases. They are capitalised at inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease obligations, net of finance costs, are included in borrowings. The interest element of lease payments is expensed in profit or loss over the lease period so as to produce a constant periodic rate of interest. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Arrangements in which substantially all of the risks and rewards of ownership of an asset are not transferred to the Group by the lessor are classified as operating leases. Operating lease rentals are expensed in profit or loss on a straight-line basis over the lease term.

Arrangements comprising transactions that do not take the legal form of a lease but convey the right to use an asset in return for payment, or a series of payments, are assessed to determine whether the arrangement contains a lease.

Employee benefits
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Retirement benefit obligations
The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local conditions and practice. The main plans are of the defined benefit type and are funded by payments to separately administered funds. The majority of the defined benefit schemes are funded but in certain countries, in accordance with local practices, scheme liabilities are unfunded and recognised as liabilities in the Consolidated Balance Sheet.

For defined contribution pension plans, once contributions have been paid, the Group has no further payment obligations. Contributions are recognised as an employee benefit expense as service is received from employees. Prepaid contributions are recognised as an asset only to the extent that a cash refund or a reduction in future payments is available.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

2. Summary of significant accounting policies (continued)

The costs and liabilities of defined benefit pension plans are calculated using the projected unit credit method. Actuarial calculations are prepared by independent, professionally qualified actuaries at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorised as: (1) service cost; (2) net interest expense or income, and; (3) re-measurement. Service cost includes current and past service cost as well as gains and losses on curtailments and settlements; it is included in operating profit. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year; it is included in finance costs. Re-measurement is comprised of the return on plan assets other than interest at the discount rate and actuarial gains and losses; it is recognised in other comprehensive income in the period in which it arises and is not subsequently reclassified to profit or loss.

The net surplus or deficit arising on the Group's defined benefit pension plans, together with the liabilities associated with the unfunded plans, are shown either within non-current assets or liabilities in the Consolidated Balance Sheet. Any pension asset is limited to the present value of economic benefits available in the form of refunds from the plans or reductions in future contributions. The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Share-based payments

The Group grants equity settled share-based payments to certain employees as part of their remuneration; there are no cash-settled share-based payments. The fair value of grants is determined at the date of grant and is expensed to profit or loss over the vesting period with a corresponding increase in equity. Fair value incorporates the effect of market-based conditions. Non-market-based vesting conditions are only taken into account when assessing the number of awards expected to vest such that the cumulative expense recognised equates to the number of grants that actually vest. The periodic expense recognised in profit or loss is calculated as the difference between the cumulative expense as estimated at the start and end of the period.

The cumulative expense is reversed when an employee in receipt of share options terminates service prior to completion of the vesting period or when a non-market based performance condition is not expected to be met. No reversal of the cumulative charge is made where awards do not vest due to a market-based vesting condition.

Where the Group receives a tax deduction for share-based payments, deferred tax is provided on the basis of the difference between the market price of the underlying equity at the date of the financial statements and the exercise price of the option. As a result, the deferred tax impact will not directly correlate with the expense reported.

Proceeds received from the exercise of options, net of any directly attributable transaction costs, are credited to the share capital and share premium accounts.

Emissions rights and obligations

As a result of the European Union Emission Trading Scheme the Group receives free emission rights in certain countries. Rights are received annually and the Group is required to surrender rights equal to its actual emissions. A provision is only recognised when actual emissions exceed the emission rights granted. Any additional rights purchased are recognised at cost and they are not subsequently remeasured. Where excess certificates are sold to third parties the Group recognises the consideration receivable in profit or loss.

Revenue

Revenue comprises the fair value of the consideration receivable for goods sold and services supplied to third party customers in the ordinary course of business. It excludes sales based taxes and is net of allowances for discounts and rebates. Revenue is recognised when delivery to the customer has taken place according to the terms of the sale, at which point the significant risks and rewards of ownership of the goods have passed to the customer. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group.

Finance costs and income

Finance costs comprise interest expense on borrowings (including amortisation of deferred debt issue costs), certain foreign currency translation losses related to financing, unwinding of the discount on provisions, impairment losses recognised on certain financial assets, borrowing extinguishment costs and losses on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss. Finance costs are recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense.

Finance income comprises interest income on funds invested, certain foreign currency translation gains related to financing, gains on derivative instruments that are not designated as hedging instruments and are recognised in profit or loss, dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Earnings per share

Earnings per share represents the profit or loss in cent attributable to the owners of the parent. Basic earnings per share is calculated by dividing the Group profit or loss attributable to the owners of the parent by the weighted average number of equity shares in issue during the year less own or Treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

2. Summary of significant accounting policies (continued)

Exceptional items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes this format is useful as it highlights one-off items, where significant, such as reorganisation and restructuring costs, profit or loss on disposal of operations, foreign exchange losses on currency devaluations, profit or loss on early extinguishment of debt, profit or loss on disposal of assets and impairment of assets. Judgement is used by the Group in assessing the particular items, which by virtue of their size and nature, are disclosed as exceptional items.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the period in which the dividends are approved by the Company's shareholders.

3. Significant accounting judgements, estimates and assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. These judgements, estimates and assumptions are subject to continuing re-evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Actual outcomes may differ significantly from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are set out below.

Consolidation of structured entities

The Group is a party to an arrangement involving securitisation of certain of its trade receivables. The arrangement required the establishment of certain special purpose entities ('SPEs') which are not owned by the Group. However, the SPEs are consolidated as management consider them to be controlled by the Group. The securitised receivables and the borrowings of the SPEs are recognised in the Consolidated Balance Sheet.

The Group has established a trust which facilitates the operation of the Deferred Annual Bonus Plan. While the Group does not hold any of the equity of the trust, the Directors believe that the Group controls its activities and therefore the financial statements of the trust are included in the Consolidated Financial Statements.

Estimated impairment of goodwill and other non-current assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of groups of CGUs have been determined based on value-in-use calculations. The principal assumptions used to determine value-in-use relate to future cash flows and the time value of money. Further information is detailed in the *Goodwill and intangible assets* note. Impairment tests in respect of property, plant and equipment are also performed on a CGU basis. Further information is contained in the *Property, plant and equipment* note.

Income taxes

Provisions for taxes require judgement and estimation in interpreting tax legislation, current case law and the uncertain outcomes of tax audits and appeals. Where the final outcome of these matters differs from the amounts recognised, differences will impact the tax provisions once the outcome is known. In addition, the Group recognises deferred tax assets, mainly relating to unused tax losses, when it is probable that the assets will be recovered through future profitability and tax planning. The assessment of recoverability involves judgement.

Measurement of defined benefit obligations

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. These valuations involve making various assumptions that may differ significantly from actual developments in the future. The assumptions include determination of appropriate discount rates, future salary increases, inflation, mortality rates and future pension increases. Due to the complex nature of the valuations the Group employs an international network of professional actuaries to perform these valuations. The critical assumptions and estimates applied along with a sensitivity analysis are provided in the *Employee benefits* note.

Provisions

The amount recognised for a provision is management's best estimate of the expenditure to be incurred. Provisions are remeasured at each balance sheet date based on the best estimate of the expected settlement amount. Changes to the best estimate of the settlement amount may result from changes in the amount or timing of the outflows or changes in discount rates.

Establishing lives for depreciation of property, plant and equipment

The annual depreciation charge depends primarily on the estimated lives of each type of asset. Asset lives are reviewed annually and adjusted if necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets. Changes in asset lives could have a significant impact on depreciation charges.

Establishing lives for amortisation of intangible assets

The amortisation charge is dependent on the estimated lives of each intangible asset. These lives are regularly reviewed and changed if necessary to reflect the expected period of consumption of future economic benefits. Changes in asset lives could have a significant impact on amortisation charges. Further details are included in the *Goodwill and intangible assets* note.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group uses discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets. Fair value disclosures are set out in the *Financial instruments* note.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

3. Significant accounting judgements, estimates and assumptions (continued)

Measurement of share-based payment expense

The Group operates certain share-based incentive plans which, subject to the occurrence of stated future events, grant the right to qualifying employees to acquire shares in the Company. Estimating the number and value of these grants, and the periods over which it will be recognised in the Consolidated Income Statement, requires various management estimates and assumptions. Further details are provided in the *Share-based payment* note.

Venezuela

Exchange control and devaluation

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

- Sicad I and Sicad II were unified into a single variable Sicad rate, which was 13.5 VEF per US dollar at 31 December 2015;
- A new rate, Sistema Marginal de Divisas – 'Simadi', was created to allow individuals and businesses to buy and sell foreign currency more easily and to offset the parallel market rate. The Simadi rate was VEF 198.7 per US dollar at 31 December 2015; and
- The existing 'official rate' continued to be fixed at VEF 6.3 per US dollar.

On 18 February 2016, the Venezuelan government announced the devaluation of its currency, the Bolivar Fuerte and the termination of the Sicad transaction system. The official rate was changed from VEF 6.3 per US dollar to VEF 10.0 per US dollar. The Simadi floating rate transaction system will remain in place.

The Group changed the rate at which it consolidates its Venezuelan operations ('SKCV') from the Sicad rate to the Simadi rate as at 31 March 2015, reducing its cash by approximately €96 million and its net assets by €573 million. The Group believes that Simadi is the most appropriate rate for accounting and consolidation, as it believes that this is the rate at which the Group extracts economic benefit. On this basis, in accordance with IFRS, the financial statements of the Group's operations in Venezuela were translated at 31 December 2015 using the prevailing Simadi rate of VEF 198.7 per US dollar and the closing euro/US dollar rate of 1 euro = US$1.09.

Price control

In 2013, the Venezuelan government announced that companies could only seek price increases if they had clearance that their margins are within certain guidelines. SKCV is operating within these guidelines. On 18 February 2016, the Venezuelan government announced a review of these price laws without giving further details. There is a risk that if the Group's Venezuelan operations cannot implement price increases in a timely manner to cover the cost of its increasing raw material and labour costs as a result of inflation and the devaluing currency it would have an adverse effect on its results of operations. In this volatile environment the Group continues to closely monitor developments, assess evolving business risks and actively manage its investments.

Control

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

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

In 2015, the Group's operations in Venezuela represented approximately 2% (2014: 6%) of its total assets and 4% (2014: 18%) of its net assets. In addition, cumulative foreign translation losses arising on its net investment in these operations amounting to €927 million (2014: €535 million) are included in the foreign exchange translation reserve.

Hyperinflation

Venezuela was deemed hyperinflationary under IFRS in 2009. As a result, the Group has applied the hyperinflationary accounting requirements of IAS 29 to its Venezuelan operations with effect from 1 January 2009. To adjust income and expenses for the effects of hyperinflation, IAS 29 requires restatement (indexation) of income and expenses from the start of the reporting period. It also requires restatement of non-monetary assets, such as property, plant and equipment and inventories, from the date they were first recognised. The gain or loss on the net monetary position is included in finance costs or income. Comparative amounts are not restated. The restated financial statements are translated to euro at the closing rate, average rates are not used. Differences arising on translation to euro are recognised in other comprehensive income.

In 2014 the index used to reflect current values is an estimate derived from the most recent published Banco Central de Venezuela's National Consumer Price Index and in 2015 management engaged an independent expert to determine an estimate of the annual inflation rate. The level of and movement in the estimated price index at December 2015 and 2014 are as follows:

	2015	**2014**
Index at year-end	**2,575.10**	839.5
Movement in year	**206.7%**	68.5%

3. Significant accounting judgements, estimates and assumptions (continued)

As a result of the entries recorded in respect of hyperinflationary accounting under IFRS, the Consolidated Income Statement is impacted as follows: Revenue €14 million decrease (2014: €88 million increase), EBITDA[1] nil impact (2014: €1 million increase) and profit after taxation €24 million decrease (2014: €117 million decrease). In 2015, a net monetary gain of €15 million (2014: €78 million loss) was recorded in the Consolidated Income Statement. The impact on the Group's net assets and its total equity is an increase of €69 million (2014: €106 million increase).

4. Segmental reporting

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Additionally, there are central costs which represent corporate governance costs, including executive costs, and costs of the Group's legal, company secretarial, pension administration, tax, treasury and controlling functions and other administrative costs.

Segment profit is measured based on EBITDA. Segment assets consist primarily of property, plant and equipment, biological assets, goodwill and intangible assets, inventories, trade and other receivables, deferred income tax assets and cash and cash equivalents. Group centre assets are comprised primarily of available-for-sale financial assets, derivative financial assets, deferred income tax assets, cash and cash equivalents and restricted cash. Segment liabilities are principally comprised of operating liabilities, deferred income tax liabilities and employee benefits. Group centre liabilities are comprised of items such as borrowings, employee benefits, derivative financial instruments, deferred income tax liabilities and certain provisions.

Capital expenditure comprises additions to property, plant and equipment (Note 13), goodwill and intangible assets (Note 14) and biological assets (Note 17), including additions resulting from acquisitions through business combinations (Note 33).

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Inter-segment transactions are not material.

(1) For ease of reference, EBITDA before exceptional items and share-based payment expense is denoted as EBITDA throughout this Annual Report. A reconciliation of EBITDA, as defined, to profit for the financial year is set out in Note 4.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

4. Segmental reporting (continued)

	Europe 2015 €m	The Americas 2015 €m	Total 2015 €m	Europe 2014 €m	The Americas 2014 €m	Total 2014 €m
Revenue and results						
Revenue	**6,249**	**1,860**	**8,109**	6,136	1,947	8,083
EBITDA before exceptional items	**901**	**306**	**1,207**	882	305	1,187
Segment exceptional items	**8**	**(69)**	**(61)**	(42)	(10)	(52)
EBITDA after exceptional items	**909**	**237**	**1,146**	840	295	1,135
Unallocated centre costs			**(25)**			(26)
Share-based payment expense			**(34)**			(26)
Depreciation and depletion (net)			**(331)**			(338)
Amortisation			**(37)**			(26)
Impairment of assets			**(8)**			(58)
Finance costs			**(179)**			(332)
Finance income			**64**			47
Share of associates' profit (after tax)			**3**			2
Profit before income tax			**599**			378
Income tax expense			**(186)**			(126)
Profit for the financial year			**413**			252
Assets						
Segment assets	**6,240**	**1,975**	**8,215**	6,025	2,019	8,044
Investment in associates	**2**	**15**	**17**	2	15	17
Assets classified as held for sale	**-**	**-**	**-**	92	-	92
Group centre assets			**280**			332
Total assets			**8,512**			8,485
Liabilities						
Segment liabilities	**2,300**	**453**	**2,753**	2,222	430	2,652
Liabilities associated with assets classified as held for sale	**-**	**-**	**-**	43	-	43
Group centre liabilities			**3,431**			3,371
Total liabilities			**6,184**			6,066
Other segmental disclosures						
Capital expenditure, including additions to goodwill, intangible assets and biological assets:						
Segment expenditure	**474**	**352**	**826**	341	246	587
Group centre expenditure			**1**			3
Total expenditure			**827**			590
Depreciation and depletion (net):						
Segment depreciation and depletion (net)	**268**	**62**	**330**	267	70	337
Group centre depreciation and depletion (net)			**1**			1
Total depreciation and depletion (net)			**331**			338
Amortisation:						
Segment amortisation	**13**	**19**	**32**	13	9	22
Group centre amortisation			**5**			4
Total amortisation			**37**			26
Other significant non-cash charges:						
Impairment of assets included in cost of sales	**8**	**-**	**8**	39	-	39
Impairment of goodwill included in cost of sales	**-**	**-**	**-**	19	-	19
Total other significant non-cash charges			**8**			58

4. Segmental reporting (continued)

Information about geographical areas

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

	Revenue 2015 €m	Revenue 2014 €m	Non-current assets 2015 €m	Non-current assets 2014 €m
Ireland	**111**	107	**57**	68
France	**991**	998	**372**	363
Germany	**1,284**	1,240	**424**	433
UK	**794**	715	**390**	299
Other	**4,929**	5,023	**2,155**	2,159
	8,109	8,083	**3,398**	3,322

Revenue is derived almost entirely from the sale of goods and is disclosed based on the location of production. No one customer represents greater than 10% of Group revenues. Non-current assets include marketing and customer-related intangible assets, software, investment in associates, biological assets and property, plant and equipment and are disclosed based on their location.

While the Group does not allocate goodwill by geographic area, if it were to ascribe goodwill to Ireland we estimate the amount would be less than 3% (2014: less than 2%) of the total goodwill of the Group of €2,328 million (2014: €2,265 million).

5. Operating costs and income

	2015 €m	2014 €m
Other operating costs:		
Distribution costs	**643**	630
Administrative expenses	**1,016**	1,042
Other operating expenses	**61**	52
	1,720	1,724
Other operating income:		
Capital grants amortisation	**2**	2
	2	2
Exceptional items included in operating profit:		
Impairment of assets	**8**	58
Loss on the disposal of the solidboard operations	**4**	-
Profit on the sale of the Nanterre site	**(13)**	-
Reorganisation and restructuring costs	**1**	42
Currency trading loss on change in Venezuelan translation rate	**69**	10
	69	110

Exceptional items charged within operating profit in 2015 amounted to €69 million in total, primarily relating to a charge of €69 million which represented the higher cost to our Venezuelan operations of discharging their non-Bolivar denominated payables following our adoption of the Simadi rate. At the time, the Simadi rate was VEF 193 per US dollar compared to the Sicad rate of VEF 12 per US dollar with the large loss reflecting the very different rates. The remaining offsetting amounts comprised a charge of €12 million relating to the solidboard operations and €1 million in reorganisation and restructuring costs less the gain of €13 million on the sale of the site of our former Nanterre mill, near Paris.

Exceptional items charged within operating profit in 2014 amounted to €110 million, of which €46 million related to our solidboard operations in Belgium, the Netherlands and the UK. The charge of €46 million comprised an impairment of plant and equipment of €27 million and a goodwill impairment of €19 million. The remaining impairment charge of €12 million related to one mill and four corrugated plants in Europe which we closed during 2015. The reorganisation and restructuring costs were mainly in respect of the planned plant closures. The currency trading loss of €10 million related to losses on the translation of non-Bolivar denominated payables following the Group's decision to translate Venezuelan operations at the Sicad I rate. The translation loss reflected the higher cost to its Venezuelan operations of discharging these payables.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

5. Operating costs and income (continued)

	2015 €m	2014 €m
Expenses by nature:		
Raw materials and consumables	**2,928**	2,781
Employee benefit expense excluding redundancy	**1,925**	1,978
Energy	**464**	471
Maintenance and repairs	**405**	467
Transportation and storage costs	**641**	628
Depreciation, amortisation and depletion	**368**	364
Impairment of assets	**8**	58
Reorganisation and restructuring costs	**2**	59
Operating lease rentals	**96**	91
Foreign exchange gains and losses	**2**	1
Other expenses	**561**	526
Total	**7,400**	7,424

Included within the expenses by nature above are research and development expenses of €10 million (2014: €8 million). Research and development expenses are included within administrative expenses in the Consolidated Income Statement.

Directors' remuneration is shown in the Remuneration Report and in Note 32.

Auditors' remuneration

	PwC Ireland 2015 €m	Other network firms 2015 €m	Total 2015 €m	PwC Ireland 2014 €m	Other network firms 2014 €m	Total 2014 €m
Audit of entity financial statements	**2.5**	**6.5**	**9.0**	2.5	6.0	8.5
Other assurance services	**0.6**	**0.1**	**0.7**	0.5	0.1	0.6
Tax advisory services	**0.1**	**0.1**	**0.2**	0.1	0.2	0.3
Other non-audit services	**-**	**0.4**	**0.4**	-	-	-
	3.2	**7.1**	**10.3**	3.1	6.3	9.4

The audit fee for the Parent Company was €50,000 (2014: €50,000) which is payable to PwC, the Statutory Auditor.

6. Share of associates' profit after tax

	2015 €m	2014 €m
Profit before tax	**4**	3
Income tax expense	**(1)**	(1)
Profit after tax	**3**	2

7. Employee benefit expense

	2015 Number	2014 Number
Average number of persons employed by the Group by geographical area (full time equivalents):		
Europe	**27,643**	27,540
The Americas	**15,711**	13,983
	43,354	41,523

	Note	2015 €m	2014 €m
The employee benefit expense comprises:			
Wages and salaries		**1,510**	1,517
Social insurance costs		**300**	349
Share-based payment expense		**34**	26
Defined benefit expense		**35**	43
Defined contribution plan expense		**46**	43
Reorganisation and restructuring costs – redundancy		**10**	17
Charged to operating profit – pre-exceptional		**1,935**	1,995
Charged to operating profit – exceptional - redundancy		**(1)**	32
Charged to finance costs	25	**21**	27
Actuarial loss on pension schemes recognised in other comprehensive income	25	**(37)**	227
Total employee benefit cost		**1,918**	2,281

Total employee costs capitalised during the year were €38 million (2014: €37 million).

8. Finance costs and income

	Note	2015 €m	2014 €m
Finance costs:			
Interest payable on bank loans and overdrafts		**37**	45
Interest payable on other borrowings		**100**	107
Exceptional finance costs associated with debt restructuring		**2**	42
Unwinding discount element of provisions	27	**1**	1
Exceptional finance costs associated with impairment of financial investments		**-**	6
Foreign currency translation loss on debt		**16**	23
Fair value loss on derivatives not designated as hedges		**2**	3
Net interest cost on net pension liability	25	**21**	27
Net monetary loss – hyperinflation		**-**	78
Total finance costs		**179**	332
Finance income:			
Other interest receivable		**(5)**	(6)
Gain on financial asset		**-**	(1)
Foreign currency translation gain on debt		**(18)**	(11)
Exceptional foreign currency translation gain		**(16)**	(11)
Fair value gain on derivatives not designated as hedges		**(10)**	(18)
Net monetary gain – hyperinflation		**(15)**	-
Total finance income		**(64)**	(47)
Net finance costs		**115**	285

Exceptional finance income of €16 million in 2015 represented the gain in Venezuela on their US dollar denominated intra-group loans as a result of our adoption of the Simadi rate. This gain was partly offset by an exceptional finance cost of €2 million. This represented the accelerated amortisation of the issue costs relating to the debt within our Senior Credit Facility which was paid down with the proceeds of February's €250 million bond issue.

Exceptional finance costs in 2014 of €48 million comprised €42 million relating to the repayment of the 2019 bonds in July and an impairment loss of €6 million in respect of one of the Group's unlisted investments.

Exceptional finance income in 2014 amounted to €11 million and represented the gain in Venezuela on their US dollar denominated intra-group loans following our adoption of the Sicad I rate.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

9. Income tax expense

Income tax expense recognised in the Consolidated Income Statement

	2015 €m	2014 €m
Current tax:		
Europe	**86**	67
The Americas	**60**	58
	146	125
Deferred tax	**40**	1
Income tax expense	**186**	126
Current tax is analysed as follows:		
Ireland	**20**	3
Foreign	**126**	122
	146	125

The tax expense in 2015 is €60 million higher than in the comparable period. In Europe, the income tax expense is higher by €54 million and reflects the impact of lower financing costs, increased profitability and comparatively lower tax refunds in 2015. There was a further movement in deferred tax in Europe on timing items and in particular from the use of tax losses on which a deferred tax credit was recorded in prior periods.

In the Americas, the tax expense is €6 million higher and includes the effects of the introduction of new taxes in Colombia, increased profitability and the recognition of deferred tax assets on prior period timing differences as well as the impact in Venezuela from the adoption of the Simadi rate. There was also a €10 million increase in deferred tax expense in Venezuela from tax law changes in December 2015.

There was a net tax expense on exceptional items in 2015 of €3 million compared to a net tax credit of €18 million in 2014.

Reconciliation of the effective tax rate

The following table relates the applicable Republic of Ireland statutory tax rate to the effective tax rate (current and deferred) of the Group:

	2015 €m	2014 €m
Profit before income tax	**599**	378
Profit before income tax multiplied by the standard rate of tax of 12.5% (2014: 12.5%)	**75**	47
Effects of:		
Income subject to different rates of tax	**79**	68
Other items (including non-deductible expenditure)	**25**	17
Adjustment to prior period tax	**9**	(2)
Effect of previously unrecognised losses	**(2)**	(4)
	186	126

Income tax recognised within equity

	2015 €m	2014 €m
Recognised in the Consolidated Statement of Comprehensive Income:		
Arising on actuarial gain/(loss) on defined benefit plans	**10**	(49)
Arising on qualifying derivative cash flow hedges	**-**	(1)
Total recognised in the Consolidated Statement of Comprehensive Income	**10**	(50)
Arising on hyperinflation	**4**	15
Total recognised within equity	**14**	(35)

Factors that may affect the future tax expense and other disclosure requirements

Unremitted earnings in subsidiaries and associates

The Group has not made a provision for deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of this temporary timing difference is approximately €395 million (2014: €472 million). The Group is not committed to remit earnings from its subsidiaries but due to the absence of control in the context of associates (significant influence by definition) deferred tax liabilities are recognised where necessary in respect of the Group's investment in these entities.

The total tax expense in future periods will be affected by changes to the corporation tax rates in force and legislative changes that broaden the tax base or introduce other minimum taxes in the countries in which the Group operates. The tax expense may also be impacted by changes in the geographical mix of earnings.

9. Income tax expense (continued)

The current tax expense may also be impacted, inter alia, by changes in the excess of tax depreciation (capital allowances) over accounting depreciation, the use of tax credits and the crystallisation of unrecognised deferred tax assets.

There are no income tax consequences for the Company in respect of dividends which were proposed prior to the issuance of the Consolidated Financial Statements for which a liability has not been recognised.

10. Earnings per share

Basic

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

	2015	2014
Profit attributable to owners of the parent (€ million)	**400**	241
Weighted average number of ordinary shares in issue (million)	**232**	228
Basic earnings per share (cent)	**172.6**	105.8

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares which comprise convertible shares issued under the share incentive plan and both deferred shares held in trust and matching shares issued under the Deferred Annual Bonus Plan.

	2015	2014
Profit attributable to owners of the parent (€ million)	**400**	241
Weighted average number of ordinary shares in issue (million)	**232**	228
Potential dilutive ordinary shares assumed (million)	**4**	7
Diluted weighted average ordinary shares (million)	**236**	235
Diluted earnings per share (cent)	**169.4**	102.6

Pre-exceptional

	2015	2014
Profit attributable to owners of the parent (€ million)	**400**	241
Exceptional items included in profit before income tax (€ million)	**55**	147
Income tax on exceptional items (€ million)	**3**	(18)
Pre-exceptional profit attributable to owners of the parent (€ million)	**458**	370
Weighted average number of ordinary shares in issue (million)	**232**	228
Pre-exceptional basic earnings per share (cent)	**197.3**	162.5
Diluted weighted average ordinary shares (million)	**236**	235
Pre-exceptional diluted earnings per share (cent)	**193.7**	157.6

11. Dividends

During the year, the final dividend for 2014 of 40 cent per share was paid to the holders of ordinary shares. In October, an interim dividend for 2015 of 20 cent per share was paid to the holders of ordinary shares.

The Board is recommending a final dividend of approximately 48 cent per share for 2015 subject to the approval of the shareholders at the AGM. It is proposed to pay the final dividend on 13 May 2016 to all ordinary shareholders on the share register at the close of business on 15 April 2016. The interim and final dividends are paid in October and May each year.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

12. Assets classified as held for sale and business disposals

Assets classified as held for sale

In April 2015, the Group disposed of its solidboard operations in Belgium, the Netherlands and the UK to the Aurelius Group. At 31 December 2014, these operations were presented as held for sale in the Consolidated Balance Sheet. In 2015, these assets were impaired to their fair value less costs to sell and the Group recorded a non-cash impairment charge of €8 million (2014: €46 million). An additional loss of €4 million was recorded as an exceptional item on the disposal of the solidboard operations (Note 5).

There were no assets and associated liabilities held for sale in the Consolidated Balance Sheet at 31 December 2015.

At 31 December 2014, the major classes of assets and liabilities reclassified as held for sale were as follows:

	2014 €m
Assets	
Property, plant and equipment	39
Deferred income tax assets	2
Inventories	26
Trade and other receivables	25
Assets classified as held for sale	92
Liabilities	
Employee benefits	6
Deferred income tax liabilities	5
Trade and other payables	31
Provision for liabilities and charges	1
Liabilities associated with assets classified as held for sale	43

Business disposals

	Assets classified as held for sale 2015 €m	Other business disposals 2015 €m	Total 2015 €m
Assets			
Assets classified as held for sale	102	-	102
Liabilities associated with assets classified as held for sale	(61)	-	(61)
Trade and other receivables	-	1	1
Net assets disposed	41	1	42
Consideration			
Cash received	31	2	33
Cash disposed	(1)	-	(1)
Disposal related costs	(2)	-	(2)
Net cash received	28	2	30
Deferred consideration	10	-	10
Total consideration received	38	2	40
Cumulative exchange difference on translation recycled on disposal	(1)	-	(1)
(Loss)/profit on business disposals	(4)	1	(3)

13. Property, plant and equipment

	Land and buildings €m	Plant and equipment €m	Total €m
At 31 December 2013			
Cost or deemed cost	1,651	4,774	6,425
Accumulated depreciation and impairment losses	(544)	(2,859)	(3,403)
Net book amount	1,107	1,915	3,022
Financial year ended 31 December 2014			
Opening net book amount	1,107	1,915	3,022
Reclassifications	44	(49)	(5)
Assets classified as held for sale	(20)	(19)	(39)
Additions	9	391	400
Acquisitions	1	49	50
Depreciation charge	(48)	(292)	(340)
Impairments	(5)	(34)	(39)
Retirements and disposals	(3)	(1)	(4)
Hyperinflation adjustment	45	39	84
Foreign currency translation adjustment	(51)	(45)	(96)
At 31 December 2014	1,079	1,954	3,033
At 31 December 2014			
Cost or deemed cost	1,623	4,916	6,539
Accumulated depreciation and impairment losses	(544)	(2,962)	(3,506)
Net book amount	1,079	1,954	3,033
Financial year ended 31 December 2015			
Opening net book amount	**1,079**	**1,954**	**3,033**
Reclassifications	**19**	**(21)**	**(2)**
Additions	**7**	**421**	**428**
Acquisitions	**46**	**116**	**162**
Depreciation charge	**(47)**	**(291)**	**(338)**
Retirements and disposals	**(18)**	**(2)**	**(20)**
Hyperinflation adjustment	**17**	**13**	**30**
Foreign currency translation adjustment	**(115)**	**(75)**	**(190)**
At 31 December 2015	**988**	**2,115**	**3,103**
At 31 December 2015			
Cost or deemed cost	**1,512**	**4,813**	**6,325**
Accumulated depreciation and impairment losses	**(524)**	**(2,698)**	**(3,222)**
Net book amount	**988**	**2,115**	**3,103**

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

13. Property, plant and equipment (continued)

Land and buildings

Included in land and buildings is an amount for land of €347 million (2014: €404 million).

Plant and equipment

Included in plant and equipment is an amount for construction in progress of €231 million (2014: €265 million).

Capitalised leased assets

Included in the net book amount of property, plant and equipment is an amount for capitalised leased assets of €10 million (2014: €12 million). The depreciation charge for capitalised leased assets was €2 million (2014: €2 million) and the related finance charges amounted to nil (2014: nil). The net carrying amount by class of assets at each balance sheet date is as follows:

	2015 €m	2014 €m
Plant and equipment	**3**	4
Buildings	**7**	8
	10	12

Capital commitments

The following capital commitments in relation to property, plant and equipment were authorised by the Directors, but have not been provided for in the Consolidated Financial Statements:

	2015 €m	2014 €m
Contracted for	**197**	174
Not contracted for	**220**	223
	417	397

Impairments

Impairment tests for items of property, plant and equipment are performed on a cash-generating unit basis when impairment triggers arise. The recoverable amounts of property, plant and equipment are based on the higher of fair value less costs to sell and value-in-use. Value-in-use calculations are based on cash flow projections and discount rates for items of property, plant and equipment. Impairment charges are recognised within cost of sales in the Consolidated Income Statement.

In 2014, the Group recorded an impairment charge of €39 million, of which €27 million related to the disposal of its solidboard operations. The remaining €12 million impairment charge related to one mill and four corrugated plants in Europe which the Group closed during 2015.

Capitalised borrowing costs

In 2015, the Group capitalised borrowing costs of €2 million (2014: €4 million) on qualifying assets. Borrowing costs were capitalised at an average rate of 3.7% (2014: 5.0%).

14. Goodwill and intangible assets

	Goodwill	Intangible assets: Marketing related	Intangible assets: Customer related	Intangible assets: Software assets	Total
	€m	€m	€m	€m	€m
At 31 December 2013					
Cost or deemed cost	2,411	37	231	156	2,835
Accumulated amortisation and impairment losses	(171)	(29)	(186)	(123)	(509)
Net book amount	2,240	8	45	33	2,326
Financial year ended 31 December 2014					
Opening net book amount	2,240	8	45	33	2,326
Additions	-	-	2	14	16
Acquisitions	47	9	46	-	102
Amortisation charge	-	(4)	(9)	(13)	(26)
Impairments	(19)	-	-	-	(19)
Reclassifications	-	-	-	5	5
Hyperinflation adjustment	46	-	-	-	46
Foreign currency translation adjustment	(49)	-	6	-	(43)
At 31 December 2014	2,265	13	90	39	2,407
At 31 December 2014					
Cost or deemed cost	2,455	45	286	167	2,953
Accumulated amortisation and impairment losses	(190)	(32)	(196)	(128)	(546)
Net book amount	2,265	13	90	39	2,407
Financial year ended 31 December 2015					
Opening net book amount	**2,265**	**13**	**90**	**39**	**2,407**
Additions	**-**	**-**	**2**	**9**	**11**
Acquisitions	**160**	**11**	**43**	**1**	**215**
Amortisation charge	**-**	**(6)**	**(19)**	**(12)**	**(37)**
Reclassifications	**-**	**-**	**-**	**2**	**2**
Hyperinflation adjustment	**16**	**-**	**-**	**1**	**17**
Foreign currency translation adjustment	**(113)**	**1**	**8**	**(3)**	**(107)**
At 31 December 2015	**2,328**	**19**	**124**	**37**	**2,508**
At 31 December 2015					
Cost or deemed cost	**2,518**	**23**	**163**	**165**	**2,869**
Accumulated amortisation and impairment losses	**(190)**	**(4)**	**(39)**	**(128)**	**(361)**
Net book amount	**2,328**	**19**	**124**	**37**	**2,508**

The useful lives of intangible assets other than goodwill are finite and range from two to ten years. Amortisation is recognised as an expense within cost of sales and administrative expenses in the Consolidated Income Statement.

Marketing related intangible assets relate mainly to trade names which arise from business combinations and are amortised over their estimated useful lives of seven to ten years. Customer related intangible assets relate to customer relationships which arise from business combinations or as a result of servicing new business. They are amortised over their estimated useful lives of two to ten years. Software assets relate to computer software, other than software for items of machinery that cannot operate without it; such software is regarded as an integral part of the related hardware and is classified as property, plant and equipment. Computer software assets have estimated useful lives of three to five years for amortisation purposes.

In 2015, goodwill of €160 million arose mainly on the acquisition of: Inpa and Paema, two integrated paper-based packaging businesses in Brazil; Inspirepac, a corrugated, high quality print and display business in the UK; and Hexacomb, a protective packaging business located in Europe and Mexico (Note 33). In 2014, goodwill of €47 million arose mainly on the acquisition of Bates in the United States, a non-integrated corrugated packaging manufacturer.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

14. Goodwill and intangible assets (continued)

Impairment testing of goodwill

Goodwill arising as part of a business combination is allocated to groups of cash-generating units ('CGUs') for the purpose of impairment testing based on the Group's existing business segments or, where appropriate, recognition of a new CGU. The CGU groups represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8, *Operating Segments*. A total of 16 groups (2014: 15) of CGUs have been identified and these are analysed between the two operating segments as follows:

	2015	**2014**
	Number	**Number**
Eurozone	**6**	7
Eastern Europe	**1**	1
Scandinavia	**1**	1
United Kingdom	**1**	1
Europe	**9**	10
The Americas	**7**	5
	16	15

A summary of the allocation of the carrying value of goodwill by operating segment is as follows:

	2015	**2014**
	€m	**€m**
Europe	**1,907**	1,871
The Americas	**421**	394
	2,328	2,265

No impairment arose in 2015 as the recoverable amount of the groups of CGUs, based on value-in-use and estimated using the methodology outlined below, exceeded the carrying amount.

Impairment testing methodology and results

The recoverable amount of each CGU is based on a value-in-use calculation. The cash flow forecasts for the purposes of these calculations are based on a nine year plan approved by senior management. Cash flow forecasts use growth factors consistent with historical growth rates as adjusted for the cyclical nature of the business and are validated by reference to external data. The terminal value is estimated based on using an appropriate earnings multiple on the average of cash flows for years one to nine. The Group believes a nine year forecast is more appropriate to use for the impairment test, due to the cyclical nature of the business in which the Group operates and the long-term lives of its assets.

Forecasts are generally derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs. The cash flows, including terminal value estimations, are discounted using appropriate pre-tax discount rates consistent with the Group's estimated weighted average cost of capital.

Key assumptions include management's estimates of future profitability, replacement capital expenditure requirements, trade working capital investment needs and discount rates. Key assumptions in determining terminal value include earnings multiples.

Of the goodwill allocated to each of the 16 groups of CGUs, three units individually account for between 10% and 20% of the total carrying amount of €2,328 million and are summarised in the table below. All other units account individually for less than 10% of the total carrying amount and are not regarded as individually significant. The additional disclosures required under IAS 36, *Impairment of Assets* in relation to significant goodwill amounts arising in each of the three groups of CGUs are as follows:

	Europe France		**Europe Benelux**		**Europe Germany, Austria and Switzerland**	
	2015	2014	**2015**	2014	**2015**	2014
Carrying amount of goodwill (€ million)	**276**	276	**364**	362	**395**	395
Basis of recoverable amount	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use
Discount rate applied (pre-tax)	**10.8%**	10.2%	**10.8%**	10.2%	**10.8%**	10.2%
Earnings multiple used for terminal value	**7.1**	7.1	**7.1**	7.1	**7.1**	7.1
Excess of value-in-use (€ million)	**77**	43	**277**	132	**538**	230

The key assumptions used for these three CGUs are consistent with those addressed above. The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the cyclicality of cash flows typically associated with these groups of CGUs.

14. Goodwill and intangible assets (continued)

Management has determined forecast profitability based on past performance and its expectation of the current market conditions taking into account the cyclical nature of the business.

The table below identifies the amounts by which each of the key assumptions must change in order for the recoverable amount to be equal to the carrying amount of the three CGUs identified as individually significant.

	Europe France	Europe Benelux	Europe Germany, Austria and Switzerland
Increase in pre-tax discount rate	**2.0 percentage points**	**7.4 percentage points**	**9.0 percentage points**
Reduction in terminal value multiple	**1.3**	**4.0**	**4.6**
Reduction in EBITDA	**8%**	**26%**	**30%**

For the other CGUs any reasonable movement in the assumptions used in the impairment test would not result in an impairment.

The Group recognises that it is exposed to greater business risks in Venezuela than in some other countries. The goodwill relating to our operations in Venezuela represents approximately 1% of the Group's total goodwill. The Group takes account of country risks in its impairment calculation.

15. Financial assets

Available-for-sale financial assets – Group

	Listed[1] €m	Unlisted €m	Total €m
At 1 January 2014	1	26	27
Impairments	-	(6)	(6)
At 31 December 2014	1	20	21
At 31 December 2015	**1**	**20**	**21**

[1] *Listed on a recognised stock exchange*

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other things, the duration and extent to which the fair value of an investment is less than cost, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

At 31 December 2015, there are available-for-sale financial assets amounting to €10 million on which impairments have been recorded in prior years.

Investment in subsidiaries – Company

	2015 €m	2014 €m
At 1 January	**2,039**	2,027
Capital contribution	**16**	12
At 31 December	**2,055**	2,039

16. Investment in associates

	2015 €m	2014 €m
At 1 January	**17**	16
Share of profit for the financial year	**3**	2
Dividends received from associates	**(1)**	(1)
Foreign currency translation adjustment	**(2)**	-
At 31 December	**17**	17

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

17. Biological assets

	2015 €m	2014 €m
At 1 January	**139**	117
Increases due to new plantations	**11**	22
Harvested timber transferred to inventories	**(10)**	(12)
Change in fair value less estimated costs to sell	**21**	33
Foreign currency translation adjustment	**(55)**	(21)
At 31 December	**106**	139
Current	**8**	9
Non-current	**98**	130
At 31 December	**106**	139
Approximate harvest by volume (tonnes '000)	**949**	975

At 31 December 2015, the Group's biological assets consist of 103,000 (2014: 103,000) hectares of forest plantations in Colombia and Venezuela which are held for the production of paper and packaging products or resale to third parties. These plantations provide the Group's mills in that region with a significant proportion of their total wood fibre needs.

The Group's biological assets at 31 December 2015 are measured at fair value and have been categorised within level 2 of the fair value hierarchy. There were no transfers between any levels during the year. Level 2 fair values of forest plantations have been derived using the valuation techniques outlined in the accounting policy note for biological assets.

The Group is exposed to a number of risks related to its plantations:

Political risks in Venezuela
The risk of nationalisation of foreign owned companies and assets by the Venezuelan government is disclosed in Note 3.

Regulatory and environmental risks
The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk
The Group is exposed to risks arising from market fluctuations in the price and sales volume of similar wood. Where possible the Group manages this risk by aligning its harvest volume to demand for its manufactured products. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks
The Group's forests are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where they relate to income taxes levied by the same tax authority on either a taxable entity or different taxable entities where their intention is to settle the balances on a net basis. This is set out below:

	2015 €m	2014 €m
Deferred tax assets	**449**	493
Deferred tax assets/liabilities available for offset	**(249)**	(256)
	200	237
Deferred tax liabilities	**428**	439
Deferred tax assets/liabilities available for offset	**(249)**	(256)
	179	183

Deferred tax assets have been recognised in respect of deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets have been recognised in respect of tax losses available for carry forward when the Group considers it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Where the Group considers that the recovery of such losses is not probable no asset is recognised.

The movement in deferred tax during the year was as follows:

	Note	2015 €m	2014 €m
At 1 January - net asset/(liability)		**54**	(11)
Movement recognised in the Consolidated Income Statement	9	**(40)**	(1)
Movement recognised in the Consolidated Statement of Comprehensive Income	9	**(10)**	50
Acquisitions and disposals		**(22)**	1
Transfer between current and deferred tax		**(1)**	2
Assets classified as held for sale	12	**-**	3
Hyperinflation adjustment - recognised in equity	9	**(4)**	(15)
Foreign currency translation adjustment		**44**	25
At 31 December - net asset		**21**	54

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction were as follows:

	Retirement benefit obligations €m	Tax losses €m	Derivative fair values €m	Other €m	Total €m
Deferred tax assets					
At 1 January 2014	88	237	-	120	445
Reclassifications	1	-	-	-	1
Recognised in the Consolidated Income Statement	(11)	(19)	-	25	(5)
Recognised in the Consolidated Statement of Comprehensive Income	49	-	1	-	50
Acquisitions and disposals	-	-	-	1	1
Assets classified as held for sale	(2)	-	-	-	(2)
Foreign currency translation adjustment	2	1	1	(1)	3
At 31 December 2014	**127**	**219**	**2**	**145**	**493**
Recognised in the Consolidated Income Statement	**(10)**	**(27)**	**-**	**9**	**(28)**
Recognised in the Consolidated Statement of Comprehensive Income	**(10)**	**-**	**-**	**-**	**(10)**
Recognised in equity	**-**	**-**	**-**	**2**	**2**
Acquisitions and disposals	**-**	**-**	**-**	**1**	**1**
Foreign currency translation adjustment	**3**	**-**	**-**	**(12)**	**(9)**
At 31 December 2015	**110**	**192**	**2**	**145**	**449**

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

18. Deferred tax assets and liabilities (continued)

	Accelerated tax depreciation €m	Intangible assets fair values €m	Biological assets fair values €m	Debt costs €m	Other €m	Total €m
Deferred tax liabilities						
At 1 January 2014	336	9	2	1	108	456
Reclassifications	-	-	-	-	(1)	(1)
Recognised in the Consolidated Income Statement	(20)	6	4	-	6	(4)
Recognised in equity	-	-	-	-	15	15
Liabilities associated with assets classified as held for sale	(3)	-	-	-	(2)	(5)
Foreign currency translation adjustment	-	-	-	-	(22)	(22)
At 31 December 2014	**313**	**15**	**6**	**1**	**104**	**439**
Reclassifications	**-**	**-**	**-**	**-**	**1**	**1**
Recognised in the Consolidated Income Statement	**(11)**	**1**	**(1)**	**-**	**23**	**12**
Recognised in equity	**-**	**-**	**-**	**-**	**6**	**6**
Acquisitions and disposals	**13**	**10**	**-**	**-**	**-**	**23**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**(53)**	**(53)**
At 31 December 2015	**315**	**26**	**5**	**1**	**81**	**428**

Deferred tax assets have not been recognised in respect of the following (tax effects):

	2015 €m	2014 €m
Tax losses	**16**	24
Deferred interest	**44**	43
	60	67
Derivative financial instruments	**3**	4
	63	71

No deferred tax asset is recognised in respect of the above assets on the grounds that there is insufficient evidence that the assets will be recoverable. In the event that sufficient profits are generated in the relevant jurisdictions in the future these assets may be recovered.

No deferred tax assets have been recognised in respect of gross tax losses amounting to €55 million (2014: €85 million). The expiry dates in respect of these losses are as follows:

Expiry dates	Tax losses 2015 €m
1 January 2016 to 31 December 2016	**-**
1 January 2017 to 31 December 2017	**1**
1 January 2018 to 31 December 2018	**2**
Other expiry	**-**
Indefinite	**52**
	55

19. Inventories

	2015 €m	2014 €m
Raw materials	**189**	174
Work in progress	**39**	45
Finished goods	**339**	317
Consumables and spare parts	**168**	165
	735	701

Inventories recognised as an expense during the year amounted to €5,672 million (2014: €5,642 million).

20. Trade and other receivables

	Group 2015 €m	Group 2014 €m	Company 2015 €m	Company 2014 €m
Amounts falling due within one financial year:				
Trade receivables	**1,296**	1,248	**-**	-
Less: provision for impairment of receivables	**(33)**	(31)	**-**	-
Trade receivables – net	**1,263**	1,217	**-**	-
Amounts receivable from associates	**4**	3	**-**	-
Other receivables	**134**	162	**-**	-
Prepayments and accrued income	**50**	40	**-**	-
Amounts due from Group companies	**-**	-	**40**	56
	1,451	1,422	**40**	56
Amounts falling due after more than one financial year:				
Other receivables	**34**	12	**-**	-
	1,485	1,434	**40**	56

The carrying amount of trade and other receivables equate to their fair values due to their short-term maturities.

The Group has securitised €574 million (2014: €574 million) of its trade receivables. The securitised receivables have not been derecognised as the Group remains exposed to certain related credit risk. As a result, both the underlying trade receivables and the associated borrowing are shown in the Consolidated Balance Sheet.

Impairment losses

The movement in the full provision for impairment of receivables was as follows:

	2015 €m	2014 €m
At 1 January	**31**	34
Provision for impaired receivables during the financial year	**4**	5
Receivables written off as uncollectable during the financial year	**(6)**	(8)
Acquisitions	**4**	-
At 31 December	**33**	31

The provision for impaired receivables is included in administrative expenses in the Consolidated Income Statement. Receivables written off as uncollectable are generally eliminated from receivables and the provision for impairment of receivables when there is no expectation of recovering additional cash.

Receivable balances are continuously monitored and reviewed for indicators of impairment at each reporting date. Examples of the factors considered include evidence of financial difficulty of the customer, payment default, major concessions being sought by the customer or breach of contract. Significant balances are reviewed individually while smaller balances are grouped and assessed collectively. The concentration of risk associated with any one customer is low and historically, instances of material single customer related bad debts are rare.

Trade receivables that are less than three months past due are generally not considered impaired unless specific evidence of impairment is identified. At 31 December 2015 trade receivables of €192 million (2014: €169 million) were past due but not impaired. These relate to customers for which there is no recent history of default. The aged analysis of these receivables was as follows:

	2015 €m	2014 €m
Past due 0 – 30 days	**148**	130
Past due 30 – 60 days	**31**	27
Past due 60 – 90 days	**7**	6
Past due 90+ days	**6**	6
	192	169

As 31 December 2015 specifically identified trade receivable balances of €28 million (2014: €27 million) were considered impaired and provided for. The ageing of this provision was as follows:

	2015 €m	2014 €m
Not past due	**1**	1
Past due 0 – 30 days	**-**	-
Past due 30 – 60 days	**-**	-
Past due 60 – 90 days	**1**	1
Past due 90+ days	**26**	25
	28	27

In addition to the specific provision above, a portfolio provision of €5 million is held in the current year which is calculated based on historical data (2014: €4 million).

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

21. Net movement in working capital

	2015 €m	2014 €m
Change in inventories	**(75)**	(32)
Change in trade and other receivables	**(49)**	(113)
Change in trade and other payables	**106**	108
Net movement in working capital	**(18)**	(37)

22. Cash and cash equivalents and restricted cash

Cash and cash equivalents

	2015 €m	2014 €m
Cash and current accounts	**131**	106
Short-term deposits	**139**	281
Cash and cash equivalents	**270**	387
Cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows		
Cash and cash equivalents	**270**	387
Bank overdrafts and demand loans used for cash management purposes	**(7)**	(26)
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**263**	361
Restricted cash	**5**	12

At 31 December 2015, cash of €1 million (2014: €3 million) was held in restricted securitisation bank accounts which were not available for transfer to other Group subsidiaries or for use outside the Group. A further €4 million (2014: €9 million) of restricted cash was held in other Group subsidiaries.

23. Capital and reserves

Share capital

The authorised share capital of the Company comprises ordinary shares and various classes of convertible shares.

Restriction on transfer of shares

The Directors, at their absolute discretion and without assigning any reason therefore, may decline to register any transfer of a share which is not fully paid or any transfer to or by a minor or person of unsound mind but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is listed.

The Directors may also refuse to register any instrument of transfer (whether or not it is in respect of a fully paid share) unless it is: a) lodged at the Registered Office or at such other place as the Directors may appoint; b) accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; c) in respect of only one class of shares; and d) in favour of not more than four transferees.

All convertible shares (classes B, C, D convertible shares) are subject to restrictions as to their transferability. Generally they are not transferable either at all or without consent of the Directors, save by transmission on the death of a holder.

Ordinary shares

Subject to the Articles of Association of SKG plc, the holders of ordinary shares are entitled to share in any dividends in proportion to the number of shares held by them and are entitled to one vote for every share held by them at a general meeting. On a return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall firstly be distributed amongst the holders of ordinary shares, in proportion to the number of ordinary shares held by them, of the nominal value of their ordinary shares, secondly (to the extent available) distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares and the balance (if any) shall be distributed amongst the holders of ordinary shares in proportion to the number of ordinary shares held by them.

Convertible shares

The holders of convertible shares have no right to participate in the profits of SKG plc and are not entitled to receive notice of, attend or vote at general meetings or to vote on any members' resolution (save for any resolution with regard to the rights of convertible shares). On return of capital (whether on repayment of capital, liquidation or otherwise) the assets and/or capital legally available to be distributed shall, subject first to the rights of the holders of ordinary shares be distributed amongst the holders of convertible shares, in proportion to the number of convertible shares held by them, of the nominal value of their convertible shares.

Restriction of rights

If the Directors determine that a Specified Event as defined in the Articles of Association of SKG plc has occurred in relation to any share or shares, the Directors may serve a notice to such effect on the holder or holders thereof. Upon the expiry of fourteen days from the service of any such notice, for so long as such notice shall remain in force no holder or holders of the share or shares specified in such notice shall, in relation to such specified shares, be entitled to attend, speak or vote either personally, by representative or by proxy at any general meeting of the Company or at any separate general meeting of the class of shares concerned or to exercise any other right conferred by membership in relation to any such meeting.

The Directors shall, where the shares specified in such notice represent not less than 0.25 per cent of the class of shares concerned, be entitled: to withhold payment of any dividend or other amount payable (including shares issuable in lieu of dividend) in respect of the shares specified in such notice; and/or to refuse to register any transfer of the shares specified in such notice or any renunciation of any allotment of new shares or debentures made in respect thereof unless such transfer or renunciation is shown to the satisfaction of the Directors to be a bona fide transfer or renunciation to another beneficial owner unconnected with the holder or holders or any person appearing to have an interest in respect of which a notice has been served.

23. Capital and reserves (continued)

	2015	2014
Authorised	**€m**	**€m**
Ordinary shares		
9,910,931,085 Ordinary shares of €0.001 each	**10**	10
Convertible shares of €0.001 each		
2,356,472 Class A1	**-**	-
2,356,471 Class A2	**-**	-
2,355,972 Class A3	**-**	-
30,000,000 Class B	**-**	-
30,000,000 Class C	**-**	-
75,000,000 Class D	**-**	-
	10	10

Called up, issued and fully paid share capital of the Company

	Numbers of shares of €0.001 each						€m
	Convertible shares				Ordinary	Total	
	Class B	Class C	Class D	Total	shares	shares	
At 1 January 2014	2,089,514	2,089,514	2,375,540	6,554,568	229,402,527	235,957,095	-
Class D shares converted to ordinary shares	-	-	(480,631)	(480,631)	480,631	-	-
Issue of Deferred Annual Bonus Plan Matching Shares	-	-	-	-	1,713,354	1,713,354	-
At 31 December 2014	2,089,514	2,089,514	1,894,909	6,073,937	231,596,512	237,670,449	-
At 1 January 2015	**2,089,514**	**2,089,514**	**1,894,909**	**6,073,937**	**231,596,512**	**237,670,449**	**-**
Class D shares converted to ordinary shares	**-**	**-**	**(410,269)**	**(410,269)**	**410,269**	**-**	**-**
Issue of Deferred Annual Bonus Plan Matching Shares	**-**	**-**	**-**	**-**	**2,804,322**	**2,804,322**	**-**
At 31 December 2015	**2,089,514**	**2,089,514**	**1,484,640**	**5,663,668**	**234,811,103**	**240,474,771**	**-**

At 31 December 2015 ordinary shares represented 97.6% and convertible shares represented 2.4% of issued share capital (2014: 97.4% and 2.6% respectively). The called up, issued and fully paid share capital of the Company at 31 December 2015 was €240,000 (2014: €237,000).

Share premium

Share premium of €1,983 million (2014: €1,981 million) relates to the share premium arising on share issues.

Other reserves

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

	Reverse acquisition reserve	Cash flow hedging reserve	Foreign currency translation reserve	Share-based payment reserve	Own shares	Available -for-sale reserve	Total
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
At 1 January 2015	**575**	**(33)**	**(689)**	**156**	**(40)**	**1**	**(30)**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(420)**	**-**	**-**	**-**	**(420)**
Effective portion of changes in fair value of cash flow hedges	**-**	**11**	**-**	**-**	**-**	**-**	**11**
Total other comprehensive income/ (expense)	**-**	**11**	**(420)**	**-**	**-**	**-**	**(409)**
Share-based payment	**-**	**-**	**-**	**28**	**-**	**-**	**28**
Shares acquired/disposed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(14)**	**-**	**(14)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**(16)**	**16**	**-**	**-**
At 31 December 2015	**575**	**(22)**	**(1,109)**	**168**	**(38)**	**1**	**(425)**

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

23. Capital and reserves (continued)

	Reverse acquisition reserve	Cash flow hedging reserve	Foreign currency translation reserve	Share-based payment reserve	Own shares	Available-for-sale reserve	Total
	€m	€m	€m	€m	€m	€m	€m
At 1 January 2014	575	(15)	(456)	131	(28)	1	208
Other comprehensive income							
Foreign currency translation adjustments	-	-	(233)	-	-	-	(233)
Effective portion of changes in fair value of cash flow hedges	-	(18)	-	-	-	-	(18)
Total other comprehensive expense	-	(18)	(233)	-	-	-	(251)
Share-based payment	-	-	-	26	-	-	26
Shares acquired by SKG Employee Trust	-	-	-	-	(13)	-	(13)
Shares distributed by SKG Employee Trust	-	-	-	(1)	1	-	-
At 31 December 2014	575	(33)	(689)	156	(40)	1	(30)

Reverse acquisition reserve
This reserve arose on the creation of a new parent of the Group prior to listing which was accounted for as a reverse acquisition.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of tax) related principally to floating rate debt which has been swapped into fixed interest using interest rate swaps.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency translation adjustments arising from the translation of the Group's net investment in foreign operations as well as from the translation of liabilities that hedge those net assets.

Share-based payment reserve
This reserve represents the amounts credited to equity in relation to the share-based payment expense recognised in the Consolidated Income Statement, net of deferred shares distributed by the SKG Employee Trust to participants of the Deferred Annual Bonus Plan.

Own shares
This represents ordinary shares acquired and disposed of by the SKG Employee Trust under the terms of the Deferred Annual Bonus Plan.

	2015	2014
	€m	€m
At 1 January	**40**	28
Shares acquired/disposed by SKG Employee Trust	**14**	13
Shares distributed by SKG Employee Trust	**(16)**	(1)
At 31 December	**38**	40

As at 31 December 2015 the number of own shares held was 2,243,769 (2014: 3,555,110); their nominal value was €2,244 (2014: €3,555). In 2015, own shares were purchased at an average price of €24.05 (2014: €20.23) per share. The number of own shares held represents 0.9% (2014: 1.5%) of the total called up share capital of the Company.

Available-for-sale reserve
This reserve includes the cumulative gains and losses arising on changes in the fair value of available-for-sale financial assets recognised in other comprehensive income. Net gains or losses are reclassified to the Consolidated Income Statement when the related assets are derecognised.

24. Borrowings

Analysis of total borrowings

	2015 €m	2014 €m
Senior credit facility		
- Revolving credit facility[1]—interest at relevant interbank rate +1.35%[6][8]	**149**	100
- Facility A Term loan[2]—interest at relevant interbank rate +1.60%[6][8]	**494**	745
US$292.3 million 7.50% senior debentures due 2025 (including accrued interest)[8]	**270**	242
Bank loans and overdrafts	**124**	65
2018 receivables securitisation variable funding notes[7]	**174**	173
2019 receivables securitisation variable funding notes[7]	**232**	236
2018 senior notes (including accrued interest)[3][8]	**477**	446
€400 million 4.125% senior notes due 2020 (including accrued interest)[8]	**403**	402
€250 million senior floating rate notes due 2020 (including accrued interest)[4][8]	**249**	248
€500 million 3.25% senior notes due 2021 (including accrued interest)[8]	**495**	494
€250 million 2.75% senior notes due 2025 (including accrued interest)[5][8]	**248**	-
Finance leases	**8**	7
Total borrowings	**3,323**	3,158
Analysed as follows:		
Current	**85**	65
Non-current	**3,238**	3,093
	3,323	3,158

(1) Revolving credit facility ('RCF') of €625 million (available under the senior credit facility) due to be repaid in 2020 (maturity dates extended from 2018 effective 13 March 2015): (a) Revolver loans - €155 million (b) drawn under ancillary facilities and facilities supported by letters of credit - €nil and (c) other operational facilities including letters of credit €10 million.

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

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

(4) Interest at EURIBOR + 3.5%.

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

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

Net debt/EBITDA ratio	RCF	Facility A
Greater than 3.0 : 1	1.85%	2.10%
3.0 : 1 or less but more than 2.5 : 1	1.35%	1.60%
2.5 : 1 or less but more than 2.0 : 1	1.10%	1.35%
2.0 : 1 or less	0.85%	1.10%

(7) Secured loans and long-term obligations.

(8) Unsecured loans and long-term obligations.

Included within the carrying value of borrowings are deferred debt issue costs of €37 million (2014: €39 million), all of which will be recognised in finance costs in the Consolidated Income Statement using the effective interest rate method over the remaining life of the borrowings.

Committed facilities (excluding short-term sundry bank loans and overdrafts) amounted to €3,901 million (2014: €3,644 million) of which €3,285 million (2014: €3,140 million) was utilised at 31 December 2015. The weighted average period until maturity of undrawn committed facilities is 4.1 years (2014: 3.6 years).

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

24. Borrowings (continued)

Maturity of undrawn committed facilities

	2015 €m	2014 €m
Within 1 year	-	-
Between 1 and 2 years	-	-
More than 2 years	616	504
	616	504

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.

Certain subsidiaries are party to a senior credit facility, the details of which are set out in this note.

The following table sets out the average interest rates at 31 December 2015 and 2014 for each of the drawings under the senior credit facility.

	Currency	2015 Interest rate	2014 Interest rate
Facility A	EUR	1.47%	2.05%
Facility A	US$	2.02%	2.16%
RCF	EUR	1.16%	1.77%
RCF	GBP	1.86%	-

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

The Group's borrowing agreements contain certain covenants that restrict the Group's flexibility in certain areas such as incurrence of additional indebtedness, payment of dividends, incurrence of liens and also contain financial covenants, the primary ones being a maximum borrowings to EBITDA and a minimum EBITDA to net interest.

On 3 July 2013, the Group put in place a new five-year trade receivables securitisation programme of up to €175 million of funding. The programme was arranged by Rabobank and carries a margin of 1.70%. Receivables generated by certain of its operating companies in Austria, Belgium, Italy and the Netherlands are sold to a special purpose Group subsidiary to support the funding. A conduit of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank) provides €150 million of the funding and a conduit of Landesbank Hessen-Thüringen Girozentrale (trading as Helaba Bank) provides €25 million of the funding.

On 25 June 2014, the Group completed a €240 million five-year trade receivables securitisation programme. The new programme, which has a margin of 1.4%, amended, restated and extended the €250 million securitisation programme which had a November 2015 maturity and a margin of 1.5%. Receivables generated by certain of its operating companies in the UK, Germany and France are sold to special purpose subsidiaries and entities to support the funding provided by Lloyds Banking Group. The sale of the securitised receivables is not intended to, and does not, meet the requirements for derecognition under IAS 39, with the result that the sold receivables continue to be shown on the face of the Consolidated Balance Sheet and the notes issued which fund the purchase of these receivables continue to be shown as liabilities.

The gross amount of receivables collateralising the 2018 receivables securitisation at 31 December 2015 was €253 million (2014: €248 million). The gross amount of receivables collateralising the 2019 receivables securitisation at 31 December 2014 was €321 million (2014: €326 million). As the group retains a subordinated interest in the securitised receivables, the Group remains exposed to the credit risk of the underlying securitised receivables. Further details are set out in Note 29. In accordance with the contractual terms, the counterparty only has recourse to the securitised debtors. Given the short-term nature of the securitised debtors and the variable floating notes, the carrying amount of the securitised debtors and the associated liabilities reported on the Consolidated Balance Sheet is estimated to approximate to fair value. At 31 December 2015, cash of €1 million (2014: €3 million) was held in securitisation bank accounts which was not available for transfer to other Group subsidiaries or outside entities.

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

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

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

Net debt/EBITDA ratio	RCF	Facility A
Greater than 3.0 : 1	1.85%	2.10%
3.0 : 1 or less but more than 2.5 : 1	1.35%	1.60%
2.5 : 1 or less but more than 2.0 : 1	1.10%	1.35%
2.0 : 1 or less	0.85%	1.10%

Following acquisitions of over €380 million in 2015, including the Brazilian acquisitions in December, the Group increased the Term loan under its senior credit facility by €250 million, from €500 million to €750 million on 5 February 2016. The terms applicable to the increase, including margin, amortisation profile and maturity date are the same as the existing Term A loan. The proceeds will be substantially applied to reduce the drawings under the RCF, thereby further improving the Group's liquidity.

Certain other maturity, interest rate repricing and key terms relating to the Group's borrowings have been set out in Note 29.

25. Employee benefits

The Group operates both defined benefit and defined contribution pension plans throughout its operations in accordance with local requirements and practice. These plans have broadly similar regulatory frameworks. The major plans are of the defined benefit type and are funded by payments to separately administered funds. In these defined benefit plans, the level of benefits available to members depends on length of service and their average salary over their period of employment or their salary in the final years leading up to retirement or leaving. While the majority of the defined benefit plans are funded, in certain countries, such as Germany, Austria and France, plan liabilities are unfunded and recognised as liabilities in the Consolidated Balance Sheet. In these countries, a full actuarial valuation of the unfunded liabilities is undertaken by independent actuaries on an annual basis. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies with the Company and the boards of trustees.

The most significant defined benefit plans are in the United Kingdom, the Netherlands, Ireland and Germany. The most recent full actuarial valuations of the significant funded plans are as follows:

Ireland	1 January 2013
Netherlands	31 December 2014
United Kingdom	31 March 2014

The expense for defined contribution pension plans for the financial year ended 31 December 2015 was €46 million (2014: €43 million).

The following is a summary of the Group's employee benefit obligations and their related funding status:

	2015 €m	2014 €m
Present value of funded or partially funded obligations	**(2,195)**	(2,226)
Fair value of plan assets	**1,884**	1,889
Deficit in funded or partially funded plans	**(311)**	(337)
Present value of wholly unfunded obligations	**(507)**	(556)
Net pension liability	**(818)**	(893)

In determining the defined benefit costs and obligations, all valuations are performed by independent actuaries using the projected unit credit method.

Financial Assumptions

The main actuarial assumptions used to calculate liabilities under IAS19, *Employee Benefits* at 31 December 2015 and 31 December 2014 are as follows:

	Eurozone		Rest of Europe		The Americas	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Rate of increase in salaries	**1.50 – 3.18**	1.62 – 2.50	**2.25 – 3.70**	2.50 – 3.60	**3.00 – 5.50**	2.41 – 5.50
Rate of increase to pensions in payment	**Nil – 1.70**	Nil – 1.70	**Nil – 2.54**	Nil – 3.00	**Nil – 2.88**	Nil – 2.50
Discount rate for plan liabilities	**2.40**	1.95	**2.60 – 3.90**	2.20 – 3.60	**4.35 – 7.82**	4.00 – 7.32
Inflation	**1.70**	1.50	**1.50 – 3.20**	1.50 – 2.60	**0.70 – 3.50**	2.00 – 3.50

Mortality assumptions

In assessing the Group's post retirement liabilities, the mortality assumptions chosen for the principal plans above are based on the country's population mortality experience, large pension scheme mortality experience and the plan's own mortality experience. In 2014, the mortality assumptions were reviewed in the United Kingdom, resulting in a slightly lower life expectancy. In the Netherlands, the assumptions were significantly updated in 2012 to take account of the latest national longevity statistics. In 2014, the life expectancies were slightly adjusted. In Ireland, the assumptions used were adapted versions of the tables used for the 2013 actuarial valuation. In Germany, the mortality table used is that laid down by statutory authorities. Note that in all cases, the mortality tables used allow for future improvements in life expectancy.

The current life expectancies underlying the valuation of the plan liabilities for the significant plans are as follows:

	Ireland		UK		Netherlands		Germany	
	2015	2014	2015	2014	2015	2014	2015	2014
Longevity at age 65 for current pensioners (years)								
Male	**21.1**	20.9	**20.6**	20.6	**20.2**	19.9	**19.5**	19.4
Females	**23.6**	23.5	**22.8**	22.7	**23.2**	23.0	**23.6**	23.4
Longevity at age 65 for current member aged 45 (years)								
Male	**23.6**	23.5	**21.9**	21.8	**22.8**	22.5	**22.1**	22.0
Females	**25.7**	25.6	**24.2**	24.1	**25.4**	25.2	**26.1**	26.0

The mortality assumptions for other plans are based on relevant standard mortality tables in each country.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

25. Employee benefits (continued)

Sensitivity analysis

The following table illustrates the key sensitivities to the amounts included in the Consolidated Financial Statements which would arise from adjusting certain key actuarial assumptions. In each case all of the other assumptions remain unchanged:

	Increase / (decrease) in pension liabilities	
	2015	**2014**
Change in assumption	**€m**	**€m**
Increase discount rate by 0.25%	**(105)**	(109)
Decrease discount rate by 0.25%	**111**	118
Increase inflation rate by 0.25%	**46**	45
Decrease inflation rate by 0.25%	**(44)**	(44)
Increase in life expectancy by one year	**89**	89

The sensitivity information shown above has been determined by performing calculations of the liabilities using different assumptions.

Analysis of plan assets and liabilities

Plan assets are comprised as follows:

	2015			**2014**		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**
Equities	**538**	**-**	**538**	667	1	668
Corporate bonds	**358**	**-**	**358**	222	-	222
Government bonds	**270**	**-**	**270**	239	1	240
Property	**34**	**1**	**35**	27	1	28
Cash	**110**	**-**	**110**	49	-	49
Insurance contracts	**-**	**31**	**31**	-	60	60
Liability driven investment	**300**	**-**	**300**	415	-	415
Other	**242**	**-**	**242**	207	-	207
	1,852	**32**	**1,884**	1,826	63	1,889

Included in plan assets at 31 December 2015 under Property is an amount of €1.5 million (2014: €1.4 million) relating to the Gosport plant in the UK. This is the only self-investment in the Group by the defined benefit plans.

The actual return on plan assets for the financial year ended 31 December 2015 was a loss of €23 million (2014: a gain of €254 million).

An analysis of the assets held by the plans is as follows:

	Eurozone	**Rest of Europe**	**The Americas**	**Total**
31 December 2015	**€m**	**€m**	**€m**	**€m**
Equities	**310**	**196**	**32**	**538**
Corporate bonds	**234**	**102**	**22**	**358**
Government bonds	**218**	**49**	**3**	**270**
Property	**13**	**21**	**1**	**35**
Cash	**9**	**86**	**15**	**110**
Insurance contracts	**26**	**5**	**-**	**31**
Liability driven investment	**64**	**236**	**-**	**300**
Other	**65**	**175**	**2**	**242**
Fair value of plan assets	**939**	**870**	**75**	**1,884**
Present value of plan liabilities	**(1,515)**	**(1,071)**	**(116)**	**(2,702)**
Net pension liability	**(576)**	**(201)**	**(41)**	**(818)**

25. Employee benefits (continued)

31 December 2014	**Eurozone €m**	**Rest of Europe €m**	**The Americas €m**	**Total €m**
Equities	361	279	28	668
Corporate bonds	98	90	34	222
Government bonds	215	18	7	240
Property	8	19	1	28
Cash	24	20	5	49
Insurance contracts	46	14	-	60
Liability driven investment	165	250	-	415
Other	58	149	-	207
Fair value of plan assets	975	839	75	1,889
Present value of plan liabilities	(1,599)	(1,052)	(131)	(2,782)
Net pension liability	(624)	(213)	(56)	(893)

Analysis of the amount charged in the Consolidated Income Statement

The following tables set out the components of the defined benefit cost:

	2015 €m	**2014 €m**
Current service cost	**39**	47
Administrative expenses	**4**	4
Past service cost	**(8)**	(5)
Gain on curtailment	**(1)**	(3)
Gain on settlement	**(3)**(1)	(8)(1)
Actuarial loss arising on other long-term employee benefits	**1**	4
Charged to operating profit	**32**(2)	39(2)
Net interest cost on net pension liability	**21**	27
	53	66

(1) The gain on settlement in 2015 of €3 million (2014: €8 million) was due to a release of reserves in the Irish defined benefit plan as a result of an enhanced transfer value exercise for deferred pensioners.
(2) The amount charged to operating profit for current service cost excludes the hyperinflation adjustment of €3 million (2014: €4 million).

The defined benefit cost for 2015 includes €6 million (2014: €9 million) which relates to other long-term employee benefits.

The expense recognised in the Consolidated Income Statement is charged to the following line items:

	2015 €m	**2014 €m**
Cost of sales	**21**	23
Distribution costs and administrative expenses	**11**	16
Net interest on net pension liability	**21**	27
	53	66

Analysis of actuarial gains/(losses) recognised in the Consolidated Statement of Comprehensive Income	**2015 €m**	**2014 €m**
Return on plan assets	**(78)**	186
Actuarial gain due to experience adjustments	**15**	10
Actuarial gain/(loss) due to changes in financial assumptions	**98**	(432)
Actuarial gain due to changes in demographic assumptions	**2**	9
Total gain/(loss) recognised in the Consolidated Statement of Comprehensive Income	**37**	(227)

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

25. Employee benefits (continued)

Movement in present value of defined benefit obligation	2015 €m	2014 €m
At 1 January	**(2,782)**	(2,338)
Current service cost	**(39)**	(47)
Contributions by plan participants	**(9)**	(7)
Interest cost	**(75)**	(95)
Actuarial gains and losses	**114**	(417)
Benefits paid by plans	**116**	116
Past service cost	**8**	5
Reduction arising on curtailments	**1**	3
Acquisitions	**(3)**	-
Liabilities associated with assets classified as held for sale	**-**	7
Decrease arising on settlement	**13**	47
Foreign currency translation adjustments	**(46)**	(56)
At 31 December	**(2,702)**	(2,782)

Movement in fair value of plan assets	2015 €m	2014 €m
At 1 January	**1,889**	1,625
Interest income on plan assets	**54**	68
Return on plan assets	**(77)**	186
Administrative expenses	**(4)**	(4)
Contributions by employer	**85**	106
Contributions by plan participants	**9**	7
Benefits paid by plans	**(116)**	(116)
Assets classified as held for sale	**-**	(1)
Decrease arising on settlements	**(10)**	(39)
Foreign currency translation adjustments	**54**	57
At 31 December	**1,884**	1,889

Employee benefit plan risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

Asset volatility The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to equities is monitored to ensure it remains appropriate given the plans' long-term objectives.

Changes in bond yields A decrease in corporate bond yields will increase the value placed on the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy The majority of the plans' obligations are to provide benefits based on the life of the member, so increases in life expectancy will result in an increase in the liabilities.

In the case of the funded plans, the Group ensures that the investment positions are managed with an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Maturity analysis

The expected maturity analysis is set out in the table below:

Expected benefit payments:	Projected amounts €m
Financial year 2016	**112**
Financial year 2017	**112**
Financial years 2018 - 2020	**354**
Financial years 2021 - 2025	**647**

Most of the plans are closed to new entrants and therefore, under the projected unit credit method, the current service cost is expected to increase (all other elements remaining equal) as the members approach retirement and to decrease as members retire or leave service. The expected employee and employer contributions for the year ending 31 December 2016 for the funded schemes are €6 million and €44 million respectively. The expected employer contributions for unfunded schemes for the year ending 31 December 2016 are €30 million.

26. Share-based payment

Share-based payment expense recognised in the Consolidated Income Statement

	2015 €m	2014 €m
Charge arising from the Deferred Annual Bonus Plan	**28**	26

The Group grants equity settled share-based payments to employees as part of their remuneration; there are no cash-settled share-based payments.

Deferred Annual Bonus Plan

In May 2011, the SKG plc Annual General Meeting approved the adoption of the 2011 Deferred Annual Bonus Plan ('DABP') which replaced the existing long-term incentive plan, the 2007 Share Incentive Plan.

The size of the awards to each eligible employee under the DABP is subject to the level of annual bonus earned by the employee in any year. The maximum annual potential bonus for eligible employees in the DABP is 150% of salary. The actual bonus earned in any financial year is based on the achievement of clearly defined annual financial targets for some of the Group's Key Performance Indicators ('KPI') being: Earnings per Share ('EPS'), Return on Capital Employed ('ROCE') and Free Cash Flow ('FCF'), together with targets for health and safety and a comparison of the Group's financial performance to that of a peer group.

The structure of the plan is that 50% of any annual bonus earned for a financial year will be deferred into SKG plc shares ('Deferred Shares') to be granted in the form of a Deferred Share Award. The Deferred Shares will vest (i.e. become unconditional) after a three-year holding period based on a service condition of continuity of employment or in certain circumstances, based on normal good leaver provisions.

At the same time as the grant of a Deferred Share Award, a Matching Share Award can be granted up to the level of the Deferred Share Award. Following a three-year performance period, the Matching Shares could vest up to a maximum of 3 times the level of the Deferred Share Award. The maximum match was reduced to 2.25 times by the Committee in 2014 for the awards for the 2014-2016 performance period and the same was applied for 2015-2017 performance period. Matching Share Awards will vest provided that the Compensation Committee considers the Group's ROCE and Total Shareholder Return ('TSR') to be competitive when compared to the constituents of a peer group of international paper and packaging companies over that performance period. The actual number of Matching Shares that will vest under the Matching Share Awards is dependent on the performance conditions of the Group's FCF[(1)] and ROCE targets measured over the same three-year performance period on an inter-conditional basis and the multiplier will be calculated by interpolation.

The accounting for a deferred bonus payable in shares falls under IFRS 2, *Share-based Payment*. Under IFRS 2, when share awards are subject to vesting conditions, the related expense is recognised in profit or loss over the vesting period.

The total DABP charge for the year comprises two elements; a) a charge in respect of the Deferred Share Awards granted in respect of 2012, 2013, 2014 and to be granted in respect of 2015 and b) a charge in respect of the Matching Share Awards granted in respect of 2012, 2013, 2014 and to be granted in respect of 2015.

The actual performance targets assigned to the Matching Share Awards are set by the Compensation Committee on the granting of awards at the start of each three-year cycle. The Group is required to lodge the actual targets with the Group's auditors prior to the grant of any awards under the DABP.

A summary of the activity under the DABP, for the period from 1 January 2014 to 31 December 2015 is presented below.

	Number outstanding	
	Deferred Share Award	Matching Share Award
At 1 January 2014	2,964,261	2,456,454
Granted in the year	638,861	403,645
Forfeited in the year	(50,108)	(37,132)
Additional match on vesting	-	1,101,441
Distributed in the year	(63,277)	(1,713,354)
At 31 December 2014	**3,489,737**	**2,211,054**
Granted in the year	**622,933**	**379,134**
Forfeited in the year	**(43,516)**	**(59,243)**
Additional match on vesting	**-**	**1,731,932**
Distributed in the year	**(1,848,076)**	**(2,804,322)**
At 31 December 2015	**2,221,078**	**1,458,555**

The fair value of the awards granted in 2015 was €24.05 (2014: €20.23) which was the market value on the date of the grant.

Deferred Share Awards and Matching Share Awards were granted in 2015 to eligible employees in respect of the financial year ended 31 December 2014. The Matching Share Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2017.

Deferred Share Awards and Matching Share Awards will be granted in 2016 to eligible employees in respect of the financial year ended 31 December 2015. The Matching Share Awards may vest based on the achievement of the relevant performance targets for the three-year period ending on 31 December 2018.

The Deferred Share Awards and Matching Share Awards which were granted in 2012 in respect of the financial year ended 31 December 2011 vested in February 2015 and were distributed to the relevant employees. The market price at the date of vesting was €23.75.

[(1)] *In calculating FCF, capital expenditure will be set at a minimum of 90% of depreciation for the three-year performance cycle.*

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

26. Share-based payment (continued)

The Deferred Share Awards and Matching Share Awards which were granted in 2013 in respect of the financial year ended 31 December 2012 vested in February 2016 and were distributed to the relevant employees. The market price at the date of vesting was €22.56. Details of the performance targets and results for the three-year period to 31 December 2015 are set out in the Remuneration Report.

2007 Share Incentive Plan

This scheme has expired for the purpose of issuing invitations to subscribe for convertible shares. However a number of convertible shares issued under this plan have not yet been converted to ordinary shares. Further details are provided below.

In March 2007, SKG plc adopted the 2007 Share Incentive Plan (the '2007 SIP'). The 2007 SIP was amended in May 2009. Incentive awards under the 2007 SIP were in the form of new class B and new class C convertible shares issued in equal proportions to Participants at a nominal value of €0.001 per share. On satisfaction of specified performance criteria the new class B and new class C convertible shares automatically convert on a one-to-one basis into class D convertible shares. The class D convertible shares may be converted by the holder into ordinary shares upon payment of the agreed conversion price. The conversion price for each D convertible share was set at the average market value of an ordinary share for the three dealing days immediately prior to the date that the Participant was invited to subscribe less the nominal subscription price. Each award has a life of ten years from the date of issuance of the new class B and new class C convertible shares. The performance period for the new class B and new class C convertible shares was three financial years.

The performance conditions for the new class B and new class C convertible shares awarded under the 2007 SIP during and from 2009 were subject to a performance condition based on the Group's total shareholder return over the three year period relative to the total shareholder return of a peer group of companies ('TSR condition'). Under that condition, 30% of the new class C convertible shares would convert into D convertible shares if the Group's total shareholder return was at the median performance level and 100% convert if the Group's total shareholder return was at or greater than the upper quartile of the peer group. A sliding scale applied for performance between the median and upper quartiles.

However, notwithstanding that the TSR condition applicable to any such award may have been satisfied, the Compensation Committee retained an overriding discretion to disallow the vesting of the award, in full or in part, if, in its opinion the Group's underlying financial performance or total shareholder return (or both) had been unsatisfactory during the performance period.

The Compensation Committee determined the performance conditions for awards granted under the 2007 SIP after consultation with the Irish Association of Investment Managers.

The Monte Carlo simulation approach was used to calculate the value of new class B convertible shares awarded from 2009 and all new class C convertible shares at grant date. The expected volatility rates applied were based upon the weighted average historical volatility of the Group's business sector for a period equivalent to the expected life of the grants. The risk-free interest rates used were based upon euro-denominated government bonds with similar lives. The fair value of the convertible shares at the valuation dates was determined based upon the market price at that date.

The awards made in 2009 vested 100% in February 2012 with the TSR condition being in the upper quartile of the peer group. The awards made in 2010 vested 30% in February 2013 with the TSR condition being at the median. The Compensation Committee were of the opinion that the Group's underlying financial performance and total shareholder return had been satisfactory during the performance period and therefore confirmed the vesting.

2002 Management Equity Plan

This scheme expired in 2007 for the purpose of issuing invitations to subscribe for convertible shares. The right to convert these shares expired on 20 March 2014.

A summary of the activity under the 2007 SIP, as amended, and the 2002 Plan, as amended, for the period from 1 January 2014 to 31 December 2015 is presented below.

	2015		**2014**	
	Number of convertible shares	**Weighted average exercise price (€ per share)**	**Number of convertible shares**	**Weighted average exercise price (€ per share)**
Outstanding at the beginning of the year	**1,161,109**	**4.94**	1,641,740	4.90
Exercised in the year	**(410,269)**	**4.94**	(480,631)	4.78
Outstanding at the end of the year	**750,840**	**4.94**	1,161,109	4.94
Exercisable at the end of the year	**750,840**	**4.94**	1,161,109	4.94

The weighted average market price on the dates the convertible shares were exercised in the financial year ended 31 December 2015 was €25.30 (2014: €19.27).

	2015	**2014**
2007 SIP, as amended, convertible shares outstanding at the end of the year (number)	**750,840**	1,161,109
Weighted average exercise price (€ per share)	**4.94**	4.94
Weighted average remaining contractual life (years)	**3.9**	4.9

27. Provisions for liabilities and charges

	2015	2014
	€m	€m
Current	**34**	57
Non-current	**52**	47
	86	104

	Deferred and contingent consideration	Restructuring	Environmental	Legal	Other	Total
	€m	€m	€m	€m	€m	€m
At 1 January 2014	4	9	6	5	32	56
Made during the financial year	11	40	-	4	13	68
Released during the financial year	-	(1)	-	(2)	-	(3)
Utilised during the financial year	-	(5)	-	(2)	(12)	(19)
Acquisitions	-	-	-	-	1	1
Reclassifications	1	-	-	-	(2)	(1)
Unwinding of discount	1	-	-	-	-	1
Liabilities associated with assets classified as held for sale	-	-	(1)	-	-	(1)
Foreign currency translation adjustment	1	-	-	-	1	2
At 31 December 2014	**18**	**43**	**5**	**5**	**33**	**104**
Made during the financial year	**19**	**2**	**-**	**1**	**11**	**33**
Released during the financial year	**-**	**(3)**	**-**	**-**	**(2)**	**(5)**
Utilised during the financial year	**(16)**	**(25)**	**-**	**(1)**	**(12)**	**(54)**
Acquisitions	**-**	**-**	**-**	**3**	**3**	**6**
Reclassifications	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Unwinding of discount	**1**	**-**	**-**	**-**	**-**	**1**
Foreign currency translation adjustment	**1**	**-**	**-**	**-**	**2**	**3**
At 31 December 2015	**23**	**17**	**5**	**8**	**33**	**86**

Deferred and contingent consideration
Deferred and contingent consideration represents the deferred element of acquisition consideration payable. The balance at 31 December 2015 relates to the acquisition of the following:

- CYBSA, a corrugated packaging business in Costa Rica and El Salvador (2015);
- Inspirepac, a corrugated, high quality print and display business in the UK (2015);
- INPA and Paema, two integrated paper-based packaging businesses in Brazil (2015);
- Cartonera Rierba S.A., a packaging business in the Dominican Republic (2014); and
- Baguin, a bag-in-box packaging solutions company in Argentina (2012).

The balance at 31 December 2015 will be utilised over a period of five years.

The deferred and contingent consideration at 31 December 2014 related to the acquisition of the following:

- Cartonera Rierba S.A. (2014);
- Bates Container LLC, a non-integrated corrugated packaging manufacturer in the South West of the United States (2014);
- Baguin (2012); and
- Oakland Packaging, a solidboard merchant in the United Kingdom (2011).

Restructuring
These provisions relate to irrevocable commitments in respect of restructuring programmes throughout the Group. In 2015 the utilisation of the provision related largely to the provisions made in 2014 for the closure of the Hamburg, Osnabrück and Viersen plants in Germany, the closure of the Ponts and Marais plant in France and the closure of the Nybro plant in Sweden. The Group expects that the majority of the provision balance remaining at 31 December 2015 will be utilised during 2016.

Environmental
Provisions for environmental costs mainly relate to the reinstatement of landfill sites and other remediation and improvement costs incurred in compliance with either local or national environmental regulations together with constructive obligations stemming from established practice. The timing of settlement of these provisions is not certain particularly where provisions are based on past practice and there is no legal obligation.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

27. Provisions for liabilities and charges (continued)

Legal

Legal represents provisions for certain legal claims brought against the Group by various parties in the ordinary course of business. Provisions are expensed in the Consolidated Income Statement within administrative expenses. Legal provisions are uncertain as to timing and amount as they are the subject of ongoing cases.

Other

Other comprises a number of provisions including: liabilities arising from onerous contracts, mainly relating to leased properties amounting to €14 million (2014: €11 million); employee compensation in certain countries in which we operate amounting to €9 million (2014: €7 million); and numerous other items which are not individually material and are not readily grouped together. The property leases generally have lives ranging from five to ten years.

28. Trade and other payables

	Group 2015 €m	Group 2014 €m	Company 2015 €m	Company 2014 €m
Amounts falling due within one financial year:				
Trade payables	**1,037**	932	**-**	-
Amounts owed to associates - trading balances	**1**	1	**-**	-
Payroll taxes	**35**	33	**-**	-
Value added tax	**59**	54	**-**	-
Social insurance	**58**	52	**-**	-
Accruals and deferred income	**390**	421	**-**	-
Capital payables	**68**	60	**-**	-
Other payables	**24**	20	**-**	-
Amounts payable to Group companies	**-**	-	**1**	4
	1,672	1,573	**1**	4
Amounts falling due after more than one financial year:				
Other payables	**13**	10	**-**	-
	1,685	1,583	**1**	4

The fair values of trade and other payables are not materially different from their carrying amounts.

Amounts owed to Group companies are unsecured, interest free and are repayable on demand.

29. Financial instruments

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2015	Loans and receivables €m	Assets at fair value through Consolidated Income Statement €m	Derivatives used for hedging €m	Available-for-sale €m	Total €m
Assets per Consolidated Balance Sheet:					
Available-for-sale financial assets	-	-	-	21	21
Derivative financial instruments	-	19	43	-	62
Trade and other receivables	1,384	-	-	-	1,384
Cash and cash equivalents	270				270
Restricted cash	5	-	-	-	5
	1,659	19	43	21	1,742

The financial assets of the Company of €40 million consist of loans and receivables.

31 December 2015	Liabilities at fair value through Consolidated Income Statement €m	Derivatives used for hedging €m	Other financial liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	-	-	3,323	3,323
Derivative financial instruments	5	20	-	25
Trade and other payables	-	-	1,365	1,365
	5	20	4,688	4,713

The financial liabilities of the Company of €1 million consist of other financial liabilities.

31 December 2014	Loans and receivables €m	Assets at fair value through Consolidated Income Statement €m	Derivatives used for hedging €m	Available-for-sale €m	Total €m
Assets per Consolidated Balance Sheet:					
Available-for-sale financial assets	-	-	-	21	21
Derivative financial instruments	-	3	2	-	5
Trade and other receivables	1,341	-	-	-	1,341
Cash and cash equivalents	387	-	-	-	387
Restricted cash	12	-	-	-	12
	1,740	3	2	21	1,766

The financial assets of the Company of €56 million consist of loans and receivables.

31 December 2014	Liabilities at fair value through Consolidated Income Statement €m	Derivatives used for hedging €m	Other financial liabilities €m	Total €m
Liabilities per Consolidated Balance Sheet:				
Borrowings	-	-	3,158	3,158
Derivative financial instruments	21	29	-	50
Trade and other payables	-	-	1,268	1,268
	21	29	4,426	4,476

The financial liabilities of the Company of €4 million consist of other financial liabilities.

Exposure to credit, interest rate, liquidity, energy and currency risks arise in the normal course of the Group's business. Derivatives are generally used to economically hedge exposure to fluctuations in these risks.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

Key financial risks and financial risk management resulting from the use of financial instruments and related sensitivity analysis

Financial and credit risk management

The operating parameters and policies of the Group's treasury management function are established under formal Board authority. The Treasury Policy covers the areas of funding, counterparty risk, foreign exchange, controls and derivatives. Risk arising on counterparty default is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. The Group uses financial instruments, including fixed and variable rate debt to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including derivative instruments are used to hedge exposure to interest rate, commodity and foreign currency risks. The Group does not use financial instruments for trading purposes. The Group mitigates the risk that counterparties to derivatives will fail to perform by contracting with major financial institutions having high credit ratings and considers the likelihood of counterparty failure to be low. Trade debtors arise from a wide and varied customer base. There is no significant concentration of credit risk amongst any of the Group's most significant financial assets. The Group also holds no collateral in respect of its principal credit exposures.

The successful management of the Group's currency and interest rate exposure depends on a variety of factors, some of which are outside its control. 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 foreign currencies. The Group manages interest rate exposure to achieve what management consider to be an appropriate balance of fixed and variable rate funding. To achieve this objective the Group enters into interest rate swaps, options and forward rate agreements. Interest rate swap agreements are primarily used to change the interest payable on its underlying borrowings from variable to fixed rate. The impact of any such swaps on the Group's financial instruments has been set out in the tables below.

The Group manages its Balance Sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges currency exposure through the use of currency swaps, options and forward contracts. The impact of these derivatives on the currency profile of the Group's financial instruments has been set out in the tables below.

Further details on certain specific financial risks encountered have been set out below.

Interest rate risk

The Group is exposed to changes in interest rates, primarily changes in Euribor. The senior credit facility is variable rate debt, as are the Group's securitisation facilities and the €250 million senior floating rate notes due 2020. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of the Group's interest payments and, therefore, its future earnings and cash flows, assuming other factors are held constant. At 31 December 2015, the Group had fixed an average of 68% (2014: 63%) of its interest cost on borrowings over the following 12 months. Holding all other variables constant, including levels of indebtedness, at 31 December 2015 a one percentage point increase in variable interest rates would have an estimated impact on pre-tax interest expense of approximately €12 million (including the effect of interest rate swaps) over the following 12 months. Interest income on our cash balances would increase by approximately €3 million, assuming a one percent increase in interest rates earned on such balances over the following twelve months.

The Group has entered into one or more interest rate protection agreements (principally interest rate swaps and cross currency interest rate swaps), which establish a fixed interest rate with respect to certain of its borrowings. In 2012 the Group entered into a cross currency interest rate swap to swap fixed rate debt into variable rate debt. A table setting out the fixed and variable rate debt together with the impact of the related interest and cross currency swaps has been set out below.

Currency sensitivity

The Group operates in the following principal currency areas (other than euro): Swedish Krona, Sterling, Latin America (comprising mainly Mexican Peso, Colombian Peso, Venezuelan Bolivar Fuerte and Brazilian Real), US Dollar and Eastern Europe (comprising mainly the Polish Zloty, the Czech Koruna and the Russian Rouble). At the end of 2015 approximately 99% (2014: 99%) of its non euro denominated net assets consisted of the Swedish Krona 32% (2014: 27%), Sterling 6% (2014: 4%), Latin American currencies 49% (2014: 56%), US Dollar 3% (2014: 4%) and Eastern European currencies 9% (2014: 8%). The Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the 31 December 2015 rate would reduce shareholders' equity by approximately €17 million (2014: €19 million).

Commodity price risk

Containerboard

The Group is exposed to commodity price risks through its dependence on recovered paper, the principal raw material used in the manufacture of recycled containerboard. The price of recovered paper is dependent on both demand and supply conditions. Demand conditions include the production of recycled containerboard in Europe and the demand for recovered paper for the production of recycled containerboard outside of Europe, principally in Asia. Supply conditions include the rate of recovery of recovered paper, itself dependant on historic pricing related to the cost of recovery, and some slight seasonal variations.

Just over 1.05 metric tonnes of recovered paper are required to manufacture 1.0 metric tonne of recycled containerboard. Consequently, an increase in the price of recovered paper of, for example, €20 per tonne would increase the cost of production of recycled containerboard by approximately €21 per tonne. Historically, increases in the cost of recovered paper, if sustained, have led to a rise in the price of recycled containerboard, with a lag of one to two months.

29. Financial instruments (continued)

The price of recovered paper can fluctuate significantly within a given year, affecting the operating results of the Group's paper processing facilities. The Group seeks to manage this risk operationally rather than by entering into financial risk management derivatives. Accordingly, at each of 31 December 2015 and 2014 there were no derivatives held to mitigate such risks.

In addition, developing policy changes in the EU with regard to renewable energy sources have created an additional demand for wood, the principal raw material used in the manufacture of kraftliner. This has the effect of potentially increasing the price of wood and consequently the cost of the Group's raw materials. The Group has entered into a limited level of wood pulp swap contracts to hedge a portion of its wood pulp cost in France and Germany, which have a maturity date of January 2016.

Energy

The cost of producing the Group's products is also sensitive to the price of energy. The Group's main energy exposure is to the cost of gas and electricity. These energy costs have experienced significant price volatility in recent years, with a corresponding effect on Group production costs. Natural gas prices, relevant to the Group, started the year at €22.82 per megawatt-hour which was also the peak price, and decreased to €17.48 per megawatt-hour at the end of 2015. The Group has entered into a limited level of energy derivative contracts to economically hedge a portion of its energy costs in Sweden. The Group has also fixed a certain level of its energy costs through contractual arrangements directly with its energy suppliers.

Green energy levies in certain countries increased compared to the prior year, increasing energy costs. However, lower gas and electricity prices more than compensated for this and the Group's overall energy costs decreased compared to 2014.

The Group's energy derivatives have been further detailed in the tables below.

Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- maintains cash balances and liquid investments with highly rated counterparties
- limits the maturity of cash balances
- borrows the bulk of its debt needs under committed bank lines or other term financing and by policy maintains a minimum level of undrawn committed facilities.

The Group has entered into a series of borrowing arrangements in order to facilitate its liquidity needs in this regard and the key terms of those arrangements are described within Note 24 and within certain tables set out below. At each year-end, the Group's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group's funding structure) was as follows:

	2015 **€m**	**2014** **€m**
Cash and cash equivalents	**270**	387
Committed undrawn facilities	**616**	504
Liquidity reserve	**886**	891
Current liabilities – borrowings due within one year	**(195)**	(169)
	691	722

Management monitors rolling cash flow forecasts on an ongoing basis to determine the adequacy of the liquidity position of the Group. This process also incorporates a longer term liquidity review to ensure refinancing risks are adequately catered for as part of the Group's strategic planning. The Group continues to benefit from its existing financing package and debt profile. In addition, the Group's operating activities are cash generative and expect to be so over the foreseeable future; the Group has committed undrawn facilities of €616 million at 31 December 2015; and the Group has cash and cash equivalents of €270 million at 31 December 2015. The maturity dates of the Group's main borrowing facilities as set out in Note 24, together with the liquidity analysis as set out in this note, more fully describes the Group's longer term financing risks.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

In managing its capital structure, the primary focus of the Group is the ratio of net debt as a multiple of EBITDA (earnings before exceptional items, share-based payment expense, net finance costs, income tax expense, depreciation and depletion (net) and intangible asset amortisation). Maximum levels for this ratio are set under Board approved policy. At 31 December 2015 the net debt to EBITDA ratio of the Group was 2.6 times (net debt of €3,048 million) which compares to 2.4 times (net debt of €2,759 million) at the end of 2014. This gives the Group continuing headroom compared to the actual covenant level at 31 December 2015 of 3.75 times.

On the basis of pre-exceptional operating profit, the Group's return on capital employed decreased to 14.8% compared to 15.0% in 2014 despite an increase of 1% in its pre-exceptional operating profit. This was due to an increase in net debt due to the acquisitions of INPA and Paema at the end of the year. Adjusting to exclude the investment in INPA and Paema, the Group's return on capital employed would have been 15.1%. The return on capital employed comprises pre-exceptional operating profit plus share of associates' profit as a percentage of average capital employed (where capital employed is the sum of total equity and net debt at year-end; 2015: €5,376 million, (2014: €5,178 million)). The post-exceptional return on capital employed was 13.5% in 2015 (2014: 12.9%).

The capital employed of the Company at 31 December 2015 was €2,055 million (2014: €2,039 million).

Credit risk

Credit risk arises from credit exposure to trade debtors, cash and cash equivalents including deposits with banks and financial institutions, derivative financial instruments and investments. The Group has no sovereign exposures and no material debtors with Government agencies. The maximum exposure to credit risk is represented by the carrying amount of each asset.

Trade debtors arise from a wide and varied customer base spread throughout the Group's operations and as such there is no significant concentration of credit risk. Credit evaluations are performed on all customers over certain thresholds and all customers are subject to continued monitoring at operating company level.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled within a framework of dealing with high quality institutions and, by policy, limiting the amount of credit exposure to any one bank or institution. Of the Group's total cash and cash equivalents (including restricted cash) at 31 December 2015 of €275 million, 49% was with financial institutions in the A rating category of Standard & Poor's or Moody's and 13% was with financial institutions in the AA/Aa rating category. The remaining 38% was represented mainly by cash held with banks in Ireland and Latin America which fell outside the A and AA/Aa ratings categories. At 31 December 2015 derivative transactions were with counterparties with ratings ranging from BB+ to A+ with Standard & Poor's or Baa3 to Aa2 with Moody's.

At each reporting date, there were no significant concentrations of credit risk which individually represented more than 10% of the Group's financial assets. A geographical analysis of the Group's segment assets has been provided in Note 4.

Market risk – available-for-sale securities

The Group's available-for-sale securities principally comprise an investment in an unlisted entity which operates in a similar paper processing market to the Group in Europe and which has a similar underlying risk profile to the general operational risks encountered by the Group in this market, and investments held relating to unfunded pension liabilities. These investments are being carried at their estimated fair value and the Group's maximum exposure to risks associated with these investments is represented by their carrying amounts.

Investments are occasionally made in listed and unlisted entities of strategic importance to the Group and the policy for assessing impairment thereon is set out in Note 15.

29. Financial instruments (continued)

Derivative positions

Derivative financial instruments recognised as assets and liabilities in the Consolidated Balance Sheet both as part of cash flow hedges and other economic hedges which do not meet the criteria for hedge accounting under IAS 39, have been set out below:

	2015 €m	2014 €m
Non-current derivative assets		
Cash flow hedges :		
Foreign currency forwards	1	-
Cross currency swaps	27	1
Fair value hedges:		
Cross currency swaps	6	1
Total non-current derivative assets	34	2
Current derivative assets		
Cash flow hedges:		
Foreign currency forwards	1	-
Cross currency swaps	8	-
Not designated as hedges:		
Foreign currency forwards	1	1
Cross currency swaps	18	2
Total current derivative assets	28	3
Total derivative assets	62	5
Non-current derivative liabilities		
Cash flow hedges:		
Interest rate swaps	(12)	(14)
Foreign currency forwards	(2)	(3)
Not designated as hedges:		
Cross currency swaps	(1)	(6)
Total non-current derivative liabilities	(15)	(23)
Current derivative liabilities		
Cash flow hedges:		
Interest rate swaps	(4)	(4)
Foreign currency forwards	(2)	(5)
Cross currency swaps	-	(3)
Not designated as hedges:		
Foreign currency forwards	-	(3)
Cross currency swaps	(3)	(12)
Energy hedging contracts	(1)	-
Total current derivative liabilities	(10)	(27)
Total derivative liabilities	(25)	(50)
Net liability on derivative financial instruments	37	(45)

Fair value hierarchy

Fair value measurement at 31 December 2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Available-for-sale financial assets (Note 15):				
Listed	1	-	-	1
Unlisted	-	7	13	20
Derivative financial instruments:				
Assets at fair value through Consolidated Income Statement	-	19	-	19
Derivatives used for hedging	-	43	-	43
Derivative financial instruments:				
Liabilities at fair value through Consolidated Income Statement	-	(5)	-	(5)
Derivatives used for hedging	-	(20)	-	(20)
	1	44	13	58

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

Fair value measurement at 31 December 2014	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total €m**
Available-for-sale financial assets (Note 15):				
Listed	1	-	-	1
Unlisted	-	7	13	20
Derivative financial instruments:				
Assets at fair value through Consolidated Income Statement	-	3	-	3
Derivatives used for hedging	-	2	-	2
Derivative financial instruments:				
Liabilities at fair value through Consolidated Income Statement	-	(21)	-	(21)
Derivatives used for hedging	-	(29)	-	(29)
	1	(38)	13	(24)

The fair value of the derivative financial instruments set out above has been measured in accordance with level 2 of the fair value hierarchy. All are plain derivative instruments, valued with reference to observable foreign exchange rates, interest rates or broker prices. Further details of the available-for-sale financial assets are set out in Note 15.

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the years ended 31 December 2015 and 31 December 2014:

	2015 €m	**2014 €m**
At 1 January	**13**	19
Impairment loss recognised in the Consolidated Income Statement	**-**	(6)
At 31 December	**13**	13
Total loss for the year included in the Consolidated Income Statement for assets held at the end of the reporting period, under 'Finance costs'	**-**	(6)
Change in unrealised losses for the year included in the Consolidated Income Statement for assets held at the end of the reporting period	**-**	(6)

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making judgment, the Group evaluates, among other things, the duration and extent to which the fair value of an investment is less than cost, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows.

Cash flow hedging

As more fully set out in this note, the Group principally utilises interest rate swaps to swap its variable rate debt into fixed rates. The Group has also designated a number of cross currency swaps which swap fixed US dollar debt into fixed euro debt as cash flow hedges where permitted. These swaps are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying debt being hedged. They have accordingly been determined by the Group to be highly effective in achieving offsetting cash flows for its variable rate debt, and no material level of ineffectiveness in hedged risk has been recorded in the Consolidated Income Statement in relation to these hedges in 2015 and 2014. Amounts accounted for in the cash flow hedging reserve in respect of these swaps during the current and preceding periods have been set out in the Consolidated Statement of Comprehensive Income. These fair value gains and losses are expected to impact on profit and loss over the period from 2016 to 2021, in line with the underlying debt being hedged. In addition, certain subsidiaries use foreign currency forward contracts to hedge forecast foreign currency sales and purchases. Such forward contracts are designated as cash flow hedges and are set so as to closely match the critical terms of the underlying cash flows and have been highly effective in achieving offsetting cash flows with no ineffectiveness recorded. These fair value gains and losses are expected to impact on profit and loss over the period from 2016 to 2018. During 2012, the Group entered into a limited level of wood pulp swap contracts (1,500 tonnes per month for three years) to hedge a portion of its wood pulp cost in France and Germany, which are designated as cash flow hedges. The wood pulp hedges have a maturity date of January 2016.

Fair value hedging

In 2012 the Group entered into a cross currency interest rate swap to swap fixed rate debt into variable rate debt. This swap is designated as a fair value hedge and is set so as to closely match the critical terms of the underlying debt being hedged. It has accordingly been determined by the Group to be highly effective in offsetting the fair value of the fixed rate debt and no material level of ineffectiveness has been recorded in the Consolidated Income Statement in relation to this hedge in 2015 and 2014. The fair value gains and losses are expected to impact on profit and loss over the period from 2016 to 2018, in line with the underlying debt being hedged.

29. Financial instruments (continued)

Derivatives not designated as hedges

The Group utilises a combination of foreign currency forward contracts and cross currency swaps in order to economically hedge on balance sheet debtor, creditor and borrowing exposures which are denominated in currencies other than the euro. Formal hedge accounting as permitted by IAS 39 is not applied to these derivative instruments because a natural offset is effectively already achieved through fair valuing the derivatives through the Consolidated Income Statement as required by IAS 39, while also retranslating the related balance sheet foreign currency denominated monetary assets or liabilities at appropriate closing rates at each balance sheet date, as required by IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

The Group has also entered into certain energy hedging contracts to mitigate the associated price risks which occur as a result of the Group's normal operations. These have not been designated as hedges in accordance with IAS 39 and are recognised at fair value through the Consolidated Income Statement as required by that standard.

The principal terms of the Group's material derivative contracts have been set out further below.

Outstanding interest rate swap agreements at 31 December 2015 are summarised as follows:

Currency	**Notional principal (million)**	**Termination dates**	**% Fixed payable**	**% Variable receivable**
EUR	**125**	**2018**	**1.051-1.080**	**Euribor[1]**
EUR	**50**	**2019**	**0.844-0.909**	**Euribor**
EUR	**74**	**2020**	**1.460-1.488**	**Euribor**
EUR	**100**	**2021**	**1.314-1.508**	**Euribor**

[1] *European Interbank Offered Rate.*

Outstanding interest rate swap agreements at 31 December 2014 are summarised as follows:

Currency	**Notional principal (million)**	**Termination dates**	**% Fixed payable**	**% Variable receivable**
EUR	125	2018	1.051-1.080	Euribor
EUR	50	2019	0.844-0.909	Euribor
EUR	74	2020	1.460-1.488	Euribor
EUR	100	2021	1.314-1.508	Euribor

Foreign exchange risk management

The Group manages its balance sheet having regard to the currency exposures arising from its assets being denominated in a wide range of currencies. To this end, where foreign currency assets are funded by local borrowing, such borrowing is generally sourced in the currency of the related assets. The Group also hedges a portion of its currency exposure through the use of currency swaps and forward contracts. At 31 December 2015 the Group had entered into €254 million (2014: €376 million) currency equivalent of forward contracts and there were no option contracts outstanding in respect of its day to day trading. At 31 December 2015 the Group had also entered into further short-term currency swaps of €685 million equivalent (2014: €472 million) as part of its short-term liquidity management.

The narrative above deals with short-term currency derivatives only. The Group also enters into longer term cross currency swap arrangements in respect of its US dollar debt, which are set out in more detail in the tables below. In addition, in December 2015, the Group entered into a two year cross currency swap in respect of the funding of its acquisitions in Brazil, which is set out in more detail in the table below.

Outstanding currency swap agreements at 31 December 2015 are summarised as follows:

Currency swapped (million)	**Currency received (million)**	**Maturity date**	**Interest rate paid**	**Interest rate received**
US$ 154	**EUR 131**	**2016**	**7.109**	**7.500**
EUR 70	**BRL 302**	**2017**	**110.3% CDI**	**Euribor +3.500**
US$ 50	**EUR 40**	**2018**	**Euribor +3.480**	**4.875**
US$ 250	**EUR 198**	**2018**	**4.805**	**4.875**

Outstanding currency swap agreements at 31 December 2014 are summarised as follows:

Currency swapped (million)	**Currency received (million)**	**Maturity date**	**Interest rate paid**	**Interest rate received**
US$ 50	EUR 47	2015	7.300	7.500
US$ 154	EUR 131	2016	7.109	7.500
US$ 50	EUR 40	2018	Euribor +3.480	4.875
US$ 250	EUR 198	2018	4.805	4.875

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

Energy risk management

The Group had the following energy hedging contracts outstanding at the end of 31 December 2015 and 2014. Gains and losses recorded in respect of these contracts have been set out elsewhere in this note.

	2015		2014	
	Notional	**Maturity**	**Notional**	**Maturity**
Energy contracts	**€3 million**	**Q1 2016 - Q4 2017**	€4 million	Q1 2015 - Q4 2016

Effective interest rates and repricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they reprice:

31 December 2015	**Average effective interest rate**	**6 months or less €m**	**6-12 months €m**	**1-2 years €m**	**2-5 Years €m**	**More than 5 years €m**	**Total €m**
Fixed rate instruments							
Liabilities:							
2025 debentures	7.58%	-	-	-	-	270	270
2018 notes	5.42%	-	-	-	477	-	477
2020 fixed rate notes	4.42%	-	-	-	403	-	403
2021 notes	3.52%	-	-	-	-	495	495
2025 notes	3.01%	-	-	-	-	248	248
Bank loans/overdrafts	14.26%	-	6	2	36	4	48
Effect of interest rate swaps		-	-	-	249	100	349
Effect of fair value cross currency swap		-	-	-	(46)	-	(46)
Total		-	6	2	1,119	1,117	2,244
Finance leases	4.76%	-	-	1	3	3	7
Total fixed rate liabilities		-	6	3	1,122	1,120	2,251
Floating rate instruments							
Assets:							
Cash and cash equivalents	0.49%	270	-	-	-	-	270
Restricted cash	0.05%	5	-	-	-	-	5
Total floating rate assets		275	-	-	-	-	275
Liabilities:							
Senior credit facility	1.95%	643	-	-	-	-	643
2018 receivables securitisation	1.85%	174	-	-	-	-	174
2019 receivables securitisation	1.67%	232	-	-	-	-	232
2020 floating rate notes	3.76%	249	-	-	-	-	249
Bank loans/overdrafts	11.39%	76	-	-	-	-	76
Effect of interest rate swaps	1.29%	(349)	-	-	-	-	(349)
Effect of fair value cross currency swap	(1.97%)	40	-	-	-	-	40
Total		1,065	-	-	-	-	1,065
Finance leases	3.02%	1	-	-	-	-	1
Total floating rate liabilities		1,066	-	-	-	-	1,066
Total net position		(791)	(6)	(3)	(1,122)	(1,120)	(3,042)

29. Financial instruments (continued)

31 December 2014 **Fixed rate instruments**	**Average effective interest rate**	**6 months or less €m**	**6-12 months €m**	**1-2 years €m**	**2-5 years €m**	**More than 5 years €m**	**Total €m**
Liabilities:							
2025 debentures	7.58%	-	-	-	-	242	242
2018 notes	5.47%	-	-	-	446	-	446
2020 fixed rate notes	4.44%	-	-	-	-	402	402
2021 notes	3.53%	-	-	-	-	494	494
Bank loans/overdrafts	4.25%	2	1	-	6	4	13
Effect of interest rate swaps		-	-	-	175	174	349
Effect of fair value cross currency swap		-	-	-	(41)	-	(41)
Total		2	1	-	586	1,316	1,905
Finance leases	5.16%	-	-	1	2	3	6
Total fixed rate liabilities		2	1	1	588	1,319	1,911
Floating rate instruments							
Assets:							
Cash and cash equivalents	1.35%	387	-	-	-	-	387
Restricted cash	0.04%	12	-	-	-	-	12
Total floating rate assets		399	-	-	-	-	399
Liabilities:							
Senior credit facility	2.48%	845	-	-	-	-	845
2018 receivables securitisation	2.07%	173	-	-	-	-	173
2019 receivables securitisation	1.82%	236	-	-	-	-	236
2020 floating rate notes	3.90%	248	-	-	-	-	248
Bank loans/overdrafts	13.11%	52	-	-	-	-	52
Effect of interest rate swaps	1.14%	(349)	-	-	-	-	(349)
Effect of fair value cross currency swap	(1.37%)	40	-	-	-	-	40
Total		1,245	-	-	-	-	1,245
Finance leases	1.81%	1	-	-	-	-	1
Total floating rate liabilities		1,246	-	-	-	-	1,246
Total net position		(849)	(1)	(1)	(588)	(1,319)	(2,758)

Liquidity analysis

The following table sets out the maturity or liquidity analysis of the Group's financial liabilities and net settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

31 December 2015	**Weighted average period until maturity (years)**	**No fixed term €m**	**Less than 1 year €m**	**1-2 years €m**	**2-5 years €m**	**More than 5 years €m**	**Total €m**
Liabilities:							
Trade and other payables		**-**	**1,365**	**-**	**-**	**-**	**1,365**
Senior credit facility	**3.8**	**-**	**10**	**10**	**672**	**-**	**692**
2018 receivables securitisation	**2.3**	**-**	**3**	**3**	**176**	**-**	**182**
2019 receivables securitisation	**3.5**	**-**	**3**	**3**	**239**	**-**	**245**
Bank loans/overdrafts	**1.3**	**6**	**70**	**30**	**31**	**2**	**139**
2025 debentures	**9.8**	**-**	**20**	**20**	**60**	**369**	**469**
2018 notes	**2.7**	**-**	**24**	**24**	**499**	**-**	**547**
2020 fixed rate notes	**4.0**	**-**	**17**	**17**	**441**	**-**	**475**
2020 floating rate notes	**4.8**	**-**	**9**	**9**	**276**	**-**	**294**
2021 notes	**5.4**	**-**	**16**	**16**	**49**	**508**	**589**
2025 notes	**9.0**	**-**	**7**	**7**	**21**	**281**	**316**
		6	**1,544**	**139**	**2,464**	**1,160**	**5,313**
Finance leases	**2.4**	**-**	**4**	**2**	**2**	**1**	**9**
		6	**1,548**	**141**	**2,466**	**1,161**	**5,322**
Derivative liabilities		**-**	**6**	**5**	**7**	**-**	**18**
Total liabilities		**6**	**1,554**	**146**	**2,473**	**1,161**	**5,340**

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

31 December 2014	Weighted average period until maturity (years)	No fixed term €m	Less than 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m	Total €m
Liabilities:							
Trade and other payables		-	1,268	-	-	-	1,268
Senior credit facility	3.1	-	18	141	752	-	911
2018 receivables securitisation	3.3	-	3	3	179	-	185
2019 receivables securitisation	4.5	-	4	4	247	-	255
Bank loans/overdrafts	1.0	26	30	3	10	1	70
2025 debentures	10.8	-	18	18	54	349	439
2018 notes	3.7	-	22	22	492	-	536
2020 fixed rate notes	5.0	-	17	17	50	408	492
2020 floating rate notes	5.8	-	9	9	27	259	304
2021 notes	6.4	-	16	16	49	524	605
		26	1,405	233	1,860	1,541	5,065
Finance leases	3.0	-	2	2	2	1	7
		26	1,407	235	1,862	1,542	5,072
Derivative liabilities		-	4	4	9	1	18
Total liabilities		26	1,411	239	1,871	1,543	5,090

The financial liabilities of the Company of €1 million (2014: €4 million) are repayable on demand.

The following table sets out the liquidity analysis with regard to derivatives which do not net settle in the normal course of business (primarily foreign exchange contracts and currency swaps). The table shows the estimated timing of cash flows on the liability side of the contracts only:

31 December 2015	Less than 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m	Total €m
Liabilities:					
Cross currency swaps	**833**	**93**	**249**	**-**	**1,175**
Foreign currency forwards	**205**	**46**	**3**	**-**	**254**
Total	**1,038**	**139**	**252**	**-**	**1,429**

31 December 2014	Less than 1 year €m	1-2 years €m	2-5 years €m	More than 5 years €m	Total €m
Liabilities:					
Cross currency swaps	543	152	260	-	955
Foreign currency forwards	264	79	33	-	376
Total	807	231	293	-	1,331

29. Financial instruments (continued)

Currency analysis

The table below sets out the Group's financial assets and liabilities according to their principal currencies. Currency risk related to financial assets and liabilities denominated in currencies other than the Group's presentation currency (euro) represents both transactional and translation risk. As at 31 December 2015 and 2014 the Company had no material financial assets or liabilities denominated in foreign currencies.

31 December 2015	Euro	Sterling	Latin America[1]	US dollar	Other	Total
	€m	€m	€m	€m	€m	€m
Trade and other receivables	807	143	186	140	108	1,384
Available-for-sale financial assets	21	-	-	-	-	21
Cash and cash equivalents	134	22	63	27	24	270
Restricted cash	1	-	-	3	1	5
Total assets	963	165	249	170	133	1,680
Trade and other payables	880	115	119	148	103	1,365
Senior credit facility	545	50	-	48	-	643
2018 receivables securitisation	174	-	-	-	-	174
2019 receivables securitisation	152	80	-	-	-	232
Bank loans/overdrafts	15	1	89	19	-	124
2025 debentures	-	-	-	270	-	270
2018 notes	198	-	-	279	-	477
2020 fixed rate notes	403	-	-	-	-	403
2020 floating rate notes	249	-	-	-	-	249
2021 notes	495	-	-	-	-	495
2025 notes	248	-	-	-	-	248
	3,359	246	208	764	103	4,680
Finance leases	1	4	-	3	-	8
Total liabilities	3,360	250	208	767	103	4,688
Impact of foreign exchange contracts	65	297	78	(317)	(183)	(60)
Total (liabilities)/assets	(2,462)	(382)	(37)	(280)	213	(2,948)

31 December 2014	Euro	Sterling	Latin America[1]	US dollar	Other	Total
	€m	€m	€m	€m	€m	€m
Trade and other receivables	784	133	188	132	104	1,341
Available-for-sale financial assets	21	-	-	-	-	21
Cash and cash equivalents	185	36	88	35	43	387
Restricted cash	3	-	5	3	1	12
Total assets	993	169	281	170	148	1,761
Trade and other payables	844	96	129	97	102	1,268
Senior credit facility	795	-	-	50	-	845
2018 receivables securitisation	173	-	-	-	-	173
2019 receivables securitisation	148	88	-	-	-	236
Bank loans/overdrafts	23	-	33	9	-	65
2025 debentures	-	-	-	242	-	242
2018 notes	196	-	-	250	-	446
2020 fixed rate notes	402	-	-	-	-	402
2020 floating rate notes	248	-	-	-	-	248
2021 notes	494	-	-	-	-	494
	3,323	184	162	648	102	4,419
Finance leases	2	2	-	3	-	7
Total liabilities	3,325	186	162	651	102	4,426
Impact of foreign exchange contracts	356	290	(1)	(357)	(272)	16
Total (liabilities)/assets	(2,688)	(307)	120	(124)	318	(2,681)

[1] *Latin America includes currencies such as the Mexican Peso, Colombian Peso, Venezuelan Bolivar Fuerte and Brazilian Real. These have been grouped together principally owing to their size and impact on the currency analysis tables within this note.*

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

29. Financial instruments (continued)

Fair value

The following table sets out the fair value of the Group's principal financial assets and liabilities. The determination of these fair values is based on the descriptions set out within Note 2.

	2015		2014	
	Carrying value €m	**Fair value €m**	**Carrying value €m**	**Fair value €m**
Trade and other receivables [1]	**1,384**	**1,384**	1,341	1,341
Available-for-sale financial assets [2]	**21**	**21**	21	21
Cash and cash equivalents [3]	**270**	**270**	387	387
Derivative assets [4]	**62**	**62**	5	5
Restricted cash [3]	**5**	**5**	12	12
	1,742	**1,742**	1,766	1,766
Trade and other payables [1]	**1,365**	**1,365**	1,268	1,268
Senior credit facility [5]	**643**	**643**	845	862
2018 receivables securitisation [3]	**174**	**174**	173	173
2019 receivables securitisation [3]	**232**	**232**	236	236
Bank overdrafts [3]	**124**	**124**	65	65
2025 debentures [6]	**270**	**324**	242	286
2018 notes [6]	**477**	**506**	446	478
2020 fixed rate notes [6]	**403**	**442**	402	437
2020 floating rate notes [6]	**249**	**268**	248	265
2021 notes [6]	**495**	**522**	494	520
2025 notes [6]	**248**	**241**	-	-
	4,680	**4,841**	4,419	4,590
Finance leases	**8**	**8**	7	7
	4,688	**4,849**	4,426	4,597
Derivative liabilities [4]	**25**	**25**	50	50
	4,713	**4,874**	4,476	4,647
Total net position	**(2,971)**	**(3,132)**	(2,710)	(2,881)

(1) The fair value of trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(2) The fair value of listed available-for-sale financial assets is determined by reference to their bid price at the reporting date. Unlisted available-for-sale financial assets are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.

(3) The carrying amount reported in the Consolidated Balance Sheet is estimated to approximate to fair value because of the short-term maturity of these instruments and, in the case of the receivables securitisation, the variable nature of the facility and repricing dates.

(4) The fair value of forward foreign currency and energy contracts is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(5) The fair value of the senior credit facility is based on the present value of its estimated future cash flows discounted at an appropriate market discount rate at the balance sheet date.

(6) Fair value is based on broker prices at the balance sheet date.

The fair value of the Company's financial assets and financial liabilities approximates to their carrying values.

30. Contingent Liabilities

During 2013, the Spanish Competition Authority ('CNMC') launched an investigation into several corrugated manufacturers based in Spain including SKG and the Spanish Association of Corrugated Cardboard Containers and Packaging Manufacturers ('AFCO'). On 23 June 2015, SKG received notification from the CNMC of a fine for alleged anti-competitive conduct.

The Group considers that the fine is unjustified and that there is no basis upon which a fine can be levied. A formal appeal was lodged in December and the Group is confident of a successful outcome. Accordingly no provision has been made in respect of this fine in the Consolidated Financial Statements. In the event that the Group is unsuccessful in the appeal, the potential liability amounts to €8.1 million.

31. Lease Obligations

Operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015 €m	**2014 €m**
Within one year	**81**	77
Within two to five years	**161**	164
Over five years	**68**	61
	310	302

The Group leases a number of properties under operating leases. The leases typically run for a period of three to ten years. Rents are generally reviewed every five years. The Group also leases vehicles under various agreements that typically run for a period of between two and five years. The agreements do not include extension options.

Finance leases

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

	2015		**2014**	
	Minimum payments €m	**Present value of minimum payments €m**	**Minimum payments €m**	**Present value of minimum payments €m**
Within one year	**4**	**3**	2	2
Within two to five years	**4**	**4**	4	4
Over five years	**1**	**1**	1	1
Total minimum lease payments	**9**	**8**	7	7
Less: amounts allocated to future finance costs	**(1)**		-	
Present value of minimum lease payments	**8**		7	

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

32. Related party transactions

The principal related party relationships requiring disclosure under IAS 24, *Related Party Disclosures* pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Group and the identification and compensation of key management personnel as addressed in greater detail below.

Transactions with subsidiaries

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries and associates as documented in the accounting policies on page 77. A listing of the principal subsidiaries is provided on pages 131 to 132 of this document.

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IFRS 10, *Consolidated Financial Statements*.

Transactions with associates

The Group conducts certain transactions with associates in the normal course of business which are summarised as follows:

Sales and purchase of goods and services

	2015	**2014**
	€m	**€m**
Sale of goods	**20**	12
Purchase of goods	**(3)**	(4)
Rendering of services	**1**	1
Receiving of services	**(1)**	(1)

These transactions are undertaken and settled at normal trading terms. No guarantees are given or received by either party.

The receivables from related parties of €4 million (2014: €3 million) arise mainly from sale transactions and are due two months after the date of sale. The receivables are unsecured in nature and do not bear interest.

The payables to related parties of €1 million (2014: €1 million) arise mainly from purchase transactions and are due two months after the date of purchase. The payables do not bear interest.

No provision has been made in 2015 or 2014 relating to balances with related parties.

Transactions with other related parties

In 2015, the Group purchased, in the normal course of business, approximately 27,000 metric tonnes (2014: 29,000 metric tonnes) of paper amounting to approximately €16 million (2014: €15 million) from Savon Sellu, a company controlled by Dermot Smurfit together with his brothers Dr. Michael Smurfit, former Chairman of the Group, and Alan Smurfit. An amount of €3 million (2014: €4 million) was owed by the Group to Savon Sellu at 31 December 2015.

Transactions with key management personnel

For the purposes of the disclosure requirements of IAS 24, the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the Board of Directors and Secretary who manage the business and affairs of the Company.

	2015	**2014**
	€m	**€m**
Short-term employee benefits	**6**	6
Post-employment benefits	**1**	1
Share-based payment expense	**4**	2
	11	9

Information on the parent Company

The parent Company is an investment holding company and as a result, holds investments in the Group subsidiaries as financial assets. The parent Company also has receivables and payables with its subsidiaries entered into in the normal course of business. These balances are repayable on demand. The notes to the Company Balance Sheet disclose these various balances.

33. Business combinations

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

- Hexacomb, (100%, 1 April 2015), a protective packaging business located in Europe and Mexico;
- Inspirepac, (100%, 14 April 2015), a corrugated, high quality print and display business in the UK;
- Beacon, (75%, 15 April 2015), a large independent converter of board into corrugated boxes and fitments located in the UK;
- Cybsa, (100%, 6 May 2015), a corrugated packaging business in Costa Rica and El Salvador;
- Nigua, (100%, 1 July 2015), certain assets of Industrias Nigua which is based in the Dominican Republic; and
- INPA (98.5%, 30 November 2015) & Paema, (100%, 30 November 2015); integrated packaging businesses located in Brazil.

As the INPA and Paema acquisitions occurred within such close proximity to the year-end, the assignment of fair values has not yet been performed and, therefore, provisional values have been assigned to these acquisitions on the basis of book value. The Group will complete its fair value assessment of the INPA and Paema acquisition in 2016 and any fair value adjustments arising will be allocated to the identifiable assets and liabilities. The provisional goodwill arising in respect of the acquisition of €112 million may change as a result of the fair value assessment. For all other acquisitions, the initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis and any amendments to these fair values will be made within the allowed measurement period permitted by IFRS 3, *Business Combinations*.

Only the INPA and Paema acquisitions were deemed to be sufficiently material to warrant separate disclosure. These acquisitions were completed to help the Group to build on its leadership position as the largest pan-regional corrugated packaging supplier in Latin America. All other acquisitions have been accumulated and are disclosed separately in the Other Acquisitions table below.

INPA & Paema	**Book value €m**
Non-current assets	
Property, plant and equipment	67
Trade and other receivables	6
Current assets	
Inventories	9
Trade and other receivables	34
Cash and cash equivalents	7
Non-current liabilities	
Borrowings	(30)
Deferred income tax liabilities	(4)
Provisions for liabilities and charges	(3)
Other payables	(5)
Current liabilities	
Borrowings	(19)
Trade and other payables	(21)
Net assets acquired	41
Goodwill	112
Consideration	153
Settled by:	
Cash	144
Contingent consideration	5
Deferred consideration	4
	153

The INPA and Paema acquisitions have contributed €9 million to revenue and €nil million to profit for the financial year.

Under the terms of the purchase agreement, the previous owners of Paema are entitled to additional consideration based on certain performance targets. On an undiscounted basis, the value of this contingent consideration may range from nil to a maximum of €5 million. The fair value of this contingent consideration is recognised at €5 million.

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

33. Business combinations (continued)

Other Acquisitions	**Book value**	**Fair value adjustments**	**Fair value**
	€m	**€m**	**€m**
Non-current assets			
Property, plant and equipment	65	30	95
Intangible assets	1	54	55
Deferred income tax assets	-	1	1
Current assets			
Inventories	23	(2)	21
Trade and other receivables	59	(2)	57
Cash and cash equivalents	8	1	9
Non-current liabilities			
Borrowings	(11)	2	(9)
Employee benefits	(2)	-	(2)
Deferred income tax liabilities	(3)	(16)	(19)
Provisions for liabilities and charges	-	(4)	(4)
Current liabilities			
Borrowings	(15)	(5)	(20)
Trade and other payables	(54)	2	(52)
Net assets acquired	71	61	132
Goodwill			48
Non-controlling interests [1]			(3)
Consideration			177
Settled by:			
Cash			174
Deferred consideration			3
			177

[1] Measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets stated at their fair value.

Total Acquisitions	**Book value**	**Fair value adjustments**	**Fair value[1]**
	€m	**€m**	**€m**
Non-current assets			
Property, plant and equipment	132	30	162
Intangible assets	1	54	55
Trade and other receivables	6	-	6
Deferred income tax assets	-	1	1
Current assets			
Inventories	32	(2)	30
Trade and other receivables	93	(2)	91
Cash and cash equivalents	15	1	16
Non-current liabilities			
Borrowings	(41)	2	(39)
Employee benefits	(2)	-	(2)
Deferred income tax liabilities	(7)	(16)	(23)
Provisions for liabilities and charges	(3)	(4)	(7)
Other payables	(5)	-	(5)
Current liabilities			
Borrowings	(34)	(5)	(39)
Trade and other payables	(75)	2	(73)
Net assets acquired	112	61	173
Goodwill			160
Non-controlling interests			(3)
Consideration			330
Settled by:			
Cash			318
Deferred consideration			7
Contingent consideration			5
			330

[1] Reflects the book value of the INPA and Paema acquisitions.

33. Business combinations (continued)

Net cash outflow arising on acquisition	€m
Cash consideration	318
Net bank overdrafts and demand loans acquired[1]	14
Total	332

[1] Comprised of cash and cash equivalents and bank overdrafts and demand loans used for cash management purposes (included within current borrowings).

The principal factors contributing to the recognition of goodwill are the realisation of cost savings and other synergies with existing entities in the Group which do not qualify for separate recognition as intangible assets. None of the goodwill recognised is expected to be deductible for tax purposes.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €99 million. The fair value of these receivables is estimated at €97 million (all of which is expected to be recoverable).

Acquisition-related costs of €3 million were incurred and are included within administrative expenses in the Consolidated Income Statement.

The Group's acquisitions have contributed €171 million to revenue and €3 million to profit for the financial year. The proforma revenue and profit of the Group for the financial year ended 31 December 2015 would have been €8,305 million and €421 million respectively had the acquisitions taken place at the start of the current reporting period.

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

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

34. Profit dealt with in the parent Company

In accordance with Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. A profit of €126 million (2014: a profit of €118 million) has been dealt with in the Income Statement of the Company.

35. Principal subsidiaries

Each of Smurfit Kappa Group plc, Smurfit Kappa Investments Limited, Smurfit Kappa Holdings Limited, Smurfit Kappa Corporation Limited, Smurfit Kappa Funding Limited and Smurfit Kappa Acquisitions with an address at Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, is a holding company with no operations of its own. Smurfit Kappa Acquisitions is a Public Unlimited Company. A listing of the principal subsidiaries is set out below:

Subsidiaries[1]	Principal activities	Country of incorporation[2]	Holding %
Cartón de Colombia, S.A. Apartado Aereo 219, Cali, Colombia	Manufacture and sale of paperboard, paper sacks, writing paper and packaging products	**Colombia**	70
Cartón de Venezuela, S.A. Apartado Aereo 609, Caracas, Venezuela	Manufacture and sale of paperboard and packaging products	**Venezuela**	88
Grupo Smurfit México, S.A. de C.V. World Plaza, Av. Santa Fe 481, Piso 15, Col. Cruz Manca, México, D.F. 05349	Manufacture and sale of paperboard and packaging products	**Mexico**	100
Nettingsdorfer Papierfabrik AG & Co KG Nettingsdorfer Straße 40, 4053 Haid bei Ansfelden, Austria	Manufacture and sale of containerboard and holding company for Austrian operations which manufacture corrugated board	**Austria**	100
Smurfit International B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Principal international holding company	**Netherlands**	100
Smurfit Kappa B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	International holding company	**Netherlands**	100
Smurfit Kappa de Argentina, S.A. Paque Saenz Pena 308 – 8th Floor, Buenos Aires, Argentina	Manufacture and sale of paperboard and packaging products	**Argentina**	100
Smurfit Kappa Deutschland GmbH Tilsiter Straße 144, 22047 Hamburg, Germany	Holding company for German operations whose principal activities are the manufacture and sale of paperboard, solidboard and packaging products	**Germany**	100
Smurfit Kappa Holdings Italia, S.p.A. Strada Serravalle 30, 15067 Novi Ligure (AL), Italy	Holding company for Italian operations whose principal activities are the manufacture and sale of paperboard and packaging products	**Italy**	100

[1] *A full list of subsidiaries and associates will be annexed to the Annual Return of the Company to be filed with the Irish Registrar of Companies.*
[2] *The companies operate principally in their countries of incorporation.*

Notes to the Consolidated Financial Statements (continued)

For the Financial Year Ended 31 December 2015

35. Principal subsidiaries (continued)

Subsidiaries	Principal activities	Country of incorporation	Holding %
Smurfit Kappa Holdings US, Inc. 1301 International Parkway, Suite 550, Sunrise, Florida 33323, USA	Holding company for US and certain Mexican operations whose principal activities are the manufacture and sale of paperboard and packaging products	**USA**	100
Smurfit Kappa Ireland Limited Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Manufacture and sale of paperboard and packaging products	**Ireland**	100
Smurfit Kappa Kraftliner Piteå AB SE – 941 86, Piteå, Sweden	Manufacture and sale of containerboard and holding company for operations in Sweden and other countries which manufacture packaging products	**Sweden**	100
Smurfit Kappa Nederland B.V. Warandelaan 2, 4904 PC Oosterhout, The Netherlands	Holding company for Dutch operations which manufacture paperboard and packaging products	**Netherlands**	100
Smurfit Kappa Nervión, S.A. B Arriandi s/n, 48215 lurreta, Vizcaya, Spain	Manufacture and sale of sack paper and holding company for Spanish and Portuguese operations whose principal activities are the manufacture and sale of paperboard and packaging	**Spain**	100
Smurfit Kappa Packaging UK Limited Cunard Building, Pier Head, Liverpool, LS3 1SF, United Kingdom	Holding company for operations in the United Kingdom whose principal activities are the manufacture and sale of paperboard and packaging products	**England**	100
Smurfit Kappa Participações do Brasil Ltda. Rua James Watt, nº 84, 8º andar, sala 81 Jardim Edith, CEP 04576-050 Cidade de São Paulo, Estado de São Paulo, Brazil	Holding company for operations in Brazil whose principal activities are the manufacture and sale of paperboard and packaging products	**Brazil**	100
Smurfit Kappa Participations SAS 5 Avenue du Général de Gaulle, 94160 Saint Mandé, France	Holding company for French operations whose activities are the manufacture and sale of paperboard and packaging products	**France**	100
Smurfit Kappa Treasury Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland	Finance company	**Ireland**	100

Section 357 Guarantees

Pursuant to the provisions of Section 357, Companies Act 2014, Smurfit Kappa Group plc has irrevocably guaranteed the liabilities of certain of its Irish subsidiaries and as a result such subsidiaries have been exempted from the filing provisions of Section 347, Companies Act 2014. These Irish subsidiaries are as follows - Alvecrow Limited, Badcall Limited, Belgray Holdings, Bishopbriggs Limited, Brenchley Limited, Central Waste Paper Company Limited, Chacala Limited, Chambers Edwards Limited, Claystoke Limited, Crayside Limited, Damous Limited, Daoura Limited, DLRS (Holdings) Limited, DLRS Limited, Doovane Limited, G. H. Sales Limited, Gorda Limited, Gourdas Limited, Gweebara Limited, Headley Holdings, Iona Print Limited, Irish Carton Printers Limited, Irish Nursery and Landscape Company Limited, Irish Paper Products Limited, iVenus Limited, J.S. Publications Limited, Jefferson Smurfit & Sons Limited, Killeen Corrugated Products Limited, King Robert Limited, Margrave Investments Limited, Queen Mathilda Limited, Smurfit Corporate Services Limited, Smurfit Corrugated Cases (Cork) Limited, Smurfit Corrugated Ireland, Smurfit Corrugated Research Limited, Smurfit Holdings Limited, Smurfit International Limited, Smurfit Investments (Ireland) Limited, Smurfit Kappa Corporation Limited, Smurfit Kappa Funding Limited, Smurfit Kappa Holdings Limited, Smurfit Kappa Investments Limited, Smurfit Kappa Ireland Limited, Smurfit Kappa Irish Paper Sacks Limited, Smurfit Kappa Leasing, Smurfit Kappa News Press Limited, Smurfit Kappa Packaging Limited, Smurfit Kappa Recycling Ireland Limited, Smurfit Kappa Services Limited, Smurfit Kappa Treasury, Smurfit Kappa Treasury Funding Limited, Smurfit Kappa Treasury Receivables Limited, Smurfit Natural Resources Limited, Smurfit Publications Limited, Smurfit Securities Limited, Smurfit Web Research Limited, T.P. Properties Limited, TMG Limited, Trans-Pack Cases Limited, Waterford Castle Golf & Country Club Limited, Woodfab Cork Limited, Woodfab Limited, Woodfab Packaging Limited.

Article 403 Guarantees

Smurfit Kappa Group plc has, in accordance with Article 403, Book 2 of the Dutch Civil Code, guaranteed the debts of its following Dutch subsidiaries - Adavale (Netherlands) B.V., Smurfit International B.V., Smurfit Corrugated B.V., Smurfit Holdings B.V., Smurfit Investments B.V., Packaging Investments Netherlands (PIN) B.V., Packaging Investments Holdings (PIH) B.V., Packaging Investments International (PII) B.V., Smurfit Kappa B.V., Kappa Packaging International B.V., CE International B.V., Kappa Packaging Nederland Holding B.V., Smurfit Kappa Nederland B.V., Smurfit Kappa Sourcing Services B.V., Kappa Packaging Insurances B.V., Smurfit Kappa Corrugated Division B.V., Smurfit Kappa Corrugated Benelux B.V., Smurfit Kappa TWINCORR B.V., Smurfit Kappa MNL Golfkarton B.V., Smurfit Kappa Van Dam Golfkarton B.V., Smurfit Kappa Vandra B.V., Cobra Golfkarton B.V., Smurfit Kappa Orko-Pak B.V., Smurfit Kappa ELCORR B.V., Smurfit Kappa Trobox Kartonnages B.V., Smurfit Kappa Zedek B.V., Smurfit Kappa European Paper Sourcing B.V., Smurfit Kappa North East Europe Head Office B.V., Kartonfabriek Brittania B.V., Smurfit Kappa Recycling B.V., Kappa Graphic Board USA B.V., Smurfit Kappa Development Centre B.V., Smurfit Kappa Paper Services B.V., Smurfit Kappa Roermond Papier B.V., Kappa Holding (Nederland) B.V., Smurfit Kappa RapidCorr Eindhoven B.V., Smurfit Kappa Paper Sales Benelux B.V., Smurfit Kappa Group IS Nederland B.V., Smurfit Kappa Finance B.V.

35. Principal subsidiaries (continued)

Non-controlling interests

The total non-controlling interests at 31 December 2015 is €151 million (2014: €197 million), of which €112 million (2014: €126 million) is for Cartón de Colombia S.A. The non-controlling interests in respect of the Group's other subsidiaries are not considered to be material.

Name	Principal activities	Country of incorporation	Ownership interest held by non-controlling interest %	
			2015	**2014**
Cartón de Colombia S.A.	Manufacture and sale of paperboard, paper sacks, writing paper and packaging products	Colombia	**30**	30

The profit allocated to the non-controlling interest of this subsidiary in the Group's financial statements is €12 million (2014: €16 million).

The total comprehensive expense allocated to the non-controlling interest of this subsidiary in the Group's financial statements is €10 million (2014: income of €4 million).

Summarised financial information

The following is summarised financial information for Cartón de Colombia S.A., prepared in accordance with IFRS. The information is before intercompany eliminations with other Group companies.

Summarised income statement

	2015 €m	**2014 €m**
Revenue	**360**	381
Profit before income tax	**65**	73
Income tax expense	**(23)**	(19)
Profit for the financial year	**42**	54
Other comprehensive expense	**(64)**	(36)
Total comprehensive (expense)/income	**(22)**	18

Summarised balance sheet

	2015 €m	**2014 €m**
Current assets	**132**	147
Non-current assets	**370**	377
Current liabilities	**97**	80
Non-current liabilities	**56**	56
Net assets	**349**	388

Summarised cash flow

	2015 €m	**2014 €m**
Cash flows from operating activities	**41**	56
Cash flows from investing activities	**(46)**	(33)
Cash flows from financing activities	**1**	(21)
Net (decrease)/increase in cash and cash equivalents	**(4)**	2
Dividends paid to non-controlling interest during the year(1)	**4**	4

(1) *Included in cash flows from financing activities.*

Shareholder Information

CREST

Transfer of the Company's shares takes place through the CREST settlement system. Shareholders have the choice of holding their shares in electronic form or in the form of share certificates.

Ordinary shareholdings

On 31 December 2015, the ordinary shares of the Company in issue were held as follows:

Number of shares	Number of shareholders	% of total	Number of shares held '000	% of total
1 - 1,000	692	41.6	283	0.1
1,001 - 5,000	366	22.0	907	0.4
5,001 - 10,000	121	7.3	886	0.4
10,001 - 50,000	219	13.2	5,124	2.2
50,001 - 100,000	76	4.6	5,287	2.2
100,001 - 500,000	100	6.0	22,227	9.5
Over 500,000	88	5.3	200,097	85.2
Total	1,662	100.0	234,811	100.0

Stock exchange listings

The Company's shares are listed on the following exchanges:

Exchange	City	Symbol
ISE	**Dublin**	**SK3**
LSE	**London**	**SKG**

Financial calendar

AGM	6 May 2016
Interim results announcement	27 July 2016

Website

The Investors section on the Group's website, smurfitkappa.com, provides the full text of the financial results and copies of presentations to analysts and investors. Press releases are also made available in this section of the website immediately after release to the stock exchanges.

Registrars

Enquiries concerning shareholdings should be directed to the Company's Registrars:

Capita Asset Services, Shareholder Solutions (Ireland),
P.O. Box 7117,
Dublin 2,
D02 A342.
Tel: +353 (0)1 553 0050
Fax: +353 (0)1 224 0700
www.capitashareportal.com

CREST proxy voting

CREST members wishing to appoint a proxy via the CREST system should refer to the CREST Manual and the notes to the Notice of the Annual General Meeting.

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