PRESS RELEASE

9 February: Smurfit Kappa Group plc ('SKG' or 'the Group') today announced results for the full year ending 31 December 2021.

2021 Full Year | Key Financial Performance Measures

€m	FY 2021	FY 2020	Change	H2 2021	H2 2020	Change	H1 2021	Change
Revenue	€10,107	€8,530	18%	€5,428	€4,327	25%	€4,679	16%
EBITDA [1]	€1,702	€1,510	13%	€921	€775	19%	€781	18%
EBITDA Margin [1]	16.8%	17.7%		17.0%	17.9%		16.7%	
Operating Profit before Exceptional Items [1]	€1,073	€922	16%	€596	€472	26%	€477	25%
Profit before Income Tax	€913	€748	22%	€500	€365	37%	€413	21%
Basic EPS (cent)	263.9	227.9	16%	144.0	111.1	30%	119.9	20%
Pre-exceptional Basic EPS (cent) [1]	274.5	236.9	16%	154.6	120.0	29%	119.9	29%
Free Cash Flow [1]	€455	€675	(33%)	€338	€437	(23%)	€117	188%
Return on Capital Employed [1]	16.0%	14.6%					14.8%	
Net Debt [1]	€2,885	€2,375	22%				€2,549	13%
Net Debt to EBITDA (LTM) [1]	1.7x	1.6x					1.6x	

Key Points

- Revenue growth of 18%
- EBITDA growth of 13% to €1,702 million with an EBITDA margin of 16.8%
- Corrugated growth of 8%
- ROCE of 16%
- Acquisition in Italy ensuring continued security of supply for our customers
- Ongoing investment programme meeting customers' needs for innovative and sustainable packaging
- Science Based Targets initiative ('SBTi') approval in line with the Paris Agreement
- Final dividend increased by 10% to 96.1 cent per share

Performance Review and Outlook

Tony Smurfit, Group CEO, commented:

"I am happy to report that Smurfit Kappa has delivered another excellent performance in 2021. This was particularly pleasing as the year was characterised by unprecedented cost inflation. Full year EBITDA was €1,702 million, an increase of 13% on 2020, with an EBITDA margin of 16.8%. This performance demonstrates the strength of the integrated model, the quality of our business, our operational efficiency and increasing geographic and product diversity. Over the last number of years, the Group has made significant investments enabling us to meet our customers' need for resilience, ensuring they have security of supply and access to the most innovative, sustainable packaging solutions.

"A key differentiating factor for SKG has always been our people and in a world of significant supply constraints, I am incredibly proud of how our 48,000 employees have responded to ensure our customers' needs were met and indeed, continue to be met as we begin 2022.

"Driven by a number of long-term secular trends, we are reporting corrugated growth of 8%. This growth is a clear indication that paper-based packaging, renewable, recyclable and biodegradable, is the choice of our customers and the end consumer versus less sustainable alternatives.

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

“As noted above, 2021 was characterised by significant and unprecedented cost inflation. These costs, particularly in energy, recovered fibre and other categories of raw materials, remain at elevated levels. We expect to continue to recover these costs, with margin improvement, as we progress through 2022.

“Both our European and Americas businesses delivered excellent performances in the year. Our European business recorded EBITDA of €1,302 million with an EBITDA margin of 16.6% while our Americas business recorded EBITDA of €441 million with an EBITDA margin of 19.5%.

“Key to the performance of Smurfit Kappa over recent years has been to invest both organically and through acquisitions to meet growing customer demand for innovative and environmentally sustainable packaging solutions. In 2021, we approved 82 new converting machines and seven new corrugators in our operations across Europe and the Americas. We also approved material investments in our paper system to increase efficiency and capacity and to meet our ambitious sustainability targets.

“In early October, we completed the acquisition of a recycled containerboard mill in Italy with a capacity of 600,000 tonnes. This acquisition provides additional security of supply to our customers. In our Americas region, we continued our geographic expansion through acquisitions in Mexico and Peru. Our continuing, customer-led investment in converting assets, the most significant within the industry, together with our Verzuolo mill, will sustain a clear competitive advantage for Smurfit Kappa.

“In September, we launched our Green Finance Framework, under which we issued our dual tranche inaugural green bonds, comprising €500 million 8 year bonds with a coupon of 0.5% and €500 million 12 year bonds with a coupon of 1%. Sustainability has always been at the core of our operations and is now embedded within our capital structure.

“In December, the Group received approval from SBTi for our emissions targets. These targets are not only in line with the Paris Agreement but also industry leading and a further sign of SKG’s leadership in sustainability. That leadership not only extends through the products we make and how we make them but through the work we do in the communities in which we operate.

“As we begin the year, current trading is strong and our integrated paper and packaging system remains effectively sold out. We continue to see significant opportunities across our geographic footprint and as such, we are investing to build a platform for durable growth to meet customer demand. I am proud of how Smurfit Kappa continues to deliver across all performance measures and reflecting that confidence and the ever increasing strength of and prospects for the business, the Board is recommending a 10% increase in the final dividend to 96.1 cent per share.”

About Smurfit Kappa

Smurfit Kappa, a FTSE 100 company, is one of the leading providers of paper-based packaging solutions in the world, with approximately 48,000 employees in over 350 production sites across 36 countries and with revenue of €10.1 billion in 2021. We are located in 23 countries in Europe, and 13 in the Americas. We are the only large-scale pan-regional player in Latin America. Our products, which are 100% renewable and produced sustainably, improve the environmental footprint of our customers.

With our proactive team, we relentlessly use our extensive experience and expertise, supported by our scale, to open up opportunities for our customers. We collaborate with forward-thinking customers by sharing superior product knowledge, market understanding and insights in packaging trends to ensure business success in their markets. We have an unrivalled portfolio of paper-based packaging solutions, which is constantly updated with our market-leading innovations. This is enhanced through the benefits of our integration, with optimal paper design, logistics, timeliness of service, and our packaging plants sourcing most of their raw materials from our own paper mills.

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

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Forward Looking Statements

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

Contacts

Ciarán Potts
Smurfit Kappa
T: +353 1 202 71 27
E: ir@smurfitkappa.com

Melanie Farrell
FTI Consulting
T: +353 1 765 08 00
E: smurfitkappa@fticonsulting.com

2021 Full Year | Performance Overview

The Group reported EBITDA for the full year of €1,702 million, up 13% on 2020. The Group EBITDA margin was 16.8%, down from 17.7% in 2020. The result reflects our ability to recover significant input cost pressure by way of progressive box price increases, strong box volumes, the resilience and security of supply delivered by our integrated model alongside the benefits of our customer-focused innovation and capital spend programme and the dedication of our 48,000 employees.

In Europe, EBITDA increased by 10% to €1,302 million for the year. The EBITDA margin was 16.6%, down from 17.8% in 2020. Corrugated demand was up approximately 8% for the year with strong performances in all countries, illustrating the robust demand backdrop for our innovative and sustainable product offering. Corrugated pricing has continued to improve in line with our expectations.

Our European business continued to build on its strong operating platform through 2021 with significant corrugated and containerboard projects announced for France, Germany, the Czech Republic, Slovakia, Poland and the UK, as well as in our bag-in-box operation in Spain. These investments in the latest high-tech and energy efficient machinery, including new corrugators and converting machines alongside facility expansion projects, will allow us to increase production output and expand the range of high value products that we offer to our growing customer base, while also contributing towards the sustainability goals of the Group and our customers.

In the Americas, EBITDA increased by 19% on 2020 to €441 million. The EBITDA margin was marginally lower at 19.5% in 2021, compared to 19.7% in 2020. Colombia, Mexico and the US accounted for over 77% of the region's earnings with strong performances in all three countries. Volumes for the full year in the Americas were up 9% year-on-year and as in Europe, the Group continued to build on its operating platform with significant capacity and sustainability related investment in the corrugated, containerboard and speciality businesses across the region. In June and July, we announced the expansion of our Latin America business with acquisitions in Peru and Mexico respectively, adding to our geographic diversity and enhancing our customer offering in these high growth regions.

Pricing for containerboard in both Europe and the Americas continued the upward trend through 2021. Initially this was driven by strong demand and rising recovered fibre prices and subsequently, in the latter part of the year in Europe, by rising energy prices. Increasing recovered fibre prices have cost the Group an additional €440 million in 2021 versus the prior year while rising energy prices have cost the Group an additional €235 million versus the prior year.

Demand for containerboard remains strong and we expect the market to remain tight in the months ahead. The acquisition in October 2021 of the state-of-the-art Verzuolo mill in Italy brings 600,000 tonnes of containerboard into our integrated system ensuring we continue to meet our customers' needs and capture future growth.

The Group reported free cash flow of €455 million in the full year of 2021, down 33% from €675 million in 2020. The average maturity profile of the Group's debt was 5.8 years at 31 December 2021 with an average interest rate of 2.63%. Net debt to EBITDA was 1.7x at the year-end versus 1.6x at the half year and at the end of December 2020. The Group remains strongly positioned within its BBB-/BBB-/Baa3 credit rating.

2021 Full Year | Financial Performance

Revenue for the full year was €10,107 million, up 18% on the full year of 2020 on a reported basis and an underlying[2] basis. Revenue in Europe was up 18%, driven by volume growth and input cost recovery through progressive box price increases. On an underlying basis, revenue in Europe was up 17%. In the Americas, revenue was up 20% on the full year of 2020, or 21% on an underlying basis.

EBITDA for the full year was €1,702 million, up 13% on the full year of 2020 and 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 up 13% year-on-year, with Europe up 10% and the Americas up 20%.

Operating profit before exceptional items for the full year of 2021 at €1,073 million was 16% higher than €922 million for 2020.

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

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

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.

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

There were no exceptional finance items charged in 2020.

Pre-exceptional net finance costs at €131 million were €13 million lower than 2020, reflecting a decrease in both cash interest and interest cost on net pension liabilities, a decrease in the foreign currency translation loss on debt along with the positive swing from a fair value loss on financial assets/liabilities in 2020 to a gain in 2021, partly offset by the negative swing from a hyperinflation related net monetary gain in 2020 to a net monetary loss in 2021.

With the €151 million increase in operating profit before exceptional items, combined with the €13 million decrease in net finance costs, the pre-exceptional profit before income tax was €944 million, €165 million higher than in 2020.

After exceptional items of €31 million, the profit before tax for the full year of 2021 was €913 million compared to a profit before tax of €748 million in 2020. The income tax expense was €234 million compared to €201 million in 2020, resulting in a profit of €679 million for 2021 compared to a profit of €547 million in 2020.

Basic EPS for the full year of 2021 was 263.9 cent, compared to 227.9 cent in 2020. On a pre-exceptional basis, EPS was 274.5 cent in 2021, 16% higher than the 236.9 cent in the full year of 2020.

2021 Full Year | Free Cash Flow

Free cash flow in the full year of 2021 was €455 million compared to €675 million for 2020, a decrease of €220 million. EBITDA growth of €192 million, combined with lower outflows for cash interest and the absence of an exceptional outflow of €18 million in 2021 were more than offset by higher outflows for capital expenditure, higher tax payments, a higher outflow for the change in employee benefits and other provisions and a negative swing in working capital from an inflow in 2020 to an outflow in 2021.

The working capital outflow in 2021 was €114 million compared to an inflow of €94 million in 2020. The outflow in 2021 was a combination of an increase in debtors and stock, partly offset by an increase in creditors. These increases reflect the combination of volume growth and higher box prices, higher paper prices and considerably higher recovered fibre and energy costs. Working capital amounted to €646 million at December 2021 and represented 5.7% of annualised revenue compared to 5.6% at December 2020.

Capital expenditure in 2021 amounted to €693 million (equating to 124% of depreciation) compared to €575 million (equating to 104% of depreciation) in 2020.

Cash interest amounted to €109 million in 2021 compared to €118 million in 2020, with the decrease primarily relating to a lower average level of borrowing. The decrease also reflects the reduction in bond interest payable following the issuance of our dual tranche inaugural green bond and the repayment of our higher coupon 2024 bond, in September.

Tax payments of €239 million in 2021 were €45 million higher than in 2020 with higher payments in both Europe and the Americas.

2021 Full Year | Capital Structure

Net debt was €2,885 million at the end of December, resulting in a net debt to EBITDA ratio of 1.7x compared to 1.6x at the end of June 2021 and December 2020. With net debt to EBITDA at 1.7x, the strength of the Group’s balance sheet continues to secure long-term strategic flexibility. Given the strong business profile and ability to consistently deliver substantial free cash flow, the Group is comfortably operating within its target leverage range of 1.5x to 2.0x.

In September, Smurfit Kappa announced the launch of its Green Finance Framework with an ISS ESG Second Party Opinion. The Group subsequently announced the launch and successful pricing of its inaugural green bond offering, comprising €500 million of senior notes due 2029 and €500 million of senior notes due 2033 with coupons of 0.5% and 1.0% respectively. The coupons achieved for these tenors were not only the lowest in the Group's history but also the lowest for a corporate issuer in our rating category.

At 31 December 2021, the Group's average interest rate was 2.63% compared to 3.13% at 31 December 2020. The reduction in our average interest rate was primarily due to the refinancing activity undertaken during the year which comprised of the repayment of our €500 million 2.375% senior notes maturing in 2024 and the issuance of our €1 billion dual tranche inaugural green bonds mentioned above.

The Group's diversified funding base and long-dated maturity profile of 5.8 years (31 December 2020: 4.9 years) provide a stable funding outlook. At 31 December 2021, we had a strong liquidity position of approximately €2.52 billion comprising cash balances of €869 million, undrawn available committed facilities of €1,343 million on our Sustainability Linked Revolving Credit Facility ('RCF') and €312 million on our sustainability linked securitisation facilities.

Dividends

The Board is recommending a 10% increase in the final dividend to 96.1 cent per share. It is proposed to pay this dividend on 6 May 2022 to all ordinary shareholders on the share register at the close of business on 8 April 2022, subject to the approval of the shareholders at the AGM.

2021 Full Year | Sustainability

SKG has continued to make strong progress across our sustainability targets in 2021. Focusing on delivering sustainable packaging solutions made in an increasingly sustainable way means that we also play an integral role in the delivery of not only our customers' sustainability goals but also those of the end consumer.

The progress made during 2021 was built upon the achievements outlined earlier in the year in our 14th annual Sustainable Development Report ('SDR'). It highlights the Group's long-standing objective to drive change and nurture a greener and bluer planet through the three key pillars of Planet, People and Impactful Business. Furthermore, Smurfit Kappa's end-to-end approach to sustainability is evident in its innovative products and processes that support customers and positively impact the entire value chain.

In our 2020 SDR, Smurfit Kappa reported significant progress in reducing our fossil CO_2 emission intensity. The Group is the first in our industry to have announced targeting at least net zero emissions by 2050 and compared to its baseline year 2005, it reduced its emissions intensity by 37.3% by the end of 2020. The Group is well on its way to reach our intermediate 2030 target of a 55% reduction, in line with the EU Green Deal objectives. The Group also made continued progress on a number of its other key sustainability targets; water discharge, waste to landfill, chain of custody certification, safety performance and social projects.

While the SDR has been independently assured since 2009, the 2020 SDR is the Group's first to report in line with recommendations of the Taskforce for Climate related Financial Disclosures ('TCFD') and the Sustainable Accounting Standards Board ('SASB') criteria.

Smurfit Kappa has also been contributing towards making the UN 2030 Sustainable Development Goals ('SDGs') a reality since 2015. This contribution was recognised by the Support the Goals movement in March when the Group became the first FTSE 100 company to receive a five-star rating. By committing to these sustainability targets, the Group's Better Planet Packaging portfolio of sustainable products will continue to help our customers to deliver on their own short and long-term sustainability goals.

An illustration of our continued action on CO_2 reduction was the announcement in June of a significant investment in the Group's Zülpich mill in Germany aimed at significantly reducing the plant's CO_2 emissions, saving 55,000 tonnes of CO_2 annually.

Our circular business model which drives positive change from the responsible sourcing of renewable raw materials to the sustainable production of recyclable, biodegradable and fit-for-purpose packaging solutions was the basis of our Green Finance Framework published in September and supported by a positive ISS ESG Second Party Opinion. SKG recycles over 6 million tonnes of predominantly post-consumer materials each year making us an essential component of the circular economy where legislation is continuing to be introduced to transition businesses to lower carbon and more circular business practices. The Group's sustainable land use has been validated by non-governmental organisations and third party assessments which, along with our industry leading chain of custody certification, is a key differentiator for our customers.

In October, Smurfit Kappa announced a new project at its Nettingsdorf Paper Mill in Austria that will utilise waste heat generated at the mill to help power a sustainable district heating solution for the local community of Ansfelden. Up to 25 megawatts of heat generated in the production process will now be captured and converted through the new heat extraction plant. This heat will be supplied to the district heating network that connects to 10,000 households, providing a sustainable and secure energy source and demonstrates the positive environmental impact of the collaboration with the local community.

In December, we had our emissions reduction targets approved by SBTi as consistent with levels required to meet the goals of the Paris Agreement and well below 2°C. This third party validation adds to our existing endorsements from rating providers such as MSCI, Sustainalytics and ISS ESG.

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

2021 Full Year | Commercial Offering and Innovation

The Group continued to deliver innovation for our customers in 2021. This was illustrated by our first virtual Better Planet Packaging event held in March which hosted over 2,700 attendees.

In April, the Group launched the world's first pre-certified Frustration Free Packaging ('FFP') compliant solution for Amazon supply-chains. This means customers can access one of the world's leading trading platforms quicker and in confidence of meeting Amazon's strict packaging requirements, a significant advantage as global e-commerce sales continue to grow.

Also in April, the Group's Brazilian business won a prestigious Red Dot Award in the area of product design. The packaging challenge came from Wine & Bite Box to secure and protect bottles of wine and food for a growing trend of tasting boxes being delivered to customers for an at home gourmet experience. The award recognises this packaging as one of the most innovative design projects in the world.

In October, the Group announced the development of its first paper-based child lock box for laundry pods. The Click-to-Lock Box is a 100% paper-based solution which provides a sustainable and safe alternative to the traditional plastic box for laundry pods. The new packaging solution reduces CO_2 emissions by 32% during production and is 100% recyclable and biodegradable.

Also in October, the Group launched a unique range of circular packaging solutions for the rapidly growing online health and beauty market. The customisable eHealth & Beauty portfolio includes sustainable, paper-based packaging solutions ideal for shipping vulnerable products, such as fragrances, cosmetics, and skin and hair care products, as well as tamper proof packaging designed for vitamins, supplements and sports nutrition.

In November, the Group received 13 awards for its creative and innovative packaging solutions at the year's Flexographic Industry Association ('FIA') UK awards. Since 2013, Smurfit Kappa has received 113 FIA awards, illustrating its leadership in the packaging industry.

The Group was recognised for its work on inclusion and diversity and as well as for its packaging innovation, sustainability, design and print with 69 awards in 2021.

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

Summary Cash Flow

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

	H2 2021 €m	H2 2020 €m	**FY 2021 €m**	FY 2020 €m
EBITDA	**921**	775	**1,702**	1,510
Exceptional items	**-**	(18)	-	(18)
Cash interest expense	**(55)**	(57)	**(109)**	(118)
Working capital change	**81**	126	**(114)**	94
Capital expenditure	**(518)**	(345)	**(693)**	(575)
Change in capital creditors	**66**	33	**(14)**	(18)
Tax paid	**(117)**	(96)	**(239)**	(194)
Change in employee benefits and other provisions	**(38)**	7	**(81)**	(20)
Other	**(2)**	12	**3**	14
Free cash flow	**338**	437	**455**	675
Italian Competition Authority fine	**(124)**	-	**(124)**	-
Share issues (net)	**-**	648	**-**	648
Purchase of own shares (net)	**-**	-	**(22)**	(16)
Sale of businesses and investments	**-**	-	**37**	-
Purchase of businesses, investments and NCI*	**(394)**	(4)	**(449)**	(25)
Dividends	**(76)**	(260)	**(302)**	(260)
Derivative termination (payments)/receipts	**(1)**	-	**9**	9
Premium on early repayment of bonds	**(28)**	-	**(28)**	-
Net cash (outflow)/inflow	**(285)**	821	**(424)**	1,031
Acquired net debt	**(12)**	-	**(25)**	(1)
Disposed net cash	**-**	-	**(1)**	-
Deferred debt issue costs amortised	**(6)**	(3)	**(10)**	(7)
Currency translation adjustment	**(33)**	64	**(50)**	85
(Increase)/decrease in net debt	**(336)**	882	**(510)**	1,108

* '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 30 to 37.

Funding and Liquidity

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

The Group has a €1,350 million RCF with a maturity of January 2026, which incorporates five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the facility. Borrowings under the RCF are available to fund the Group's working capital requirements, capital expenditure and other general corporate purposes. At 31 December 2021, the Group's drawings on this facility were US$8 million, at an interest rate of 0.754%.

At 31 December 2021, the Group had outstanding €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026, €750 million 1.5% senior notes due 2027, €500 million 0.5% senior green notes due 2029 and €500 million 1.0% senior green notes due 2033.

At 31 December 2021, the Group had outstanding €13 million variable funding notes ('VFNs') issued under the €230 million trade receivables securitisation programme maturing in November 2026 and €5 million VFNs issued under the €100 million trade receivables securitisation programme maturing in January 2026.

Funding and Liquidity (continued)

In April 2021, the Group amended and extended its €200 million 2022 trade receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands. The programme was extended to January 2026 at a reduced facility size of €100 million and with a margin reduction from 1.375% to 1.1%.

In November 2021, the Group amended and extended its €230 million 2023 trade receivables securitisation programme, which utilises the Group's receivables in France, Germany and the UK. The programme was extended to November 2026, with the facility size remaining at €230 million and with a margin reduction from 1.2% to 1.1%.

As part of the amendment process for each of these programmes, the Group further aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via KPIs into the amended and extended trade receivables programme. These programmes now incorporate five KPIs spanning the Group's sustainability objectives regarding climate change, forests, water, waste and people, with the level of KPI achievement linked to the pricing on the programme.

Following the launch of the Group's Green Finance Framework in September 2021, the Group issued a €1 billion dual tranche inaugural green bond comprising €500 million 0.5% notes maturing 2029 and €500 million 1.0% notes maturing 2033.

Additionally, in September 2021, the Group redeemed €500 million 2.375% senior notes due 2024.

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 2021, the Group had fixed an average of 97% of its interest cost on borrowings over the following 12 months.

The Group's fixed rate debt comprised €250 million 2.75% senior notes due 2025, US$292.3 million 7.50% senior debentures due 2025, €1,000 million 2.875% senior notes due 2026, €750 million 1.5% senior notes due 2027, €500 million 0.5% senior green notes due 2029 and €500 million 1.0% senior green notes due 2033. €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 €2 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 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. There has been no significant disruption to our business during 2021 as a result of the pandemic.

For a number of years climate change has been recognised as an emerging risk for the Group. Following further consideration and review during 2021, the Board has elevated the potential impact of climate change in the long-term to a principal risk for the Group.

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

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

The principal risks and uncertainties faced by the Group, with the exception of climate change, were outlined in our 2020 Annual Report on pages 34-35. The Annual Report is available on our website; smurfitkappa.com.

Consolidated Income Statement
For the Financial Year Ended 31 December 2021

	2021 Unaudited			2020 Audited		
	Pre-exceptional	**Exceptional**	**Total**	Pre-exceptional	Exceptional	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue	**10,107**	**-**	**10,107**	8,530	-	8,530
Cost of sales	**(7,015)**	**-**	**(7,015)**	(5,656)	-	(5,656)
Gross profit	**3,092**	**-**	**3,092**	2,874	-	2,874
Distribution costs	**(823)**	**-**	**(823)**	(725)	-	(725)
Administrative expenses	**(1,196)**	**-**	**(1,196)**	(1,227)	-	(1,227)
Other operating expenses	**-**	**-**	**-**	-	(31)	(31)
Operating profit	**1,073**	**-**	**1,073**	922	(31)	891
Finance costs	**(148)**	**(31)**	**(179)**	(179)	-	(179)
Finance income	**17**	**-**	**17**	35	-	35
Share of associates' profit (after tax)	**2**	**-**	**2**	1	-	1
Profit before income tax	**944**	**(31)**	**913**	779	(31)	748
Income tax expense			**(234)**			(201)
Profit for the financial year			**679**			547
Attributable to:						
Owners of the parent			**679**			545
Non-controlling interests			**-**			2
Profit for the financial year			**679**			547
Earnings per share						
Basic earnings per share - cent			**263.9**			227.9
Diluted earnings per share - cent			**261.1**			225.7

Consolidated Statement of Comprehensive Income
For the Financial Year Ended 31 December 2021

	2021 Unaudited €m	2020 Audited €m
Profit for the financial year	**679**	547
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation adjustments:		
- Arising in the financial year	**14**	(165)
- Recycled to Consolidated Income Statement	**1**	1
Effective portion of changes in fair value of cash flow hedges:		
- Movement out of reserve	**(3)**	1
- Fair value gain on cash flow hedges	**-**	6
- Related tax	**-**	(1)
Changes in fair value of cost of hedging:		
- Movement out of reserve	**(1)**	(1)
- New fair value adjustments into reserve	**-**	1
	11	(158)
Items which will not be subsequently reclassified to profit or loss		
Defined benefit pension plans:		
- Actuarial gain/(loss)	**177**	(9)
- Related tax	**(32)**	7
	145	(2)
Total other comprehensive income/(expense)	**156**	(160)
Total comprehensive income for the financial year	**835**	387
Attributable to:		
Owners of the parent	**835**	388
Non-controlling interests	**-**	(1)
Total comprehensive income for the financial year	**835**	387

Consolidated Balance Sheet
At 31 December 2021

	2021 Unaudited €m	2020 Audited €m
ASSETS		
Non-current assets		
Property, plant and equipment	**4,265**	3,839
Right-of-use assets	**346**	311
Goodwill and intangible assets	**2,722**	2,552
Other investments	**11**	11
Investment in associates	**13**	12
Biological assets	**103**	107
Other receivables	**26**	28
Derivative financial instruments	**2**	-
Deferred income tax assets	**149**	172
	7,637	7,032
Current assets		
Inventories	**1,046**	773
Biological assets	**10**	11
Trade and other receivables	**2,137**	1,535
Derivative financial instruments	**8**	38
Restricted cash	**14**	10
Cash and cash equivalents	**855**	891
	4,070	3,258
Total assets	**11,707**	10,290
EQUITY		
Capital and reserves attributable to owners of the parent		
Equity share capital	**-**	-
Share premium	**2,646**	2,646
Other reserves	**260**	207
Retained earnings	**1,473**	917
Total equity attributable to owners of the parent	**4,379**	3,770
Non-controlling interests	**13**	13
Total equity	**4,392**	3,783
LIABILITIES		
Non-current liabilities		
Borrowings	**3,589**	3,122
Employee benefits	**630**	853
Derivative financial instruments	**7**	17
Deferred income tax liabilities	**175**	191
Non-current income tax liabilities	**17**	14
Provisions for liabilities	**35**	50
Capital grants	**24**	21
Other payables	**11**	9
	4,488	4,277
Current liabilities		
Borrowings	**165**	154
Trade and other payables	**2,563**	1,835
Current income tax liabilities	**27**	7
Derivative financial instruments	**14**	13
Provisions for liabilities	**58**	221
	2,827	2,230
Total liabilities	**7,315**	6,507
Total equity and liabilities	**11,707**	10,290

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2021

	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 2021	**-**	**2,646**	**207**	**917**	**3,770**	**13**	**3,783**
Profit for the financial year	**-**	**-**	**-**	**679**	**679**	**-**	**679**
Other comprehensive income							
Foreign currency translation adjustments	**-**	**-**	**15**	**-**	**15**	**-**	**15**
Defined benefit pension plans	**-**	**-**	**-**	**145**	**145**	**-**	**145**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**(3)**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Total comprehensive income for the financial year	**-**	**-**	**11**	**824**	**835**	**-**	**835**
Hyperinflation adjustment	**-**	**-**	**-**	**34**	**34**	**-**	**34**
Dividends paid	**-**	**-**	**-**	**(302)**	**(302)**	**-**	**(302)**
Share-based payment	**-**	**-**	**64**	**-**	**64**	**-**	**64**
Net shares acquired by SKG Employee Trust	**-**	**-**	**(22)**	**-**	**(22)**	**-**	**(22)**
At 31 December 2021	**-**	**2,646**	**260**	**1,473**	**4,379**	**13**	**4,392**
Audited							
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 (expense)/income 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

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 2021

	2021 Unaudited €m	2020 Audited €m
Cash flows from operating activities		
Profit before income tax	**913**	748
Net finance costs	**162**	144
Depreciation charge	**513**	514
Amortisation of intangible assets	**40**	43
Amortisation of capital grants	**(3)**	(2)
Share-based payment expense	**69**	35
Profit on sale of property, plant and equipment	**(8)**	(2)
Profit on purchase/disposal of businesses	**-**	(4)
Share of associates' profit (after tax)	**(2)**	(1)
Net movement in working capital	**(114)**	95
Change in biological assets	**7**	(6)
Italian Competition Authority fine	**(124)**	-
Change in employee benefits and other provisions	**(81)**	(7)
Other (primarily hyperinflation adjustments)	**5**	6
Cash generated from operations	**1,377**	1,563
Interest paid	**(152)**	(122)
Income taxes paid:		
Irish corporation tax (net of tax refunds) paid	**(21)**	(14)
Overseas corporation tax (net of tax refunds) paid	**(218)**	(180)
Net cash inflow from operating activities	**986**	1,247
Cash flows from investing activities		
Interest received	**3**	3
Business disposals	**33**	-
Additions to property, plant and equipment and biological assets	**(594)**	(493)
Additions to intangible assets	**(21)**	(21)
Receipt of capital grants	**5**	5
(Increase)/decrease in restricted cash	**(4)**	4
Disposal of property, plant and equipment	**16**	5
Dividends received from associates	**1**	1
Purchase of subsidiaries (net of acquired cash)	**(413)**	(2)
Deferred consideration paid	**(35)**	-
Net cash outflow from investing activities	**(1,009)**	(498)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares (net)	**-**	648
Proceeds from bond issuance	**999**	-
Purchase of own shares (net)	**(22)**	(16)
Purchase of non-controlling interests	**-**	(23)
Decrease in other interest-bearing borrowings	**(107)**	(329)
Repayment of lease liabilities	**(88)**	(91)
Repayment of borrowings	**(491)**	-
Derivative termination receipts	**9**	9
Deferred debt issue costs paid	**(12)**	(2)
Dividends paid to shareholders	**(302)**	(260)
Net cash outflow from financing activities	**(14)**	(64)
(Decrease)/increase in cash and cash equivalents	**(37)**	685
Reconciliation of opening to closing cash and cash equivalents		
Cash and cash equivalents at 1 January	**876**	172
Currency translation adjustment	**(12)**	19
(Decrease)/increase in cash and cash equivalents	**(37)**	685
Cash and cash equivalents at 31 December	**827**	876

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 2020 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 2020. No additional significant accounting judgements, estimates and assumptions were identified for the Group as a result of the elevation by the Board of the potential impact of climate change in the long-term to a principal risk for the Group. A number of changes to IFRS became effective in 2021, however, they did not have a material effect on the Consolidated Financial Statements included in this report.

Impact of COVID-19
The Group has again 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. As a result of these reviews, there was no material change 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 2021. The impact of COVID-19 was considered when preparing cash flow forecasts for 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. There has been no significant disruption to our business to date as a result of the pandemic. The Group took into consideration the potential impact of the pandemic and the effect that it could have on the Group's financial position and results of operations. The Group continues to have significant headroom in relation to its financial covenants.

The Group's diversified funding base and long-dated maturity profile of 5.8 years at 31 December 2021 provide a stable funding outlook. At 31 December 2021, the Group had a strong liquidity position of approximately €2.52 billion comprising cash balances of €869 million (including €14 million of restricted cash), undrawn available committed facilities of €1,343 million under its RCF and €312 million under its sustainability linked securitisation facilities. At 31 December 2021, the strength of the Group's balance sheet, a net debt to EBITDA ratio of 1.7x (31 December 2020: 1.6x) and its BBB-/BBB-/Baa3 credit rating, continues to secure long-term strategic flexibility.

2. Basis of Preparation and Accounting Policies (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 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 2020 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 2021			FY 2020		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**7,847**	**2,260**	**10,107**	6,645	1,885	8,530
EBITDA	**1,302**	**441**	**1,743**	1,180	372	1,552
Segment exceptional items	**-**	**-**	**-**	(19)	(12)	(31)
EBITDA after exceptional items	**1,302**	**441**	**1,743**	1,161	360	1,521
Unallocated centre costs			**(41)**			(42)
Share-based payment expense			**(69)**			(37)
Depreciation and depletion (net)			**(520)**			(508)
Amortisation			**(40)**			(43)
Finance costs			**(179)**			(179)
Finance income			**17**			35
Share of associates' profit (after tax)			**2**			1
Profit before income tax			**913**			748
Income tax expense			**(234)**			(201)
Profit for the financial year			**679**			547

	H2 2021			H2 2020		
	Europe	**The Americas**	**Total**	Europe	The Americas	Total
	€m	**€m**	**€m**	€m	€m	€m
Revenue and results						
Revenue	**4,198**	**1,230**	**5,428**	3,377	950	4,327
EBITDA	**711**	**230**	**941**	605	194	799
Segment exceptional items	**-**	**-**	**-**	(19)	(12)	(31)
EBITDA after exceptional items	**711**	**230**	**941**	586	182	768
Unallocated centre costs			**(20)**			(24)
Share-based payment expense			**(41)**			(26)
Depreciation and depletion (net)			**(263)**			(256)
Amortisation			**(21)**			(21)
Finance costs			**(106)**			(94)
Finance income			**8**			18
Share of associates' profit (after tax)			**2**			-
Profit before income tax			**500**			365
Income tax expense			**(129)**			(96)
Profit for the financial period			**371**			269

3. Segment and Revenue Information (continued)

Revenue information about geographical areas

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

	2021 **€m**	2020 €m
Ireland	**109**	111
Germany	**1,403**	1,207
France	**1,094**	969
Mexico	**992**	850
The Netherlands	**924**	760
United Kingdom	**901**	743
Other Europe - eurozone	**2,147**	1,796
Other Europe - non-eurozone	**1,233**	1,029
Other Americas	**1,304**	1,065
Total revenue by geographical area	**10,107**	8,530

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.

	2021			2020		
	Paper €m	**Packaging €m**	**Total €m**	Paper €m	Packaging €m	Total €m
Europe	**1,328**	**6,519**	**7,847**	1,005	5,640	6,645
The Americas	**213**	**2,047**	**2,260**	207	1,678	1,885
Total revenue by product	**1,541**	**8,566**	**10,107**	1,212	7,318	8,530

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

	2021 **€m**	2020 €m
The following items are regarded as exceptional in nature:		
Redundancy and reorganisation costs	**-**	35
Recognition reward	**-**	11
Gain on UK pension scheme	**-**	(15)
Exceptional items included in operating profit	**-**	31
Exceptional finance costs	**31**	-
Exceptional items included in net finance costs	**31**	-
Total exceptional items	**31**	31

There were no exceptional items within operating profit in 2021.

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

In 2020, exceptional items charged within operating profit 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.

5. Finance Costs and Income

	2021	2020
	€m	€m
Finance costs:		
Interest payable on bank loans and overdrafts	**25**	29
Interest payable on leases	**10**	10
Interest payable on other borrowings	**86**	89
Exceptional finance costs associated with debt restructuring	**31**	-
Foreign currency translation loss on debt	**15**	36
Fair value loss on derivatives not designated as hedges	**2**	1
Fair value loss on financial assets/liabilities	**-**	2
Net interest cost on net pension liability	**7**	12
Non monetary loss - hyperinflation	**3**	-
Total finance costs	**179**	179
Finance income:		
Other interest receivable	**(3)**	(3)
Foreign currency translation gain on debt	**(12)**	(29)
Fair value gain on derivatives not designated as hedges	**-**	(1)
Fair value gain on financial assets/liabilities	**(2)**	(1)
Net monetary gain – hyperinflation	**-**	(1)
Total finance income	**(17)**	(35)
Net finance costs	**162**	144

6. Income Tax Expense

Income tax expense recognised in the Consolidated Income Statement

	2021	2020
	€m	€m
Current tax:		
Europe	**189**	127
The Americas	**76**	49
	265	176
Deferred tax	**(31)**	25
Income tax expense	**234**	201
Current tax is analysed as follows:		
Ireland	**28**	21
Foreign	**237**	155
	265	176

Income tax recognised in the Consolidated Statement of Comprehensive Income

	2021	2020
	€m	€m
Arising on defined benefit pension plans	**32**	(7)
Arising on derivative cash flow hedges	**-**	1
	32	(6)

The income tax expense for the financial year 2021 is €33 million higher than in the comparable period in 2020. This mainly arises from higher profitability and other timing items in Europe and the Americas.

The movement in deferred tax from a net expense of €25 million in 2020 to a credit of €31 million in 2021 includes the effects of the reversal of timing differences on which deferred tax has been previously recorded, the recognition of tax benefits on losses and other investment tax credits partly offset by the negative impact of increases in tax rates in a number of countries.

In 2021, there is a lower net tax credit of €4 million on exceptional items compared to a €9 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:

	2021	2020
	€m	€m
Current service cost	**37**	34
Actuarial (gain)/loss arising on other long-term employee benefits	**(1)**	1
Past service cost - UK[1]	**-**	(15)
Past service cost - other	**(4)**	3
Gain on settlement	**(3)**	(2)
Net interest cost on net pension liability	**7**	12
Defined benefit cost	**36**	33

[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 in 2020.

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

	2021	2020
	€m	€m
Return on plan assets (excluding interest income)	**110**	170
Actuarial gain due to experience adjustments	**6**	34
Actuarial gain/(loss) due to changes in financial assumptions	**54**	(224)
Actuarial gain due to changes in demographic assumptions	**7**	11
Total gain/(loss) recognised in the Consolidated Statement of Comprehensive Income	**177**	(9)

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

	2021	2020
	€m	€m
Present value of funded or partially funded obligations	**(2,384)**	(2,529)
Fair value of plan assets	**2,276**	2,224
Deficit in funded or partially funded plans	**(108)**	(305)
Present value of wholly unfunded obligations	**(520)**	(546)
Amounts not recognised as assets due to asset ceiling	**(2)**	(2)
Net pension liability	**(630)**	(853)

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.

	2021	2020
Profit attributable to owners of the parent (€ million)	**679**	545
Weighted average number of ordinary shares in issue (million)	**257**	239
Basic EPS (cent)	**263.9**	227.9

Diluted

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

	2021	2020
Profit attributable to owners of the parent (€ million)	**679**	545
Weighted average number of ordinary shares in issue (million)	**257**	239
Potential dilutive ordinary shares assumed (million)	**3**	2
Diluted weighted average ordinary shares (million)	**260**	241
Diluted EPS (cent)	**261.1**	225.7

Pre-exceptional

	2021	2020
Profit attributable to owners of the parent (€ million)	**679**	545
Exceptional items included in profit before income tax (€ million)	**31**	31
Income tax on exceptional items (€ million)	**(4)**	(9)
Pre-exceptional profit attributable to owners of the parent (€ million)	**706**	567
Weighted average number of ordinary shares in issue (million)	**257**	239
Pre-exceptional basic EPS (cent)	**274.5**	236.9
Diluted weighted average ordinary shares (million)	**260**	241
Pre-exceptional diluted EPS (cent)	**271.6**	234.6

9. Dividends

The following dividends were declared and paid by the Group.

	2021 **€m**	2020 €m
Final: paid 87.4 cent per ordinary share on 7 May 2021 (2020: no final dividend was paid in 2020)	**226**	-
Interim: paid 29.3 cent per ordinary share on 22 October 2021 (2020: paid 80.9 cent per ordinary share on 11 September 2020 and a further 27.9 cent on 11 December 2020)	**76**	260
	302	260

The Board is recommending a 10% increase in the final dividend to 96.1 cent per share (approximately €250 million). It is proposed to pay this dividend on 6 May 2022 to all ordinary shareholders on the share register at the close of business on 8 April 2022, 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 2021			
Opening net book amount	**1,090**	**2,749**	**3,839**
Reclassifications	**63**	**(64)**	**(1)**
Additions	**1**	**570**	**571**
Acquisitions	**73**	**186**	**259**
Depreciation charge	**(56)**	**(369)**	**(425)**
Retirements and disposals	**(9)**	**(17)**	**(26)**
Hyperinflation adjustment	**4**	**10**	**14**
Foreign currency translation adjustment	**9**	**25**	**34**
At 31 December 2021	**1,175**	**3,090**	**4,265**
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

11. Net Movement in Working Capital

	2021 **€m**	2020 €m
Change in inventories	**(246)**	14
Change in trade and other receivables	**(492)**	22
Change in trade and other payables	**624**	59
Net movement in working capital	**(114)**	95

12. Analysis of Net Debt

	2021 €m	2020 €m
Revolving credit facility – interest at relevant interbank rate (interest rate floor of 0%) + 0.65%(1) (2)	**2**	89
US$292.3 million 7.5% senior debentures due 2025 (including accrued interest)	**260**	240
Bank loans and overdrafts	**101**	83
€100 million receivables securitisation VFNs due 2026 (including accrued interest)(3)	**4**	4
€230 million receivables securitisation VFNs due 2026(4)	**11**	11
€500 million 2.375% senior notes due 2024 (including accrued interest)(5)	**-**	501
€250 million 2.75% senior notes due 2025 (including accrued interest)	**251**	251
€1,000 million 2.875% senior notes due 2026 (including accrued interest)	**1,007**	1,005
€750 million 1.5% senior notes due 2027 (including accrued interest)	**747**	746
€500 million 0.5% senior green notes due 2029 (including accrued interest)(6)	**495**	-
€500 million 1.0% senior green notes due 2033 (including accrued interest)(6)	**496**	-
Gross debt before leases	**3,374**	2,930
Leases	**380**	346
Gross debt including leases	**3,754**	3,276
Cash and cash equivalents (including restricted cash)	**(869)**	(901)
Net debt including leases	**2,885**	2,375

(1) The Group's RCF has a maturity of January 2026. At 31 December 2021, the following amounts were drawn under this facility:
(a) Revolver loans - €7 million
(b) Drawn under ancillary facilities and facilities supported by letters of credit – nil
(c) Other operational facilities including letters of credit - nil

(2) Following the upgrade to Baa3 and BBB- by Moody's and Standard & Poor's respectively in February 2021, the margin on the RCF reduced from 0.817% to 0.65%.

(3) In April 2021, the Group amended and extended its €200 million 2022 trade receivables securitisation programme, which utilises the Group's receivables in Austria, Belgium, Italy and the Netherlands. The programme was extended to January 2026 at a reduced facility size of €100 million and with a margin reduction from 1.375% to 1.1%. As part of the amendment process, the Group further aligned its sustainability ambitions and targets into its financing by embedding its sustainability targets via KPIs into the amended and extended trade receivables securitisation programme.

(4) In November 2021, the Group amended and extended its €230 million 2023 trade receivables securitisation programme, which utilises the Group's receivables in France, Germany and the UK. The programme was extended to November 2026 at the same facility size of €230 million and with a margin reduction from 1.2% to 1.1%. As part of this amendment process the Group also embedded its sustainability targets via KPIs into the amended and extended trade receivables securitisation programme.

(5) In September 2021, the Group redeemed the €500 million 2.375% senior notes due 2024.

(6) In September 2021, following the launch of the Group's Green Finance Framework, the Group issued its inaugural green bond. The €1 billion dual tranche green bond comprised €500 million 0.5% senior notes maturing 2029 and €500 million 1.0% senior notes maturing 2033.

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 2021	**575**	**4**	**2**	**(556)**	**241**	**(49)**	**(10)**	**207**
Other comprehensive income								
Foreign currency translation adjustments	**-**	**-**	**-**	**15**	**-**	**-**	**-**	**15**
Effective portion of changes in fair value of cash flow hedges	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
Changes in fair value of cost of hedging	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Total other comprehensive (expense)/income	**-**	**(3)**	**(1)**	**15**	**-**	**-**	**-**	**11**
Share-based payment	**-**	**-**	**-**	**-**	**64**	**-**	**-**	**64**
Net shares acquired by SKG Employee Trust	**-**	**-**	**-**	**-**	**-**	**(22)**	**-**	**(22)**
Shares distributed by SKG Employee Trust	**-**	**-**	**-**	**-**	**(12)**	**12**	**-**	**-**
At 31 December 2021	**575**	**1**	**1**	**(541)**	**293**	**(59)**	**(10)**	**260**
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

14. Business Combinations

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

- Cartones del Pacifico, (100%, 1 June 2021) a paper-based packaging company in Peru;
- Cartonbox, (100%, 5 July 2021), a folding carton company in Mexico; and
- Verzuolo, (100%, 8 October 2021), a containerboard mill in Northern Italy.

The table below reflects the provisional fair values of the identifiable net assets acquired in respect of the acquisitions completed during the year. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the Verzuolo acquisition given the timing of closure of the transaction. Any amendments to fair values will be made within the twelve month period from the date of acquisition, as permitted by IFRS 3, *Business Combinations* and disclosed in the 2022 Annual Report.

	Verzuolo	Other	Total
	€m	€m	€m
Non-current assets			
Property, plant and equipment	231	28	259
Right-of-use assets	1	5	6
Intangible Assets	-	19	19
Deferred income tax asset	2	-	2
Current assets			
Inventories	14	8	22
Trade and other receivables	3	14	17
Cash and cash equivalents	-	1	1
Non-current liabilities			
Employee benefits	(4)	-	(4)
Deferred income tax liabilities	-	(7)	(7)
Borrowings	-	(11)	(11)
Current liabilities			
Borrowings	-	(15)	(15)
Trade and other payables	(9)	(18)	(27)
Net assets acquired	238	24	262
Goodwill	119	33	152
Consideration	357	57	414
Settled by:			
Cash	357	57	414

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

None of the goodwill recognised is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition	**€m**
Cash consideration	**414**
Less cash & cash equivalents acquired	**(1)**
Total	**413**

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to €17 million. The fair value of these receivables is estimated at €17 million (all of which is expected to be recoverable).

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

The Group's acquisitions in 2021 have contributed €73 million to revenue and a €7 million loss after tax. The proforma revenue and profit after tax of the Group for the year ended 31 December 2021 would have been €10,358 million and €674 million respectively, had the acquisitions taken place at the start of the reporting period.

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

Supplementary Financial Information

Alternative Performance Measures

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

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

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

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

A. EBITDA

Definition

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

Reconciliation of Profit to EBITDA

	Reference	**2021 €m**	2020 €m
Profit for the financial year	CIS	**679**	547
Income tax expense (after exceptional items)	CIS	**234**	201
Exceptional items charged in operating profit	CIS	**-**	31
Net finance costs (after exceptional items)	Note 5	**162**	144
Share of associates' profit (after tax)	CIS	**(2)**	(1)
Share-based payment expense	Note 3	**69**	37
Depreciation, depletion (net) and amortisation	Note 3	**560**	551
EBITDA		**1,702**	1,510

B. EBITDA margin

Definition

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

	Reference	**2021 €m**	2020 €m
EBITDA	A	**1,702**	1,510
Revenue	CIS	**10,107**	8,530
EBITDA margin		**16.8%**	17.7%

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	**2021 €m**	2020 €m
Operating profit	CIS	**1,073**	891
Exceptional items	CIS	**-**	31
Operating profit before exceptional items	CIS	**1,073**	922

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 2021	**The Americas 2021**	**Total 2021**	Europe 2020	The Americas 2020	Total 2020
EBITDA						
Currency	**1%**	**(2%)**	**-**	-	(9%)	(2%)
Acquisitions/disposals	**(1%)**	**1%**	**-**	-	-	-
Underlying EBITDA change	**10%**	**20%**	**13%**	(11%)	12%	(7%)
Reported EBITDA change	**10%**	**19%**	**13%**	(11%)	3%	(9%)
Revenue						
Currency	**-**	**(3%)**	**-**	(1%)	(10%)	(3%)
Hyperinflation	**-**	**1%**	**-**	-	-	-
Acquisitions/disposals	**1%**	**1%**	**-**	-	-	-
Underlying revenue change	**17%**	**21%**	**18%**	(4%)	2%	(3%)
Reported revenue change	**18%**	**20%**	**18%**	(5%)	(8%)	(6%)

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	2021 €m	2020 €m
Borrowings	Note 12	**3,754**	3,276
Less:			
Restricted cash	CBS	**(14)**	(10)
Cash and cash equivalents	CBS	**(855)**	(891)
Net debt		**2,885**	2,375

G. Net debt to EBITDA

Definition

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

	Reference	2021 €m	2020 €m
Net debt	F	**2,885**	2,375
EBITDA	A	**1,702**	1,510
Net debt to EBITDA (times)		**1.7**	1.6

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	2021 €m	2020 €m
Operating profit before exceptional items	C	**1,073**	922
Share of associates' profit (after tax)	CIS	**2**	1
Operating profit before exceptional items plus share of associates' profit (after tax)		**1,075**	923
Total equity – current year-end	CBS	**4,392**	3,783
Net debt – current year-end	F	**2,885**	2,375
Capital employed – current year-end		**7,277**	6,158
Total equity – prior year-end	CBS	**3,783**	2,993
Net debt – prior year-end	F	**2,375**	3,483
Capital employed – prior year-end		**6,158**	6,476
Average capital employed		**6,718**	6,317
Return on capital employed		**16.0%**	14.6%

Alternative Performance Measures (continued)

I. Working capital

Definition

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

	Reference	**2021 €m**	2020 €m
Inventories	CBS	**1,046**	773
Trade and other receivables (current and non-current)	CBS	**2,163**	1,563
Trade and other payables	CBS	**(2,563)**	(1,835)
Working capital		**646**	501

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	**2021 €m**	2020 €m
Working capital	I	**646**	501
Annualised quarterly revenue		**11,281**	8,875
Working capital as a percentage of sales		**5.7%**	5.6%

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	2021 €m	2020 €m
EBITDA	A	**1,702**	1,510
Exceptional items	K.1	**-**	(18)
Cash interest expense	K.2	**(109)**	(118)
Working capital change	K.3	**(114)**	94
Capital expenditure	K.4	**(693)**	(575)
Change in capital creditors	K.4	**(14)**	(18)
Tax paid	CSCF	**(239)**	(194)
Change in employee benefits and other provisions	K.6	**(81)**	(20)
Other	K.7	**3**	14
Free cash flow	L	**455**	675
Italian Competition Authority fine	CSCF	**(124)**	-
Share issues (net)	CSCF	**-**	648
Purchase of own shares (net)	CSCF	**(22)**	(16)
Sale of businesses and investments	K.8	**37**	-
Purchase of businesses, investments and NCI	K.9	**(449)**	(25)
Dividends	CSCF	**(302)**	(260)
Derivative termination receipts	CSCF	**9**	9
Premium on early repayment of bonds	K.2	**(28)**	-
Net cash (outflow)/inflow		**(424)**	1,031
Acquired net debt	K.10	**(25)**	(1)
Disposed net cash	K.11	**(1)**	-
Deferred debt issue costs amortised		**(10)**	(7)
Currency translation adjustment		**(50)**	85
(Increase)/decrease in net debt		**(510)**	1,108

K.1 Exceptional items

	Reference	2021 €m	2020 €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	2021 €m	2020 €m
Interest paid	CSCF	**(152)**	(122)
Interest received	CSCF	**3**	3
Move in accrued interest		**3**	1
Initial cost of bonds repaid		**9**	-
Premium on early repayment of bonds	K	**28**	-
Per summary cash flow		**(109)**	(118)

K.3 Working capital change

	Reference	2021 €m	2020 €m
Net movement in working capital	CSCF	**(114)**	95
Other		**-**	(1)
Per summary cash flow		**(114)**	94

K.4 Capital expenditure

	Reference	2021 €m	2020 €m
Additions to property, plant and equipment and biological assets	CSCF	**(594)**	(493)
Additions to intangible assets	CSCF	**(21)**	(21)
Additions to right-of-use assets		**(92)**	(79)
Change in capital creditors	K	**14**	18
Per summary cash flow		**(693)**	(575)

K.5 Capital expenditure as a percentage of depreciation

	Reference	2021 €m	2020 €m
Capital expenditure	K.4	**693**	575
Depreciation, depletion (net) and amortisation	A	**560**	551
Capital expenditure as a percentage of depreciation		**124%**	104%

Alternative Performance Measures (continued)

K.6 Change in employee benefits and other provisions

	Reference	**2021 €m**	2020 €m
Change in employee benefits and other provisions	CSCF	**(81)**	(7)
Reorganisation and restructuring costs - unpaid	K.6.1	**-**	(28)
Past service cost - UK	K.6.2	**-**	15
Per summary cash flow		**(81)**	(20)

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

K.6.2 Past service cost - UK
The change in employee benefits relating to the exceptional past service cost on the UK pension scheme is not included in the summary cash flow as it is not within EBITDA.

K.7 Other

	Reference	**2021 €m**	2020 €m
Other within the summary cash flow comprises the following:			
Amortisation of capital grants	CSCF	**(3)**	(2)
Profit on sale of property, plant and equipment	CSCF	**(8)**	(2)
Profit on purchase/disposal of businesses	CSCF	**-**	(4)
Other (primarily hyperinflation adjustments)	CSCF	**5**	6
Receipt of capital grants	CSCF	**5**	5
Disposal of property, plant and equipment	CSCF	**16**	5
Dividends received from associates	CSCF	**1**	1
Lease terminations/modifications	L	**(13)**	5
Per summary cash flow		**3**	14

K.8 Sale of businesses and investments

	Reference	**2021 €m**	2020 €m
Disposal of subsidiaries (net of disposed cash)	CSCF	**33**	-
Disposed cash and cash equivalents	K.11	**4**	-
Per summary cash flow		**37**	-

K.9 Purchase of businesses, investments and NCI

	Reference	**2021 €m**	2020 €m
Purchase of subsidiaries (net of acquired cash)	CSCF	**(413)**	(2)
Purchase of non-controlling interests	CSCF	**-**	(23)
Deferred consideration paid	CSCF	**(35)**	-
Acquired cash and cash equivalents	K.10	**(1)**	-
Per summary cash flow		**(449)**	(25)

Alternative Performance Measures (continued)

K.10 Acquired net debt

	Reference	**2021 €m**	2020 €m
Acquired debt		**(26)**	(1)
Acquired cash and cash equivalents	K.9	**1**	-
Per summary cash flow		**(25)**	(1)

K.11 Disposed net cash

	Reference	**2021 €m**	2020 €m
Disposed debt		**3**	-
Disposed cash and cash equivalents	K.8	**(4)**	-
Per summary cash flow		**(1)**	-

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

Reconciliation of Free Cash Flow to Cash Generated from Operations

	Reference	**2021 €m**	2020 €m
Free cash flow	K	**455**	675
Reconciling items:			
Cash interest expense	K.2	**109**	118
Capital expenditure (net of change in capital creditors)	K.4	**707**	593
Tax payments	CSCF	**239**	194
Disposal of property, plant and equipment	CSCF	**(16)**	(5)
Lease terminations/modifications	K.7	**13**	(5)
Receipt of capital grants	CSCF	**(5)**	(5)
Dividends received from associates	CSCF	**(1)**	(1)
Italian Competition Authority fine	CSCF	**(124)**	-
Non-cash financing activities		**-**	(1)
Cash generated from operations	CSCF	**1,377**	1,563