PRESS RELEASE

10 February: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the full year ending 31 December 2020.

2020 Full Year | Key Financial Performance Measures

€m	FY 2020	FY 2019	Change	H2 2020	H2 2019	Change	H1 2020	Change
Revenue	€8,530	€9,048	(6%)	€4,327	€4,426	(2%)	€4,203	3%
EBITDA [1]	€1,510	€1,650	(9%)	€775	€803	(4%)	€735	5%
EBITDA Margin [1]	17.7%	18.2%		17.9%	18.2%		17.5%	
Operating Profit before Exceptional Items [1]	€922	€1,062	(13%)	€472	€504	(6%)	€450	5%
Profit before Income Tax	€748	€677	10%	€365	€221	65%	€383	(5%)
Basic EPS (cent)	227.9	201.6	13%	111.1	61.1	82%	116.9	(5%)
Pre-exceptional Basic EPS (cent) [1]	236.9	274.8	(14%)	120.0	133.2	(10%)	116.9	3%
Free Cash Flow [1]	€675	€547	23%	€437	€388	12%	€238	83%
Return on Capital Employed [1]	14.6%	17.0%					14.8%	
Net Debt [1]	€2,375	€3,483	(32%)				€3,257	(27%)
Net Debt to EBITDA (LTM) [1]	1.6x	2.1x					2.1x	

Key Points

- EBITDA of €1,510 million with an EBITDA margin of 17.7%
- Strong Free Cash Flow of €675 million
- ROCE of 14.6%
- Increased sustainability targets including net zero CO_2 emissions by 2050
- Successful capital raise of €660 million to pursue attractive growth opportunities
- Final dividend increased by 8% to 87.4 cent per share

Performance Review and Outlook

Tony Smurfit, Group CEO, commented:

"Smurfit Kappa is pleased to report an EBITDA of €1,510 million for the year 2020, ahead of our stated guidance. Both Europe and the Americas had strong demand in the fourth quarter offsetting significantly higher input costs, predominantly in recovered fibre. In what has been the most challenging year in recent memory I would like to acknowledge the tremendous efforts by all our 46,000 employees, and thank our over 65,000 customers for their continued support.

"Over a number of years SKG has transformed its business through disciplined capital allocation and a focus on innovation, further demonstrated today by our strong performance with an EBITDA of €1,510 million, an EBITDA margin of 17.7%, record free cash flow of €675 million and a ROCE of 14.6%.

"In November, we successfully completed a share placing to capitalise on structural drivers of growth; to invest in sustainability; and to increase our operating efficiencies. SKG is now increasingly well positioned to take advantage of these opportunities, from a position of enhanced financial strength.

[1] Additional information in relation to these Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on pages 28 to 35.

“Our European business delivered a very strong performance with an EBITDA of €1,180 million and EBITDA margin of 17.8%. Demand accelerated in the second half, with a particularly strong fourth quarter driven by increased demand across our customer base.

“I am equally pleased with the performance in our Americas region which delivered an EBITDA of €372 million and a record EBITDA margin of 19.7%. This performance is as a result of our very strong market positions, our successful acquisitions and the high-return investments made in the region in recent years.

“SKG recognises the importance of dividends to shareholders and we were pleased to meet all our dividend commitments during 2020. In addition, we have repaid all specific government support schemes related to the pandemic. As noted in our third quarter trading update we initiated a programme during the fourth quarter to further increase our operating efficiency and effectiveness through new ways of working. We have taken an exceptional charge of €35 million in relation to this and expect to realise the benefits within two years.

“In recognition of our employees’ response to the pandemic, SKG made a unique reward in the fourth quarter to every employee. Furthermore, across our 35 countries, the Group has made donations to charities, research and medical institutions and frontline health professionals, in addition to our well established community engagement programmes.

“Our product, paper-based packaging, is renewable, recyclable and biodegradable and plays a fundamental part in addressing our customers’ sustainability challenges. In SKG, we produce our products in an ever more sustainable manner and we have, again, reset our targets in this area. We believe that all industries must do their part in contributing to a better world and we remain committed to using the best available technology to both help us reduce our impact on the planet and to help our customers meet their ambitions.

“Driven by strong secular trends such as e-commerce and sustainability, the outlook for our industry is increasingly positive. SKG has positioned itself as the leading company within the industry, with great people, providing our customers with unique packaging solutions centred around innovation, efficiency and sustainability. The inherent strength of our business together with the recent capital raise provides us with an unrivalled platform to accelerate our vision and the Group’s next phase of growth and development.

“While there remains some uncertainty on the impact and duration of COVID-19, the year has started well with the continuation of the demand trends seen during the last quarter. Reflecting the Board’s confidence in this performance and prospects for the business looking forward, the Board is proposing an increase in the final dividend of 8% to 87.4 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 46,000 employees in over 350 production sites across 35 countries and with revenue of €8.5 billion in 2020. We are located in 23 countries in Europe, and 12 in the Americas. We are the only large-scale pan-regional player in Latin America.

With our 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.

Our products, which are 100% renewable and produced sustainably, improve the environmental footprint of our customers.
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smurfitkappa.com

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.

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2020 Full Year | Performance Overview

The Group reported EBITDA for the full year of €1,510 million, down 9% on 2019. The Group EBITDA margin was 17.7%, down from 18.2% in 2019. The result reflects the fall in box prices and the impact of the COVID-19 pandemic, mitigated by the resilience of the Group's integrated model, the benefits of our customer-focused, industry-leading innovation and sustainability initiatives, including the launch of new product portfolios to satisfy growing demand in specific market segments, further engagement with customers through virtual seminars, capital spend programme, rigorous cost management and lower year-on-year recovered fibre costs.

In Europe, EBITDA decreased by 11% to €1,180 million. The EBITDA margin was 17.8%, down from 19.0% in 2019. Box demand was up approximately 2% for the year with strong performances in Scandinavia, Spain and Portugal, the UK and Eastern Europe. In the second half, having been flat for the first six months, box volumes were up over 3%, with approximately 6% growth in the fourth quarter. Corrugated pricing was in line with our expectations.

In the Americas, EBITDA increased by 3% on 2019 to €372 million. The EBITDA margin also improved, up from 17.5% in 2019 to 19.7% in 2020. Colombia, Mexico and the US accounted for almost 90% of the region's earnings with strong performances in all three countries. Volumes in the region started the year strongly but were subsequently heavily impacted by COVID-19 related lockdowns during the second quarter. The third quarter showed positive volume growth and in the fourth quarter demand was up over 9% versus the prior year. As a result, volumes for the full year were up approximately 2% year-on-year.

Across Europe and the Americas, recovered fibre prices were lower in 2020. However, prices rose rapidly in the second half of the year and we continue to see prices increasing in early 2021. Energy prices have also been increasing. Reflecting this, containerboard prices have been rising and the supply of containerboard remains very tight globally, both for kraftliner and testliner.

The investment programmes we commenced during the year have been completed in both regions and we continue to be at the forefront of innovation in our sector with unique applications delivering sustainable packaging solutions for our customers.

The Group reported free cash flow of €675 million in the full year of 2020, up 23% from €547 million in 2019. The average maturity profile of the Group's debt was 4.9 years at 31 December 2020 with an average interest rate of 3.13%. Net debt to EBITDA was 1.6x at the year-end versus 2.1x at the half year and at the end of December 2019. Based on our strong business profile and ability to consistently generate substantial free cash flow the Group is revising its target leverage range to 1.5x to 2.0x from 1.75x to 2.50x and is targeting to achieve and maintain investment grade credit ratings. During the fourth quarter of 2020, Fitch Ratings upgraded the Group's long-term issuer rating to BBB- with stable outlook from BB+ with positive outlook, highlighting the Group's strengthened financial structure following the equity raise and investment plan announced in November 2020 and the Group's plans to finance these investments from equity and cash flow. In November 2020, Moody's and Standard & Poor's revised the Group ratings outlook to positive from stable, with the Group strongly positioned at the Ba1/BB+ credit rating level with both agencies.

2020 Full Year | Financial Performance

Revenue for the full year was €8,530 million, down 6% on the full year of 2019 or 3% on an underlying[2] basis. This result reflects the adverse impact of currency and the fall in box prices.

EBITDA for the full year was €1,510 million, 9% down on the full year of 2019 but ahead of our stated guidance from the third quarter trading update due to a particularly strong finish to the year. On an underlying basis Group EBITDA was down 7% year-on-year, with Europe down 11% and the Americas up 12%.

Operating profit before exceptional items for the full year of 2020 at €922 million was 13% lower than €1,062 million for 2019.

Net exceptional items charged within operating profit in 2020 amounted to €31 million. €35 million related to reorganisation and restructuring costs in Europe and the Americas and €11 million related to the unique recognition reward given to all permanent employees. These were partly offset by a €15 million exceptional gain on the UK pension scheme.

[2] Additional information on underlying performance is set out within Supplementary Financial Information on pages 28 to 35.

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

There were no exceptional finance costs charged in 2020.

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

Pre-exceptional net finance costs at €144 million were €48 million lower in 2020 primarily as a result of a decrease in cash interest of €38 million due predominantly to a lower level of borrowing, a lower coupon on our more recent bonds and a lower interest rate environment in general. Non-cash costs were €10 million lower, which was mainly due to a €5 million decrease in interest cost on net pension liabilities and a reduction of €4 million on the net fair value loss on derivatives.

With the €140 million decrease in operating profit before exceptional items partly offset by the €48 million decrease in net finance costs, the pre-exceptional profit before income tax was €779 million, €93 million lower than in 2019.

After exceptional items of €31 million, the profit before tax for the full year of 2020 was €748 million compared to a profit of €677 million in 2019. The income tax expense was €201 million compared to €193 million in 2019, resulting in a profit of €547 million for 2020 compared to a profit of €484 million in 2019.

Basic EPS for the full year of 2020 was 227.9 cent, compared to 201.6 cent in 2019. On a pre-exceptional basis, EPS was 236.9 cent in 2020, 14% lower than the 274.8 cent in the full year of 2019.

2020 Full Year | Free Cash Flow

Free cash flow in the full year of 2020 was €675 million compared to €547 million for 2019 – an increase of €128 million. An EBITDA reduction of €140 million and exceptional outflows were more than offset by lower outflows for capital expenditure, cash interest expense and a higher working capital inflow.

The working capital inflow in 2020 was €94 million compared to €45 million in 2019. The inflow in 2020 was primarily driven by an increase in creditors, a decrease in stocks along with a decrease in debtors. Working capital amounted to €501 million at December 2020, representing 5.6% of annualised revenue compared to 8.4% at June 2020 and 7.2% at December 2019.

Capital expenditure in 2020 amounted to €575 million (equating to 104% of depreciation) compared to €730 million (equating to 134% of depreciation) in 2019.

Cash interest amounted to €118 million in 2020 compared to €156 million in 2019 predominantly due to a lower level of borrowing, a lower coupon on our more recent bonds and a lower interest rate environment in general.

Tax payments in the full year of 2020 of €194 million were €28 million lower than in 2019.

Share Placing

In November the Group successfully priced the non-pre-emptive placing of new ordinary shares in the capital of the Company. A total of 19,411,765 new ordinary shares in the Company were placed at a price of €34.00 per placing share, raising gross proceeds of approximately €660 million.

Net proceeds from the Placing, together with internally generated cash flows, will enable us to accelerate investment over the next three years and to deliver for our customers with enhanced financial flexibility.

The continued development of e-commerce and the increasing demand for sustainable, paper-based packaging continue to present opportunities for Smurfit Kappa. Accelerated investment, at this time, will allow us to increase our competitive advantage, align us with the sustainability goals of our customers and enhance our operational efficiency.

2020 Full Year | Capital Structure

Net debt was €2,375 million at the end of December, resulting in a net debt to EBITDA ratio of 1.6x compared to 2.1x at the end of June 2020 and December 2019. With net debt to EBITDA at 1.6x the strength of the Group's balance sheet continues to secure long-term strategic flexibility. With a revised target leverage range of 1.5x to 2.0x, a strong business profile and our ability to consistently deliver substantial free cash flow the Group is aiming to achieve and maintain investment grade credit ratings.

During the fourth quarter of 2020, Fitch Ratings upgraded the Group's long-term issuer rating to BBB- with stable outlook from BB+ with positive outlook, highlighting the Group's strengthened financial structure following the equity raise and investment plan announced in November 2020 and the Group's plans to finance these investments from equity and cash flow. In November 2020, Moody's and Standard & Poor's revised the Group ratings outlook to positive from stable, with the Group strongly positioned at the Ba1/BB+ credit rating level with both agencies.

At 31 December 2020, the Group's average interest rate was 3.13% compared to 3.18% at 31 December 2019. The Group's diversified funding base and long-dated maturity profile of 4.9 years (31 December 2019: 5.5 years) provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €901 million at the end of December, which were further supplemented by available commitments of €1.25 billion under its Revolving Credit Facility ('RCF') and €412 million under its securitisation programmes.

Dividends

The Board is recommending a final dividend of 87.4 cent per share (approximately €226 million). It is proposed to pay this dividend on 7 May 2021 to all ordinary shareholders on the share register at the close of business on 9 April 2021, subject to the approval of the shareholders at the AGM.

2020 Full Year | Sustainability

SKG recently announced ambitious new sustainability targets as part of 'Better Planet 2050', focusing on a further reduction of our environmental footprint, increased support for the communities in which we operate and further enhancement to the lives of our employees. These targets build upon our well established sustainability record, on which we have been reporting since 2005.

Better Planet 2050 quantifies our continued commitment to sustainability, targeting environmental and social sustainability in areas where the Group believes it can have the greatest impact. These include delivering sustainable packaging to customers, reducing our environmental footprint in water usage, waste and carbon emissions and supporting our communities, promoting inclusion and diversity as well as health and safety. The targets identified are specific, measurable and provide a roadmap to deliver results in the short, medium and longer term.

SKG is the undisputed industry leader in delivering Chain of Custody certified sustainable packaging solutions to its customers. The Group will further increase certified deliveries to customers to 95%, up from the current 90% target. Chain of Custody certified deliveries are essential in providing transparency and traceability to customers who have trust and confidence that our raw materials are sustainably sourced.

As a large processor rather than a large consumer of water, the new water target will see the Group reduce overall water intake. As a manufacturer of products that are renewable, recyclable, recycled and biodegradable, the Group will continue to seek alternative ways to reuse, recycle and recover waste material to reduce waste to landfill. In 2020, SKG set out the most ambitious target to date when the Group announced a goal to achieve at least net zero CO_2 emissions by 2050. The Group has also increased the existing intermediate 2030 CO_2 reduction target from 40% to 55%, relative to the 2005 baseline. The Group will have these targets validated by the Science Based Target initiative ('SBTi') as being in line with the objectives of the Paris Agreement.

Demonstrating our care for our people and support for the communities in which we operate, the Group is targeting a range of measures including a further annual reduction in our Total Recordable Injury Rate ('TRIR'). Separately and in addition, the Group's stated ambition is to ensure female gender representation is above 30%. Finally, the Group is also committing to donate over €24 million in the next five years to support community initiatives, building upon the extensive volunteer and community work done locally throughout the world.

By committing to these sustainability targets, the Group's Better Planet Packaging ('BPP') portfolio of sustainable products will continue to be produced using less resources, less energy and create less waste. In providing and developing innovative paper-based packaging solutions, reducing the Group's impact on the planet, we can make a positive contribution to the world and help our customers to deliver on their own short and long-term sustainability goals.

In May, the Group released its 13th annual Sustainable Development Report ('SDR'). The Group reported a 32.9% reduction in fossil CO_2 emission intensity from its 2005 baseline. SKG has committed to align its CO_2 target with the SBTi and we are building on more than a decade of sustainability reporting by supporting the recommendations of the Taskforce on Climate-related Financial Disclosures.

During the full year of 2020, a significant achievement in our CO_2 reduction programme was made with the successful start-up of the new recovery boiler at the Nettingsdorf kraftliner mill in Austria; a €134 million investment that cuts CO_2 emissions by 40,000 tonnes, a further 1.5% towards the Group's total CO_2 emissions reduction target.

In May, the Group further demonstrated its thought leadership in sustainability with the publication of the 'Balancing Sustainability and Profitability Survey', which was conducted among 200 senior executives and 1,500 consumers in the UK, examining the business community's and consumers' views on sustainability and how they are adapting to create a more sustainable future.

Due to COVID-19, a number of Group-wide initiatives were put in place including; multiple local employee safety and engagement programmes, a global employee survey to help better understand the challenges being faced by our employees and shape an appropriate response, a health and safety day dedicated to staying safe during the pandemic, weekly updates to help keep people informed, as well as leadership webinars to help our managers deal with the inevitable consequences of the pandemic on our people. SKG has also looked outside of our organisation and made additional charitable donations of approximately €3 million to support the local communities in which we operate.

SKG has also recently aligned the Group's sustainability ambitions and targets into its financing by embedding the sustainability targets via Key Performance Indicators into the existing €1.35 billion RCF, creating a Sustainability Linked RCF.

The Group continues to be listed on various sustainability indices, 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 and Sustainalytics.

2020 Full Year | Commercial Offering and Innovation

SKG has continued to deliver value to our customers through 2020, notwithstanding the impact of COVID-19. In the same way our operations had to adapt to new ways of working, so too did our commercial interactions with our customers. During the year the Group, led by packaging engineers and sales people, delivered virtual webinars on e-commerce packaging, Better Planet Packaging, our Smart Applications, and many more, to thousands of customers across hundreds of events.

Our market-led focus has meant SKG has continued to engage digitally with its customers focusing on projects that deliver greater impact to the consumer, using ShelfSmart to reduce costs and our customers supply chain carbon footprint; using SupplySmart; and using our broader SMART and Innotools portfolio of applications to deliver against our customer specific projects, whether this is moving elements of their supply chain online or responding to the consumers drive for a more sustainable world.

The surge in e-commerce due to the COVID-19 pandemic has been evident across all sectors and the beverage market has also seen a significant impact. In particular, online sales for alcoholic beverages have increased by 34% in Europe driving a demand for sustainable, durable and consumer friendly packaging that protects the product during shipment. In response to these growing customer challenges, and in turn market opportunities, the Group launched a new range of eBottle packaging solutions for the rapidly growing online beverage and liquids market. The new portfolio includes a variety of sustainable solutions for single and multi-pack products, including the Rollor bottle pack, BiPack, and Pop-up insert.

The Group has also been delighted to see the continued development of its patented TopClip product. New customers have started to use TopClip, and in partnership with KHS, we have the first high speed packing line going to a customer in the first half of 2021.

In March of this year the Group will host over 800 customers at a virtual BPP Awards ceremony. Those attending will get the opportunity to explore 17 unique BPP innovations, visit four paper-based packaging facilities and observe the implementation of various BPP solutions with existing customers.

Summary Cash Flow

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

	H2 2020 €m	H2 2019 €m	**FY 2020 €m**	FY 2019 €m
EBITDA	**775**	803	**1,510**	1,650
Exceptional items	**(18)**	-	**(18)**	-
Cash interest expense	**(57)**	(74)	**(118)**	(156)
Working capital change	**126**	214	**94**	45
Capital expenditure	**(345)**	(458)	**(575)**	(730)
Change in capital creditors	**33**	53	**(18)**	19
Tax paid	**(96)**	(130)	**(194)**	(222)
Change in employee benefits and other provisions	**7**	(29)	**(20)**	(73)
Other	**12**	9	**14**	14
Free cash flow	**437**	388	**675**	547
Share issues (net)	**648**	2	**648**	2
Purchase of own shares (net)	**-**	2	**(16)**	(23)
Purchase of businesses, investments and NCI*	**(4)**	-	**(25)**	(204)
Dividends	**(260)**	(67)	**(260)**	(242)
Derivative termination receipts	**-**	1	**9**	1
Premium on early repayment of bonds	**-**	(31)	**-**	(31)
Net cash inflow	**821**	295	**1,031**	50
Net debt acquired	**-**	(3)	**(1)**	(7)
Adjustment on initial application of IFRS 16	**-**	-	**-**	(361)
Deferred debt issue costs amortised	**(3)**	(7)	**(7)**	(14)
Currency translation adjustment	**64**	(17)	**85**	(29)
Decrease/(increase) in net debt	**882**	**268**	**1,108**	(361)

* 'NCI' refers to non-controlling interests

Additional information in relation to these Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on pages 28 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.

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

At 31 December 2020, the Group had outstanding, €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026 and €750 million 1.5% senior notes due 2027.

The Group had outstanding €12.6 million variable funding notes issued under the €230 million accounts receivable securitisation programme maturing in June 2023, together with €5 million variable funding notes issued under the €200 million accounts receivable securitisation programme maturing in February 2022.

The Group also has a €1,350 million RCF with a maturity date of 28 January 2026. At 31 December 2020, the Group's drawings on this facility comprised €50 million and US$55.7 million, with a further €5 million drawn in operational facilities including letters of credit drawn under various ancillary facilities.

Funding and Liquidity (continued)

In December 2020, the Group aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via Key Performance Indicators ("KPIs") into its RCF, creating a Sustainability Linked RCF. The Sustainability Linked RCF 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.

The following table provides the interest rates at 31 December 2020 for the drawings under the Sustainability Linked RCF:

Currency	Interest Rate
EUR	0.817%
USD	1.054%

In January 2020, the Group secured the agreement of all lenders in its RCF to the exercise of its first extension option under the terms of the facility, extending the maturity date by one year to 28 January 2025. In December 2020, the Group also secured the agreement of all lenders to the exercise of its second extension option under the terms of the facility, extending the maturity date to 28 January 2026.

Market Risk and Risk Management Policies

The Group is exposed to the impact of interest rate changes and foreign currency fluctuations due to its investing and funding activities and its operations in different foreign currencies. Interest rate risk exposure is managed by achieving an appropriate balance of fixed and variable rate funding. As at 31 December 2020, the Group had fixed an average of 94% of its interest cost on borrowings over the following 12 months.

The Group's fixed rate debt comprised €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026 and €750 million 1.5% senior notes due 2027. €100 million in interest rate swaps converting variable rate borrowings to fixed rate matured in January 2021.

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 €3 million over the following 12 months. Interest income on the Group's cash balances would increase by approximately €9 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, options and forward contracts in the management of its foreign currency exposures.

Principal Risks and Uncertainties

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

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

The Board regularly monitors all of the Group's risks and appropriate actions are taken to mitigate those risks or address their potential adverse consequences. As part of the year-end risk assessment, the Board has considered the impact of the COVID-19 pandemic on the principal risks of the Group.

The Group is an integral part of the supply chain for essential and critical supplies and as a result there has been no significant disruption to our business during 2020. In addition, a number of measures and mitigations have been introduced to ensure the ongoing safety of our employees.

Our assessment has concluded that our principal risks remain unchanged. The Board will continue to monitor the potential impact of the COVID-19 pandemic.

The principal risks and uncertainties for the current financial year are summarised below.

- If the current economic climate were to deteriorate, for example as a result of geopolitical uncertainty (including Brexit), trade tensions and/or the current COVID-19 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 raw materials and energy costs could adversely affect the Group's manufacturing costs.
- The Group is exposed to currency exchange rate fluctuations.
- The Group may not be able to attract and retain suitably qualified employees as required for its business.
- Failure to maintain good health and safety practices may have an adverse effect on the Group's business.
- The Group is subject to a growing number of environmental laws and regulations, and the cost of compliance or the failure to comply with current and future laws and regulations may negatively affect the Group's business.
- The Group is subject to anti-trust and similar legislation in the jurisdictions in which it operates.
- The Group, similar to other large global companies, is susceptible to cyber-attacks with the threat to the confidentiality, integrity and availability of data in its systems.

The principal risks and uncertainties faced by the Group were outlined in our 2019 Annual Report on pages 32-33. The Annual Report is available on our website; smurfitkappa.com.

Consolidated Income Statement
For the Financial Year Ended 31 December 2020

	2020 Unaudited			2019 Audited		
	Pre-exceptional	**Exceptional**	**Total**	Pre-exceptional	Exceptional	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**8,530**	**-**	**8,530**	9,048	-	9,048
Cost of sales	**(5,656)**	**-**	**(5,656)**	(6,043)	(8)	(6,051)
Gross profit	**2,874**	**-**	**2,874**	3,005	(8)	2,997
Distribution costs	**(725)**	**-**	**(725)**	(730)	-	(730)
Administrative expenses	**(1,227)**	**-**	**(1,227)**	(1,213)	-	(1,213)
Other operating expenses	**-**	**(31)**	**(31)**	-	(170)	(170)
Operating profit	**922**	**(31)**	**891**	1,062	(178)	884
Finance costs	**(179)**	**-**	**(179)**	(210)	(37)	(247)
Finance income	**35**	**-**	**35**	18	20	38
Share of associates' profit (after tax)	**1**	**-**	**1**	2	-	2
Profit before income tax	**779**	**(31)**	**748**	872	(195)	677
Income tax expense			**(201)**			(193)
Profit for the financial year			**547**			484
Attributable to:						
Owners of the parent			**545**			476
Non-controlling interests			**2**			8
Profit for the financial year			**547**			484
Earnings per share						
Basic earnings per share - cent			**227.9**			201.6
Diluted earnings per share - cent			**225.7**			200.0

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2020

	2020 Unaudited €m	2019 Audited €m
Profit for the financial year	**547**	484
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**(165)**	12
- Recycled to Consolidated Income Statement	**1**	-
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**1**	8
- Fair value gain on cash flow hedges	**6**	5
- Movement in deferred tax	**(1)**	(1)
Changes in fair value of cost of hedging:		
- Movement out of reserve	**(1)**	(1)
- New fair value adjustments into reserve	**1**	-
	(158)	23
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(9)**	(117)
- Movement in deferred tax	**7**	26
Net change in fair value of investment in equity instruments	**-**	(11)
	(2)	(102)
Total other comprehensive expense	**(160)**	(79)
Total comprehensive income for the financial year	**387**	405
Attributable to:		
Owners of the parent	**388**	394
Non-controlling interests	**(1)**	11
Total comprehensive income for the financial year	**387**	405

Consolidated Balance Sheet
At 31 December 2020

	2020 Unaudited €m	2019 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**3,839**	3,920
Right-of-use assets	**311**	346
Goodwill and intangible assets	**2,552**	2,616
Other investments	**11**	10
Investment in associates	**12**	16
Biological assets	**107**	106
Other receivables	**28**	40
Derivative financial instruments	**-**	6
Deferred income tax assets	**172**	185
	7,032	7,245
Current assets		
Inventories	**773**	819
Biological assets	**11**	11
Trade and other receivables	**1,535**	1,634
Derivative financial instruments	**38**	13
Restricted cash	**10**	14
Cash and cash equivalents	**891**	189
	3,258	2,680
Total assets	**10,290**	9,925
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**2,646**	1,986
Other reserves	**207**	351
Retained earnings	**917**	615
Total equity attributable to owners of the parent	**3,770**	2,952
Non-controlling interests	**13**	41
Total equity	**3,783**	2,993
LIABILITIES		
Non-current liabilities		
Borrowings	**3,122**	3,501
Employee benefits	**853**	899
Derivative financial instruments	**17**	9
Deferred income tax liabilities	**191**	175
Non-current income tax liabilities	**14**	27
Provisions for liabilities	**50**	78
Capital grants	**21**	18
Other payables	**9**	10
	4,277	4,717
Current liabilities		
Borrowings	**154**	185
Trade and other payables	**1,835**	1,863
Current income tax liabilities	**7**	13
Derivative financial instruments	**13**	7
Provisions for liabilities	**221**	147
	2,230	2,215
Total liabilities	**6,507**	6,932
Total equity and liabilities	**10,290**	9,925

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2020

	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 2020	**-**	**1,986**	**351**	**615**	**2,952**	**41**	**2,993**
Profit for the financial year	**-**	**-**	**-**	**545**	**545**	**2**	**547**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(161)**	**-**	**(161)**	**(3)**	**(164)**
Defined benefit pension plans	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**6**	**-**	**6**	**-**	**6**
Total comprehensive income/(expense) for the financial year	**-**	**-**	**(155)**	**543**	**388**	**(1)**	**387**
Shares issued	**-**	**660**	**-**	**(12)**	**648**	**-**	**648**
Purchase of non-controlling interests	**-**	**-**	**(8)**	**12**	**4**	**(27)**	**(23)**
Hyperinflation adjustment	**-**	**-**	**-**	**19**	**19**	**-**	**19**
Dividends paid	**-**	**-**	**-**	**(260)**	**(260)**	**-**	**(260)**
Share-based payment	**-**	**-**	**35**	**-**	**35**	**-**	**35**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(16)**	**-**	**(16)**	**-**	**(16)**
At 31 December 2020	**-**	**2,646**	**207**	**917**	**3,770**	**13**	**3,783**
Audited							
At 1 January 2019	-	1,984	355	399	2,738	131	2,869
Profit for the financial year	-	-	-	476	476	8	484
Other comprehensive income							
Foreign currency translation adjustments	-	-	9	-	9	3	12
Defined benefit pension plans	-	-	-	(91)	(91)	-	(91)
Effective portion of changes in fair value of cash flow hedges	-	-	12	-	12	-	12
Changes in fair value of cost of hedging	-	-	(1)	-	(1)	-	(1)
Net change in fair value of investment in equity instruments	-	-	(11)	-	(11)	-	(11)
Total comprehensive income for the financial year	-	-	9	385	394	11	405
Shares issued	-	2	-	-	2	-	2
Purchase of non-controlling interests	-	-	(29)	45	16	(97)	(81)
Hyperinflation adjustment	-	-	-	24	24	-	24
Dividends paid	-	-	-	(238)	(238)	(4)	(242)
Share-based payment	-	-	39	-	39	-	39
Net shares acquired by SKG Employee Trust	-	-	(23)	-	(23)	-	(23)
At 31 December 2019	-	1,986	351	615	2,952	41	2,993

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 2020

	2020 Unaudited €m	2019 Audited €m
Cash flows from operating activities		
Profit before income tax	**748**	677
Net finance costs	**144**	209
Depreciation charge	**514**	496
Impairment of property, plant and equipment and intangible assets	**-**	8
Impairment of goodwill	**-**	46
Amortisation of intangible assets	**43**	45
Amortisation of capital grants	**(2)**	(2)
Equity settled share-based payment expense	**35**	39
Profit on sale of property, plant and equipment	**(2)**	(3)
Profit on purchase/disposal of businesses	**(4)**	(4)
Share of associates' profit (after tax)	**(1)**	(2)
Net movement in working capital	**95**	48
Change in biological assets	**(6)**	6
Change in employee benefits and other provisions	**(7)**	51
Other (primarily hyperinflation adjustments)	**6**	4
Cash generated from operations	**1,563**	1,618
Interest paid	**(122)**	(233)
Income taxes paid:		
Irish corporation tax (net of tax refunds) paid	**(14)**	(5)
Overseas corporation tax (net of tax refunds) paid	**(180)**	(217)
Net cash inflow from operating activities	**1,247**	1,163
Cash flows from investing activities		
Interest received	**3**	4
Additions to property, plant and equipment and biological assets	**(493)**	(612)
Additions to intangible assets	**(21)**	(20)
Receipt of capital grants	**5**	2
Decrease/(increase) in restricted cash	**4**	(4)
Disposal of property, plant and equipment	**5**	7
Dividends received from associates	**1**	1
Purchase of subsidiaries (net of acquired cash)	**(2)**	(99)
Deferred consideration paid	**-**	(14)
Net cash outflow from investing activities	**(498)**	(735)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares (net)	**648**	2
Proceeds from bond issuance	**-**	1,153
Proceeds from other debt issuance	**-**	417
Purchase of own shares (net)	**(16)**	(23)
Purchase of non-controlling interests	**(23)**	(81)
Decrease in other interest-bearing borrowings	**(329)**	(222)
Repayment of lease liabilities	**(91)**	(83)
Repayment of borrowings	**-**	(1,528)
Derivative termination receipts	**9**	1
Deferred debt issue costs paid	**(2)**	(23)
Dividends paid to shareholders	**(260)**	(238)
Dividends paid to non-controlling interests	**-**	(4)
Net cash outflow from financing activities	**(64)**	(629)
Increase/(decrease) in cash and cash equivalents	**685**	(201)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**172**	390
Currency translation adjustment	**19**	(17)
Increase/(decrease) in cash and cash equivalents	**685**	(201)
Cash and cash equivalents at 31 December	**876**	172

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 2019 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 2019. A number of changes to IFRS became effective in 2020, however, they did not have a material effect on the Consolidated Financial Statements included in this report.

Impact of COVID-19

The Group has considered the impact of the COVID-19 pandemic with respect to all judgements and estimates it makes in the application of its accounting policies. This included assessing the recoverability of trade receivables and inventory. The Group's customers primarily operate in the FMCG sector, which has proved resilient during the COVID-19 pandemic to date. There has been no significant deterioration in the aging of trade receivables or extension of debtor days in the year. The expected credit loss provision for trade receivables was adjusted to reflect forward-looking information on macroeconomic factors including the impact of the COVID-19 pandemic. As a result of these reviews, there was no material increase in the trade receivables or inventory provisions. The Group also assessed non-financial assets for indicators of impairment. No impairments were identified.

The Group tested goodwill for impairment at 31 December 2020. Cash flow forecasts were updated to incorporate future COVID-19 impacts to reflect risks associated with each cash generating unit ('CGU'). The testing did not result in an impairment.

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 Directors have assessed the principal risks and uncertainties outlined on page 10, which include the deterioration of the current economic climate due to the COVID-19 pandemic. The Group is an integral part of the supply chain for essential and critical supplies and as a result there has been no significant disruption to our business to date. In addition, a number of measures and mitigations have been introduced to ensure the ongoing safety of our employees. The Group took into consideration the potential impact of the pandemic and the range of outcomes that it could have on the Group's financial position and results of operations. In the scenarios reviewed, the Group continues to have significant headroom in relation to its financial covenants.

2. Basis of Preparation and Accounting Policies (continued)

The Group's diversified funding base and long-dated maturity profile of 4.9 years at 31 December 2020 provide a stable funding outlook. At 31 December 2020, the Group had a very strong liquidity position of approximately €2.56 billion comprising cash balances of €901 million (including €10 million of restricted cash), undrawn available committed facilities of €1.25 billion under its RCF and €412 million under its securitisation facilities. In November 2020, the Group raised gross proceeds of approximately €660 million following the pricing of the non-pre-emptive placing of new ordinary shares. The proceeds were used to repay variable rate debt under its RCF and securitisation facilities, increasing available liquidity under these facilities. The proceeds from the share placing together with the Group's internally generated cash flows (cash generated from operations of €1.6 billion in 2020), give the Group enhanced financial strength and flexibility. At 31 December 2020 the strength of the Group's balance sheet and a net debt to EBITDA ratio of 1.6x (2019: 2.1x) continues to secure long-term strategic flexibility.

Having assessed the principal risks facing the Group, 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 2019 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.

3. Segment and Revenue Information (continued)

	FY 2020			FY 2019		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**6,645**	**1,885**	**8,530**	6,994	2,054	9,048
EBITDA	**1,180**	**372**	**1,552**	1,332	360	1,692
Segment exceptional items	**(19)**	**(12)**	**(31)**	(124)	-	(124)
EBITDA after exceptional items	**1,161**	**360**	**1,521**	1,208	360	1,568
Unallocated centre costs			**(42)**			(42)
Share-based payment expense			**(37)**			(41)
Depreciation and depletion (net)			**(508)**			(502)
Amortisation			**(43)**			(45)
Impairment of assets (exceptional)			**-**			(8)
Impairment of goodwill (exceptional)			**-**			(46)
Finance costs			**(179)**			(247)
Finance income			**35**			38
Share of associates' profit (after tax)			**1**			2
Profit before income tax			**748**			677
Income tax expense			**(201)**			(193)
Profit for the financial year			**547**			484

	H2 2020			H2 2019		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**3,377**	**950**	**4,327**	3,420	1,006	4,426
EBITDA	**605**	**194**	**799**	644	181	825
Segment exceptional items	**(19)**	**(12)**	**(31)**	(124)	-	(124)
EBITDA after exceptional items	**586**	**182**	**768**	520	181	701
Unallocated centre costs			**(24)**			(22)
Share-based payment expense			**(26)**			(16)
Depreciation and depletion (net)			**(256)**			(259)
Amortisation			**(21)**			(24)
Impairment of assets (exceptional)			**-**			(8)
Impairment of goodwill (exceptional)			**-**			(46)
Finance costs			**(94)**			(137)
Finance income			**18**			31
Share of associates' profit (after tax)			**-**			1
Profit before income tax			**365**			221
Income tax expense			**(96)**			(75)
Profit for the financial period			**269**			146

3. Segment and Revenue Information (continued)

Revenue information about geographical areas

The Group has a presence in 35 countries worldwide. The following information is a geographical analysis presented in accordance with IFRS 8, *Operating Segments*, which requires disclosure of information about country of domicile (Ireland) and countries with material revenue.

	2020 **€m**	2019 €m
Ireland	**111**	117
Germany	**1,207**	1,291
France	**969**	1,095
Mexico	**850**	878
The Netherlands	**760**	758
United Kingdom	**743**	774
Rest of world	**3,890**	4,135
Total revenue by geographical area	**8,530**	9,048

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.

	2020			2019		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Europe	**1,005**	**5,640**	**6,645**	1,134	5,860	6,994
The Americas	**207**	**1,678**	**1,885**	285	1,769	2,054
Total revenue by product	**1,212**	**7,318**	**8,530**	1,419	7,629	9,048

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

	2020 €m	2019 €m
The following items are regarded as exceptional in nature:		
Redundancy and reorganisation costs	**35**	-
Recognition reward	**11**	-
Gain on UK pension scheme	**(15)**	-
Impairment of assets	**-**	8
Italian Competition Authority fine	**-**	124
Goodwill impairment	**-**	46
Exceptional items included in operating profit	**31**	178
Exceptional finance costs (net)	**-**	17
Exceptional items included in net finance costs	**-**	17
Total exceptional items	**31**	195

Exceptional items charged within operating profit in 2020 amounted to €31 million of which €35 million related to redundancy and reorganisation costs in both Europe and the Americas and €11 million related to a company-wide COVID-19 employee recognition reward, partly offset by a €15 million gain on the UK pension scheme as a result of future pension increases being linked to CPIH instead of RPI.

There were no exceptional finance items in 2020.

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

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

5. Finance Costs and Income

	2020 €m	2019 €m
Finance costs:		
Interest payable on bank loans and overdrafts	**29**	45
Interest payable on leases	**10**	11
Interest payable on other borrowings	**89**	114
Exceptional finance costs associated with debt restructuring	**-**	37
Foreign currency translation loss on debt	**36**	18
Fair value loss on derivatives not designated as hedges	**1**	4
Fair value loss on financial assets/liabilities	**2**	-
Net interest cost on net pension liability	**12**	17
Unwinding discount element of provisions	**-**	1
Total finance costs	**179**	247
Finance income:		
Other interest receivable	**(3)**	(4)
Foreign currency translation gain on debt	**(29)**	(10)
Fair value gain on derivatives not designated as hedges	**(1)**	-
Exceptional fair value gain on financial liabilities	**-**	(20)
Fair value gain on financial assets	**(1)**	(1)
Net monetary gain – hyperinflation	**(1)**	(3)
Total finance income	**(35)**	(38)
Net finance costs	**144**	209

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2020 €m	2019 €m
Current tax:		
Europe	**127**	145
The Americas	**49**	55
	176	200
Deferred tax	**25**	(7)
Income tax expense	**201**	193
Current tax is analysed as follows:		
Ireland	**21**	7
Foreign	**155**	193
	176	200

Income tax recognised in the Consolidated Statement of Comprehensive Income

	2020 €m	2019 €m
Arising on defined benefit pension plans	**(7)**	(26)
Arising on derivative cash flow hedges	**1**	1
	(6)	(25)

The income tax expense for the financial year 2020 is €8 million higher than in the comparable period in 2019.

There is a net €24 million decrease in current tax. The net decrease is mainly due to changes in profitability and geographical mix, as well as the impact of non-recurring items and foreign currency.

The movement in deferred tax from a credit of €7 million in 2019 to a tax charge of €25 million in 2020 includes the effects of movements in timing differences on which tax was previously recognised, as well as the use and net recognition of tax losses and credits. The deferred tax in 2019 included a non-recurring tax credit associated with the impairment of goodwill.

There is a net tax credit of €9 million on exceptional items in 2020 compared to a €22 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:

	2020	2019
	€m	€m
Current service cost	**34**	29
Actuarial loss arising on other long-term employee benefits	**1**	-
Past service cost – UK[1]	**(15)**	-
Past service cost - other	**3**	1
Gain on settlement	**(2)**	(2)
Net interest cost on net pension liability	**12**	17
Defined benefit cost	**33**	45

[1] Future pension increases are now linked to CPIH instead of RPI in the UK which resulted in an exceptional income in past service cost for the Group of €15 million.

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

	2020	2019
	€m	€m
Return on plan assets (excluding interest income)	**170**	228
Actuarial gain/(loss) due to experience adjustments	**34**	(9)
Actuarial loss due to changes in financial assumptions	**(224)**	(348)
Actuarial gain due to changes in demographic assumptions	**11**	12
Total loss recognised in the Consolidated Statement of Comprehensive Income	**(9)**	(117)

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

	2020	2019
	€m	€m
Present value of funded or partially funded obligations	**(2,529)**	(2,473)
Fair value of plan assets	**2,224**	2,109
Deficit in funded or partially funded plans	**(305)**	(364)
Present value of wholly unfunded obligations	**(546)**	(534)
Amounts not recognised as assets due to asset ceiling	**(2)**	(1)
Net pension liability	**(853)**	(899)

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.

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Weighted average number of ordinary shares in issue (million)	**239**	236
Basic EPS (cent)	**227.9**	201.6

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 convertible, 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.

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Weighted average number of ordinary shares in issue (million)	**239**	236
Potential dilutive ordinary shares assumed (million)	**2**	2
Diluted weighted average ordinary shares (million)	**241**	238
Diluted EPS (cent)	**225.7**	200.0

Pre-exceptional

	2020	2019
Profit attributable to owners of the parent (€ million)	**545**	476
Exceptional items included in profit before income tax (€ million)	**31**	195
Income tax on exceptional items (€ million)	**(9)**	(22)
Pre-exceptional profit attributable to owners of the parent (€ million)	**567**	649
Weighted average number of ordinary shares in issue (million)	**239**	236
Pre-exceptional basic EPS (cent)	**236.9**	274.8
Diluted weighted average ordinary shares (million)	**241**	238
Pre-exceptional diluted EPS (cent)	**234.6**	272.6

9. Dividends

The following dividends were declared and paid by the Group.

	2020 €m	2019 €m
Final: no final dividend was paid in 2020 (2019: paid 72.2 cent per ordinary share on 10 May 2019)	**-**	172
Interim: paid 80.9 cent per ordinary share on 11 September 2020 and a further 27.9 cent on 11 December 2020 (2019: paid 27.9 cent per ordinary share on 25 October 2019)	**260**	66
	260	238

The Board is recommending a final dividend of 87.4 cent per share (approximately €226 million). It is proposed to pay this dividend on 7 May 2021 to all ordinary shareholders on the share register at the close of business on 9 April 2021, subject to the approval of the shareholders at the AGM.

10. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Financial year ended 31 December 2020			
Opening net book amount	**1,106**	**2,814**	**3,920**
Reclassifications	**73**	**(68)**	**5**
Additions	**1**	**465**	**466**
Acquisitions	**2**	**1**	**3**
Depreciation charge	**(56)**	**(373)**	**(429)**
Retirements and disposals	**(1)**	**(2)**	**(3)**
Hyperinflation adjustment	**2**	**6**	**8**
Foreign currency translation adjustment	**(37)**	**(94)**	**(131)**
At 31 December 2020	**1,090**	**2,749**	**3,839**
Financial year ended 31 December 2019			
Opening net book amount	1,050	2,544	3,594
Reclassifications	57	(58)	(1)
Additions	2	618	620
Acquisitions	42	47	89
Depreciation charge	(54)	(355)	(409)
Impairments	-	(4)	(4)
Retirements and disposals	(1)	(3)	(4)
Hyperinflation adjustment	3	8	11
Foreign currency translation adjustment	7	17	24
At 31 December 2019	1,106	2,814	3,920

11. Net Movement in Working Capital

	2020 €m	2019 €m
Change in inventories	**14**	40
Change in trade and other receivables	**22**	52
Change in trade and other payables	**59**	(44)
Net movement in working capital	**95**	48

12. Analysis of Net Debt

	2020 €m	2019 €m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.817%(1) (2)	**89**	333
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**240**	262
Bank loans and overdrafts	**83**	118
€200 million receivables securitisation variable funding notes due 2022 (including accrued interest)	**4**	29
€230 million receivables securitisation variable funding notes due 2023	**11**	69
€500 million 2.375% senior notes due 2024 (including accrued interest)	**501**	500
€250 million 2.75% senior notes due 2025 (including accrued interest)	**251**	250
€1,000 million 2.875% senior notes due 2026 (including accrued interest)	**1,005**	1,004
€750 million 1.5% senior notes due 2027 (including accrued interest)	**746**	744
Gross debt before leases	**2,930**	3,309
Leases	**346**	377
Gross debt including leases	**3,276**	3,686
Cash and cash equivalents (including restricted cash)	**(901)**	(203)
Net debt including leases	**2,375**	3,483

(1) In January 2020, the Group secured the agreement of all lenders in its RCF of €1,350 million to extend the maturity date by a further year to 28 January 2025. In December 2020, all lenders agreed to further extend this to 28 January 2026 and to include sustainability elements; creating a Sustainability Linked RCF. At 31 December 2020, the following amounts were drawn under this facility:
(a) Revolver loans - €95 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - €5 million

(2) Following the Fitch Ratings upgrade in December 2020, the margin on the RCF reduced from 0.9% to 0.817%.

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 2020	**575**	**(2)**	**2**	**(387)**	**215**	**(42)**	**(10)**	**351**
Other comprehensive income								
Foreign currency translation adjustments	**-**	**-**	**-**	**(161)**	**-**	**-**	**-**	**(161)**
Effective portion of changes in fair value of cash flow hedges	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**6**
Total other comprehensive income/(expense)	**-**	**6**	**-**	**(161)**	**-**	**-**	**-**	**(155)**
Purchase of non-controlling interest	**-**	**-**	**-**	**(8)**	**-**	**-**	**-**	**(8)**
Share-based payment	**-**	**-**	**-**	**-**	**35**	**-**	**-**	**35**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(16)**	**-**	**(16)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(9)**	**9**	**-**	**-**
At 31 December 2020	**575**	**4**	**2**	**(556)**	**241**	**(49)**	**(10)**	**207**
At 1 January 2019	575	(14)	3	(367)	185	(28)	1	355
Other comprehensive income								
Foreign currency translation adjustments	-	-	-	9	-	-	-	9
Effective portion of changes in fair value of cash flow hedges	-	12	-	-	-	-	-	12
Changes in fair value of cost of hedging	-	-	(1)	-	-	-	-	(1)
Net change in fair value of investment in equity instruments	-	-	-	-	-	-	(11)	(11)
Total other comprehensive income/(expense)	-	12	(1)	9	-	-	(11)	9
Purchase of non-controlling interest	-	-	-	(29)	-	-	-	(29)
Share-based payment	-	-	-	-	39	-	-	39
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(23)	-	(23)
Shares distributed by SKG Employee Trust	-	-	-	-	(9)	9	-	-
At 31 December 2019	575	(2)	2	(387)	215	(42)	(10)	351

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	2020 €m	2019 €m
Profit for the financial year	CIS	**547**	484
Income tax expense (after exceptional items)	CIS	**201**	193
Exceptional items charged in operating profit	CIS	**31**	178
Net finance costs (after exceptional items)	Note 5	**144**	209
Share of associates' profit (after tax)	CIS	**(1)**	(2)
Share-based payment expense	Note 3	**37**	41
Depreciation, depletion (net) and amortisation	Note 3	**551**	547
EBITDA		**1,510**	1,650

B. EBITDA margin

Definition

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

	Reference	2020 €m	2019 €m
EBITDA	A	**1,510**	1,650
Revenue	CIS	**8,530**	9,048
EBITDA margin		**17.7%**	18.2%

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	2020 €m	2019 €m
Operating profit	CIS	**891**	884
Exceptional items	CIS	**31**	178
Operating profit before exceptional items	CIS	**922**	1,062

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 2020	The Americas 2020	Total 2020	Europe 2019	The Americas 2019	Total 2019
EBITDA						
Currency	**-**	**(9%)**	**(2%)**	-	-	-
Hyperinflation	**-**	**-**	**-**	-	(1%)	-
Acquisitions/disposals	**-**	**-**	**-**	3%	(2%)	2%
IFRS 16	**-**	**-**	**-**	5%	9%	6%
Underlying EBITDA change	**(11%)**	**12%**	**(7%)**	(3%)	7%	(1%)
Reported EBITDA change	**(11%)**	**3%**	**(9%)**	5%	13%	7%
Revenue						
Currency	**(1%)**	**(10%)**	**(3%)**	-	-	-
Acquisitions/disposals	**-**	**-**	**-**	3%	(4%)	1%
Underlying revenue change	**(4%)**	**2%**	**(3%)**	(2%)	6%	-
Reported revenue change	**(5%)**	**(8%)**	**(6%)**	1%	2%	1%

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	2020 €m	2019 €m
Borrowings	Note 12	**3,276**	3,686
Less:			
Restricted cash	CBS	**(10)**	(14)
Cash and cash equivalents	CBS	**(891)**	(189)
Net debt		**2,375**	3,483

G. Net debt to EBITDA

Definition

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

	Reference	2020 €m	2019 €m
Net debt	F	**2,375**	3,483
EBITDA	A	**1,510**	1,650
Net debt to EBITDA (times)		**1.6**	2.1

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	2020 €m	2019 €m
Operating profit before exceptional items	C	**922**	1,062
Share of associates’ profit (after tax)	CIS	**1**	2
Operating profit before exceptional items plus share of associates’ profit (after tax)		**923**	1,064
Total equity – current year-end	CBS	**3,783**	2,993
Net debt – current year-end	F	**2,375**	3,483
Capital employed – current year-end		**6,158**	6,476
Total equity – prior year-end	CBS	**2,993**	2,890
Net debt – prior year-end	F	**3,483**	3,122
Capital employed – prior year-end		**6,476**	6,012
Average capital employed		**6,317**	6,244
Return on capital employed		**14.6%**	17.0%

Alternative Performance Measures (continued)

I. Working capital

Definition

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

	Reference	**2020 €m**	2019 €m
Inventories	CBS	**773**	819
Trade and other receivables (current and non-current)	CBS	**1,563**	1,674
Trade and other payables	CBS	**(1,835)**	(1,863)
Working capital		**501**	630

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	**2020 €m**	2019 €m
Working capital	I	**501**	630
Annualised revenue		**8,875**	8,790
Working capital as a percentage of sales		**5.6%**	7.2%

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)/decrease 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	**2020 €m**	2019 €m
EBITDA	A	**1,510**	1,650
Exceptional items	K.1	**(18)**	-
Cash interest expense	K.2	**(118)**	(156)
Working capital change	K.3	**94**	45
Capital expenditure	K.4	**(575)**	(730)
Change in capital creditors	K.4	**(18)**	19
Tax paid	CSCF	**(194)**	(222)
Change in employee benefits and other provisions	K.6	**(20)**	(73)
Other	K.7	**14**	14
Free cash flow	L	**675**	547
Share issues (net)	CSCF	**648**	2
Purchase of own shares (net)	CSCF	**(16)**	(23)
Purchase of businesses, investments and NCI	K.8	**(25)**	(204)
Dividends	CSCF	**(260)**	(242)
Derivative termination receipts	CSCF	**9**	1
Premium on early repayment of bonds	K.2	**-**	(31)
Net cash inflow		**1,031**	50
Net debt acquired	K.9	**(1)**	(7)
Adjustment on initial application of IFRS 16		**-**	(361)
Deferred debt issue costs amortised		**(7)**	(14)
Currency translation adjustment		**85**	(29)
Decrease/(increase) in net debt		**1,108**	(361)

K.1 Exceptional items

	Reference	**2020 €m**	2019 €m
Redundancy and reorganisation costs - paid		**(7)**	-
Recognition reward - paid	Note 4	**(11)**	-
Per summary cash flow		**(18)**	-

Alternative Performance Measures (continued)

K.2 Cash interest expense

	Reference	**2020 €m**	2019 €m
Interest paid	CSCF	**(122)**	(233)
Interest received	CSCF	**3**	4
Move in accrued interest		**1**	3
Initial cost of bonds repaid		**-**	39
Premium on early repayment of bonds	K	**-**	31
Per summary cash flow		**(118)**	(156)

K.3 Working capital change

	Reference	**2020 €m**	2019 €m
Net movement in working capital	CSCF	**95**	48
Other		**(1)**	(3)
Per summary cash flow		**94**	45

K.4 Capital expenditure

	Reference	**2020 €m**	2019 €m
Additions to property, plant and equipment, biological and intangible assets	CSCF	**(514)**	(632)
Additions to right-of-use assets		**(79)**	(79)
Change in capital creditors	K	**18**	(19)
Per summary cash flow		**(575)**	(730)

K.5 Capital expenditure as a percentage of depreciation

	Reference	**2020 €m**	2019 €m
Capital expenditure	K.4	**575**	730
Depreciation, depletion (net) and amortisation	A	**551**	547
Capital expenditure as a percentage of depreciation		**104%**	134%

Alternative Performance Measures (continued)

K.6 Change in employee benefits and other provisions

	Reference	**2020 €m**	2019 €m
Change in employee benefits and other provisions	CSCF	**(7)**	51
Redundancy and reorganisation costs - unpaid	K.6.1	**(28)**	-
Gain on UK pension scheme	K.6.2	**15**	-
Italian Competition Authority fine provision	K.6.3	**-**	(124)
Per summary cash flow		**(20)**	(73)

K.6.1 Redundancy and reorganisation costs
The change in the provision relating to exceptional redundancy and reorganisation costs is not included in the summary cash flow as it is not within EBITDA. Exceptional redundancy and reorganisation costs which were paid in 2020 are shown as a separate line item within 'Exceptional items' in the summary cash flow.

K.6.2 Gain on UK pension scheme
The change in employee benefits relating to the exceptional gain on the UK pension scheme is not included in the summary cash flow as it is not within EBITDA.

K.6.3 Italian Competition Authority fine provision
The change in the provision relating to the Italian Competition Authority fine ruling of €124 million is not included within the summary cash flow as it is not within EBITDA.

K.7 Other

	Reference	**2020 €m**	2019 €m
Other within the summary cash flow comprises the following			
Amortisation of capital grants	CSCF	**(2)**	(2)
Profit on sale of property, plant and equipment	CSCF	**(2)**	(3)
Profit on purchase/disposal of businesses	CSCF	**(4)**	(4)
Other (primarily hyperinflation adjustments)	CSCF	**6**	4
Receipt of capital grants	CSCF	**5**	2
Disposal of property, plant and equipment	CSCF	**5**	7
Dividends received from associates	CSCF	**1**	1
Lease terminations/modifications	L	**5**	9
Per summary cash flow		**14**	14

Alternative Performance Measures (continued)

K.8 Purchase of businesses, investments and NCI

	Reference	**2020 €m**	2019 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(2)**	(99)
Purchase of non-controlling interests	CSCF	**(23)**	(81)
Deferred consideration paid	CSCF	**-**	(14)
Cash and cash equivalents acquired	K.9	**-**	(10)
Per summary cash flow		**(25)**	(204)

K.9 Net debt acquired

	Reference	**2020 €m**	**2019 €m**
Debt acquired		**(1)**	(17)
Cash and cash equivalents acquired	K.8	**-**	10
Per summary cash flow		**(1)**	(7)

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	**2020 €m**	2019 €m
Free cash flow	K	**675**	547
Reconciling items:			
Cash interest expense	K.2	**118**	156
Capital expenditure (net of change in capital creditors)	K.4	**593**	711
Tax payments	CSCF	**194**	222
Disposal of property, plant and equipment	CSCF	**(5)**	(7)
Lease terminations/modifications	K.7	**(5)**	(9)
Receipt of capital grants	CSCF	**(5)**	(2)
Dividends received from associates	CSCF	**(1)**	(1)
Non-cash financing activities		**(1)**	1
Cash generated from operations	CSCF	**1,563**	1,618