Press Release

8 February: Smurfit Kappa Group plc ('SKG', 'Smurfit Kappa' or 'the Group') today announced results for the full year ending 31 December 2022.

2022 Full Year | Key Financial Performance Measures

€m	FY 2022	FY 2021	Change	H2 2022	H2 2021	Change	H1 2022	Change
Revenue	€12,815	€10,107	27%	€6,430	€5,428	18%	€6,385	1%
EBITDA [1]	€2,355	€1,702	38%	€1,181	€921	28%	€1,174	1%
EBITDA Margin [1]	18.4%	16.8%		18.4%	17.0%		18.4%	
Operating Profit before Exceptional Items [1]	€1,662	€1,073	55%	€823	€596	38%	€839	(2%)
Profit before Income Tax	€1,293	€913	42%	€524	€500	5%	€769	(32%)
Basic EPS (cent)	365.3	263.9	38%	143.4	144.0	-	221.9	(35%)
Pre-exceptional Basic EPS (cent) [1]	444.1	274.5	62%	222.2	154.6	44%	221.9	-
Free Cash Flow [1]	€545	€455	20%	€573	€338	70%	(€28)	
Return on Capital Employed [1]	21.8%	16.0%					19.3%	
Net Debt [1]	€2,992	€2,885	4%				€3,309	(10%)
Net Debt to EBITDA (LTM) [1]	1.3x	1.7x					1.6x	

Key points:

- Revenue growth of 27% to €12,815 million
- EBITDA growth of 38% to €2,355 million with an EBITDA margin of 18.4%
- Return on capital employed of 21.8%
- Net Debt to EBITDA ratio below 1.3x
- Pre-exceptional EPS growth of 62%
- Final dividend increased by 12% to 107.6 cent per share

Tony Smurfit, Group CEO, commented:

"Set against a year of extraordinary circumstances, 2022 was another highly successful year for the Smurfit Kappa Group. Our performance reflects the ongoing benefits of our investment programme together with our customer-led innovation and sustainability initiatives. SKG's integrated model together with our geographic footprint continue to deliver for all stakeholders.

"Revenue for the year was up 27% to €12.8 billion. EBITDA for the full year was €2,355 million, a 38% increase over 2021, with an EBITDA margin of 18.4%, ROCE of 21.8% and a net debt to EBITDA of less than 1.3x. Our balance sheet metrics are the strongest in the Group's history, providing SKG with significant strategic and financial flexibility.

"For the full year, box volumes for the Group were down less than 2%. The rate and pace of inflation clearly had a negative effect on the demand environment in 2022. As guided by the Group, this coincided with the partial reversal of the unsustainably high demand levels seen through the pandemic period. This slowdown was particularly evidenced in the latter part of the year, especially in the month of December, where we saw stock reductions and downtime taken by customers.

[1] Additional information in relation to these Alternative Performance Measures is set out in Supplementary Financial Information on pages 30 to 37.

“In our European business, box volumes were down 2% year-on-year. While two of our larger countries, Germany and the UK, performed below our expectations, others, such as Spain and France, were less affected.

“Box volumes in the Americas, excluding acquisitions, were broadly flat year-on-year, with growth in Mexico, Colombia, Brazil and Argentina offset by a weaker performance in our North American business.

“The year was characterised by unprecedented cost inflation, especially in energy, which moderated in the latter part of the year. As illustrated by our performance in 2022, SKG has successfully navigated this environment.

“In 2022 we invested close to €1 billion to support our customers and capitalise on long-term demand growth drivers. We also continue to make progress towards our sustainability goals with investments to reduce our carbon footprint, reduce our impact on the environment and help our customers achieve their own carbon reduction and sustainability goals.

“The Group continued to expand its geographic footprint and product portfolio through acquisitions in 2022. In Europe, we purchased operations in Spain and the UK, while in the Americas, we acquired operations in Argentina and Brazil.

“We are immensely proud of the work of the Group and its employees in supporting many different social programs across the world. This includes significant support for the Ukrainian people impacted by the war. Additionally, we continue to invest in the communities in which we operate through programs in health, education and environmental protection while our employees devote time and energy to social projects.

“In September, the Group published its first Green Bond Allocation and Impact Report, detailing the use of the proceeds of the €1 billion dual-tranche Green Bonds issued in 2021. Issued with coupons of 0.5% and 1% respectively, for tenors of 8 and 12 years, these coupons are the lowest in the Group’s history.

“Although very early, 2023 has started well. While there are and always will be challenges, SKG has never been in better shape strategically, financially and operationally. We have put ourselves in a position with the steps that we have taken and continue to take, to deliver high quality performance and to take advantage of the many opportunities we see around us.

“Reflecting confidence in the strength, quality and performance of the Smurfit Kappa business, the Board is recommending a 12% increase in the final dividend to 107.6 cent per share.”

About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with approximately 48,000 employees in over 350 production sites across 36 countries and with revenue of €12.8 billion in 2022. We are located in 23 countries in Europe, and 13 in the Americas. We are the only large-scale pan-regional player in Latin America. Our products, which are 100% renewable and produced sustainably, improve the environmental footprint of our customers.

With our proactive team, we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward-thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-based packaging solutions, which is constantly updated with our market-leading innovations.

This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills.

We have a proud tradition of supporting social, environmental and community initiatives in the countries where we operate. Through these projects we support the UN Sustainable Development Goals, focusing on where we believe we have the greatest impact.

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Forward Looking Statements

This Announcement contains certain statements that are forward-looking. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations of the Group about future events, and involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although the Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements should therefore be construed in the light of such factors. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. Other than in accordance with legal or regulatory obligations, the Group is not under any obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. The forward-looking statements in this document do not constitute reports or statements published in compliance with any of Regulations 6 to 8 of the Transparency (Directive 2004/109/EC) Regulations 2007.

Contacts

Ciarán Potts	**Melanie Farrell**
Smurfit Kappa	FTI Consulting
T: +353 1 202 71 27	T: +353 86 401 5250
E: ir@smurfitkappa.com	E: smurfitkappa@fticonsulting.com

2022 Full Year | Performance Overview

The Group reported EBITDA for the full year of €2,355 million, up 38% on 2021, with higher earnings in both Europe and the Americas. The Group EBITDA margin was 18.4%, up from 16.8% in 2021. This result reflects not only the essential nature of our products but the demand from our customers for the most sustainable, reliable and innovative packaging solutions. The result also demonstrates SKG's ability to recover significant input cost pressures, the benefits from our investment programmes and the dedication of our 48,000 employees.

In Europe, EBITDA increased by 42% to €1,846 million for the year. The EBITDA margin was 18.6%, up from 16.6% in 2021, reflecting the impact of higher paper and corrugated prices partly offset by higher energy, recovered fibre and other raw material costs. Corrugated box volumes were down 2% in 2022 against a strong prior year comparative, with a slowdown in our German and UK markets in particular, being partly offset by a more robust performance in countries such as France and Spain.

Our European business continued to build on its strong operating platform in 2022 with a number of projects across our paper and corrugated divisions. In our paper division we announced the completion of a large-scale sustainability project at our Zülpich mill in Germany, which will reduce CO_2 emissions annually by 55,000 tonnes, a 2% reduction for the Group. We have also approved projects in our Facture, Nettingsdorf, Parenco, Piteå and Verzuolo mills which will reduce costs, increase efficiencies and improve the Group's sustainability footprint. In our corrugated division, we are investing across the region in the latest high-tech and energy efficient machinery, including new corrugators, converting machines and facility expansion projects, which will allow us to increase production, reduce our environmental footprint and expand the range of high-value, innovative and sustainable packaging solutions that we offer our customers. The Group also announced an investment in its first Moroccan facility along with the acquisition of a corrugated business in the UK and a bag-in-box plant in Spain.

Pricing for European containerboard continued an upward trend in the first half of the year supported by rising recovered fibre and energy prices and modest corrugated demand growth. In the second half of the year there was a slowdown in demand for containerboard, with little support from export channels, combined with a subsequent sharp decline in recovered fibre prices and a reversal in energy prices in the latter part of the fourth quarter. The price of testliner, having increased by €100 per tonne in the first half of the year, reduced by €160 per tonne from the high of June 2022 to January 2023. The price of kraftliner, having risen by €60 per tonne in the first half of the year, has fallen by €120 per tonne from the high of September 2022 to January 2023. Given the lower levels of demand and the rise in containerboard inventories, the total commercial downtime taken by our European mills was approximately 260,000 tonnes in the second half of 2022.

Compared to 2021, the overall increase in recovered fibre prices in 2022 have cost the Group an additional €74 million while the increase in energy prices have cost the Group an additional €592 million.

In the Americas, EBITDA increased by 25% on 2021 to €553 million. The EBITDA margin was marginally lower at 19.0% in 2022, compared to 19.5% in 2021 with Colombia, Mexico and the US accounting for over 80% of the region's earnings. Box volumes in the Americas, excluding acquisitions, were broadly flat year-on-year, again compared with a very strong prior year comparative.

SKG continued to invest in its Americas business in 2022 with significant capacity and sustainability related investments in the corrugated, containerboard and speciality businesses in Central America, Argentina, Colombia, Mexico and the US. In our paper division we announced a large scale investment in a biomass boiler at our Cali paper mill in Colombia which will reduce the Group's CO_2 emissions by approximately 6%. In our corrugated division, we are expanding capacity and investing in state-of-the-art converting equipment across the region and in our specialties business we are expanding our portfolio in paper sacks and bag-in-box. During the year, we also acquired corrugated packaging plants in Argentina and Brazil, expanding both our footprint and customer offering in these attractive growth markets.

The Group reported free cash flow of €545 million in the full year of 2022, up 20% on the €455 million reported in 2021. The average maturity profile of the Group's debt was 4.9 years at 31 December 2022 with an average interest rate of 2.89%. Net debt to EBITDA was 1.3x at the year-end versus 1.6x at the half year and 1.7x at the end of December 2021. The Group remains strongly positioned within its BBB-/BBB-/Baa3 credit rating.

2022 Full Year | Financial Performance

Revenue for the full year was €12,815 million, up 27% on the prior year on a reported basis and up 23% on an underlying basis[2]. Revenue in Europe was up 26%, driven primarily by input cost recovery through progressive box price increases. On an underlying basis, revenue in Europe was up 24%. In the Americas, revenue was up 29% on 2021, or 16% on an underlying basis.

EBITDA for the full year was €2,355 million, up 38% on 2021 and ahead of our stated guidance from the third quarter trading update. On an underlying basis, Group EBITDA was up 34% year-on-year, with Europe up 41% and the Americas up 13%.

Operating profit before exceptional items for the full year of 2022 at €1,662 million was 55% higher than €1,073 million in 2021.

Exceptional items charged within operating profit in 2022 amounted to €223 million, of which €128 million related to the impairment of our Russian operations, €56 million and €11 million respectively for the impairment of goodwill in Argentina and Peru, €14 million for redundancy and reorganisation costs across the Americas along with €14 million for the impairment of property, plant and equipment in our North American operations.

There were no exceptional items charged within operating profit in 2021.

There were no exceptional finance items charged in 2022.

Exceptional finance costs of €31 million in 2021 represented a redemption premium of €28 million together with the related accelerated write-off of unamortised debt issue costs of €3 million due to the early redemption of bonds.

Pre-exceptional net finance costs at €149 million were €18 million higher than 2021 primarily due to an increase in cash interest, a higher foreign currency translation net loss on debt, and a negative swing from a fair value gain on financial assets/liabilities in 2021 to a loss in 2022, partly offset by a positive swing from a fair value loss on derivatives in 2021 to a gain in 2022 and a positive swing from a net monetary loss on hyperinflation in 2021 to a net gain in 2022.

With the €589 million increase in operating profit before exceptional items, combined with the €18 million increase in net finance costs, the pre-exceptional profit before income tax was €1,516 million, €572 million higher than in 2021.

After exceptional items of €223 million, the profit before tax for the full year of 2022 was €1,293 million compared to a profit before tax of €913 million in 2021. The income tax expense was €348 million compared to €234 million in 2021, resulting in a profit of €945 million for the year to December 2022 compared to a profit of €679 million in 2021.

Basic EPS for the full year of 2022 was 365.3 cent, compared to 263.9 cent in 2021. On a pre-exceptional basis, EPS was 444.1 cent in 2022, 62% higher than the 274.5 cent in the full year of 2021.

2022 Full Year | Free Cash Flow

Free cash flow in the full year of 2022 was €545 million compared to €455 million for 2021, an increase of €90 million. EBITDA growth of €653 million, combined with a lower outflow for changes in employee benefits and other provisions, was partly offset by a higher working capital outflow, higher capital outflows, a higher cash interest expense and higher tax payments.

The working capital outflow in 2022 was €358 million compared to €114 million in 2021. The outflow in 2022 was a combination of a significant increase in debtors and stock, partly offset by an increase in creditors. These increases reflect the combination of higher box prices, higher paper prices and considerably higher energy costs along with higher other raw material and recovered fibre costs. Working capital amounted to €1,027 million at December 2022 and represented 8.3% of annualised revenue compared to 5.7% at December 2021.

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[2] Additional information on underlying performance is set out within Supplementary Financial Information on pages 30 to 37.

Capital expenditure in 2022 amounted to €970 million (equating to 155% of depreciation) compared to €693 million (equating to 124% of depreciation) in 2021.

Cash interest amounted to €132 million in 2022 compared to €109 million in 2021, with the increase primarily due to the relative increase in interest rates in currencies where we are in a net debt position compared to those where we are in a net cash position. Additionally, our variable rate borrowings in Latin American countries such as Brazil and Colombia have seen large interest rate increases during the year, leading to a higher cash interest expense.

Tax payments of €321 million in 2022 were €82 million higher than in 2021 with higher payments in Europe and to a lesser extent in the Americas.

2022 Full Year | Capital Structure

Net debt was €2,992 million at the end of December 2022, resulting in a net debt to EBITDA ratio of 1.3x compared to 1.6x at the end of June 2022 and 1.7x at the end of December 2021. With net debt to EBITDA at 1.3x, the lowest in the Group's history, the strength of the Group's balance sheet continues to secure long-term strategic and financial flexibility.

In September, the Group published its first Green Bond Allocation and Impact Report, which provides details on the use of the proceeds of its inaugural €1 billion dual-tranche Green Bond issued in September 2021. With interest rates of 0.5% and 1.0% respectively for 8 and 12 year maturities, these coupons were not only the lowest in the Group's history but also the lowest achieved for a corporate issuer in our rating category.

At 31 December 2022, the Group's average interest rate was 2.89% compared to 2.63% at 31 December 2021. The increase in our average interest rate is primarily driven by the significant increases in interest rates in certain of our variable rate debt environments, most notably Brazil and Colombia. At 31 December 2022, over 95% of the Group's gross borrowings were at fixed interest rates.

The Group's diversified funding base and long-dated maturity profile of 4.9 years (31 December 2021: 5.8 years) provide a stable funding outlook. At 31 December 2022, we had a strong liquidity position of approximately €2.44 billion comprising cash balances of €788 million, undrawn available committed facilities of €1,343 million on our sustainability-linked Revolving Credit Facility ('RCF') and €312 million on our sustainability-linked securitisation facilities.

Dividends

The Board is recommending a 12% increase in the final dividend to 107.6 cent per share. It is proposed to pay this dividend on 12 May 2023 to all ordinary shareholders on the share register at the close of business on 14 April 2023, subject to the approval of the shareholders at the AGM.

2022 Full Year | Sustainability

Smurfit Kappa began 2022 strongly with the SBTi validation of its emissions reduction targets being consistent with levels required to meet the goals of the Paris Agreement and we continued to make strong progress across our sustainability targets throughout the year.

The progress made was built upon the achievements outlined in our 15th annual Sustainable Development Report ('SDR') published in April. It highlights the Group's long-standing objective to drive change and nurture a greener and bluer planet through the three key pillars of Planet, People and Impactful Business.

In the SDR, Smurfit Kappa reported significant progress in reducing our fossil CO_2 emission intensity having reduced its emissions by 41.3% by the end of 2021, compared to its baseline year 2005. This marked a 6% improvement year-on-year, leaving the Group well on its way to reach its 2030 target of a 55% reduction, in line with the EU Green Deal and another step forward on our journey to net zero.

Also in April, the Group published a significantly enhanced disclosure consistent with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations in its 2021 Annual Report, including a comprehensive top-down identification and process review of climate-related risks and opportunities and an evaluation of the potential impact on Smurfit Kappa assets from physical and transition risks under different climate scenarios.

In June, the Group reached another important milestone with the completion of a large-scale sustainability project at its Zülpich paper mill in Germany, which significantly reduces the mill's CO_2 emissions by 55,000 tonnes or 2% of the Group's emissions each year.

Following on from the €134 million installation of a heat recovery boiler at the Group's Nettingsdorf paper mill in Austria, which reduced emissions by 40,000 tonnes annually, the mill launched a sustainable district heating project in August. The production process will generate up to 25 megawatts of heat that will save approximately 21,000 tonnes of CO_2 while also providing heat to local businesses and schools and benefit 20,000 homes across three communities.

In October, the Group announced a US$100 million investment in a sustainable biomass boiler at its paper mill in Cali, Colombia, which will reduce our global Scope 1 and Scope 2 CO_2 emissions by approximately 6%. This ambitious project is the latest example of the circularity that permeates every aspect of the company's operations as we find another use for our own organic waste and transition away from fossil fuels.

Also during the year, SKG was further recognised for its strong ESG credentials and continued improvement by the leading research and analytics company, Sustainalytics. Following an analysis of more than 15,000 companies globally, SKG was named as an Industry Top Rated company where it ranked in the top percentile out of 99 companies, in addition to being awarded Regional Top Rated.

The Group continues to be listed on various environmental, social and governance indices and disclosure programmes, such as FTSE4Good, the Green Economy Mark from the London Stock Exchange, Euronext Vigeo Europe 120, STOXX Global ESG Leaders and Solactive Europe Corporate Social Responsibility index. SKG also performs strongly across a number of third party certification bodies, including MSCI, ISS ESG and Sustainalytics.

2022 Full Year | Commercial Offering and Innovation

SKG's leadership in innovation and unrivalled market offering is a defining characteristic of our business. With over 1,000 designers across the Group, supported by a network of laboratories, design facilities and unique applications, we continued to deliver the most innovative and sustainable packaging solutions for our customers, helping them to increase sales, reduce costs, eliminate plastics and other less sustainable substrates, protect their brand and mitigate risk in their supply chains.

The Group demonstrated this leadership by winning eight WorldStar awards across a host of categories including e-commerce solutions, bag-in-box, transport packaging with plastic replacement and innovative food and beverage packaging, with the winning products originating from the Czech Republic, Poland and Spain.

In February, the Group launched our new Design2Market Factory, which provides customers with a tangible packaging prototype that can be tested with consumers and subsequently refined and honed before moving to large-scale production.

In April, the Group launched the child-proof TopLock Box for detergent pods and capsules, offering a 40% carbon footprint reduction compared to the traditional rigid plastic alternative.

Continuing to innovate for our customers, the Group developed and launched AquaStop™ in May, a sustainable water-resistant paper. Designed to withstand exposure to water without being damaged, it is suitable for more complex and demanding supply chains and can be recycled in the same way as standard paper-based packaging.

During the year, the Group also launched two unique e-commerce portfolios to capitalise on the growth of online flower and wine sales. The eFlower portfolio is a fully customisable collection of nine packaging solutions ideal for shipping bouquets and potted plants, offering full protection for the delicate contents and a unique unboxing experience. The wine sector has also seen a significant increase in online sales since the beginning of the pandemic in 2020 and SKG's new wine multi-pack solution holds Amazon's coveted 'Frustration-Free Packaging' certification, introduced to reduce over-packing, improve the consumer experience and enhance sustainability.

In October, the Group won 21 awards for its creative and innovative packaging solutions at the annual Flexographic Industry Association ('FIA') UK awards. Since 2013, Smurfit Kappa has received over 130 FIA awards, consolidating its industry-leading position in the packaging sector.

Furthermore, SKG was recognised as a top employer again in 2022 and achieved various honours for its environmental credentials alongside awards for packaging design, innovation and sustainability, with 74 awards in total in 2022.

The Group continues to experience intense levels of pipeline development across our business as customers strive for more sustainable packaging solutions.

Summary Cash Flow

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

	H2 2022 €m	H2 2021 €m	**FY 2022 €m**	FY 2021 €m
EBITDA	**1,181**	921	**2,355**	1,702
Exceptional items	**(3)**	-	**(3)**	-
Cash interest expense	**(71)**	(55)	**(132)**	(109)
Working capital change	**143**	81	**(358)**	(114)
Capital expenditure	**(621)**	(518)	**(970)**	(693)
Change in capital creditors	**84**	66	**(24)**	(14)
Tax paid	**(163)**	(117)	**(321)**	(239)
Change in employee benefits and other provisions	**(3)**	(38)	**(25)**	(81)
Other	**26**	(2)	**23**	3
Free cash flow	**573**	338	**545**	455
Italian Competition Authority fine	**-**	(124)	**-**	(124)
Impairment of cash balances held in Russia	**(50)**	-	**(50)**	-
Share buyback	**(41)**	-	**(41)**	-
Purchase of own shares (net)	**(1)**	-	**(28)**	(22)
Sale of businesses and investments	**-**	-	**-**	37
Purchase of businesses, investments and NCI*	**(62)**	(394)	**(110)**	(449)
Dividends	**(83)**	(76)	**(333)**	(302)
Derivative termination receipts/(payments)	**1**	(1)	**1**	9
Premium on early repayment of bonds	**-**	(28)	**-**	(28)
Net cash inflow/(outflow)	**337**	(285)	**(16)**	(424)
Acquired net debt	**2**	(12)	**(3)**	(25)
Disposed net cash	**-**	-	**-**	(1)
Deferred debt issue costs amortised	**(3)**	(6)	**(7)**	(10)
Currency translation adjustment	**(19)**	(33)	**(81)**	(50)
Decrease/(increase) in net debt	**317**	(336)	**(107)**	(510)

* 'NCI' refers to non-controlling interests

A reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows and a reconciliation of Free Cash Flow to Cash Generated from Operations are included in sections K and L in Alternative Performance Measures in the Supplementary Financial Information on pages 34 to 37.

Funding and Liquidity

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

The Group has a €1,350 million RCF with a maturity of January 2026, which incorporates five KPIs spanning the Group’s sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility. Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general corporate purposes. At 31 December 2022, the Group’s drawings on this facility were US$8 million, at an interest rate of 5.024%.

At 31 December 2022, the Group had outstanding €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026, €750 million 1.5% senior notes due 2027, €500 million 0.5% senior green notes due 2029 and €500 million 1.0% senior green notes due 2033.

Funding and Liquidity (continued)

At 31 December 2022, the Group had outstanding €13 million variable funding notes (‘VFNs’) issued under the €230 million trade receivables securitisation programme maturing in November 2026 and €5 million VFNs issued under the €100 million trade receivables securitisation programme maturing in January 2026.

Both these securitisation programmes incorporate five KPIs spanning the Group’s sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the programme.

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. At 31 December 2022, the Group had fixed an average of 97% of its interest cost on borrowings over the following 12 months.

The Group’s fixed rate debt comprised €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026, €750 million 1.5% senior notes due 2027, €500 million 0.5% senior green notes due 2029 and €500 million 1.0% senior green notes due 2033.

The Group’s earnings are affected by changes in short-term interest rates on its floating rate borrowings and cash balances. If interest rates for these borrowings increased by one percent, the Group’s interest expense would increase, and income before taxes would decrease, by approximately €2 million over the following 12 months. Interest income on the Group’s cash balances would increase by approximately €8 million assuming a one percent increase in interest rates earned on such balances over the following 12 months.

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

Principal Risks and Uncertainties

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

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

The Board regularly monitors all of the Group's risks and appropriate actions are taken to mitigate those risks or address their potential adverse consequences. In addition, emerging risks and the current global uncertainties were also considered as part of the year-end assessment.

The principal risks and uncertainties facing the Group are summarised below.

- If the current economic climate were to deteriorate, for example as a result of geopolitical uncertainty, trade tensions and/or a pandemic, it could result in an increased economic slowdown which if sustained over any significant length of time, could adversely affect the Group's financial position and results of operations.

- The cyclical nature of the packaging industry could result in overcapacity and consequently threaten the Group's pricing structure.

- If operations at any of the Group's facilities (in particular its key mills) were interrupted for any significant length of time, it could adversely affect the Group's financial position and results of operations.

- Price fluctuations in energy and raw material costs could adversely affect the Group's manufacturing costs.

- The Group is exposed to currency exchange rate fluctuations.

- The Group may not be able to attract, develop and retain suitably qualified employees as required for its business.

- Failure to maintain good health, safety and employee wellbeing practices may have an adverse effect on the Group's business.

- The Group is subject to a growing number of environmental and climate change laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.

- The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.

- The Group, similar to other large global companies, is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of data in its systems.

- The global impact of climate change in the long-term could adversely affect the Group's business and results of operations.

The principal risks and uncertainties faced by the Group, were outlined in our 2021 Annual Report on pages 36 to 38. The Annual Report is available on our website; smurfitkappa.com.

Consolidated Income Statement
For the Financial Year Ended 31 December 2022

	2022 Unaudited			2021 Audited		
	Pre-exceptional	**Exceptional**	**Total**	Pre-exceptional	Exceptional	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**12,815**	**-**	**12,815**	10,107	-	10,107
Cost of sales	**(8,752)**	**-**	**(8,752)**	(7,015)	-	(7,015)
Gross profit	**4,063**	**-**	**4,063**	3,092	-	3,092
Distribution costs	**(961)**	**-**	**(961)**	(823)	-	(823)
Administrative expenses	**(1,440)**	**-**	**(1,440)**	(1,196)	-	(1,196)
Other operating expenses	**-**	**(223)**	**(223)**	-	-	-
Operating profit	**1,662**	**(223)**	**1,439**	1,073	-	1,073
Finance costs	**(184)**	**-**	**(184)**	(148)	(31)	(179)
Finance income	**35**	**-**	**35**	17	-	17
Share of associates' profit (after tax)	**3**	**-**	**3**	2	-	2
Profit before income tax	**1,516**	**(223)**	**1,293**	944	(31)	913
Income tax expense			**(348)**			(234)
Profit for the financial year			**945**			679
Attributable to:						
Owners of the parent			**944**			679
Non-controlling interests			**1**			-
Profit for the financial year			**945**			679
Earnings per share						
Basic earnings per share - cent			**365.3**			263.9
Diluted earnings per share - cent			**361.8**			261.1

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2022

	2022 Unaudited €m	2021 Audited €m
Profit for the financial year	**945**	679
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**(63)**	14
- Recycled to Consolidated Income Statement	**-**	1
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**-**	(3)
- Fair value loss on cash flow hedges	**(5)**	-
Changes in fair value of cost of hedging:		
- Movement out of reserve	**(1)**	(1)
	(69)	11
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial gain	**51**	177
- Related tax	**(8)**	(32)
	43	145
Total other comprehensive (expense)/income	**(26)**	156
Total comprehensive income for the financial year	**919**	835
Attributable to:		
Owners of the parent	**918**	835
Non-controlling interests	**1**	-
Total comprehensive income for the financial year	**919**	835

Consolidated Balance Sheet
At 31 December 2022

	2022 Unaudited €m	2021 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**4,631**	4,265
Right-of-use assets	**345**	346
Goodwill and intangible assets	**2,672**	2,722
Other investments	**10**	11
Investment in associates	**16**	13
Biological assets	**100**	103
Other receivables	**39**	26
Employee benefits assets	**17**	-
Derivative financial instruments	**2**	2
Deferred income tax assets	**141**	149
	7,973	7,637
Current assets		
Inventories	**1,231**	1,046
Biological assets	**10**	10
Trade and other receivables	**2,399**	2,137
Derivative financial instruments	**46**	8
Restricted cash	**11**	14
Cash and cash equivalents	**777**	855
	4,474	4,070
Assets classified as held for sale	**35**	-
	4,509	4,070
Total assets	**12,482**	11,707
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**2,646**	2,646
Other reserves	**236**	260
Retained earnings	**2,143**	1,473
Total equity attributable to owners of the parent	**5,025**	4,379
Non-controlling interests	**13**	13
Total equity	**5,038**	4,392
LIABILITIES		
Non-current liabilities		
Borrowings	**3,600**	3,589
Employee benefits liabilities	**534**	630
Derivative financial instruments	**4**	7
Deferred income tax liabilities	**190**	175
Non-current income tax liabilities	**16**	17
Provisions for liabilities	**37**	35
Capital grants	**26**	24
Other payables	**10**	11
	4,417	4,488
Current liabilities		
Borrowings	**180**	165
Trade and other payables	**2,642**	2,563
Current income tax liabilities	**49**	27
Derivative financial instruments	**21**	14
Provisions for liabilities	**100**	58
	2,992	2,827
Liabilities associated with assets classified as held for sale	**35**	-
	3,027	2,827
Total liabilities	**7,444**	7,315
Total equity and liabilities	**12,482**	11,707

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2022

	Attributable to owners of the parent						
	Equity share capital €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Unaudited							
At 1 January 2022	**-**	**2,646**	**260**	**1,473**	**4,379**	**13**	**4,392**
Profit for the financial year	**-**	**-**	**-**	**944**	**944**	**1**	**945**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(63)**	**-**	**(63)**	**-**	**(63)**
Defined benefit pension plans	**-**	**-**	**-**	**43**	**43**	**-**	**43**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**(5)**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Total comprehensive (expense)/income for the financial year	**-**	**-**	**(69)**	**987**	**918**	**1**	**919**
Hyperinflation adjustment	**-**	**-**	**-**	**66**	**66**	**-**	**66**
Dividends paid	**-**	**-**	**-**	**(332)**	**(332)**	**(1)**	**(333)**
Share-based payment	**-**	**-**	**63**	**-**	**63**	**-**	**63**
Share buyback	**-**	**-**	**(41)**	**-**	**(41)**	**-**	**(41)**
Share cancellation	**-**	**-**	**41**	**(41)**	**-**	**-**	**-**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(28)**	**-**	**(28)**	**-**	**(28)**
Derecognition of equity instruments	**-**	**-**	**10**	**(10)**	**-**	**-**	**-**
At 31 December 2022	**-**	**2,646**	**236**	**2,143**	**5,025**	**13**	**5,038**
Audited							
At 1 January 2021	-	2,646	207	917	3,770	13	3,783
Profit for the financial year	-	-	-	679	679	-	679
Other comprehensive income							
Foreign currency translation adjustments	-	-	15	-	15	-	15
Defined benefit pension plans	-	-	-	145	145	-	145
Effective portion of changes in fair value of cash flow hedges	-	-	(3)	-	(3)	-	(3)
Changes in fair value of cost of hedging	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the financial year	-	-	11	824	835	-	835
Hyperinflation adjustment	-	-	-	34	34	-	34
Dividends paid	-	-	-	(302)	(302)	-	(302)
Share-based payment	-	-	64	-	64	-	64
Net shares acquired by SKG Employee Trust	-	-	(22)	-	(22)	-	(22)
At 31 December 2021	-	2,646	260	1,473	4,379	13	4,392

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

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December 2022

	2022 Unaudited €m	2021 Audited €m
Cash flows from operating activities		
Profit before income tax	**1,293**	913
Net finance costs	**149**	162
Depreciation charge	**581**	513
Impairment of non-current assets	**66**	-
Impairment of goodwill	**85**	-
Amortisation of intangible assets	**49**	40
Amortisation of capital grants	**(4)**	(3)
Share-based payment expense	**65**	69
Profit on sale of property, plant and equipment	**(7)**	(8)
Lease modifications	**(3)**	-
Share of associates' profit (after tax)	**(3)**	(2)
Net movement in working capital	**(350)**	(114)
Change in biological assets	**(2)**	7
Italian Competition Authority fine	**-**	(124)
Change in employee benefits and other provisions	**(19)**	(81)
Other (primarily hyperinflation adjustments)	**8**	5
Cash generated from operations	**1,908**	1,377
Interest paid	**(135)**	(152)
Income taxes paid:		
Irish corporation tax (net of tax refunds) paid	**(24)**	(21)
Overseas corporation tax (net of tax refunds) paid	**(297)**	(218)
Net cash inflow from operating activities	**1,452**	986
Cash flows from investing activities		
Interest received	**9**	3
Business disposals	**-**	33
Additions to property, plant and equipment and biological assets	**(873)**	(594)
Additions to intangible assets	**(17)**	(21)
Receipt of capital grants	**6**	5
Purchase of investments	**(1)**	-
Disposal of property, plant and equipment	**12**	16
Dividends received from associates	**1**	1
Purchase of subsidiaries (net of acquired cash)	**(90)**	(413)
Deferred consideration paid	**(14)**	(35)
Net cash outflow from investing activities	**(967)**	(1,005)
Cash flows from financing activities		
Share buyback	**(41)**	-
Proceeds from bond issuance	**-**	999
Purchase of own shares (net)	**(28)**	(22)
Increase/(decrease) in other interest-bearing borrowings	**8**	(107)
Repayment of lease liabilities	**(103)**	(88)
Repayment of borrowings	**-**	(491)
Derivative termination receipts	**1**	9
Deferred debt issue costs paid	**-**	(12)
Dividends paid to shareholders	**(332)**	(302)
Dividends paid to non-controlling interests	**(1)**	-
Net cash outflow from financing activities	**(496)**	(14)
Decrease in cash and cash equivalents	**(11)**	(33)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**841**	886
Currency translation adjustment	**(59)**	(12)
Decrease in cash and cash equivalents	**(11)**	(33)
Cash and cash equivalents at 31 December	**771**	841

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

Selected Explanatory Notes to the Consolidated Financial Statements

1. General Information

Smurfit Kappa Group plc ('SKG plc' or 'the Company') and its subsidiaries (together 'SKG' or 'the Group') primarily manufacture, distribute and sell containerboard, corrugated containers and other paper-based packaging products. The Company is a public limited company with a premium listing on the London Stock Exchange and a secondary listing on Euronext Dublin. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

2. Basis of Preparation and Accounting Policies

Basis of preparation and accounting policies

The Consolidated Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU'); and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial information in this report has been prepared in accordance with the Group's accounting policies. Full details of the accounting policies adopted by the Group are contained in the Consolidated Financial Statements included in the Group's Annual Report for the year ended 31 December 2021 which is available on the Group's website; smurfitkappa.com. The accounting policies adopted by the Group and the significant accounting judgements, estimates and assumptions made by management in the preparation of the Group financial information are consistent with those described and applied in the Annual Report for the year ended 31 December 2021. The Group reassessed the classification of restricted cash during the year as a result of an agenda decision by the IFRS Interpretations Committee in 2022. Consequently restricted cash is now included as cash and cash equivalents in the Consolidated Statement of Cash Flows. The comparative balances for cash and cash equivalents within the Consolidated Statement of Cash Flows have increased at 1 January 2021 by €10 million and at 31 December 2021 by €14 million. A number of changes to IFRS became effective in 2022, however, they did not have a material effect on the Consolidated Financial Statements included in this report.

Going concern

The Group is a highly integrated manufacturer of paper-based packaging solutions with leading market positions, quality assets and broad geographic reach. The financial position of the Group, its cash generation, capital resources and liquidity continue to provide a stable financing platform.

The Group's diversified funding base and long-dated maturity profile of 4.9 years at 31 December 2022 provide a stable funding outlook. At 31 December 2022, the Group had a strong liquidity position of approximately €2.44 billion comprising cash balances of €788 million, undrawn available committed facilities of €1,343 million on its RCF and €312 million on its sustainability-linked securitisation facilities. At 31 December 2022, the strength of the Group's balance sheet, a net debt to EBITDA ratio of 1.3x (31 December 2021: 1.7x) and its BBB-/BBB-/Baa3 credit rating, continues to secure long-term strategic and financial flexibility.

Having assessed the principal risks facing the Group on page 11, together with the Group's forecasts and significant financial headroom, the Directors believe that the Group is well placed to manage these risks successfully and 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.

Statutory financial statements and audit opinion

The financial information presented in this preliminary release does not constitute full statutory financial statements. The Annual Report and Financial Statements will be approved by the Board of Directors and reported on by the Auditor in due course. Accordingly, the financial information is unaudited. Full statutory financial statements for the year ended 31 December 2021 have been filed with the Irish Registrar of Companies. The audit report on those statutory financial statements was unqualified.

This preliminary release was approved by the Board of Directors.

3. Segment and Revenue Information

The Group has identified 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 and the Americas segments are each highly integrated. They include a system of mills and plants that primarily produce a full line of containerboard that is converted into corrugated containers within each segment. In addition, the Europe segment also produces other types of paper, such as solidboard, sack kraft paper and graphic paper; and other paper-based packaging, such as solidboard packaging and folding cartons; and bag-in-box packaging. The Americas segment, which includes a number of Latin American countries and the United States, also comprises forestry; other types of paper, such as boxboard, sack paper and graphic paper; and paper-based packaging, such as folding cartons and paper sacks. Inter-segment revenue is not material. No operating segments have been aggregated for disclosure purposes.

Segment profit is measured based on EBITDA.

	FY 2022			FY 2021		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**9,900**	**2,915**	**12,815**	7,847	2,260	10,107
EBITDA	**1,846**	**553**	**2,399**	1,302	441	1,743
Segment exceptional items	**(58)**	**(14)**	**(72)**	-	-	-
EBITDA after exceptional items	**1,788**	**539**	**2,327**	1,302	441	1,743
Unallocated centre costs			**(44)**			(41)
Share-based payment expense			**(65)**			(69)
Depreciation and depletion (net)*			**(579)**			(520)
Amortisation			**(49)**			(40)
Impairment of non-current assets			**(66)**			-
Impairment of goodwill			**(85)**			-
Finance costs			**(184)**			(179)
Finance income			**35**			17
Share of associates' profit (after tax)			**3**			2
Profit before income tax			**1,293**			913
Income tax expense			**(348)**			(234)
Profit for the financial year			**945**			679

* Depreciation and depletion is net of fair value adjustments arising on biological assets.

3. Segment and Revenue Information (continued)

	H2 2022 Europe €m	**H2 2022 The Americas €m**	**H2 2022 Total €m**	H2 2021 Europe €m	H2 2021 The Americas €m	H2 2021 Total €m
Revenue and results						
Revenue	**4,961**	**1,469**	**6,430**	4,198	1,230	5,428
EBITDA	**920**	**282**	**1,202**	711	230	941
Segment exceptional items	**(58)**	**(14)**	**(72)**	-	-	-
EBITDA after exceptional items	**862**	**268**	**1,130**	711	230	941
Unallocated centre costs			**(21)**			(20)
Share-based payment expense			**(34)**			(41)
Depreciation and depletion (net)*			**(300)**			(263)
Amortisation			**(24)**			(21)
Impairment of non-current assets			**(66)**			-
Impairment of goodwill			**(85)**			-
Finance costs			**(99)**			(106)
Finance income			**21**			8
Share of associates' profit (after tax)			**2**			2
Profit before income tax			**524**			500
Income tax expense			**(153)**			(129)
Profit for the financial period			**371**			371

* Depreciation and depletion is net of fair value adjustments arising on biological assets.

Revenue information about geographical areas

The Group has a presence in 36 countries worldwide. The following information is a geographical revenue analysis about country of domicile (Ireland) and countries with material revenue.

	2022 €m	2021 €m
Ireland	**118**	109
Germany	**1,861**	1,403
France	**1,521**	1,094
Mexico	**1,296**	992
Other Europe* - eurozone	**3,787**	3,071
Other Europe* - non-eurozone	**2,566**	2,134
Other Americas*	**1,666**	1,304
Total revenue by geographical area	**12,815**	10,107

* No individual country represents greater than 10% of revenue.

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

3. Segment and Revenue Information (continued)

Disaggregation of revenue

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

	2022			2021		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Europe	**1,828**	**8,072**	**9,900**	1,328	6,519	7,847
The Americas	**254**	**2,661**	**2,915**	213	2,047	2,260
Total revenue by product	**2,082**	**10,733**	**12,815**	1,541	8,566	10,107

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

4. Exceptional Items

	2022 €m	2021 €m
The following items are regarded as exceptional in nature:		
Impairment of assets - Russian operations (including goodwill)	**128**	-
Impairment of goodwill	**67**	-
Redundancy and reorganisation costs	**14**	-
Impairment of non-current assets	**14**	-
Exceptional items included in operating profit	**223**	-
Exceptional finance costs	**-**	31
Exceptional items included in net finance costs	**-**	31
Total exceptional items	**223**	31

Exceptional items charged within operating profit in 2022 amounted to €223 million, of which €128 million related to the impairment of assets in our Russian operations, €56 million and €11 million respectively for the impairment of goodwill in Argentina and Peru, €14 million for redundancy and reorganisation costs in the Americas along with €14 million for the impairment of property, plant and equipment in our North American operations.

There were no exceptional items within operating profit in 2021.

There were no exceptional finance items in 2022.

Exceptional finance costs of €31 million in 2021 represented a redemption premium of €28 million together with the related accelerated write-off of unamortised debt issue costs of €3 million due to the early redemption of bonds.

Operations in Russia

Following the announcement by the Group on 1 April 2022 to exit the Russian market in an orderly manner, the Group has now entered into an agreement to sell its Russian operations to local management. At 31 December 2022 completion of the transaction was conditional on regulatory approval being obtained from the Russian authorities.

4. Exceptional Items (continued)

After considering the status of the approval to dispose of its Russian operations including engagement with relevant authorities, the assets and associated liabilities have been presented as held for sale in the Consolidated Balance Sheet at 31 December 2022. The results of the operations in Russia, which represented less than 2% of any of the Group's key performance indicators, have not been presented as a discontinued operation as they do not represent a separate major line of business or geographical location.

In advance of classifying the Russian disposal group as held for sale, the recoverable value was reassessed based on the terms of the sales agreement entered into, applying the fair value less costs to sell method. As a result the Group has recorded an exceptional impairment charge of €128 million in relation to its Russian operations. The Russian operations form part of the Europe segment.

The Group has made a number of judgements in arriving at the exceptional charges recognised relating to its Russian operations. In determining the exceptional impairment charges the Group had regard to; the continuing war in Ukraine and the significant sanctions regime in place which is expected to continue for some time. Judgements taken, which are not deemed significant judgements in the context of the scale of the Group, will be reassessed on an ongoing basis in light of restrictions in place at reporting dates as required.

The major classes of assets and liabilities reclassified as held for sale at 31 December 2022 comprise trade receivables of €26 million and trade and other payables of €30 million (2021: nil).

5. Finance Costs and Income

	2022	2021
	€m	€m
Finance costs:		
Interest payable on bank loans and overdrafts	**49**	25
Interest payable on leases	**10**	10
Interest payable on other borrowings	**91**	86
Exceptional finance costs associated with debt restructuring	-	31
Foreign currency translation loss on debt	**24**	15
Fair value loss on derivatives not designated as hedges	-	2
Fair value loss on financial assets	**2**	-
Interest cost on net pension liability	**8**	7
Net monetary loss - hyperinflation	-	3
Total finance costs	**184**	179
Finance income:		
Other interest receivable	**(9)**	(3)
Foreign currency translation gain on debt	**(13)**	(12)
Fair value gain on derivatives not designated as hedges	**(4)**	-
Fair value gain on financial assets/liabilities	**-**	(2)
Net monetary gain - hyperinflation	**(9)**	-
Total finance income	**(35)**	(17)
Net finance cost	**149**	162

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2022	2021
	€m	€m
Current tax:		
Europe	**249**	189
The Americas	**100**	76
	349	265
Deferred tax	**(1)**	(31)
Income tax expense	**348**	234
Current tax is analysed as follows:		
Ireland	**31**	28
Foreign	**318**	237
	349	265

Income tax recognised in the Consolidated Statement of Comprehensive Income

	2022	2021
	€m	€m
Arising on defined benefit pension plans	**8**	32

The income tax expense for the financial year 2022 is €114 million higher than in the comparable period in 2021, primarily due to higher profitability.

There is a €30 million reduction in the deferred tax credit compared to the prior year. The movement is largely due to the reversal of timing differences on which deferred tax was previously recognised, offset by the recognition of other tax benefits and credits.

In 2022, there is a tax credit of €20 million on exceptional items compared to a €4 million tax credit in the prior year.

7. Employee Benefits – Defined Benefit Plans

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

	2022	2021
	€m	€m
Current service cost	**39**	37
Actuarial gain arising on other long-term employee benefits	**(4)**	(1)
Past service cost	**-**	(4)
Gain on settlement	**-**	(3)
Net interest cost on net pension liability	**8**	7
Defined benefit cost	**43**	36

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

	2022	2021
	€m	€m
Return on plan assets (excluding interest income)	**(660)**	110
Actuarial (loss)/gain due to experience adjustments	**(41)**	6
Actuarial gain due to changes in financial assumptions	**746**	54
Actuarial gain due to changes in demographic assumptions	**6**	7
Total gain recognised in the Consolidated Statement of Comprehensive Income	**51**	177

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

	2022	2021
	€m	€m
Present value of funded or partially funded obligations	**(1,713)**	(2,384)
Fair value of plan assets	**1,608**	2,276
Deficit in funded or partially funded plans	**(105)**	(108)
Present value of wholly unfunded obligations	**(410)**	(520)
Amounts not recognised as assets due to asset ceiling	**(2)**	(2)
Net pension liability	**(517)**	(630)

Reconciliation to the Consolidated Balance Sheet:

	2022	2021
	€m	€m
Employee benefit assets	**17**	-
Employee benefit liabilities	**(534)**	(630)
Net pension liability	**(517)**	(630)

8. Earnings per Share ('EPS')

Basic

Basic EPS 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.

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Weighted average number of ordinary shares in issue (million)	**258**	257
Basic EPS (cent)	**365.3**	263.9

Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. These comprise deferred and performance shares issued under the Group's long-term incentive plans. Where the conditions governing exercisability and vesting of these shares have been satisfied as at the end of the reporting period, they are included in the computation of diluted earnings per ordinary share.

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Weighted average number of ordinary shares in issue (million)	**258**	257
Potential dilutive ordinary shares assumed (million)	**3**	3
Diluted weighted average ordinary shares (million)	**261**	260
Diluted EPS (cent)	**361.8**	261.1

Pre-exceptional

	2022	2021
Profit attributable to owners of the parent (€ million)	**944**	679
Exceptional items included in profit before income tax (€ million)	**223**	31
Income tax on exceptional items (€ million)	**(20)**	(4)
Pre-exceptional profit attributable to owners of the parent (€ million)	**1,147**	706
Weighted average number of ordinary shares in issue (million)	**258**	257
Pre-exceptional basic EPS (cent)	**444.1**	274.5
Diluted weighted average ordinary shares (million)	**261**	260
Pre-exceptional diluted EPS (cent)	**439.8**	271.6

9. Dividends

The following dividends were declared and paid by the Group.

	2022	2021
	€m	€m
Final: paid 96.1 cent per ordinary share on 6 May 2022 (2021: paid 87.4 cent per ordinary share on 7 May 2021)	**250**	226
Interim: paid 31.6 cent per ordinary share on 28 October 2022 (2021: paid 29.3 cent per ordinary share on 22 October 2021)	**82**	76
	332	302

The Board is recommending a 12% increase in the final dividend to 107.6 cent per share (approximately €280 million). It is proposed to pay this dividend on 12 May 2023 to all ordinary shareholders on the share register at the close of business on 14 April 2023, subject to the approval of the shareholders at the AGM.

10. Property, Plant and Equipment

	Land and buildings	**Plant and equipment**	**Total**
	€m	**€m**	**€m**
Financial year ended 31 December 2022			
Opening net book amount	**1,175**	**3,090**	**4,265**
Reclassifications	**115**	**(112)**	**3**
Additions	**21**	**817**	**838**
Acquisitions	**43**	**15**	**58**
Depreciation charge	**(62)**	**(421)**	**(483)**
Impairments	**(25)**	**(37)**	**(62)**
Retirements and disposals	**(1)**	**(2)**	**(3)**
Hyperinflation adjustment	**8**	**36**	**44**
Foreign currency translation adjustment	**(5)**	**(24)**	**(29)**
At 31 December 2022	**1,269**	**3,362**	**4,631**
Financial year ended 31 December 2021			
Opening net book amount	1,090	2,749	3,839
Reclassifications	63	(64)	(1)
Additions	1	570	571
Acquisitions	73	186	259
Depreciation charge	(56)	(369)	(425)
Retirements and disposals	(9)	(17)	(26)
Hyperinflation adjustment	4	10	14
Foreign currency translation adjustment	9	25	34
At 31 December 2021	1,175	3,090	4,265

11. Net Movement in Working Capital

	2022	2021
	€m	€m
Change in inventories	**(187)**	(246)
Change in trade and other receivables	**(238)**	(492)
Change in trade and other payables	**75**	624
Net movement in working capital	**(350)**	(114)

12. Analysis of Net Debt

	2022 **€m**	2021 €m
Revolving credit facility – interest at relevant interbank rate + 0.64% (1)	**4**	2
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**276**	260
Bank loans and overdrafts	**110**	101
€100 million receivables securitisation VFNs due 2026 (including accrued interest) (2)	**4**	4
€230 million receivables securitisation VFNs due 2026 (3)	**11**	11
€250 million 2.75% senior notes due 2025 (including accrued interest)	**252**	251
€1,000 million 2.875% senior notes due 2026 (including accrued interest)	**1,008**	1,007
€750 million 1.5% senior notes due 2027 (including accrued interest)	**748**	747
€500 million 0.5% senior green notes due 2029 (including accrued interest)	**496**	495
€500 million 1.0% senior green notes due 2033 (including accrued interest)	**497**	496
Gross debt before leases	**3,406**	3,374
Leases	**374**	380
Gross debt including leases	**3,780**	3,754
Cash and cash equivalents (including restricted cash)	**(788)**	(869)
Net debt including leases	**2,992**	2,885

(1) The Group's RCF has a maturity of January 2026. At 31 December 2022, the following amounts were drawn under this facility:
(a) Revolver loans - €7 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - nil

(2) At 31 December 2022, the amount drawn under this facility was €5 million.

(3) At 31 December 2022, the amount drawn under this facility was €13 million.

13. Other Reserves

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

	Reverse acquisition reserve €m	Cash flow hedging reserve €m	Cost of hedging reserve €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Own shares €m	FVOCI reserve €m	Total €m
At 1 January 2022	**575**	**1**	**1**	**(541)**	**293**	**(59)**	**(10)**	**260**
Other comprehensive income								
Foreign currency translation adjustments	**-**	**-**	**-**	**(63)**	**-**	**-**	**-**	**(63)**
Effective portion of changes in fair value of cash flow hedges	**-**	**(5)**	**-**	**-**	**-**	**-**	**-**	**(5)**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Total other comprehensive expense	**-**	**(5)**	**(1)**	**(63)**	**-**	**-**	**-**	**(69)**
Share-based payment	**-**	**-**	**-**	**-**	**63**	**-**	**-**	**63**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(28)**	**-**	**(28)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(22)**	**22**	**-**	**-**
Share buyback	**-**	**-**	**-**	**-**	**-**	**(41)**	**-**	**(41)**
Share cancellation	**-**	**-**	**-**	**-**	**-**	**41**	**-**	**41**
Derecognition of equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**10**
At 31 December 2022	**575**	**(4)**	**-**	**(604)**	**334**	**(65)**	**-**	**236**
At 1 January 2021	575	4	2	(556)	241	(49)	(10)	207
Other comprehensive income								
Foreign currency translation adjustments	-	-	-	15	-	-	-	15
Effective portion of changes in fair value of cash flow hedges	-	(3)	-	-	-	-	-	(3)
Changes in fair value of cost of hedging	-	-	(1)	-	-	-	-	(1)
Total other comprehensive (expense)/income	-	(3)	(1)	15	-	-	-	11
Share-based payment	-	-	-	-	64	-	-	64
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(22)	-	(22)
Shares distributed by SKG Employee Trust	-	-	-	-	(12)	12	-	-
At 31 December 2021	575	1	1	(541)	293	(59)	(10)	260

14. Business Combinations

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

- Argencraft, (100%, 1 April 2022) a corrugated facility in Argentina;
- Atlas Packaging, (100%, 29 April 2022), a corrugated packaging company in the UK;
- PaperBox (100%, 3 October 2022) a packaging plant in Brazil; and
- Pusa Pack (100%, 31 October 2022) a bag-in-box packaging plant in Spain.

The table below reflects the provisional fair values of the identifiable net assets acquired in respect of the acquisitions completed during the year. Any amendments to fair values will be made within the twelve month period from the date of acquisition, as permitted by IFRS 3, *Business Combinations* and disclosed in the 2023 Annual Report. None of the business combinations completed during the year were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

	Total*
	€m
Non-current assets	
Property, plant and equipment	**58**
Right-of-use assets	**4**
Intangible Assets	**37**
Current assets	
Inventories	**7**
Trade and other receivables	**21**
Cash and cash equivalents	**6**
Non-current liabilities	
Deferred income tax liabilities	**(23)**
Provisions	**(2)**
Borrowings	**(1)**
Current liabilities	
Borrowings	**(8)**
Trade and other payables	**(15)**
Current income tax liability	**(2)**
Net assets acquired	**82**
Goodwill	**22**
Consideration	**104**
Settled by:	
Cash	**96**
Deferred consideration	**8**
	104

* In addition to the 2022 acquisitions, the amounts also include fair value adjustments in relation to 2021 acquisitions.

During 2022 the Group made an amendment to the fair values assigned to the Verzuolo acquisition completed in late 2021. Given the proximity of the transaction to the year-end, the accounting treatment for the acquisition at 31 December 2021 was provisional, and on completion of the fair value exercise in 2022 the Group identified adjustments that were required as outlined below. The adjustments were not of a material nature and therefore have been recognised as movements within 2022 acquisitions in the 2022 financial statements.

	2022
	€m
Increase in property, plant and equipment	**26**
Increase in intangible assets	**21**
Increase in deferred tax liability	**(12)**
Other	**(1)**
Increase in net assets	**34**
Decrease in purchase price	**1**
Decrease in goodwill	**35**

14. Business Combinations (continued)

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

None of the goodwill arising on business combinations completed in the year is expected to be deductible for tax purposes as at 31 December 2022.

Net cash outflow arising on acquisition	**€m**
Cash consideration	**96**
Less cash & cash equivalents acquired	**(6)**
Total	**90**

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €21 million. The fair value of these receivables is estimated at €21 million (all of which is expected to be recoverable).

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

The Group's acquisitions in 2022 have contributed €84 million to revenue and €14 million to profit after tax. The proforma revenue and profit after tax of the Group for the year ended 31 December 2022 would have been €12,855 million and €951 million respectively, had the acquisitions taken place at the start of the reporting period.

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

Supplementary Financial Information

Alternative Performance Measures

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

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

Please note where referenced 'CIS' refers to Consolidated Income Statement, 'CBS' refers to Consolidated Balance Sheet and 'CSCF' refers to Consolidated Statement of Cash Flows.

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

A. EBITDA

Definition

EBITDA is earnings before exceptional items, share-based payment expense, share of associates' profit (after tax), net finance costs, income tax expense, depreciation and depletion (net) and intangible assets amortisation. It is an appropriate and useful measure used to compare recurring financial performance between periods.

Reconciliation of Profit to EBITDA

	Reference	**2022 €m**	2021 €m
Profit for the financial year	CIS	**945**	679
Income tax expense (after exceptional items)	CIS	**348**	234
Exceptional items charged in operating profit	CIS	**223**	-
Net finance costs (after exceptional items)	Note 5	**149**	162
Share of associates' profit (after tax)	CIS	**(3)**	(2)
Share-based payment expense	Note 3	**65**	69
Depreciation, depletion (net) and amortisation	Note 3	**628**	560
EBITDA		**2,355**	1,702

B. EBITDA margin

Definition

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

	Reference	**2022 €m**	2021 €m
EBITDA	A	**2,355**	1,702
Revenue	CIS	**12,815**	10,107
EBITDA margin		**18.4%**	16.8%

Alternative Performance Measures (continued)

C. Operating profit before exceptional items

Definition

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

	Reference	**2022 €m**	2021 €m
Operating profit	CIS	**1,439**	1,073
Exceptional items	CIS	**223**	-
Operating profit before exceptional items	CIS	**1,662**	1,073

D. Pre-exceptional basic earnings per share

Definition

Pre-exceptional basic EPS serves as an effective indicator of our profitability as it excludes exceptional one-off items and, in conjunction with other metrics such as ROCE, is a measure of our financial strength.
Pre-exceptional basic EPS is calculated by dividing profit attributable to owners of the parent, adjusted for exceptional items included in profit before income tax and income tax on exceptional items, by the weighted average number of ordinary shares in issue. The calculation of pre-exceptional basic EPS is shown in Note 8.

E. Underlying EBITDA and revenue

Definition

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

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

	Europe 2022	**The Americas 2022**	**Total 2022**	Europe 2021	The Americas 2021	Total 2021
EBITDA						
Currency	**-**	**7%**	**2%**	1%	(2%)	-
Acquisitions/disposals	**1%**	**5%**	**2%**	(1%)	1%	-
Underlying EBITDA change	**41%**	**13%**	**34%**	10%	20%	13%
Reported EBITDA change	**42%**	**25%**	**38%**	10%	19%	13%
Revenue						
Currency	**-**	**7%**	**2%**	-	(3%)	-
Hyperinflation	**-**	**2%**	**-**	-	1%	-
Acquisitions/disposals	**2%**	**4%**	**2%**	1%	1%	-
Underlying revenue change	**24%**	**16%**	**23%**	17%	21%	18%
Reported revenue change	**26%**	**29%**	**27%**	18%	20%	18%

Alternative Performance Measures (continued)

F. Net debt

Definition

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

	Reference	2022 €m	2021 €m
Borrowings	Note 12	**3,780**	3,754
Less:			
Restricted cash	CBS	**(11)**	(14)
Cash and cash equivalents	CBS	**(777)**	(855)
Net debt		**2,992**	2,885

G. Net debt to EBITDA

Definition

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

	Reference	2022 €m	2021 €m
Net debt	F	**2,992**	2,885
EBITDA	A	**2,355**	1,702
Net debt to EBITDA (times)		**1.3**	1.7

H. Return on capital employed ('ROCE')

Definition

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

	Reference	2022 €m	2021 €m
Operating profit before exceptional items	C	**1,662**	1,073
Share of associates' profit (after tax)	CIS	**3**	2
Operating profit before exceptional items plus share of associates' profit (after tax)		**1,665**	1,075
Total equity – current year-end	CBS	**5,038**	4,392
Net debt – current year-end	F	**2,992**	2,885
Capital employed – current year-end		**8,030**	7,277
Total equity – prior year-end	CBS	**4,392**	3,783
Net debt – prior year-end	F	**2,885**	2,375
Capital employed – prior year-end		**7,277**	6,158
Average capital employed		**7,654**	6,718
Return on capital employed		**21.8%**	16.0%

Alternative Performance Measures (continued)

I. Working capital

Definition

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

	Reference	2022 €m	2021 €m
Inventories	CBS	**1,231**	1,046
Trade and other receivables (current and non-current)	CBS	**2,438**	2,163
Trade and other payables	CBS	**(2,642)**	(2,563)
Working capital		**1,027**	646

J. Working capital as a percentage of sales

Definition

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

	Reference	2022 €m	2021 €m
Working capital	I	**1,027**	646
Annualised quarterly revenue		**12,361**	11,281
Working capital as a percentage of sales		**8.3%**	5.7%

Alternative Performance Measures (continued)

K. Summary cash flow

Definition

The summary cash flow is prepared on a different basis to the Consolidated Statement of Cash Flows and as such the reconciling items between EBITDA and increase in net debt may differ from amounts presented in the Consolidated Statement of Cash Flows. The summary cash flow details movements in net debt. The Consolidated Statement of Cash Flows details movements in cash and cash equivalents.

Reconciliation of the Summary Cash Flow to the Consolidated Statement of Cash Flows

	Reference	**2022 €m**	2021 €m
EBITDA	A	**2,355**	1,702
Exceptional items	K.1	**(3)**	-
Cash interest expense	K.2	**(132)**	(109)
Working capital change	K.3	**(358)**	(114)
Capital expenditure	K.4	**(970)**	(693)
Change in capital creditors	K.4	**(24)**	(14)
Tax paid	CSCF	**(321)**	(239)
Change in employee benefits and other provisions	K.6	**(25)**	(81)
Other	K.7	**23**	3
Free cash flow	L	**545**	455
Italian Competition Authority fine	CSCF	**-**	(124)
Impairment of cash balances held in Russia	L	**(50)**	-
Share buyback	CSCF	**(41)**	-
Purchase of own shares (net)	CSCF	**(28)**	(22)
Sale of businesses and investments	K.8	**-**	37
Purchase of businesses, investments and NCI	K.9	**(110)**	(449)
Dividends	CSCF	**(333)**	(302)
Derivative termination receipts	CSCF	**1**	9
Premium on early repayment of bonds	K.2	**-**	(28)
Net cash outflow		**(16)**	(424)
Acquired net debt	K.10	**(3)**	(25)
Disposed net cash	K.11	**-**	(1)
Deferred debt issue costs amortised		**(7)**	(10)
Currency translation adjustment		**(81)**	(50)
Increase in net debt		**(107)**	(510)

K.1 Exceptional items

	2022 €m	2021 €m
Redundancy and reorganisation costs - paid	**(3)**	-
Per summary cash flow	**(3)**	-

Alternative Performance Measures (continued)

K.2 Cash interest expense

	Reference	**2022 €m**	2021 €m
Interest paid	CSCF	**(135)**	(152)
Interest received	CSCF	**9**	3
Move in accrued interest		**(6)**	3
Initial cost of bonds repaid		**-**	9
Premium on early repayment of bonds	K	**-**	28
Per summary cash flow		**(132)**	(109)

K.3 Working capital change

	Reference	**2022 €m**	2021 €m
Net movement in working capital	CSCF	**(350)**	(114)
Impairment loss on Russian trade receivables	L	**(8)**	-
Per summary cash flow		**(358)**	(114)

K.4 Capital expenditure

	Reference	**2022 €m**	2021 €m
Additions to property, plant and equipment and biological assets	CSCF	**(873)**	(594)
Additions to intangible assets	CSCF	**(17)**	(21)
Additions to right-of-use assets		**(104)**	(92)
Change in capital creditors	K	**24**	14
Per summary cash flow		**(970)**	(693)

K.5 Capital expenditure as a percentage of depreciation

	Reference	**2022 €m**	2021 €m
Capital expenditure	K.4	**970**	693
Depreciation, depletion (net) and amortisation	A	**628**	560
Capital expenditure as a percentage of depreciation		**155%**	124%

Alternative Performance Measures (continued)

K.6 Change in employee benefits and other provisions

	Reference	**2022 €m**	2021 €m
Change in employee benefits and other provisions	CSCF	**(19)**	(81)
Reorganisation and restructuring costs - unpaid	K.6.1	**(11)**	-
Right-of-use asset retirement obligation		**5**	-
Per summary cash flow		**(25)**	(81)

K.6.1 Reorganisation and restructuring costs

The change in the provision relating to exceptional reorganisation and restructuring costs is not included in the summary cash flow as it is not within EBITDA. Exceptional reorganisation and restructuring costs which were paid in 2022 are shown as a separate line item within 'Exceptional items' in the summary cash flow.

K.7 Other

	Reference	**2022 €m**	2021 €m
Other within the summary cash flow comprises the following:			
Amortisation of capital grants	CSCF	**(4)**	(3)
Profit on sale of property, plant and equipment	CSCF	**(7)**	(8)
Other (primarily hyperinflation adjustments)	CSCF	**8**	5
Receipt of capital grants	CSCF	**6**	5
Disposal of property, plant and equipment	CSCF	**12**	16
Dividends received from associates	CSCF	**1**	1
Right-of-use asset terminations/modifications	L	**7**	(13)
Per summary cash flow		**23**	3

K.8 Sale of businesses and investments

	Reference	**2022 €m**	2021 €m
Disposal of subsidiaries (net of disposed cash)	CSCF	**-**	33
Disposed cash and cash equivalents	K.11	**-**	4
Per summary cash flow		**-**	37

K.9 Purchase of businesses, investments and NCI

	Reference	**2022 €m**	2021 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(90)**	(413)
Deferred consideration paid	CSCF	**(14)**	(35)
Acquired cash and cash equivalents	K.10	**(6)**	(1)
Per summary cash flow		**(110)**	(449)

Alternative Performance Measures (continued)

K.10 Acquired net debt

	Reference	**2022 €m**	2021 €m
Acquired debt		**(9)**	(26)
Acquired cash and cash equivalents	K.9	**6**	1
Per summary cash flow		**(3)**	(25)

K.11 Disposed net cash

	Reference	**2022 €m**	2021 €m
Disposed debt		**-**	3
Disposed cash and cash equivalents	K.8	**-**	(4)
Per summary cash flow		**-**	(1)

L. Free cash flow ('FCF')

Definition

FCF is the result of the cash inflows and outflows from our operating activities, and is before those arising from acquisition and disposal of businesses. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

Reconciliation of Free Cash Flow to Cash Generated from Operations

	Reference	**2022 €m**	2021 €m
Free cash flow	K	**545**	455
Reconciling items:			
Cash interest expense	K.2	**132**	109
Capital expenditure (net of change in capital creditors)	K.4	**994**	707
Tax payments	CSCF	**321**	239
Disposal of property, plant and equipment	CSCF	**(12)**	(16)
Right-of-use asset terminations/modifications	K.7	**(7)**	13
Receipt of capital grants	CSCF	**(6)**	(5)
Dividends received from associates	CSCF	**(1)**	(1)
Italian Competition Authority fine	CSCF	**-**	(124)
Impairment loss on Russian trade receivables	K.3	**(8)**	-
Impairment of cash balances held in Russia	K	**(50)**	-
Cash generated from operations	CSCF	**1,908**	1,377