

Press Release

2 August: Smurfit Kappa Group plc ('SKG', 'Smurfit Kappa' or 'the Group') today announced results for the half year ending 30 June 2023.

2023 Half Year | Key Financial Performance Measures

€m	H1 2023	H1 2022	Change
Revenue	€5,837	€6,385	(9%)
EBITDA ¹	€1,113	€1,174	(5%)
EBITDA Margin ¹	19.1%	18.4%	
Operating Profit before Exceptional Items ¹	€779	€839	(7%)
Profit before Income Tax	€659	€769	(14%)
Basic EPS (cent)	184.0	221.9	(17%)
Pre-exceptional Basic EPS (cent) ¹	197.2	221.9	(11%)
Free Cash Flow ¹	€119	(€28)	-
Return on Capital Employed ¹	19.0%	19.3%	
<hr/>			
Net Debt ¹	€3,175	€3,309	(4%)
Net Debt to EBITDA (LTM) ¹	1.4x	1.6x	

Key points:

- Revenue of €5.8 billion
- EBITDA of €1.1 billion and an EBITDA margin of 19.1%
- Return on capital employed of 19.0%
- Free Cash Flow of €119 million
- Interim dividend increased by 6% to 33.5 cent per share

Tony Smurfit, Group CEO, commented:

"We are pleased to deliver an excellent outcome against a challenging macro backdrop with a strong first half performance. In a declining volume environment this reflects both the quality and resilience of SKG's integrated and geographically balanced business model. Although volumes declined by 6% in the first half, we saw market share gains across many of the countries in which we operate, and encouragingly, in Europe, during the second quarter, we saw our shipments per day improve on the previous three quarters.

"The steps we have taken and continue to take, have positioned SKG for long-term growth. These include expanding our geographic reach and product portfolio, our unrelenting focus on customer-led innovation and promoting our product's natural sustainable advantage to advance new growth opportunities. Additionally, through our integrated model, customers benefit from security of supply even in the most challenging market conditions.

"As a result, SKG is the packaging partner of choice for the world's leading companies. Our team continues to excel in supplying market-leading, innovative and sustainable packaging best reflected, within the period, by market share gains across many of the countries in which we operate. The significant number of design, innovation and sustainability awards received over the years are recognition of our customer focus and continues to demonstrate the quality and expertise of our people and the value they provide.

¹ Additional information in relation to these Alternative Performance Measures is set out in Supplementary Financial Information on pages 29 to 35.
smurfitkappa.com

“In March, the Group announced that it had sold its Russian operations to local management, completing its exit from the Russian market. On a more positive note, in July of this year we expanded our geographic reach with the opening of our new integrated, state-of-the-art plant in Morocco and the acquisition of a specialty packaging operation in Spain.

“Our 16th Sustainable Development Report emphasises the Group’s progress and commitment to our 2030 targets. The Group continues to invest in sustainability, minimising both our own and our customers’ environmental impact and supporting the circular economy.

“With net debt to EBITDA at 1.4x, no significant debt maturities until 2026 and our most recent Green Bond issuance having achieved coupons of 0.50% and 1.0% for terms of 8 and 12 years respectively, our balance sheet continues to provide long-term strategic and financial flexibility.

“While the global macro backdrop continues to be uncertain, there are some encouraging signs of improvement and we are confident about our future prospects. Smurfit Kappa has never been in better shape strategically, operationally and financially. Reflecting the continued confidence in the quality of our business and our prospects, the Board has approved a 6% increase in the interim dividend.”

About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with more than 47,000 employees in over 350 production sites across 36 countries and with revenue of €12.8 billion in 2022. We are located in 22 countries in Europe, 13 in the Americas and one in Africa. 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.

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2023 First Half | Performance Overview

The Group reported EBITDA for the first half of €1,113 million, down 5% on 2022, with lower earnings in Europe and higher earnings in the Americas. The Group EBITDA margin was 19.1%, up from 18.4% in the first half of 2022. This result, achieved in a challenging macroeconomic environment and with strong comparators in the prior year, demonstrates the strength of the Group's integrated model, the innovative and value-adding solutions we provide to our resilient customer base, the benefits of our capital spend programme and is testament to SKG's culture of innovation and operational excellence.

In Europe, EBITDA decreased by 6% to €868 million and the EBITDA margin was 19.4%, up from 18.7% compared to the first half of 2022. Underlying corrugated box volumes were 5.6% lower in the first half of 2023, with year-on-year volume performance in the second quarter improving, as anticipated, upon the levels seen in the preceding two quarters.

Our European business continued to build on its strong operating platform in the first half of the year with a number of projects across our paper and corrugated divisions. In our paper division, we have approved investments in our Herzberg, Hoya, Nettingsdorf, Piteå and Verzuolo mills, which will reduce costs, increase efficiencies and improve the Group's overall sustainability footprint. In our corrugated division, we are investing across the region in ultra-modern and energy efficient equipment, including upgrades to corrugators and printers and expanding capacity in our bag-in-box division. These investments will allow the Group to increase production, reduce our environmental footprint and expand our portfolio of high-value, innovative, sustainable packaging solutions. In May, the Group announced the completion of a €40 million investment in state-of-the-art technology as part of our strategic expansion in Poland. Our Pruszków corrugated plant now becomes Smurfit Kappa's largest in Poland and one of the most advanced packaging plants in Europe.

Pricing for European containerboard in the first half of the year was lower compared to the peak levels seen in the first half of 2022 as recovered fibre and energy prices were also lower year-on-year and demand was lower from corrugated box producers. On average, testliner prices were €200 per tonne lower in the first six months of 2023 compared to the same period of last year, while kraftliner was down €172 per tonne. Given the flexibility of our integrated mill system in a period of subdued demand, the total commercial downtime taken by our European mills was approximately 144,000 tonnes in the first half of 2023. This is down significantly from the 260,000 tonnes taken in the second half of 2022.

In the Americas, EBITDA increased by 1% on the first half of 2022 to €274 million. The EBITDA margin was 20.3%, compared to 18.8% in the first half of 2022 with Colombia, Mexico and the US accounting for almost 80% of the region's earnings. Box volumes in the Americas for the first half of 2023, excluding acquisitions, were down 7.8% against a strong prior year comparative.

SKG continued to invest in its Americas business during the first half of the year, with growth and sustainability related investments primarily focused in our corrugated, forestry and speciality businesses in Argentina, Colombia, Mexico and Brazil. In our corrugated division, we are investing in state-of-the-art converting equipment right across the region and in our specialties business, we are expanding our portfolio in paper sacks.

On 20 March, the Group announced that it had sold its Russian operations to local management thereby completing its exit from the Russian market.

On 12 July, the Group opened a new integrated corrugated plant in Morocco, making this SKG's first operation in the attractive growth market of North Africa. Also in July, the Group acquired a specialty packaging operation in Spain.

Free cash flow for the first six months was a net inflow of €119 million compared to a net outflow of €28 million in the first half of 2022. The average maturity profile of the Group's debt was 4.4 years at 30 June 2023 with an average interest rate of 3.06%. Net debt to EBITDA was 1.4x at the end of June 2023 versus 1.3x at the end of December 2022 and 1.6x at the end of June 2022. SKG maintains investment grade credit ratings with Moody's Investors Service (Baa3/Stable), S&P Global Ratings (BBB-/Stable) and Fitch Ratings (BBB-/Stable).

2023 First Half | Financial Performance

Revenue for the first half was €5,837 million, down 9% on the first half of 2022 or 7% lower on an underlying² basis.

EBITDA for the first half was €1,113 million, down 5% on the first half of 2022. On an underlying basis, Group EBITDA was down 3% year-on-year, with Europe down 4% and the Americas up 3%.

Operating profit before exceptional items for the first half of 2023 at €779 million was 7% lower than the €839 million for the same period of 2022.

Exceptional items charged within operating profit in the first half of 2023 amounted to €34 million due to the recycling of currency, an impairment loss on assets and other costs relating to the sale of our Russian operations.

There were no exceptional items charged within operating profit in the same period of 2022.

There were no exceptional finance items in the first half of either 2023 and 2022.

Net finance costs at €87 million were €16 million higher than 2022 primarily due to a higher net foreign currency translation loss on debt, a higher interest cost on net pension liabilities along with higher cash interest.

After exceptional items of €34 million, the profit before tax for the first half of 2023 was €659 million compared to a profit before tax of €769 million for the first half of 2022. The income tax expense was €183 million compared to €195 million in 2022, resulting in a profit of €476 million for the half year compared to €574 million in 2022.

Basic EPS for the first half of 2023 was 184.0 cent, compared to 221.9 cent in 2022.

2023 First Half | Free Cash Flow

Free cash flow in the first half of 2023 was a net inflow of €119 million compared to a net outflow of €28 million for 2022, an increase of €147 million. The increase is primarily as a result of a lower working capital outflow partly offset by a lower EBITDA and a higher outflow for the change in employee benefits and other provisions.

The working capital outflow in 2023 was €262 million compared to €501 million in 2022. The outflow in 2023 was a combination of a significant decrease in creditors along with an increase in debtors, partly offset by a decrease in stock. The increase in debtors reflects higher box prices. The decrease in creditors reflects considerably lower recovered fibre, energy and other raw material costs. Working capital amounted to €1,326 million at 30 June 2023 and represented 11.7% of annualised revenue compared to 9.7% at 30 June 2022.

Capital expenditure in 2023 amounted to €429 million (equating to 142% of depreciation) compared to €349 million (equating to 115% of depreciation) in 2022.

Cash interest amounted to €66 million in 2023 compared to €61 million in 2022. The increase in cash interest in the six months to June 2023 compared to 2022 is primarily due to an increased interest cost in certain of our higher interest environments, which has more than offset increased interest income.

Tax payments of €173 million in 2023 were €15 million higher than in 2022 with higher payments in Europe.

2023 First Half | Capital Structure

Net debt was €3,175 million at the end of June 2023, resulting in a net debt to EBITDA ratio of 1.4x compared to 1.3x at the end of December 2022 and 1.6x at the end of June 2022. The Group's balance sheet continues to provide considerable long-term strategic and financial flexibility.

² Additional information on underlying performance is set out within Supplementary Financial Information on pages 29 to 35.

At 30 June 2023, the Group's average interest rate was 3.06% compared to 2.89% at 31 December 2022. The Group's diversified funding base and long-dated maturity profile of 4.4 years provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €615 million at the end of June 2023, which were further supplemented by undrawn available committed facilities of €1,346 million on our sustainability-linked Revolving Credit Facility ('RCF') and €312 million on our sustainability-linked securitisation programmes.

Dividends

The Board has decided to pay an interim dividend of 33.5 cent per share, which represents an increase of 6% on the prior year. It is proposed to pay this dividend on 27 October 2023 to all ordinary shareholders on the share register at the close of business on 29 September 2023.

2023 First Half | Sustainability

Smurfit Kappa continues to make significant progress towards achieving its sustainability goals as outlined in its 16th Sustainable Development Report ('SDR') published in March. The report highlights the progress made towards our long-standing goal of driving change and nurturing a greener and bluer planet through the three key pillars of Planet, People and Impactful Business. It shows that the Group's actions are delivering today, and together with its ongoing investments and continuous improvement, it is well positioned to deliver on its long-term ambition to have at least net zero emissions by 2050.

The Group delivered several landmark achievements including:

- A world first in successfully trialling hydrogen in its Saillat paper mill in France.
- Completion of a multi-fuel boiler in our Zülpich paper mill in Germany which reduces the mill's CO₂ emissions by 55,000 tonnes, or 2% for the Group.
- The announcement of an almost US\$100 million investment in a sustainable biomass boiler in our mill in Cali, Colombia, our largest single decarbonisation project to date, which will reduce the Group's emissions by approximately 6%.
- Commencement of a district heating project in Austria to benefit 20,000 homes across three communities.

In the SDR, the Group reported further progress in reducing its fossil CO₂ emissions intensity having reduced emissions by 43.9% by the end of 2022, compared to the baseline year of 2005. This marked a 4% 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.

Since 2005, SKG has invested €1.2 billion to make our operations more sustainable. Of this, approximately €1 billion has been invested in different energy efficiency and CO₂ reduction projects. These investments have improved overall energy efficiency in our paper mill system by 20.6%.

The report also highlights our commitment to sustainable water stewardship and how our efforts focus on continuing to decrease water in-take and further improve the quality of the water discharged from our mills. Since 2005, Smurfit Kappa has invested €129 million in best practice water treatment systems, leading to a reduction in Chemical Oxygen Demand of 36.9%.

Compared to a 2013 baseline, SKG's waste to landfill decreased by 24% in 2022 and our Chain of Custody certified packaging deliveries to customers reached a level of 94.3%, a record level for the Group.

Other highlights include a 13.6% global reduction in the Total Recordable Injury Rate compared to 2021 and the donation of €18.4 million to support various social, environmental and community initiatives since 2020.

In January, the Group outlined its plan to install 12,000 solar panels at our Sanguesa paper mill in Spain. This solar energy project is the latest for Smurfit Kappa which has launched similar green energy initiatives at plants in Spain, Colombia, Mexico and most recently, in our new facility in Morocco.

In February, Smurfit Kappa announced a €27 million investment in a new waste management and recovery facility at its Nervión paper mill in Iurreta, Spain. The investment will see the mill adopt a fully circular production process involving the biggest landfill reduction project that SKG has undertaken to date.

Also in February, 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 the Regional Top Rated.

Smurfit Kappa 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, ISS Solactive and Ethibel's sustainable investment register. SKG also performs strongly across a number of third party certification bodies, including MSCI, ISS ESG and Sustainalytics.

2023 First Half | 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. Our unique packaging solutions help our customers to increase sales, reduce cost, eliminate plastics and other less sustainable substrates, mitigate risk in an essential element of their supply chain and lower their carbon footprint.

Demonstrating this leadership in innovation, in the first half of the year SKG won 21 awards across a host of categories including design, safety, sustainability, community engagement and as a top employer. Most recently, the Group was further recognised for its technical innovation and creativity by winning 14 awards at the Flexographic Industry Association UK awards.

The Group continues to invest in research and development to push the boundaries of paper-based packaging and our design teams work closely with our customers to understand their specific requirements to develop bespoke solutions which optimise functionality, cost-effectiveness, and consumer appeal.

In February, the Group launched its patented Vitop Uno tap which is the first tap in the bag-in-box market to have attached tamper protection. Vitop is the leading provider of bag-in-box closure solutions with over six billion taps sold worldwide and the Uno tap is now patented in Europe, the USA and a number of other countries.

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

Summary Cash Flow

Summary cash flows for the first half are set out in the following table.

	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
EBITDA	1,113	1,174
Cash interest expense	(66)	(61)
Working capital change	(262)	(501)
Capital expenditure	(429)	(349)
Change in capital creditors	(35)	(108)
Tax paid	(173)	(158)
Change in employee benefits and other provisions	(46)	(22)
Other	17	(3)
Free cash flow	119	(28)
Disposal of Russian operations	1	-
Purchase of own shares (net)	(28)	(27)
Purchase of businesses, investments and NCI*	(4)	(48)
Dividends	(280)	(250)
Net cash outflow	(192)	(353)
Acquired net debt	-	(5)
Deferred debt issue costs amortised	(3)	(4)
Currency translation adjustment	12	(62)
Increase in net debt	(183)	(424)

* 'NCI' refers to non-controlling interests

A reconciliation of the Summary Cash Flow to the Condensed 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 33 to 35.

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 30 June 2023, the Group's drawings on this facility were €4 million, at an interest rate of 4.058%.

At 30 June 2023, 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 30 June 2023, 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 30 June 2023, the Group had fixed an average of 96% 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 €6 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 half year assessment.

The principal risks and uncertainties facing the Group for the remaining six months of the financial year 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 2022 Annual Report on pages 34 to 36. The Annual Report is available on our website; [smurfitkappa.com](https://www.smurfitkappa.com).

Condensed Consolidated Income Statement

	6 months to 30-Jun-23 Unaudited			6 months to 30-Jun-22 Unaudited		
	Pre- exceptional	Exceptional	Total	Pre- exceptional	Exceptional	Total
	€m	€m	€m	€m	€m	€m
Revenue	5,837	-	5,837	6,385	-	6,385
Cost of sales	(3,881)	-	(3,881)	(4,383)	-	(4,383)
Gross profit	1,956	-	1,956	2,002	-	2,002
Distribution costs	(462)	-	(462)	(480)	-	(480)
Administrative expenses	(715)	-	(715)	(683)	-	(683)
Other operating expenses	-	(34)	(34)	-	-	-
Operating profit	779	(34)	745	839	-	839
Finance costs	(110)	-	(110)	(85)	-	(85)
Finance income	23	-	23	14	-	14
Share of associates' profit (after tax)	1	-	1	1	-	1
Profit before income tax	693	(34)	659	769		769
Income tax expense			(183)			(195)
Profit for the financial period			476			574
Attributable to:						
Owners of the parent			476			574
Non-controlling interests			-			-
Profit for the financial period			476			574
Earnings per share						
Basic earnings per share - cent			184.0			221.9
Diluted earnings per share - cent			183.3			220.9

Condensed Consolidated Statement of Comprehensive Income

	6 months to 30-Jun-23 Unaudited €m	6 months to 30-Jun-22 Unaudited €m
Profit for the financial period	476	574
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial period	74	109
- Recycled to Condensed Consolidated Income Statement	28	-
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	4	-
- Fair value loss on cash flow hedges	(7)	(6)
Changes in fair value of cost of hedging:		
- Movement out of reserve	-	(1)
	99	102
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial (loss)/gain	(1)	211
- Related tax	-	(26)
	(1)	185
Total other comprehensive income	98	287
Total comprehensive income for the financial period	574	861
Attributable to:		
Owners of the parent	574	861
Non-controlling interests	-	-
Total comprehensive income for the financial period	574	861

Condensed Consolidated Balance Sheet

	30-Jun-23 Unaudited €m	30-Jun-22 Unaudited €m	31-Dec-22 Audited €m
ASSETS			
Non-current assets			
Property, plant and equipment	4,864	4,452	4,631
Right-of-use assets	328	360	345
Goodwill and intangible assets	2,661	2,760	2,672
Other investments	10	10	10
Investment in associates	20	16	16
Biological assets	125	113	100
Other receivables	50	34	39
Employee benefit assets	19	64	17
Derivative financial instruments	-	5	2
Deferred income tax assets	147	116	141
	8,224	7,930	7,973
Current assets			
Inventories	1,110	1,296	1,231
Biological assets	12	11	10
Trade and other receivables	2,467	2,801	2,399
Derivative financial instruments	6	26	46
Cash and cash equivalents	615	491	788
	4,210	4,625	4,474
Assets classified as held for sale	-	-	35
	4,210	4,625	4,509
Total assets	12,434	12,555	12,482
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	-	-	-
Share premium	2,646	2,646	2,646
Other reserves	339	375	236
Retained earnings	2,372	2,002	2,143
Total equity attributable to owners of the parent	5,357	5,023	5,025
Non-controlling interests	13	13	13
Total equity	5,370	5,036	5,038
LIABILITIES			
Non-current liabilities			
Borrowings	3,594	3,614	3,600
Employee benefit liabilities	512	455	534
Derivative financial instruments	2	5	4
Deferred income tax liabilities	188	193	190
Non-current income tax liabilities	14	37	16
Provisions for liabilities	40	38	37
Capital grants	25	22	26
Other payables	11	8	10
	4,386	4,372	4,417
Current liabilities			
Borrowings	196	186	180
Trade and other payables	2,301	2,828	2,642
Current income tax liabilities	59	30	49
Derivative financial instruments	40	45	21
Provisions for liabilities	82	58	100
	2,678	3,147	2,992
Liabilities associated with assets classified as held for sale	-	-	35
	2,678	3,147	3,027
Total liabilities	7,064	7,519	7,444
Total equity and liabilities	12,434	12,555	12,482

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent					Non-controlling interests €m	Total equity €m
	Equity share capital €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m		
Unaudited							
At 1 January 2023	-	2,646	236	2,143	5,025	13	5,038
Profit for the financial period	-	-	-	476	476	-	476
Other comprehensive income							
Foreign currency translation adjustments	-	-	102	-	102	-	102
Defined benefit pension plans	-	-	-	(1)	(1)	-	(1)
Effective portion of changes in fair value of cash flow hedges	-	-	(3)	-	(3)	-	(3)
Total comprehensive income for the financial period	-	-	99	475	574	-	574
Hyperinflation adjustment	-	-	-	34	34	-	34
Dividends paid	-	-	-	(280)	(280)	-	(280)
Share-based payment	-	-	32	-	32	-	32
Net shares acquired by SKG Employee Trust	-	-	(28)	-	(28)	-	(28)
At 30 June 2023	-	2,646	339	2,372	5,357	13	5,370
Unaudited							
At 1 January 2022	-	2,646	260	1,473	4,379	13	4,392
Profit for the financial period	-	-	-	574	574	-	574
Other comprehensive income							
Foreign currency translation adjustments	-	-	109	-	109	-	109
Defined benefit pension plans	-	-	-	185	185	-	185
Effective portion of changes in fair value of cash flow hedges	-	-	(6)	-	(6)	-	(6)
Changes in fair value of cost of hedging	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the financial period	-	-	102	759	861	-	861
Derecognition of equity instruments	-	-	10	(10)	-	-	-
Hyperinflation adjustment	-	-	-	30	30	-	30
Dividends paid	-	-	-	(250)	(250)	-	(250)
Share-based payment	-	-	30	-	30	-	30
Net shares acquired by SKG Employee Trust	-	-	(27)	-	(27)	-	(27)
At 30 June 2022	-	2,646	375	2,002	5,023	13	5,036

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

Condensed Consolidated Statement of Cash Flows

	6 months to 30-Jun-23 Unaudited €m	6 months to 30-Jun-22 Unaudited €m
Cash flows from operating activities		
Profit before income tax	659	769
Net finance costs	87	71
Depreciation charge	285	280
Amortisation of intangible assets	23	25
Amortisation of capital grants	(1)	(1)
Share-based payment expense	33	31
Profit on sale of property, plant and equipment	(1)	(6)
Share of associates' profit (after tax)	(1)	(1)
Net movement in working capital	(254)	(501)
Change in biological assets	(7)	(1)
Disposal of Russian operations	28	-
Change in employee benefits and other provisions	(46)	(22)
Other (primarily hyperinflation adjustments)	9	7
Cash generated from operations	814	651
Interest paid	(75)	(57)
Income taxes paid:		
Irish corporation tax (net of tax refunds) paid	(16)	(11)
Overseas corporation tax (net of tax refunds) paid	(157)	(147)
Net cash inflow from operating activities	566	436
Cash flows from investing activities		
Interest received	12	2
Additions to property, plant and equipment and biological assets	(419)	(418)
Additions to intangible assets	(6)	(8)
Receipt of capital grants	2	-
Disposal of property, plant and equipment	1	10
Purchase of subsidiaries (net of acquired cash)	-	(36)
Deferred consideration paid	(4)	(10)
Net cash outflow from investing activities	(414)	(460)
Cash flows from financing activities		
Purchase of own shares (net)	(28)	(27)
Increase in other interest-bearing borrowings	29	7
Repayment of lease liabilities	(53)	(56)
Dividends paid to shareholders	(280)	(250)
Net cash outflow from financing activities	(332)	(326)
Decrease in cash and cash equivalents	(180)	(350)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	771	841
Currency translation adjustment	15	(17)
Decrease in cash and cash equivalents	(180)	(350)
Cash and cash equivalents at 30 June	606	474

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

Notes to the Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements included in this report have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34, *Interim Financial Reporting* as adopted by the European Union. This report should be read in conjunction with the Consolidated Financial Statements for the financial year ended 31 December 2022 included in the Group's 2022 Annual Report 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 Condensed Consolidated Interim Financial Statements are consistent with those described and applied in the Annual Report for the financial year ended 31 December 2022. The Group reassessed the classification of restricted cash in 2022 as a result of an agenda decision by the IFRS Interpretations Committee. Consequently, restricted cash is now included as cash and cash equivalents in the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Cash Flows. The comparative balances for cash and cash equivalents have increased at 1 January 2022 by €14 million and at 30 June 2022 by €9 million. A number of changes to IFRS became effective in 2023, however, they did not have a material effect on the Condensed Consolidated Interim 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 4.4 years provide a stable funding outlook. At 30 June 2023, the Group had a strong liquidity position of approximately €2.27 billion comprising cash balances of €615 million, undrawn available committed facilities of €1,346 million under its RCF and €312 million under its sustainability-linked securitisation facilities. At 30 June 2023, the strength of the Group's balance sheet, a net debt to EBITDA ratio of 1.4x (31 December 2022: 1.3x) and its investment grade credit ratings, continues to provide long-term strategic and financial flexibility.

Having assessed the principal risks facing the Group on page 10, 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 Condensed Consolidated Interim Financial Statements.

Statutory financial statements and audit opinion

The Group's auditors have not audited or reviewed the Condensed Consolidated Interim Financial Statements contained in this report.

The Condensed Consolidated Interim Financial Statements presented do not constitute full statutory financial statements. Full statutory financial statements for the year ended 31 December 2022 will be filed with the Irish Registrar of Companies in due course. The audit report on those statutory financial statements was unqualified.

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, machine glazed ('MG') and graphic paper; and other paper-based packaging, such as honeycomb, 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 and sack paper; and paper-based packaging, such as folding cartons, honeycomb 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.

	6 months to 30-Jun-23			6 months to 30-Jun-22		
	Europe €m	The Americas €m	Total €m	Europe €m	The Americas €m	Total €m
Revenue and results						
Revenue	4,484	1,353	5,837	4,939	1,446	6,385
EBITDA	868	274	1,142	926	271	1,197
Segment exceptional items	(34)	-	(34)	-	-	-
EBITDA after exceptional items	834	274	1,108	926	271	1,197
Unallocated centre costs			(29)			(23)
Share-based payment expense			(33)			(31)
Depreciation and depletion (net)*			(278)			(279)
Amortisation			(23)			(25)
Finance costs			(110)			(85)
Finance income			23			14
Share of associates' profit (after tax)			1			1
Profit before income tax			659			769
Income tax expense			(183)			(195)
Profit for the financial period			476			574

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

3. Segment and Revenue Information (continued)

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.

	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Ireland	57	55
Germany	838	936
France	725	773
Mexico	643	634
Other Europe - eurozone	1,713	1,900
Other Europe - non-eurozone	1,123	1,252
Other Americas	738	835
Total revenue by geographical area	5,837	6,385

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

Disaggregation of revenue

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

	6 months to 30-Jun-23			6 months to 30-Jun-22		
	Paper €m	Packaging €m	Total €m	Paper €m	Packaging €m	Total €m
Europe	667	3,817	4,484	978	3,961	4,939
The Americas	74	1,279	1,353	135	1,311	1,446
Total revenue by product	741	5,096	5,837	1,113	5,272	6,385

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

Exceptional items charged within operating profit in the first half of 2023 amounted to €34 million which related to currency recycling, impairment of assets and other costs associated with the disposal of our Russian operations.

There were no exceptional items within operating profit in the first half of 2022.

There were no exceptional finance items in either year.

5. Finance Costs and Income

	6 months to 30-Jun-23	6 months to 30-Jun-22
	€m	€m
Finance costs:		
Interest payable on bank loans and overdrafts	25	19
Interest payable on leases	5	5
Interest payable on other borrowings	51	43
Foreign currency translation loss on debt	18	12
Fair value loss on derivatives	1	-
Fair value loss on financial assets	-	1
Net interest cost on net pension liability	10	4
Net monetary loss – hyperinflation	-	1
Total finance costs	110	85
Finance income:		
Other interest receivable	(12)	(2)
Foreign currency translation gain on debt	(7)	(8)
Fair value gain on derivatives not designated as hedges	(2)	(4)
Net monetary gain - hyperinflation	(2)	-
Total finance income	(23)	(14)
Net finance costs	87	71

6. Income Tax Expense

Income tax expense recognised in the Condensed Consolidated Income Statement

	6 months to 30-Jun-23	6 months to 30-Jun-22
	€m	€m
Current tax:		
Europe	146	128
The Americas	39	54
	185	182
Deferred tax	(2)	13
Income tax expense	183	195

Current tax is analysed as follows:

Ireland	15	8
Foreign	170	174
	185	182

Income tax recognised in the Condensed Consolidated Statement of Comprehensive Income

	6 months to 30-Jun-23	6 months to 30-Jun-22
	€m	€m
Arising on defined benefit pension plans	-	(26)

6. Income Tax Expense (continued)

The income tax expense in 2023 is €12 million lower than in the comparable period in 2022, primarily due to lower profitability.

In Europe, the current tax expense is €18 million higher and in the Americas the current tax expense is €15 million lower. This is mainly due to changes in profitability and other timing differences.

The movement in deferred tax from a net expense of €13 million in 2022 to a credit of €2 million in 2023 is largely due to the reversal of timing differences on which deferred tax was previously recognised and the recognition of tax benefits on losses and other tax credits.

There is no income tax expense or credit associated with exceptional items in either 2023 or 2022.

7. Employee Benefits – Defined Benefit Plans

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

	6 months to 30-Jun-23	6 months to 30-Jun-22
	€m	€m
Current service cost	14	20
Net interest cost on net pension liability	10	4
Defined benefit cost	24	24

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

	6 months to 30-Jun-23	6 months to 30-Jun-22
	€m	€m
Return on plan assets (excluding interest income)	(25)	(458)
Actuarial gain due to changes in financial assumptions	24	669
Total (loss)/gain recognised in the Condensed Consolidated Statement of Comprehensive Income	(1)	211

The following is a summary of the Group's employee benefit obligations and their related funding status:

	30-Jun-23	31-Dec-22
	€m	€m
Present value of funded or partially funded obligations	(1,723)	(1,713)
Fair value of plan assets	1,640	1,608
Deficit in funded or partially funded plans	(83)	(105)
Present value of wholly unfunded obligations	(407)	(410)
Amounts not recognised as assets due to asset ceiling	(3)	(2)
Net pension liability	(493)	(517)
Defined Benefit Asset (for overfunded plans)	19	17
Defined Benefit Liability (for unfunded and partially funded plans)	(512)	(534)

The key assumptions relating to discount and inflation rates were reassessed at 30 June 2023 and updated to reflect market conditions at that date.

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 period less own shares.

	6 months to 30-Jun-23	6 months to 30-Jun-22
Profit attributable to owners of the parent (€ million)	476	574
Weighted average number of ordinary shares in issue (million)	258	258
Basic EPS (cent)	184.0	221.9

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 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.

	6 months to 30-Jun-23	6 months to 30-Jun-22
Profit attributable to owners of the parent (€ million)	476	574
Weighted average number of ordinary shares in issue (million)	258	258
Potential dilutive ordinary shares assumed (million)	1	1
Diluted weighted average ordinary shares (million)	259	259
Diluted EPS (cent)	183.3	220.9

Pre-exceptional

	6 months to 30-Jun-23	6 months to 30-Jun-22
Profit attributable to owners of the parent (€ million)	476	574
Exceptional items included in profit before income tax (€ million)	34	-
Pre-exceptional profit attributable to owners of the parent (€ million)	510	574
Weighted average number of ordinary shares in issue (million)	258	258
Pre-exceptional basic EPS (cent)	197.2	221.9
Diluted weighted average ordinary shares (million)	259	259
Pre-exceptional diluted EPS (cent)	196.3	220.9

9. Dividends

During the period, the final dividend for 2022 of 107.6 cent per share was paid to the holders of ordinary shares. The Board has decided to pay an interim dividend of 33.5 cent per share (approximately €87 million). It is proposed to pay this dividend on 27 October 2023 to all ordinary shareholders on the share register at the close of business on 29 September 2023.

10. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Six months ended 30 June 2023			
Opening net book amount	1,269	3,362	4,631
Reclassifications	47	(47)	-
Additions	-	379	379
Acquisitions	6	7	13
Depreciation charge	(31)	(204)	(235)
Hyperinflation adjustment	8	16	24
Foreign currency translation adjustment	9	43	52
At 30 June 2023	1,308	3,556	4,864
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

11. Net Movement in Working Capital

	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Change in inventories	124	(220)
Change in trade and other receivables	(40)	(533)
Change in trade and other payables	(338)	252
Net movement in working capital	(254)	(501)

12. Analysis of Net Debt

	30-Jun-23 €m	31-Dec-22 €m
Revolving credit facility due 2026 ⁽¹⁾	1	4
US\$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	271	276
Bank loans and overdrafts	143	110
€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	252
€1,000 million 2.875% senior notes due 2026 (including accrued interest)	1,009	1,008
€750 million 1.5% senior notes due 2027 (including accrued interest)	749	748
€500 million 0.5% senior green notes due 2029 (including accrued interest)	498	496
€500 million 1.0% senior green notes due 2033 (including accrued interest)	499	497
Gross debt before leases	3,437	3,406
Leases	353	374
Gross debt including leases	3,790	3,780
Cash and cash equivalents	(615)	(788)
Net debt including leases	3,175	2,992

- (1) At 30 June 2023, the following amounts were drawn under this facility:
- (a) Revolver loans - €4 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 30 June 2023, the amount drawn under this facility was €5 million.
- (3) At 30 June 2023, the amount drawn under this facility was €13 million.

13. Other Reserves

Other reserves included in the Condensed 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 2023	575	(4)	-	(604)	334	(65)	-	236
Other comprehensive income								
Foreign currency translation adjustments	-	-	-	102	-	-	-	102
Effective portion of changes in fair value of cash flow hedges	-	(3)	-	-	-	-	-	(3)
Total other comprehensive (expense)/income	-	(3)	-	102	-	-	-	99
Share-based payment	-	-	-	-	32	-	-	32
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(28)	-	(28)
Shares distributed by SKG Employee Trust	-	-	-	-	(15)	15	-	-
At 30 June 2023	575	(7)	-	(502)	351	(78)	-	339
At 1 January 2022	575	1	1	(541)	293	(59)	(10)	260
Other comprehensive income								
Foreign currency translation adjustments	-	-	-	109	-	-	-	109
Effective portion of changes in fair value of cash flow hedges	-	(6)	-	-	-	-	-	(6)
Changes in fair value of cost of hedging	-	-	(1)	-	-	-	-	(1)
Total other comprehensive (expense)/income	-	(6)	(1)	109	-	-	-	102
Derecognition of equity instruments	-	-	-	-	-	-	10	10
Share-based payment	-	-	-	-	30	-	-	30
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(27)	-	(27)
Shares distributed by SKG Employee Trust	-	-	-	-	(21)	21	-	-
At 30 June 2022	575	(5)	-	(432)	302	(65)	-	375

14. Fair Value Hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	2	-	-	2
Unlisted	-	8	-	8
Derivative financial instruments:				
Assets at fair value through profit or loss	-	6	-	6
Derivative financial instruments:				
Liabilities at fair value through profit or loss	-	(23)	-	(23)
Derivatives used for hedging	-	(19)	-	(19)
	2	(28)	-	(26)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2022:

	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Other investments:				
Listed	2	-	-	2
Unlisted	-	8	-	8
Derivative financial instruments:				
Assets at fair value through profit or loss	-	44	-	44
Derivatives used for hedging	-	4	-	4
Derivative financial instruments:				
Liabilities at fair value through profit or loss	-	(16)	-	(16)
Derivatives used for hedging	-	(9)	-	(9)
	2	31	-	33

The fair value of listed investments is determined by reference to their bid price at the reporting date. Unlisted investments are valued using recognised valuation techniques for the underlying security including discounted cash flows and similar unlisted equity valuation models.

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.

There were no reclassifications or transfers between the levels of the fair value hierarchy during the period.

15. 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 to the Consolidated Financial Statements of the Group's 2022 Annual Report.

	30-Jun-23		31-Dec-22	
	Carrying value €m	Fair value €m	Carrying value €m	Fair value €m
Trade and other receivables ⁽¹⁾	2,260	2,260	2,228	2,228
Listed and unlisted debt instruments ⁽²⁾	10	10	10	10
Cash and cash equivalents ⁽³⁾	615	615	788	788
Derivative assets ⁽⁴⁾	6	6	48	48
	2,891	2,891	3,074	3,074
Trade and other payables ⁽¹⁾	1,810	1,810	2,121	2,121
Revolving credit facility ⁽⁵⁾	1	1	4	4
2026 €100 million receivables securitisation ⁽³⁾	4	4	4	4
2026 €230 million receivables securitisation ⁽³⁾	11	11	11	11
Bank loans and overdrafts ⁽³⁾	143	143	110	110
2025 debentures ⁽⁶⁾	271	281	276	297
2025 notes ⁽⁶⁾	252	248	252	246
2026 notes ⁽⁶⁾	1,009	977	1,008	981
2027 notes ⁽⁶⁾	749	674	748	672
2029 green notes ⁽⁶⁾	498	405	496	385
2033 green notes ⁽⁶⁾	499	374	497	349
	5,247	4,928	5,527	5,180
Derivative liabilities ⁽⁴⁾	42	42	25	25
Deferred consideration ⁽⁷⁾	1	1	5	5
	5,290	4,971	5,557	5,210
Total net position	(2,399)	(2,080)	(2,483)	(2,136)

- (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 financial assets is determined by reference to their bid price at the reporting date. Unlisted 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 Condensed 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, energy and commodity 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).
- (5) The fair value (level 2) of the RCF 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) The fair value (level 2) is based on broker prices at the balance sheet date.
- (7) The fair value of deferred consideration is based on the present value of the expected payment, discounted using an appropriate market discount rate at the balance sheet date.

16. Related Party Transactions

Details of related party transactions in respect of the year ended 31 December 2022 are contained in Note 30 to the Consolidated Financial Statements of the Group's 2022 Annual Report. The Group continued to enter into transactions in the normal course of business with its associates and other related parties during the period.

During the first half of 2023, the Group provided funding of €3 million to the Smurfit Kappa Foundation. There were no other transactions with related parties in the first half of 2023 or changes to transactions with related parties disclosed in the 2022 Consolidated Financial Statements that had a material effect on the financial position or the performance of the Group.

17. Board Approval

This interim report was approved by the Board of Directors on 1 August 2023.

18. Distribution of the Interim Report

This 2023 interim report is available on the Group's website; smurfitkappa.com.

Responsibility Statement in Respect of the Six Months Ended 30 June 2023

The Directors, whose names and functions are listed on pages 100 to 103 in the Group's 2022 Annual Report, are responsible for preparing this interim management report and the Condensed Consolidated Interim Financial Statements in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34, *Interim Financial Reporting* as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2023 have been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34, adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2023, and a description of the principal risks and uncertainties for the remaining six months;
- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Board

A. Smurfit, Director and Chief Executive Officer

K. Bowles, Director and Chief Financial Officer

1 August 2023

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 Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements.

Please note where referenced 'CIS' refers to Condensed Consolidated Income Statement, 'CBS' refers to Condensed Consolidated Balance Sheet and 'CSCF' refers to Condensed 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 Condensed Consolidated Interim 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	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Profit for the financial period	CIS	476	574
Income tax expense (after exceptional items)	CIS	183	195
Exceptional items charged in operating profit	CIS	34	-
Net finance costs (after exceptional items)	Note 5	87	71
Share of associates' profit (after tax)	CIS	(1)	(1)
Share-based payment expense	Note 3	33	31
Depreciation, depletion (net) and amortisation	Note 3	301	304
EBITDA		1,113	1,174

B. EBITDA margin

Definition

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

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
EBITDA	A	1,113	1,174
Revenue	CIS	5,837	6,385
EBITDA margin		19.1%	18.4%

Alternative Performance Measures (continued)

C. Operating profit before exceptional items

Definition

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

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Operating profit	CIS	745	839
Exceptional items	CIS	34	-
Operating profit before exceptional items	CIS	779	839

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 30-Jun-23	The Americas 30-Jun-23	Total 30-Jun-23	Europe 30-Jun-22	The Americas 30-Jun-22	Total 30-Jun-22
EBITDA						
Currency	(1%)	(3%)	(2%)	-	8%	2%
Hyperinflation	-	(1%)	-	-	-	-
Acquisitions/disposals	-	2%	-	2%	3%	2%
Underlying EBITDA change	(4%)	3%	(3%)	55%	18%	46%
Reported EBITDA change	(5%)	1%	(5%)	57%	29%	50%
Revenue						
Currency	-	(3%)	(1%)	-	7%	2%
Hyperinflation	-	1%	-	-	1%	-
Acquisitions/disposals	(1%)	2%	(1%)	2%	4%	2%
Underlying revenue change	(8%)	(6%)	(7%)	33%	28%	32%
Reported revenue change	(9%)	(6%)	(9%)	35%	40%	36%

Alternative Performance Measures (continued)

F. Net debt

Definition

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

	Reference	30-Jun-23 €m	30-Jun-22 €m	31-Dec-22 €m
Borrowings	Note 12	3,790	3,800	3,780
Less:				
Cash and cash equivalents	CBS	(615)	(491)	(788)
Net debt		3,175	3,309	2,992

G. Net debt to EBITDA

Definition

Leverage (ratio of net debt to EBITDA for the last twelve months ('LTM')) is an important measure of our overall financial position.

	Reference	30-Jun-23 €m	30-Jun-22 €m	31-Dec-22 €m
Net debt	F	3,175	3,309	2,992
EBITDA LTM		2,294	2,095	2,355
Net debt to EBITDA LTM (times)		1.4	1.6	1.3

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) LTM divided by the average capital employed (where average capital employed is the average of total equity and net debt at the current and prior period-end).

	Reference	30-Jun-23 €m	30-Jun-22 €m
Operating profit before exceptional items plus share of associates' profit (after tax) LTM		1,605	1,436
Total equity – current period-end	CBS	5,370	5,036
Net debt – current period-end	F	3,175	3,309
Capital employed – current period-end		8,545	8,345
Total equity – prior period-end	CBS	5,036	4,004
Net debt – prior period-end	F	3,309	2,549
Capital employed – prior period-end		8,345	6,553
Average capital employed		8,445	7,449
Return on capital employed		19.0%	19.3%

Alternative Performance Measures (continued)

I. Working capital

Definition

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

	Reference	30-Jun-23 €m	30-Jun-22 €m
Inventories	CBS	1,110	1,296
Trade and other receivables (current and non-current)	CBS	2,517	2,835
Trade and other payables	CBS	(2,301)	(2,828)
Working capital		1,326	1,303

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	30-Jun-23 €m	30-Jun-22 €m
Working capital	I	1,326	1,303
Annualised quarterly revenue		11,367	13,442
Working capital as a percentage of sales		11.7%	9.7%

Alternative Performance Measures (continued)

K. Summary cash flow

Definition

The summary cash flow is prepared on a different basis to the Condensed 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 Condensed Consolidated Statement of Cash Flows. The summary cash flow details movements in net debt. The Condensed Consolidated Statement of Cash Flows details movements in cash and cash equivalents.

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

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
EBITDA	A	1,113	1,174
Cash interest expense	K.1	(66)	(61)
Working capital change	K.2	(262)	(501)
Capital expenditure	K.3	(429)	(349)
Change in capital creditors	K.3	(35)	(108)
Tax paid	CSCF	(173)	(158)
Change in employee benefits and other provisions	CSCF	(46)	(22)
Other	K.5	17	(3)
Free cash flow	L	119	(28)
Disposal of Russian operations	L	1	-
Purchase of own shares (net)	CSCF	(28)	(27)
Purchase of businesses, investments and NCI	K.6	(4)	(48)
Dividends	CSCF	(280)	(250)
Net cash outflow		(192)	(353)
Acquired net debt	K.7	-	(5)
Deferred debt issue costs amortised		(3)	(4)
Currency translation adjustment		12	(62)
Increase in net debt		(183)	(424)

K.1 Cash interest expense

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Interest paid	CSCF	(75)	(57)
Interest received	CSCF	12	2
Move in accrued interest		(3)	(6)
Per summary cash flow		(66)	(61)

Alternative Performance Measures (continued)

K.2 Working capital change

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Net movement in working capital	CSCF	(254)	(501)
Impairment loss on Russian trade receivables		(8)	-
Per summary cash flow		(262)	(501)

K.3 Capital expenditure

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Additions to property, plant and equipment and biological assets	CSCF	(419)	(418)
Additions to intangible assets	CSCF	(6)	(8)
Net additions to right-of-use assets		(39)	(31)
Change in capital creditors	K	35	108
Per summary cash flow		(429)	(349)

K.4 Capital expenditure as a percentage of depreciation

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Capital expenditure	K.3	429	349
Depreciation, depletion (net) and amortisation	A	301	304
Capital expenditure as a percentage of depreciation		142%	115%

K.5 Other

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
<i>Other within the summary cash flow comprises the following</i>			
Amortisation of capital grants	CSCF	(1)	(1)
Profit on sale of property, plant and equipment	CSCF	(1)	(6)
Other (primarily hyperinflation adjustments)	CSCF	9	7
Receipt of capital grants	CSCF	2	-
Disposal of property, plant and equipment	CSCF	1	10
Right-of-use asset terminations/modifications	L	7	(13)
Per summary cash flow		17	(3)

Alternative Performance Measures (continued)

K.6 Purchase of businesses, investments and NCI

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	-	(36)
Deferred consideration paid	CSCF	(4)	(10)
Acquired cash and cash equivalents	K.7	-	(2)
Per summary cash flow		(4)	(48)

K.7 Acquired net debt

	Reference	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Debt acquired		-	(7)
Acquired cash and cash equivalents	K.6	-	2
Per summary cash flow		-	(5)

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	6 months to 30-Jun-23 €m	6 months to 30-Jun-22 €m
Free cash flow	K	119	(28)
<i>Reconciling items:</i>			
Cash interest expense	K.1	66	61
Capital expenditure (net of change in capital creditors)	K.3	464	457
Tax payments	CSCF	173	158
Disposal of property, plant and equipment	CSCF	(1)	(10)
Right-of-use asset terminations/modifications	K.5	(7)	13
Receipt of capital grants	CSCF	(2)	-
Disposal of Russian operations	K	1	-
Non-cash financing activities		1	-
Cash generated from operations	CSCF	814	651