PRESS RELEASE

29 July: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the 6 months ending 30 June 2020.

2020 First Half | Key Financial Performance Measures

€m	H1 2020	H1 2019	Change
Revenue	€4,203	€4,622	(9%)
EBITDA [1]	€735	€847	(13%)
EBITDA Margin [1]	17.5%	18.3%	
Operating Profit before Exceptional Items [1]	€450	€558	(19%)
Profit before Income Tax	€383	€456	(16%)
Basic EPS (cent)	116.9	140.6	(17%)
Pre-exceptional Basic EPS (cent) [1]	116.9	141.6	(17%)
Free Cash Flow [1]	€238	€159	50%
Return on Capital Employed [1]	14.8%	18.7%	
Net Debt [1]	€3,257	€3,751	
Net Debt to EBITDA (LTM) [1]	2.1x	2.2x	

Key Points

- Strong performance against key metrics
- EBITDA of €735 million, with an EBITDA margin of 17.5%
- Free cash flow of €238 million
- ROCE of 14.8%
- Leverage of 2.1x
- Dividend payment of 80.9 cent per share

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

"We are very pleased to report another strong performance across all our key metrics for the first half of 2020. Our EBITDA of €735 million with a margin of 17.5%, together with strong free cash flow of €238 million, demonstrate the strength of the Group.

"I remain incredibly proud of the entire SKG team who have delivered these results against the backdrop of COVID-19, which created an extremely challenging operating environment. Our key priorities have been, and continue to be, the health, safety and well-being of our 46,000 employees and the continuity of supply to our 65,000 customers. The strength and scale of our integrated system and our supply chain expertise meant we were able to ensure the continuity of supply of essential products for everyday life across multiple sectors. We are again proving that our business model, geographic diversity and our commitment to innovation and sustainability continue to deliver.

"Our European business performed strongly in the first six months with an EBITDA margin of 17.6% and flat corrugated box volumes.

"The EBITDA margin of the Americas business improved again year-on-year from 17.1% to 19.0%.

[1] Additional information in relation to our Alternative Performance Measures ('APMs') is set out in Supplementary Financial Information on page 29.

“During the first six months, the Group completed its largest ever investment, €134 million, in a recovery boiler in Austria. I am happy to report that this will reduce our CO_2 emissions by 40,000 tonnes or a further 1.5% towards the Group’s sustainability emissions target.

“Paper-based packaging is renewable, recyclable and bio-degradable. Together with the mega-trends of e-commerce and the consumers’ desire for sustainable packaging solutions, corrugated is the most innovative and sustainable transport and merchandising solution. SKG is uniquely positioned to capitalise on these long-term trends with its unrivalled market offering and SMART business applications that enable our customers to increase sales, reduce costs and mitigate risk. In an increasingly complex world, SKG is the packaging partner of choice.

“SKG has again demonstrated its strength and the consistency of its delivery through these results. This performance reflects: targeted capital investment; effective acquisitions; a continued focus on innovation and sustainability; and, above all else, the quality of our people. SKG will remain agile and resilient, continuing to deliver, and while known macro and economic risks remain, we are confident in our future prospects.

“In April, in light of the macro uncertainty due to the COVID-19 pandemic, the Board acted prudently in withdrawing its recommendation to pay a final dividend of 80.9 cent per share. We stated at that time that the Board remained committed to providing shareholders with an attractive dividend stream. Consequently, the Board has now decided to pay an interim dividend of 80.9 cent per share, the equivalent amount of the withdrawn final dividend. This decision underscores the Board’s belief in the inherent strengths of the SKG business, its balance sheet, free cash flow generation and its long-term prospects and our recognition of the importance of dividends to shareholders.”

This announcement contains inside information. The person responsible for arranging for the release of this announcement on behalf of Smurfit Kappa Group plc is Gillian Carson-Callan, Company Secretary. The date and time of this announcement is the same as the date and time that it has been communicated to the media, at 7am on 29 July 2020.

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 €9.0 billion in 2019. We are located in 23 countries in Europe, and 12 in the Americas. We are the only large-scale pan-regional player in Latin America.

With our 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. Follow us on LinkedIn, Twitter, Facebook, YouTube.
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.

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2020 First Half | Performance Overview

The Group reported EBITDA for the first half of €735 million, down 13% on 2019. The Group EBITDA margin was 17.5%, down from 18.3% in the first half of 2019. The result reflects the resilience of the Group's integrated model and the benefits of our customer-focused innovation, capital spend programme, rigorous cost management and lower year-on-year recovered fibre costs.

In Europe, EBITDA decreased by 16% to €575 million. The EBITDA margin was 17.6%, down from 19.3% in 2019. Box demand was up approximately 1% on an absolute basis and flat on an organic basis, up 2% in the first quarter and off 2% in the second quarter, negatively impacted by the pandemic. Corrugated pricing was in line with expectations.

The Group continued to strengthen its operating platform in the first half with the implementation of a number of significant projects across our corrugated and paper divisions. Of note was the successful start-up of the new recovery boiler at the Nettingsdorf kraftliner mill in Austria; a €134 million investment that will cut CO_2 emissions by 40,000 tonnes, a reduction of 1.5% towards the Group's CO_2 emissions reduction target. During the half, the Group also completed the upgrade of PM5 at its kraftliner mill in Bordeaux, France which will add 44,000 tonnes of capacity.

European pricing for testliner and kraftliner has reduced by €120 per tonne and €165 per tonne respectively from the high of October 2018 to June 2020. The price of testliner and kraftliner increased by €30 per tonne in March and April respectively before falling by €30 per tonne in July.

In the Americas, EBITDA decreased by 1% on the first half of 2019 to €178 million. However, the EBITDA margin improved from 17.1% in the first half of 2019 to 19.0% in the first half of 2020. Colombia, Mexico and the US accounted for over 85% of the region's earnings with strong performances in all three countries. After a strong start to the year, volumes in the region were heavily impacted by COVID-19 during the second quarter. As a result, volumes for the first half were down 2.6% year-on-year.

The Group reported free cash flow of €238 million in the first half of 2020 compared to €159 million in the first half of 2019. The average maturity profile of the Group's debt was 5.0 years at 30 June 2020 with an average interest rate of 2.82%. Net debt to EBITDA was 2.1x at the half year, in line with the year end. The Group remains strongly positioned within its Ba1/BB+/BB+ credit rating. On 13 January 2020, the Group secured the agreement of all lenders in its Revolving Credit Facility ('RCF') to extend the maturity date by a further year to 28 January 2025.

2020 First Half | Financial Performance

Revenue for the first half was €4,203 million, down 9% on the first half of 2019 or 7% on an underlying basis. This result reflects the negative impact of COVID-19 on demand, the adverse impact of currency, and the fall in box prices.

EBITDA for the first half was €735 million, 13% down on the first half of 2019. The impact of COVID-19 was reflected in the results of both Europe and the Americas. On an underlying basis, Group EBITDA was down 12% year-on-year, with Europe down 16% and the Americas up 5%.

Operating profit before exceptional items for the first half of 2020 at €450 million was 19% lower than €558 million for the same period of 2019.

There were no exceptional items charged within operating profit in the first half of both 2020 and 2019.

There were no exceptional finance costs charged in the first half of 2020. Exceptional finance costs charged in the first half of 2019 amounted to €3 million reflecting the accelerated amortisation of the debt issue costs relating to the refinancing of the senior credit facility.

Pre-exceptional net finance costs at €68 million were €32 million lower in 2020 reflecting a decrease in cash interest and a positive swing from a foreign currency translation loss on debt of €3 million in 2019 to a gain of €5 million in 2020.

With the €108 million decrease in operating profit before exceptional items partly offset by the €32 million decrease in net finance costs, the pre-exceptional profit before income tax was €383 million, €76 million lower than in 2019.

With no exceptional items, the profit before tax for the first half of 2020 was €383 million compared to a profit of €456 million in 2019. The income tax expense was €105 million compared to €118 million in 2019, resulting in a profit of €278 million for 2020 compared to a profit of €338 million in 2019.

Basic EPS for the first half of 2020 was 116.9 cent, compared to 140.6 cent in 2019. On a pre-exceptional basis, EPS was 116.9 cent in 2020, 17% lower than the 141.6 cent in the first half of 2019.

2020 First Half | Free Cash Flow

Free cash flow in the first half of 2020 was €238 million compared to €159 million for 2019 – an increase of €79 million. An EBITDA reduction of €112 million was more than offset by lower outflows for capital expenditure, cash interest expense and other items and a lower working capital outflow.

The working capital outflow in 2020 was €32 million compared to €169 million in 2019. The outflow in 2020 was primarily driven by an increase in stocks, partly offset by a decrease in debtors and an increase in creditors. Working capital amounted to €679 million at June 2020, representing 8.4% of annualised revenue compared to 9.8% at June 2019 and 7.2% at December 2019.

Capital expenditure amounted to €230 million (equating to 84% of depreciation) compared to €272 million (equating to 103%) for the same period in 2019.

Cash interest amounted to €61 million in 2020 compared to €82 million in 2019 with the decrease primarily relating to the lower coupon on our more recent bonds, the proceeds of which were used to redeem higher coupon bonds.

Tax payments in the first half of 2020 of €98 million were €6 million higher than in 2019.

2020 First Half | Capital Structure

Net debt was €3,257 million at the end of June, resulting in a net debt to EBITDA ratio of 2.1x compared to 2.1x at the end of December 2019 and 2.2x at the end of June 2019. The Group's balance sheet continues to provide considerable financial strategic flexibility, subject to the stated leverage range of 1.75x to 2.5x through the cycle and SKG's Ba1/BB+/BB+ credit rating.

At 30 June 2020, the Group's average interest rate was 2.82% compared to 3.18% at 31 December 2019. The Group's diversified funding base and long-dated maturity profile of 5.0 years provide a stable funding outlook. In terms of liquidity, the Group held cash balances of €646 million at the end of June, which were further supplemented by available commitments of €931 million under its RCF and €156 million under its securitisation programmes.

Dividends

The Board has decided to pay an interim dividend of 80.9 cent per share (approximately €193 million). It is proposed to pay this dividend on 11 September 2020 to all ordinary shareholders on the share register at the close of business on 14 August 2020.

2020 First Half | Sustainability

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. The Group's target is to reduce relative CO_2 emissions by 40% by 2030, relative to the 2005 baseline.

SKG has also committed to align its CO_2 target with the Science Based Target ('SBT') initiative. This is confirmation that not only is the Group's target ambitious in its own right, but it will be aligned with the Paris Agreement and the recommendations of the latest climate science findings.

In addition to SBT validation, we are building on more than a decade of sustainability reporting by supporting the recommendations of the Taskforce on Climate-related Financial Disclosures.

The latest SDR, which is structured on the three strategic focus areas of People, Planet and Impactful Business, provides comprehensive detail on the contributing factors in the reduction of emissions.

On People, these include the considerable progress that was made in the area of safety with a 17% reduction in the Group's Total Recordable Injury Rate. On Planet, these include a strategic focus on energy efficiency and the use of renewable sources of fuel such as biomass. On Impactful Business, these include €3.5 million of investment in social initiatives including children's education and health in 2019.

During the first half 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 will cut 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.

With the growing impact of COVID-19 and its impact on our employees, 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 over €2 million to support the local communities in which we operate.

SKG continues to be listed on various environmental, social and governance 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 First Half | Commercial Offering and Innovation

SKG has continued to deliver value to our customers even during COVID-19. We adapted our ways of working across our operations with most of our commercial activities going virtual. During the first half the Group, led by their packaging engineers and sales people, delivered virtual webinars on e-commerce packaging, Better Planet Packaging, our Smart Applications, and many more, to over 1,000 customers.

As a result of an increased focus from our customers on carbon footprint reduction and margin improvement, SKG's SupplySmart application is being used more and more across our operations. Through the combination of unique tools, data and expertise, SupplySmart enables our customers to optimise their supply chain using improved packaging solutions, with the full assurance that they are making risk assessed decisions that will deliver measurable cost savings and targeted CO_2 reduction.

The recently launched TopClip product is an example of our innovative packaging expertise in addressing the consumer desire for more sustainable packaging solutions. Smurfit Kappa is partnering with KHS, the largest supplier of filling and packaging systems in the world, to deliver a multipack solution that eliminates the need for shrink wrap on cans and bottles. The TopClip solution was launched on the market during the second quarter with Royal Grolsch (part of the global food and beverage giant Asahi) with significant interest generated among other beverage manufacturers.

Summary Cash Flow

Summary cash flows for the six months are set out in the following table.

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
EBITDA	**735**	847
Cash interest expense	**(61)**	(82)
Working capital change	**(32)**	(169)
Current provisions	**(6)**	(17)
Capital expenditure	**(230)**	(272)
Change in capital creditors	**(51)**	(34)
Tax paid	**(98)**	(92)
Sale of property, plant and equipment	**1**	2
Other	**(20)**	(24)
Free cash flow	**238**	159
Purchase of own shares (net)	**(16)**	(25)
Purchase of businesses, investments and NCI*	**(21)**	(204)
Dividends	**-**	(175)
Derivative termination receipts	**9**	-
Net cash inflow/(outflow)	**210**	(245)
Net debt acquired	**(1)**	(4)
Adjustment on initial application of IFRS 16	**-**	(361)
Deferred debt issue costs amortised	**(4)**	(7)
Currency translation adjustment	**21**	(12)
Decrease/(increase) in net debt	**226**	(629)

* NCI refers to non-controlling interests

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.

At 30 June 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 €148.3 million and STG£10 million variable funding notes issued under the €230 million accounts receivable securitisation programme maturing in June 2023, together with €115 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 2025. At 30 June 2020, the Group's drawings on this facility comprised €124 million and US$323.6 million, with a further €6 million drawn in operational facilities including letters of credit drawn under various ancillary facilities.

Funding and Liquidity (continued)

The following table provides the interest rates at 30 June 2020 for each of the drawings under the RCF loans:

Borrowing Arrangement	Currency	Interest Rate
Revolving Credit Facility	EUR	0.900%
	USD	1.660% - 2.211%

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

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.

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 30 June 2020, the Group had fixed an average of 82% of its interest cost on borrowings over the following twelve months.

The Group's fixed rate debt comprised €500 million 2.375% senior notes due 2024, €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026 and €750 million 1.5% senior notes due 2027. In addition the Group had €174 million in interest rate swaps converting variable rate borrowings to fixed rate with maturity dates ranging from October 2020 to January 2021.

The Group's earnings are affected by changes in short-term interest rates as a result of its floating rate borrowings. If LIBOR/EURIBOR interest rates for these borrowings increased by one percent, the Group's interest expense would increase, and income before taxes would decrease, by approximately €7 million over the following twelve 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 twelve months.

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

Principal Risks and Uncertainties

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

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

The 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 half year 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 to date. 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 as the Group progresses through the remaining six months of the year.

The principal risks and uncertainties for the remaining six months of the financial year are summarised below.

- If the current economic climate were to deteriorate 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.

Condensed Consolidated Income Statement – Six Months

	6 months to 30-Jun-20 Unaudited			6 months to 30-Jun-19 Unaudited		
	Pre-exceptional 2020	**Exceptional 2020**	**Total 2020**	Pre-exceptional 2019	Exceptional 2019	Total 2019
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**4,203**	**-**	**4,203**	4,622	-	4,622
Cost of sales	**(2,794)**	**-**	**(2,794)**	(3,089)	-	(3,089)
Gross profit	**1,409**	**-**	**1,409**	1,533	-	1,533
Distribution costs	**(357)**	**-**	**(357)**	(363)	-	(363)
Administrative expenses	**(602)**	**-**	**(602)**	(612)	-	(612)
Operating profit	**450**	**-**	**450**	558	-	558
Finance costs	**(85)**	**-**	**(85)**	(107)	(3)	(110)
Finance income	**17**	**-**	**17**	7	-	7
Share of associates' profit (after tax)	**1**	**-**	**1**	1	-	1
Profit before income tax	**383**	**-**	**383**	459	(3)	456
Income tax expense			**(105)**			(118)
Profit for the financial period			**278**			338
Attributable to:						
Owners of the parent			**277**			332
Non-controlling interests			**1**			6
Profit for the financial period			**278**			338
Earnings per share						
Basic earnings per share - cent			**116.9**			140.6
Diluted earnings per share - cent			**116.4**			139.8

Condensed Consolidated Statement of Comprehensive Income – Six Months

	6 months to 30-Jun-20 Unaudited €m	6 months to 30-Jun-19 Unaudited €m
Profit for the financial period	**278**	338
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the period	**(181)**	4
- Recycled to Condensed Consolidated Income Statement	**1**	-
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**1**	4
- Fair value gain/(loss) on cash flow hedges	**8**	(1)
- Movement in deferred tax	**(1)**	-
Changes in fair value of cost of hedging:		
- New fair value adjustments into reserve	**(1)**	(1)
	(173)	6
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial loss	**(29)**	(78)
- Movement in deferred tax	**9**	9
	(20)	(69)
Total other comprehensive expense	**(193)**	(63)
Total comprehensive income for the financial period	**85**	275
Attributable to:		
Owners of the parent	**87**	268
Non-controlling interests	**(2)**	7
Total comprehensive income for the financial period	**85**	275

Condensed Consolidated Balance Sheet

	30-Jun-20 Unaudited €m	30-Jun-19 Unaudited €m	31-Dec-19 Audited €m
ASSETS			
Non-current assets			
Property, plant and equipment	**3,779**	3,724	3,920
Right-of-use assets	**321**	331	346
Goodwill and intangible assets	**2,572**	2,672	2,616
Other investments	**10**	21	10
Investment in associates	**12**	15	16
Biological assets	**96**	103	106
Other receivables	**29**	36	40
Derivative financial instruments	**-**	4	6
Deferred income tax assets	**220**	149	185
	7,039	7,055	7,245
Current assets			
Inventories	**832**	856	819
Biological assets	**10**	11	11
Trade and other receivables	**1,585**	1,845	1,634
Derivative financial instruments	**29**	11	13
Restricted cash	**7**	13	14
Cash and cash equivalents	**639**	234	189
	3,102	2,970	2,680
Total assets	**10,141**	10,025	9,925
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital	**-**	-	-
Share premium	**1,986**	1,984	1,986
Other reserves	**169**	331	351
Retained earnings	**894**	549	615
Total equity attributable to owners of the parent	**3,049**	2,864	2,952
Non-controlling interests	**14**	38	41
Total equity	**3,063**	2,902	2,993
LIABILITIES			
Non-current liabilities			
Borrowings	**3,729**	3,393	3,501
Employee benefits	**900**	865	899
Derivative financial instruments	**3**	13	9
Deferred income tax liabilities	**212**	164	175
Non-current income tax liabilities	**25**	39	27
Provisions for liabilities	**76**	98	78
Capital grants	**16**	18	18
Other payables	**9**	16	10
	4,970	4,606	4,717
Current liabilities			
Borrowings	**174**	605	185
Trade and other payables	**1,767**	1,832	1,863
Current income tax liabilities	**19**	41	13
Derivative financial instruments	**8**	12	7
Provisions for liabilities	**140**	27	147
	2,108	2,517	2,215
Total liabilities	**7,078**	7,123	6,932
Total equity and liabilities	**10,141**	10,025	9,925

Condensed Consolidated Statement of Changes in Equity

	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 period	**-**	**-**	**-**	**277**	**277**	**1**	**278**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**(177)**	**-**	**(177)**	**(3)**	**(180)**
Defined benefit pension plans	**-**	**-**	**-**	**(20)**	**(20)**	**-**	**(20)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**8**	**-**	**8**	**-**	**8**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Total comprehensive (expense)/income for the financial period	**-**	**-**	**(170)**	**257**	**87**	**(2)**	**85**
Purchase of non-controlling interests	**-**	**-**	**(7)**	**12**	**5**	**(25)**	**(20)**
Hyperinflation adjustment	**-**	**-**	**-**	**10**	**10**	**-**	**10**
Share-based payment	**-**	**-**	**11**	**-**	**11**	**-**	**11**
Net Shares acquired by SKG Employee Trust	**-**	**-**	**(16)**	**-**	**(16)**	**-**	**(16)**
At 30 June 2020	**-**	**1,986**	**169**	**894**	**3,049**	**14**	**3,063**
Unaudited							
At 1 January 2019	-	1,984	355	399	2,738	131	2,869
Profit for the financial period	-	-	-	332	332	6	338
Other comprehensive income							
Foreign currency translation adjustments	-	-	3	-	3	1	4
Defined benefit pension plans	-	-	-	(69)	(69)	-	(69)
Effective portion of changes in fair value of cash flow hedges	-	-	3	-	3	-	3
Changes in fair value of cost of hedging	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the financial period	-	-	5	263	268	7	275
Purchase of non-controlling interests	-	-	(29)	45	16	(97)	(81)
Hyperinflation adjustment	-	-	-	14	14	-	14
Dividends paid	-	-	-	(172)	(172)	(3)	(175)
Share-based payment	-	-	25	-	25	-	25
Net Shares acquired by SKG Employee Trust	-	-	(25)	-	(25)	-	(25)
At 30 June 2019	-	1,984	331	549	2,864	38	2,902

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

Condensed Consolidated Statement of Cash Flows

	6 months to 30-Jun-20 Unaudited €m	6 months to 30-Jun-19 Unaudited €m
Cash flows from operating activities		
Profit before income tax	**383**	456
Net finance costs	**68**	103
Depreciation charge	**251**	238
Amortisation of intangible assets	**22**	21
Amortisation of capital grants	**(2)**	(1)
Equity settled share-based payment expense	**11**	25
Profit on sale of property, plant and equipment	**-**	(2)
Profit on purchase of businesses	**(4)**	-
Share of associates' profit (after tax)	**(1)**	(1)
Net movement in working capital	**(33)**	(169)
Change in biological assets	**1**	5
Change in employee benefits and other provisions	**(26)**	(44)
Other (primarily hyperinflation adjustments)	**3**	3
Cash generated from operations	**673**	634
Interest paid	**(63)**	(98)
Income taxes paid:		
Irish corporation tax (net of tax refunds) paid	**(6)**	(7)
Overseas corporation tax (net of tax refunds) paid	**(92)**	(85)
Net cash inflow from operating activities	**512**	444
Cash flows from investing activities		
Interest received	**1**	2
Additions to property, plant and equipment and biological assets	**(246)**	(282)
Additions to intangible assets	**(9)**	(8)
Receipt of capital grants	**-**	1
Decrease/(increase) in restricted cash	**7**	(3)
Disposal of property, plant and equipment	**1**	4
Purchase of subsidiaries	**(1)**	(99)
Deferred consideration paid	**-**	(14)
Net cash outflow from investing activities	**(247)**	(399)
Cash flows from financing activities		
Proceeds from bond issue	**-**	403
Proceeds from issue of other debt	**-**	417
Purchase of own shares (net)	**(16)**	(25)
Purchase of non-controlling interests	**(20)**	(81)
Repayment of borrowings	**-**	(399)
Increase/(decrease) in other interest-bearing borrowings	**241**	(306)
Repayment of lease liabilities	**(35)**	(39)
Derivative termination receipts	**9**	-
Deferred debt issue costs paid	**(1)**	(13)
Dividends paid to shareholders	**-**	(172)
Dividends paid to non-controlling interests	**-**	(3)
Net cash inflow/(outflow) from financing activities	**178**	(218)
Increase/(decrease) in cash and cash equivalents	**443**	(173)
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**172**	390
Currency translation adjustment	**12**	(5)
Increase/(decrease) in cash and cash equivalents	**443**	(173)
Cash and cash equivalents at 30 June	**627**	212

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 whose shares are publicly traded. It is incorporated and domiciled in Ireland. The address of its registered office is Beech Hill, Clonskeagh, Dublin 4, D04 N2R2, Ireland.

2. Basis of Preparation and Accounting Policies

Basis of preparation and accounting policies
The 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. The balance sheet as at 30 June 2019 has been included in this report; this information is supplementary and not required by IAS 34. This report should be read in conjunction with the Consolidated Financial Statements for the financial year ended 31 December 2019 included in the Group's 2019 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 2019 with the addition of assessing the impact of the COVID-19 pandemic as set out below. A number of changes to IFRS became effective in 2020, however they did not have a material effect on the Condensed Consolidated Interim 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 period and none is expected given the profile of the Group's customers. As a result of these reviews, there was no material increase in the impairment losses for trade receivables or inventory provisions. The Group also assessed non-financial assets for indicators of impairment. No impairments were identified.

Management reassessed the carrying value of goodwill (€2.4 billion) for indicators of impairment at 30 June 2020. The cash flow forecasts were updated to incorporate future COVID-19 scenarios and discount rates were adjusted to reflect risks associated with each cash generating unit ('CGU'). The testing did not result in an impairment. While the headroom in our Brazil CGU has not decreased from 31 December 2019, it is sensitive to changes in underlying assumptions and we will continue to monitor this CGU due to continuing difficult conditions in the country.

Going concern
The Group is a highly integrated manufacturer of paper-based packaging products 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 9, 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 our financial covenants.

The Group's diversified funding base and long dated maturity profile of 5.0 years provide a stable funding outlook. At 30 June 2020, the Group had a very strong liquidity position of over €1.7 billion comprising cash balances of €646 million, undrawn available committed facilities of €931 million under its RCF and €156 million under its securitisation programmes.

Going concern (continued)

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 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 2019 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 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.

	6 months to 30-Jun-20			6 months to 30-Jun-19		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**3,268**	**935**	**4,203**	3,574	1,048	4,622
EBITDA	**575**	**178**	**753**	688	179	867
Unallocated centre costs			**(18)**			(20)
Share-based payment expense			**(11)**			(25)
Depreciation and depletion (net)			**(252)**			(243)
Amortisation			**(22)**			(21)
Finance costs			**(85)**			(110)
Finance income			**17**			7
Share of associates' profit (after tax)			**1**			1
Profit before income tax			**383**			456
Income tax expense			**(105)**			(118)
Profit for the financial period			**278**			338

3. Segment and Revenue Information (continued)

Revenue information about geographical areas

The Group has a presence in 35 countries worldwide. The following 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.

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Ireland	**52**	55
Germany	**604**	658
France	**474**	571
Mexico	**418**	451
The Netherlands	**373**	377
Spain	**362**	393
United Kingdom	**355**	388
Rest of the world	**1,565**	1,729
Revenue	**4,203**	4,622

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-20			6 months to 30-Jun-19		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Europe	**499**	**2,769**	**3,268**	600	2,974	3,574
The Americas	**106**	**829**	**935**	146	902	1,048
Revenue by product	**605**	**3,598**	**4,203**	746	3,876	4,622

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

The following items are regarded as exceptional in nature:	**6 months to 30-Jun-20 €m**	6 months to 30-Jun-19 €m
Exceptional finance costs	**-**	3
Total exceptional items	**-**	3

There were no exceptional items charged within operating profit in either year

Exceptional finance costs charged in 2019 amounted to €3 million, representing the accelerated amortisation of the debt issue costs relating to the refinancing of the senior credit facility.

5. Finance Costs and Income

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Finance costs:		
Interest payable on bank loans and overdrafts	**16**	23
Interest payable on leases	**5**	6
Interest payable on other borrowings	**45**	59
Exceptional finance costs associated with debt restructuring	**-**	3
Unwinding of discount element of provisions	**-**	1
Foreign currency translation loss on debt	**10**	6
Fair value loss on derivatives not designated as hedges	**1**	3
Fair value loss on financial assets	**1**	-
Net interest cost on net pension liability	**6**	9
Net monetary loss - hyperinflation	**1**	-
Total finance costs	**85**	110
Finance income:		
Other interest receivable	**(1)**	(2)
Foreign currency translation gain on debt	**(15)**	(3)
Fair value gain on derivatives not designated as hedges	**(1)**	-
Fair value gain on financial assets	**-**	(1)
Net monetary gain - hyperinflation	**-**	(1)
Total finance income	**(17)**	(7)
Net finance costs	**68**	103

6. Income Tax Expense

Income tax expense recognised in the Condensed Consolidated Income Statement

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Current tax:		
Europe	**74**	81
The Americas	**30**	30
	104	111
Deferred tax	**1**	7
Income tax expense	**105**	118
Current tax is analysed as follows:		
Ireland	**8**	4
Foreign	**96**	107
	104	111

Income tax recognised in the Condensed Consolidated Statement of Comprehensive Income

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Arising on defined benefit pension plans	**(9)**	(9)
Arising on derivative cash flow hedges	**1**	-
	(8)	(9)

The income tax expense in 2020 is €13 million lower than in the comparable period in 2019, primarily due to lower profitability.

There is a €7 million decrease in the current tax expense. In Europe, the expense is €7 million lower, mainly due to changes in profitability and timing differences. In the Americas, the current tax expense is in line with 2019.

The deferred tax charge is €6 million lower than in the comparable period in 2019. The decrease is largely due to the reversal of timing differences on which deferred tax was previously recognised.

There is no income tax expense or credit associated with exceptional items in either 2020 or 2019.

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-20 €m	6 months to 30-Jun-19 €m
Current service cost	**17**	14
Actuarial loss arising on other long-term employee benefits	**1**	-
Gain on settlement	**-**	(1)
Net interest cost on net pension liability	**6**	9
Defined benefit cost	**24**	22

Included in cost of sales, distribution costs and administrative expenses is a defined benefit cost of €18 million (2019: €13 million). Net interest cost on net pension liability of €6 million (2019: €9 million) is included in finance costs in the Condensed Consolidated Income Statement.

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

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Return on plan assets (excluding interest income)	**22**	167
Actuarial gain due to experience adjustments	**-**	1
Actuarial loss due to changes in financial assumptions	**(50)**	(253)
Actuarial (loss)/gain due to changes in demographic assumptions	**(1)**	7
Total loss recognised in the Condensed Consolidated Statement of Comprehensive Income	**(29)**	(78)

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

	30-Jun-20 €m	31-Dec-19 €m
Present value of funded or partially funded obligations	**(2,443)**	(2,473)
Fair value of plan assets	**2,070**	2,109
Deficit in funded or partially funded plans	**(373)**	(364)
Present value of wholly unfunded obligations	**(526)**	(534)
Amounts not recognised as assets due to asset ceiling	**(1)**	(1)
Net pension liability	**(900)**	(899)

The key assumptions relating to discount and inflation rates were reassessed at 30 June 2020 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-20	6 months to 30-Jun-19
Profit attributable to owners of the parent (€ million)	**277**	332
Weighted average number of ordinary shares in issue (million)	**237**	236
Basic EPS (cent)	**116.9**	140.6

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 and deferred shares issued under the Group's long-term incentive plans. When 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-20	6 months to 30-Jun-19
Profit attributable to owners of the parent (€ million)	**277**	332
Weighted average number of ordinary shares in issue (million)	**237**	236
Potential dilutive ordinary shares assumed (million)	**1**	1
Diluted weighted average ordinary shares (million)	**238**	237
Diluted EPS (cent)	**116.4**	139.8

Pre-exceptional	6 months to 30-Jun-20	6 months to 30-Jun-19
Profit attributable to owners of the parent (€ million)	**277**	332
Exceptional items included in profit before income tax (Note 4) (€ million)	**-**	3
Pre-exceptional profit attributable to owners of the parent (€ million)	**277**	335
Weighted average number of ordinary shares in issue (million)	**237**	236
Pre-exceptional basic EPS (cent)	**116.9**	141.6
Diluted weighted average ordinary shares (million)	**238**	237
Pre-exceptional diluted EPS (cent)	**116.4**	140.8

9. Dividends

The Board has decided to pay an interim dividend of 80.9 cent per share (approximately €193 million). It is proposed to pay this dividend on 11 September 2020 to all ordinary shareholders on the share register at the close of business on 14 August 2020.

10. Property, Plant and Equipment

	Land and buildings €m	Plant and equipment €m	Total €m
Six months ended 30 June 2020			
Opening net book amount	**1,106**	**2,814**	**3,920**
Reclassifications	**18**	**(23)**	**(5)**
Additions	**-**	**190**	**190**
Acquisitions	**2**	**1**	**3**
Depreciation charge	**(28)**	**(180)**	**(208)**
Retirements and disposals	**-**	**(1)**	**(1)**
Hyperinflation adjustment	**1**	**3**	**4**
Foreign currency translation adjustment	**(33)**	**(91)**	**(124)**
At 30 June 2020	**1,066**	**2,713**	**3,779**
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

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Change in inventories	**(37)**	2
Change in trade and other receivables	**2**	(132)
Change in trade and other payables	**2**	(39)
Net movement in working capital	**(33)**	(169)

12. Analysis of Net Debt

	30-Jun-20	31-Dec-19
	€m	€m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.9%(1)	**407**	333
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**263**	262
Bank loans and overdrafts	**100**	118
€200 million receivables securitisation variable funding notes due 2022 (including accrued interest)	**114**	29
€230 million receivables securitisation variable funding notes due 2023	**158**	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)	**250**	250
€1,000 million 2.875% senior notes due 2026 (including accrued interest)	**1,004**	1,004
€750 million 1.5% senior notes due 2027 (including accrued interest)	**745**	744
Gross debt before leases	**3,542**	3,309
Leases	**361**	377
Gross debt including leases	**3,903**	3,686
Cash and cash equivalents (including restricted cash)	**(646)**	(203)
Net debt including leases	**3,257**	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.

(a) Revolver loans - €413 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - €6 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 2020	**575**	**(2)**	**2**	**(387)**	**215**	**(42)**	**(10)**	**351**
Other comprehensive income								
Foreign currency translation adjustments	**-**	**-**	**-**	**(177)**	**-**	**-**	**-**	**(177)**
Effective portion of changes in fair value of cash flow hedges	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**8**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Total other comprehensive income/(expense)	**-**	**8**	**(1)**	**(177)**	**-**	**-**	**-**	**(170)**
Purchase of non-controlling interest	**-**	**-**	**-**	**(7)**	**-**	**-**	**-**	**(7)**
Share-based payment	**-**	**-**	**-**	**-**	**11**	**-**	**-**	**11**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(16)**	**-**	**(16)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(9)**	**9**	**-**	**-**
At 30 June 2020	**575**	**6**	**1**	**(571)**	**217**	**(49)**	**(10)**	**169**
At 1 January 2019	575	(14)	3	(367)	185	(28)	1	355
Other comprehensive income								
Foreign currency translation adjustments	-	-	-	3	-	-	-	3
Effective portion of changes in fair value of cash flow hedges	-	3	-	-	-	-	-	3
Changes in fair value of cost of hedging	-	-	(1)	-	-	-	-	(1)
Total other comprehensive income/(expense)	-	3	(1)	3	-	-	-	5
Purchase of non-controlling interest	-	-	-	(29)	-	-	-	(29)
Share-based payment	-	-	-	-	25	-	-	25
Net shares acquired by SKG Employee Trust	-	-	-	-	-	(25)	-	(25)
Shares distributed by SKG Employee Trust	-	-	-	-	(9)	9	-	-
At 30 June 2019	575	(11)	2	(393)	201	(44)	1	331

14. Fair Value Hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2020:

	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 Condensed Consolidated Income Statement	**-**	**11**	**-**	**11**
Derivatives used for hedging	**-**	**18**	**-**	**18**
Derivative financial instruments:				
Liabilities at fair value through Condensed Consolidated Income Statement	**-**	**(7)**	**-**	**(7)**
Derivatives used for hedging	**-**	**(4)**	**-**	**(4)**
Deferred contingent consideration	**-**	**-**	**(33)**	**(33)**
	2	**26**	**(33)**	**(5)**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019:

	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 Condensed Consolidated Income Statement	-	6	-	6
Derivatives used for hedging	-	13	-	13
Derivative financial instruments:				
Liabilities at fair value through Condensed Consolidated Income Statement	-	(3)	-	(3)
Derivatives used for hedging	-	(13)	-	(13)
Deferred contingent consideration	-	-	(33)	(33)
	2	11	(33)	(20)

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.

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.

Deferred contingent consideration is in relation to the put option on our Serbian acquisition. The valuation model for the deferred contingent consideration, measured in accordance with level 3 of the fair value hierarchy, is based on the present value of the expected payment discounted using a risk adjusted rate. The unobservable input in determining the fair value is the underlying profitability of the business unit to which the consideration relates. A reasonable change to the unobservable inputs would have an immaterial impact on the fair value of the deferred contingent consideration.

There were no changes to the fair values of the level 3 instruments during the period.

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 2019 Annual Report.

	30-Jun-20		31-Dec-19	
	Carrying value €m	**Fair value €m**	Carrying value €m	Fair value €m
Trade and other receivables [1]	**1,483**	**1,483**	1,559	1,559
Listed and unlisted debt instruments[2]	**10**	**10**	10	10
Cash and cash equivalents [3]	**639**	**639**	189	189
Derivative assets [4]	**29**	**29**	19	19
Restricted cash[3]	**7**	**7**	14	14
	2,168	**2,168**	1,791	1,791
Trade and other payables[1]	**1,354**	**1,354**	1,465	1,465
Revolving credit facility[5]	**407**	**407**	333	333
2022 receivables securitisation[3]	**114**	**114**	29	29
2023 receivables securitisation[3]	**158**	**158**	69	69
Bank overdrafts[3]	**100**	**100**	118	118
2025 debentures[6]	**263**	**309**	262	328
2024 notes[6]	**501**	**516**	500	540
2025 notes[6]	**250**	**260**	250	277
2026 notes[6]	**1,004**	**1,046**	1,004	1,110
2027 notes [6]	**745**	**719**	744	759
	4,896	**4,983**	4,774	5,028
Derivative liabilities[4]	**11**	**11**	16	16
Deferred consideration[7]	**12**	**12**	12	12
Deferred contingent consideration[8]	**33**	**33**	33	33
	4,952	**5,039**	4,835	5,089
Total net position	**(2,784)**	**(2,871)**	(3,044)	(3,298)

(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.

(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 and energy contracts is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(5) The fair value (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) 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 a risk-adjusted discount rate.

(8) The fair value of deferred contingent consideration is based on the present value of the expected payment, discounted using a risk-adjusted discount rate.

16. Related Party Transactions

Details of related party transactions in respect of the year ended 31 December 2019 are contained in Note 31 to the Consolidated Financial Statements of the Group's 2019 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. There were no transactions with related parties in the first half of 2020 or changes to transactions with related parties disclosed in the 2019 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 28 July 2020.

18. Distribution of the Interim Report

This 2020 interim report is available on the Group's website; smurfitkappa.com.

Responsibility Statement in Respect of the Six Months Ended 30 June 2020

The Directors, whose names and functions are listed on pages 54 to 56 in the Group's 2019 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 2020 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 2020, 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

28 July 2020.

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 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 Financial Statements.

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

EBITDA

Definition

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

Reconciliation of profit to EBITDA

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Profit for the financial period	**278**	338
Income tax expense (after exceptional items)	**105**	118
Net finance costs (after exceptional items)	**68**	103
Share of associates' profit (after tax)	**(1)**	(1)
Share-based payment expense	**11**	25
Depreciation, depletion (net) and amortisation	**274**	264
EBITDA	**735**	847

EBITDA margin

Definition

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

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
EBITDA	**735**	847
Revenue	**4,203**	4,622
EBITDA margin	**17.5%**	18.3%

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.

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Operating profit	**450**	558
Exceptional items	**-**	-
Operating profit before exceptional items	**450**	558

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.

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 activities. We use FCF to assess and understand the total operating performance of the business and to identify underlying trends.

The summary cash flow is prepared on a different basis to the Condensed Consolidated Statement of Cash Flows under IFRS ('IFRS cash flow') and as such the reconciling items between EBITDA and (increase)/decrease in net debt may differ from amounts presented in the IFRS cash flow. The principal differences are as follows:

(a) The summary cash flow details movements in net debt. The IFRS cash flow details movements in cash and cash equivalents.
(b) FCF reconciles to cash generated from operations in the IFRS cash flow as shown in the table below. The main adjustments are in respect of cash interest, capital expenditure, tax payments and the sale of property, plant and equipment.
(c) The IFRS cash flow has different sub-headings to those used in the summary cash flow.
   - Current provisions in the summary cash flow are included within 'change in employee benefits and other provisions' in the IFRS cash flow.
   - The total of capital expenditure and change in capital creditors in the summary cash flow includes additions to intangible assets which are shown separately in the IFRS cash flow. It also includes right-of-use assets which are excluded from additions to property, plant and equipment and biological assets in the IFRS cash flow.
   - 'Other' in the summary cash flow includes changes in employee benefits and other provisions (excluding current provisions), amortisation of capital grants, receipt of capital grants and dividends received from associates which are shown separately in the IFRS cash flow.

Reconciliation of Free Cash Flow to Cash Generated from Operations

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Free cash flow	**238**	159
Reconciling items:		
Cash interest	**61**	82
Capital expenditure (net of change in capital creditors)	**281**	306
Tax payments	**98**	92
Sale of property, plant and equipment	**(1)**	(2)
Lease terminations/modifications (in ‘Other’ in summary cash flow)	**(3)**	-
Profit on sale of property, plant and equipment – non-exceptional	**-**	(2)
Receipt of capital grants (in ‘Other’ in summary cash flow)	**-**	(1)
Non-cash financing activities	**(1)**	-
Cash generated from operations	**673**	634

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) for the last twelve months (‘LTM’) divided by the average capital employed (where average capital employed is the average of total equity and net debt at the beginning and end of the LTM).

	30-Jun-20 €m	30-Jun-19 €m
Operating profit before exceptional items plus share of associates’ profit (after tax) LTM	**957**	1,134
Total equity – current period end	**3,063**	2,902
Net debt – current period end	**3,257**	3,751
Capital employed – current period end	**6,320**	6,653
Total equity – prior period end	**2,902**	2,628
Net debt – prior period end	**3,751**	2,871
Capital employed – prior period end	**6,653**	5,499
Average capital employed	**6,486**	6,076
Return on capital employed	**14.8%**	18.7%

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.

	30-Jun-20 €m	30-Jun-19 €m	31-Dec-19 €m
Borrowings (see Note 12)	**3,903**	3,998	3,686
Less:			
Restricted cash	**(7)**	(13)	(14)
Cash and cash equivalents	**(639)**	(234)	(189)
Net debt	**3,257**	3,751	3,483

Net debt to EBITDA

Definition

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

	30-Jun-20 €m	30-Jun-19 €m	31-Dec-19 €m
Net debt	**3,257**	3,751	3,483
EBITDA LTM	**1,538**	1,668	1,650
Net debt to EBITDA (times)	**2.1**	2.2	2.1

Cash interest expense

Definition

Cash interest is interest paid net of interest received, movements in accrued interest and outflows which are not due to normal operating activities.

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Interest paid per IFRS cash flow	**63**	98
Interest received per IFRS cash flow	**(1)**	(2)
Move in accrued interest	**(1)**	4
Initial cost of bonds repaid	**-**	(18)
Cash interest expense	**61**	82

Capital expenditure

Definition

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

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Property, plant and equipment	**190**	243
Right-of-use assets	**26**	16
Biological assets	**5**	5
Intangible assets	**9**	8
Total capital expenditure	**230**	272

Capital expenditure (continued)

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Capital expenditure as above	**230**	272
Change in capital creditors	**51**	34
Less additions to right-of-use assets	**(26)**	(16)
Per IFRS cash flow	**255**	290

Capital expenditure as a percentage of depreciation

Definition

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

	6 months to 30-Jun-20 €m	6 months to 30-Jun-19 €m
Capital expenditure	**230**	272
Depreciation	**274**	264
Capital expenditure as a percentage of depreciation	**84%**	103%

Working capital

Definition

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

	30-Jun-20 €m	30-Jun-19 €m
Inventories	**832**	856
Trade and other receivables (current and non-current)	**1,614**	1,881
Trade and other payables	**(1,767)**	(1,832)
Working capital	**679**	905

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.

	30-Jun-20 €m	30-Jun-19 €m
Working capital	**679**	905
Annualised revenue	**8,038**	9,224
Working capital as a percentage of sales	**8.4%**	9.8%

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-20	**The Americas 30-Jun-20**	**Total 30-Jun-20**	Europe 30-Jun-19	The Americas 30-Jun-19	Total 30-Jun-19
EBITDA						
Currency	**-**	**(6%)**	**(1%)**	(1%)	-	-
Hyperinflation	**-**	**-**	**-**	-	(2%)	(1%)
Acquisitions/disposals	**-**	**-**	**-**	6%	(3%)	4%
IFRS 16	**-**	**-**	**-**	5%	10%	6%
Underlying EBITDA change	**(16%)**	**5%**	**(12%)**	7%	9%	8%
Reported EBITDA change	**(16%)**	**(1%)**	**(13%)**	17%	14%	17%
Revenue						
Currency	**-**	**(8%)**	**(2%)**	-	-	-
Acquisitions/disposals	**-**	**-**	**-**	4%	(7%)	-
Underlying revenue change	**(9%)**	**(3%)**	**(7%)**	1%	9%	4%
Reported revenue change	**(9%)**	**(11%)**	**(9%)**	5%	2%	4%