

REFINITIV

DELTA REPORT

10-Q

WRK WI - WESTROCK CO

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 2256

 **CHANGES** 389

 **DELETIONS** 1013

 **ADDITIONS** 854

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, December 31, 2023**

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-38736

WestRock Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware

37-1880617

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1000 Abernathy Road NE, Atlanta, Georgia

30328

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: **(770) 448-2193**

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	WRK	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of July 21, 2023 January 19, 2024
Common Stock, \$0.01 par value	256,279,376 256,966,731

WESTROCK COMPANY
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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

WESTROCK COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net sales	\$ 5,121.1	\$ 5,519.7	\$ 15,321.8	\$ 15,854.0
Cost of goods sold	4,099.6	4,360.3	12,614.8	12,894.3
Gross profit	1,021.5	1,159.4	2,707.0	2,959.7
Selling, general and administrative expense excluding intangible amortization	541.5	504.3	1,519.5	1,450.3
Selling, general and administrative intangible amortization expense	84.8	87.5	257.6	263.6
Loss (gain) on disposal of assets	1.0	(0.2)	(9.3)	(11.6)
Multiemployer pension withdrawal income	(12.2)	—	(12.2)	(3.3)
Restructuring and other costs	47.7	0.6	525.4	366.3
Impairment of goodwill and other assets	—	26.0	1,893.0	26.0
Operating profit (loss)	358.7	541.2	(1,467.0)	868.4
Interest expense, net	(108.1)	(78.5)	(313.8)	(237.7)
Loss on extinguishment of debt	—	—	—	(8.2)
Pension and other postretirement non-service (cost) income	(5.3)	38.7	(16.3)	118.3
Other income (expense), net	1.4	(7.2)	8.8	(0.7)
Equity in income (loss) of unconsolidated entities	23.7	18.3	(7.8)	57.3
Income (loss) before income taxes	270.4	512.5	(1,796.1)	797.4
Income tax (expense) benefit	(67.3)	(132.7)	41.2	(193.1)
Consolidated net income (loss)	203.1	379.8	(1,754.9)	604.3
Less: Net income attributable to noncontrolling interests	(1.1)	(1.9)	(3.9)	(4.2)
Net income (loss) attributable to common stockholders	<u>\$ 202.0</u>	<u>\$ 377.9</u>	<u>\$ (1,758.8)</u>	<u>\$ 600.1</u>
Basic earnings (loss) per share attributable to common stockholders	<u>\$ 0.79</u>	<u>\$ 1.48</u>	<u>\$ (6.88)</u>	<u>\$ 2.30</u>
Diluted earnings (loss) per share attributable to common stockholders	<u>\$ 0.79</u>	<u>\$ 1.47</u>	<u>\$ (6.88)</u>	<u>\$ 2.28</u>

Basic weighted average shares outstanding	256.3	255.6	255.5	261.2
Diluted weighted average shares outstanding	257.0	257.4	255.5	263.2

	Three Months Ended December 31,	
	2023	2022
(In millions, except per share data)		
Net sales	\$ 4,620.0	\$ 4,923.1
Cost of goods sold	3,861.2	4,157.1
Gross profit	758.8	766.0
Selling, general and administrative expense excluding intangible amortization	527.1	479.1
Selling, general and administrative intangible amortization expense	82.0	86.6
Restructuring and other costs, net	65.5	32.1
Operating profit	84.2	168.2
Interest expense, net	(101.4)	(97.3)
Pension and other postretirement non-service income (cost)	0.2	(5.0)
Other (expense) income, net	(4.7)	25.2
Equity in income (loss) of unconsolidated entities	4.2	(36.0)
Gain on sale of RTS and Chattanooga	0.5	—
(Loss) income before income taxes	(17.0)	55.1
Income tax expense	(5.7)	(8.3)
Consolidated net (loss) income	(22.7)	46.8
Less: Net loss (income) attributable to noncontrolling interests	0.3	(1.5)
Net (loss) income attributable to common stockholders	\$ (22.4)	\$ 45.3
Basic (loss) earnings per share attributable to common stockholders	\$ (0.09)	\$ 0.18
Diluted (loss) earnings per share attributable to common stockholders	\$ (0.09)	\$ 0.18
Basic weighted average shares outstanding	257.0	254.7

Diluted weighted average shares outstanding	257.0	256.7
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See Accompanying Notes to Consolidated Financial Statements

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WESTROCK COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Consolidated net income (loss)	\$ 203.1	\$ 379.8	\$ (1,754.9)	\$ 604.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Foreign currency translation gain (loss)	172.4	(195.4)	472.7	(82.0)
Recognition of previously unrealized foreign currency losses on consolidation of equity investment	—	—	29.0	—
Derivatives:				
Deferred loss on cash flow hedges	(0.6)	(23.5)	(45.9)	(23.5)
Reclassification adjustment of net loss on cash flow hedges included in earnings	15.3	—	45.3	—
Defined benefit pension and other postretirement benefit plans:				
Net actuarial gain arising during period	—	—	—	0.1
Amortization and settlement recognition of net actuarial loss, included in pension cost	10.0	2.1	29.8	4.9
Amortization and settlement recognition of prior service cost, included in pension cost	1.4	1.4	4.2	4.3
Other comprehensive income (loss), net of tax	<u>198.5</u>	<u>(215.4)</u>	<u>535.1</u>	<u>(96.2)</u>

Comprehensive income (loss)	401.6	164.4	(1,219.8)	508.1
Less: Comprehensive income attributable to noncontrolling interests	(1.4)	(1.7)	(5.0)	(4.3)
Comprehensive income (loss) attributable to common stockholders	\$ 400.2	\$ 162.7	\$ (1,224.8)	\$ 503.8
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Three Months Ended	
	December 31,	
(In millions)	2023	2022
Consolidated net (loss) income	\$ (22.7)	\$ 46.8
Other comprehensive income, net of tax:		
Foreign currency translation adjustments:		
Foreign currency translation gain	158.8	117.5
Reclassification of previously unrealized net foreign currency loss upon consolidation of equity investment	—	29.0
Derivatives:		
Deferred loss on cash flow hedges	(11.6)	(21.8)
Reclassification adjustment of net loss on cash flow hedges included in earnings	3.9	9.9
Defined benefit pension and other postretirement benefit plans:		
Amortization and settlement recognition of net actuarial loss, included in pension and postretirement cost	4.9	9.7
Amortization and curtailment recognition of prior service cost, included in pension and postretirement cost	1.1	1.4
Other comprehensive income, net of tax	157.1	145.7
Comprehensive income	134.4	192.5
Less: Comprehensive loss (income) attributable to noncontrolling interests	0.3	(1.8)
Comprehensive income attributable to common stockholders	\$ 134.7	\$ 190.7
	<u> </u>	<u> </u>

See Accompanying Notes to Consolidated Financial Statements

WESTROCK COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 314.8	\$ 260.2	\$ 488.1	\$ 393.4
Accounts receivable (net of allowances of \$66.6 and \$66.3)	2,742. 6	2,683.9		
Accounts receivable (net of allowances of \$58.6 and \$60.2)			2,439.9	2,591.9
Inventories	2,549. 0	2,317.1	2,391.3	2,331.5
Other current assets	1,666. 2	689.8		
Other current assets (amount related to SPEs of \$0 and \$862.1)			739.2	1,584.8
Assets held for sale	175.4	34.4	87.6	91.5
Total current assets	7,448. 0	5,985.4	6,146.1	6,993.1
Property, plant and equipment, net	11,262 .5	10,081.4	11,230.2	11,063.2
Goodwill	4,266. 0	5,895.2	4,270.2	4,248.7

Intangibles, net	2,677.			
	0	2,920.6	2,507.3	2,576.2
Prepaid pension asset	474.1	440.3	629.5	618.3
Other noncurrent assets	2,021.			
	3	3,082.6		
Other noncurrent assets (amount related to SPEs of \$383.5 and \$382.7)			1,962.9	1,944.2
Total Assets	28,148			
	\$.9	\$ 28,405.5	\$ 26,746.2	\$ 27,443.7
LIABILITIES AND EQUITY				
Current liabilities:				
Current portion of debt	\$ 419.4	\$ 212.2	\$ 462.3	\$ 533.0
Accounts payable	2,163.			
	0	2,252.1	2,159.2	2,123.9
Accrued compensation and benefits	483.7	627.9	415.4	524.9
Other current liabilities	1,870.			
	4	810.6		
Liabilities held for sale	67.2	—		
Other current liabilities (amount related to SPEs of \$0 and \$776.7)			931.9	1,737.6
Total current liabilities	5,003.			
	7	3,902.8	3,968.8	4,919.4
Long-term debt due after one year	8,607.			
	6	7,575.0	8,235.9	8,050.9
Pension liabilities, net of current portion	215.4	189.4	194.7	191.2
Postretirement benefit liabilities, net of current portion	109.4	105.4	100.9	99.1
Deferred income taxes	2,505.			
	5	2,761.9	2,254.4	2,433.2
Other noncurrent liabilities	1,673.			
	8	2,445.8		
Commitments and contingencies (Note 17)				
Redeemable noncontrolling interests	8.7	5.5		
Other noncurrent liabilities (amount related to SPEs of \$330.7 and \$330.2)			1,826.9	1,652.2

Commitments and contingencies (Note 16)					
Equity:					
Preferred stock, \$0.01 par value; 30.0 million shares authorized; no shares outstanding	—	—	—	—	—
Common Stock, \$0.01 par value; 600.0 million shares authorized; 256.3 million and 254.4 million shares outstanding at June 30, 2023 and September 30, 2022, respectively	2.6	2.5			
Common Stock, \$0.01 par value; 600.0 million shares authorized; 257.0 million and 256.4 million shares outstanding at December 31, 2023 and September 30, 2023, respectively			2.6		2.6
Capital in excess of par value	10,685				
	.3	10,639.4		10,710.2	10,698.5
Retained earnings	240.2	2,214.4		176.5	278.2
Accumulated other comprehensive loss	(920.3)	(1,454.3)		(741.5)	(898.6)
Total stockholders' equity	10,007				
	.8	11,402.0		10,147.8	10,080.7
Noncontrolling interests	17.0	17.7		16.8	17.0
Total equity	10,024				
	.8	11,419.7		10,164.6	10,097.7
Total Liabilities and Equity	28,148				
	\$.9	\$ 28,405.5	\$ 26,746.2	\$ 27,443.7	

See Accompanying Notes to Consolidated Financial Statements

WESTROCK COMPANY
CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In millions, except per share data)	Three Months Ended		Nine Months Ended		Three Months Ended	
	June 30,		June 30,		December 31,	
	2023	2022	2023	2022	2023	2022
Number of Shares of Common Stock Outstanding:						
Balance at beginning of period	256.	259.	254.	265.		
	1	3	4	0	256.4	254.4
Issuance of common stock, net of stock received for tax withholdings	0.2	0.4	1.9	1.9	0.6	0.2
Purchases of common stock	—	(5.4)	—	(12.6)		
Balance at end of period	256.	254.	256.	254.		
	3	3	3	3	257.0	254.6
Common Stock:						
Balance at beginning of period	\$ 2.6	\$ 2.6	\$ 2.5	\$ 2.7	\$ 2.6	\$ 2.5
Issuance of common stock, net of stock received for tax withholdings	—	—	0.1	—		
Purchases of common stock	—	(0.1)	—	(0.2)		
Balance at end of period	2.6	2.5	2.6	2.5	2.6	2.5
Capital in Excess of Par Value:						
Balance at beginning of period	10,6	10,7	10,6	11,0		
	49.3	93.5	39.4	58.8	10,698.5	10,639.4
Compensation expense under share-based plans	32.5	34.7	55.6	74.4	8.4	9.6
Issuance of common stock, net of stock received for tax withholdings	3.5	12.1	(9.7)	7.6	3.3	3.6
Purchases of common stock		(224.2)		(524.3)		
Other	—	0.3	—	(0.1)		
Balance at end of period	10,6	10,6	10,6	10,6	10,710.2	10,652.6
	85.3	16.4	85.3	16.4		

Retained Earnings:				
Balance at beginning of period	110.	1,66	2,21	1,60
	0	2.5	4.4	7.9
Net income (loss) attributable to common stockholders	202.	377.	(1,75	600.
	0	9	8.8)	1
Dividends declared (per share - \$0.275, \$0.25, \$0.825 and \$0.75) ⁽¹⁾			(215.	(198.
	(71.8)	(64.8)	4)	5)
Issuance of common stock, net of stock received for tax withholdings	—	(0.1)	—	(2.1)
Purchases of common stock	—	(41.1)	—	(73.0)
Net (loss) income attributable to common stockholders				(22.4)
Dividends declared (per share - \$0.3025 and \$0.275) ⁽¹⁾				(79.3)
Balance at end of period	240.	1,93	240.	1,93
	2	4.4	2	4.4
				176.5
				2,188.3
Accumulated Other Comprehensive Loss:				
Balance at beginning of period	(1,11	(880.	(1,45	(999.
	8.5)	2)	4.3)	1)
Other comprehensive income (loss), net of tax	198.	(215.	534.	
	2	2)	0	(96.3)
Other comprehensive income, net of tax				157.1
Balance at end of period	(920.	(1,09	(920.	(1,09
	3)	5.4)	3)	5.4)
				(741.5)
				(1,308.9)
Total Stockholders' equity				
	10,0	11,4	10,0	11,4
	07.8	57.9	07.8	57.9
				10,147.8
				11,534.5
Noncontrolling Interests: ⁽²⁾				
Balance at beginning of period	17.7	18.7	17.7	19.7
Net loss	(0.7)	(0.1)	(0.7)	(0.6)
Distributions and adjustments to noncontrolling interests	—	—	—	(0.5)
Net (loss) income				(0.3)
				0.1

Adjustments to noncontrolling interests					0.1		—
Balance at end of period	17.0	18.6	17.0	18.6		16.8	17.8
Total equity	10,0	11,4	10,0	11,4			
	\$ 24.8	\$ 76.5	\$ 24.8	\$ 76.5		\$ 10,164.6	\$ 11,552.3

(1) Includes cash dividends and dividend equivalent units on certain equity awards.

(2) Excludes amounts related to contingently redeemable noncontrolling interests, which are separately classified outside of permanent equity on the consolidated balance sheets.

See Accompanying Notes to Consolidated Financial Statements

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WESTROCK COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended		Three Months Ended	
	June 30,		December 31,	
	2023	2022	2023	2022
Operating activities:				
Consolidated net (loss) income		(1,754.9)	\$ 604.3	\$ (22.7) 46.8
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:				
Depreciation, depletion and amortization	1,151.5	1,117.4	381.8	373.2
Deferred income tax benefit	(349.3)	(114.4)	(23.3)	(19.5)
Share-based compensation expense	55.6	74.3	7.3	9.6
401(k) match and company contribution in common stock	—	2.5		
Pension and other postretirement funding more than cost (income)	13.4	(101.8)		
Pension and other postretirement cost (income), net of contributions			0.5	3.6
Cash surrender value increase in excess of premiums paid	(37.8)	(2.5)	(17.4)	(13.1)

Equity in loss (income) of unconsolidated entities	7.8	(57.3)		
Equity in (income) loss of unconsolidated entities			(4.2)	36.0
Gain on sale of RTS and Chattanooga			(0.5)	—
Gain on sale of businesses	(11.2)	—	—	(11.1)
Impairment of goodwill and other assets	1,893.0	26.0		
Other impairment adjustments	407.3	314.3	(4.8)	(0.7)
Gain on disposal of plant and equipment and other, net	(8.6)	(12.3)		
Gain on disposal of assets, net			(2.3)	(1.7)
Other, net	(29.1)	(7.5)	(2.0)	0.7
Change in operating assets and liabilities, net of acquisitions and divestitures:				
Accounts receivable	276.1	(260.0)	181.5	284.9
Inventories	(29.4)	(263.9)	(25.7)	(53.8)
Other assets	(119.6)	(172.9)	(73.5)	(64.3)
Accounts payable	(239.7)	120.0	(23.5)	(113.9)
Income taxes	112.3	129.4	10.8	0.2
Accrued liabilities and other	(93.8)	84.5	(107.0)	(211.0)
Net cash provided by operating activities	1,243.6	1,480.1	275.0	265.9
Investing activities:				
Capital expenditures	(818.3)	(569.5)	(247.3)	(282.2)
Cash paid for purchase of businesses, net of cash received	(853.5)	(7.0)	—	(853.5)
Proceeds from settlement of Timber Note related to SPEs			860.0	—
Proceeds from corporate owned life insurance	36.0	29.8	3.1	2.2
Proceeds from sale of businesses	26.3	—	0.5	25.9
Proceeds from currency forward contracts	23.2	—	—	23.2
Proceeds from the sale of unconsolidated entity	43.8	—		
Proceeds from the sale of unconsolidated entities			1.0	—
Proceeds from sale of property, plant and equipment	21.7	25.6	8.3	4.5
Proceeds from property, plant and equipment insurance settlement	—	1.7		
Other, net	(1.2)	5.2	(0.2)	(0.3)
Net cash used for investing activities	(1,522.0)	(514.2)		
Net cash provided by (used for) investing activities			625.4	(1,080.2)
Financing activities:				
Additions to revolving credit facilities	52.9	—	—	20.8

Repayments of revolving credit facilities	(311.5)	(100.0)	—	(126.9)
Additions to debt	1,760.2	881.3	102.3	1,527.9
Repayments of debt	(1,125.6)	(1,166.5)	(35.0)	(648.8)
Changes in commercial paper, net	149.6	182.8	(34.7)	301.5
Other debt additions, net	35.5	7.1		
Issuances of common stock, net of related tax withholdings	(14.0)	1.7		
Purchases of common stock	—	(600.0)		
Other debt additions (repayments), net			16.5	(23.6)
Repayment of Timber Loan related to SPEs			(774.0)	—
Cash dividends paid to stockholders	(210.8)	(195.9)	(77.6)	(70.0)
Other, net	(0.1)	23.7	(1.5)	2.0
Net cash provided by (used for) financing activities	336.2	(965.8)		
Net cash (used for) provided by financing activities			(804.0)	982.9
Effect of exchange rate changes on cash, cash equivalents and restricted cash	8.3	14.4	(1.7)	(5.7)
Changes in cash, cash equivalents and restricted cash in assets held-for-sale	(11.5)	—	—	(7.9)
Increase in cash, cash equivalents and restricted cash	54.6	14.5	94.7	155.0
Cash, cash equivalents and restricted cash at beginning of period	260.2	290.9	393.4	260.2
Cash, cash equivalents and restricted cash at end of period	\$ 314.8	\$ 305.4	\$ 488.1	\$ 415.2

See Accompanying Notes to Consolidated Financial Statements

WESTROCK COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Unless the context otherwise requires, “we”, “us”, “our”, “WestRock” and “the Company” refer to WestRock Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries.

We are a multinational provider of sustainable fiber-based paper and packaging solutions. We partner with our customers to provide differentiated, sustainable paper and packaging solutions that help them win in the marketplace. Our team members support customers around the world from our operating and business locations in North America, South America, Europe, Asia and Australia.

Note 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Our independent registered public accounting firm has not audited the accompanying interim financial statements. We derived the consolidated balance sheet at **September 30, 2022** **September 30, 2023** from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended **September 30, 2022** **September 30, 2023** (the “**Fiscal 2022 2023 Form 10-K**”). In the opinion of management, all normal recurring adjustments necessary for the fair presentation of the consolidated financial statements have been included for the interim periods reported.

The interim financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“**GAAP**”) for interim financial information and with Article 10 of Regulation S-X of the Securities and Exchange Commission (“**SEC**”). Accordingly, they omit certain notes and other information from the interim financial statements presented in this report. Therefore, these interim financial statements should be read in conjunction with the **Fiscal 2022 2023 Form 10-K**. The results for the three **and nine** months ended **June 30, 2023** **December 31, 2023** are not necessarily indicative of results that may be expected for the full year.

On June 16, 2023, we sold our ownership interest in an unconsolidated displays joint venture for \$43.8 million in cash and recorded a pre-tax gain on sale of \$19.2 million recorded in Equity in income (loss) of unconsolidated entities line item in our consolidated statements of operations.

On December 1, 2022, we completed our previously announced acquisition of the remaining 67.7% interest in Gondi, S.A. de C.V. (“**Grupo Gondi**”) for \$969.8 million in cash and the assumption of debt (“**Mexico Acquisition**”). We have accounted for this acquisition as a business combination resulting in its consolidation. See “**Note 3. Acquisitions**” for additional information.

On December 1, 2022, we sold our Eaton, IN, and Aurora, IL uncoated recycled paperboard mills for \$50 million, subject to a working capital adjustment. We received proceeds of \$25 million, a preliminary working capital settlement of \$0.9 million and are financing the remaining \$25 million. Pursuant to the terms of the sale agreement, we transferred the control of these mills to the buyer and recorded a pre-tax gain on sale of \$11.1 million recorded in Other **(expense)** income, **(expense)**, net in our consolidated statements of operations. During the third quarter of fiscal 2023, we recorded a de minimis final working capital settlement.

Transaction Agreement with Smurfit Kappa

In November 2022,

On September 12, 2023, we announced our entry into a definitive transaction agreement to divest our interior partitions converting operations (our ownership interest (the “**Transaction Agreement**”) with Smurfit Kappa Group plc, a public limited company incorporated in RTS Packaging, LLC Ireland (“**Smurfit Kappa**”), Cepheidway Limited (to be renamed Smurfit WestRock plc), a private limited company incorporated in Ireland (“**ListCo**”), and to sell our Chattanooga, TN uncoated recycled paperboard mill to our joint venture partner for \$330 million, (“**Merger Sub**”)).

The Transaction Agreement provides, among other things, and subject to the satisfaction or waiver of the conditions set forth therein, that (a) pursuant to a working capital adjustment, scheme of arrangement (the “**Scheme**”) each issued ordinary share of Smurfit Kappa (the “**Smurfit Kappa Shares**”) will be exchanged for one ordinary share of ListCo (a “**ListCo Share**”), as a result of which Smurfit Kappa will become a wholly owned subsidiary of ListCo, and (b) following the implementation of the Scheme, Merger Sub will merge with and into the Company (the “**Merger**” and, together with the Scheme, the “**Transaction**”), with the Company surviving the Merger as a wholly owned subsidiary of ListCo. As a result of the Merger, each share of common stock, par value \$0.01 per share, of the Company (the “**Common Stock**”), with certain exceptions, will be converted into the right to receive one ListCo Share and \$5.00 in cash. All shares owned by the Company, any Company subsidiary, Smurfit Kappa, Merger Sub or any of their respective subsidiaries will be cancelled and will cease to exist, and no consideration will be delivered in exchange therefor.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

The transaction Transaction Agreement also provides a mechanism for converting outstanding Company equity awards to ListCo awards. The Transaction is expected to close in fiscal early July 2024, conditional upon regulatory approvals, shareholder approvals and satisfaction of other closing conditions. We expect that the ListCo shares will be (i) registered under the Securities Exchange Act of 1934, as amended, and listed on the New York Stock Exchange (“2023NYSE,”) and (ii) listed on the Standard Listing segment of the Official List of the Financial Conduct Authority and admitted to trading on the main market for listed securities of the London Stock Exchange. Shares of our Common Stock will be delisted from the NYSE and deregistered under the Exchange Act.

The Transaction is subject to the satisfaction of closing certain conditions including the receipt of regulatory approval. Accordingly, the related assets and liabilities have been reported set forth in the consolidated balance sheet as Transaction Agreement, including, but not limited to: certain regulatory clearances, approval by the shareholders and stockholders of June 30, 2023 as assets both companies (the approval of the Scheme by 75% or more in value of the Smurfit Kappa Shares held by such shareholders of Smurfit Kappa that are present and liabilities held voting at the Court Meeting (as defined in the Transaction Agreement), and the affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock), the registration statement for sale. See “the offer of ListCo Shares being declared effective by the SEC and the approval of the ListCo Shares for listing on the NYSE.

The Transaction Agreement contains certain termination rights for both parties. Upon termination of the Transaction Agreement under specified circumstances, including if our board changes or withdraws its recommendation to our

stockholders or willfully breaches its non-solicitation covenant, we will be required to make a payment to Smurfit Kappa equal to **Note 4. Held for Sale 147** for additional information. million in cash. If the Transaction Agreement is terminated in connection with the failure to obtain our stockholders' approval, we will be required to make a payment to Smurfit Kappa equal to \$57 million in cash. Smurfit Kappa will be required to make payments to us in connection with the termination of the Transaction Agreement under specified circumstances.

The foregoing summary of the Transaction Agreement does not purport to be complete and is subject to and qualified in its entirety by the full text of the Transaction Agreement.

Reclassifications and Adjustments

Certain amounts in prior periods have been reclassified to conform with the current year presentation.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Immaterial Presentation Correction

In the third quarter of fiscal 2023, we evaluated our financing facilities and determined that the borrowings and repayments for certain facilities should be presented gross instead of net within financing cash flow activities on our consolidated statements of cash flows and corrected the presentation of the prior year amounts. The change increased the respective cash flow line items shown below with no change to Net cash provided by (used for) financing activities for any period. These corrections also have no effect on the previously reported net cash flows from operating or investing activities. Management does not believe the correction to be material to our current or previously filed financial statements.

The following table summarizes the as reported, adjustment and as adjusted amounts for each of the affected cash flow line items for the affected time periods (in millions):

	Additions to revolving credit facilities	Repayments of revolving credit facilities	Additions to debt	Repayments of debt
Three months ended December 31, 2021:				
As reported	\$ —	\$ —	\$ 31.3	\$ (52.2)
Adjustment	—	—	175.0	(175.0)
As adjusted	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 206.3</u>	<u>\$ (227.2)</u>
Six months ended March 31, 2022:				
As reported	\$ —	\$ (40.0)	\$ 375.1	\$ (416.2)
Adjustment	—	—	385.0	(385.0)
As adjusted	<u>\$ —</u>	<u>\$ (40.0)</u>	<u>\$ 760.1</u>	<u>\$ (801.2)</u>

Nine months ended June 30, 2022:

As reported	\$ —	\$ (100.0)	\$ 496.3	\$ (781.5)
Adjustment	—	—	385.0	(385.0)
As adjusted	<u>\$ —</u>	<u>\$ (100.0)</u>	<u>\$ 881.3</u>	<u>\$ (1,166.5)</u>

Year ended September 30, 2022:

As reported	\$ 377.4	\$ (373.3)	\$ 503.2	\$ (991.5)
Adjustment	5.0	(5.0)	385.0	(385.0)
As adjusted	<u>\$ 382.4</u>	<u>\$ (378.3)</u>	<u>\$ 888.2</u>	<u>\$ (1,376.5)</u>

Three months ended December 31, 2022:

As reported	\$ 10.2	\$ (116.3)	\$ 1,389.8	\$ (510.7)
Adjustment	10.6	(10.6)	138.1	(138.1)
As adjusted	<u>\$ 20.8</u>	<u>\$ (126.9)</u>	<u>\$ 1,527.9</u>	<u>\$ (648.8)</u>

Six months ended March 31, 2023:

As reported	\$ 42.3	\$ (116.3)	\$ 1,379.1	\$ (516.7)
Adjustment	10.6	(10.6)	325.0	(325.0)
As adjusted	<u>\$ 52.9</u>	<u>\$ (126.9)</u>	<u>\$ 1,704.1</u>	<u>\$ (841.7)</u>

COVID-19 Pandemic

The global impact of the COVID-19 pandemic ("COVID") has affected our operational and financial performance to varying degrees. The extent of the effects of future public health crises, including a resurgence of COVID, or related containment measures and government responses are highly uncertain and cannot be predicted.

Ransomware Incident

As previously disclosed, on January 23, 2021 we detected a ransomware incident impacting certain of our systems. Promptly upon our detection of this incident, we initiated response and containment protocols and our

Notes to Consolidated Financial Statements (Unaudited) (Continued)

security teams, supplemented by leading cyber defense firms, worked to remediate this incident. These actions included taking preventative measures, such as shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. In our Form 10-Q for the second quarter of fiscal 2021, we announced that all systems were back in service.

In the three and nine months ended June 30, 2023, we received \$10 million of business interruption insurance recoveries, related to the ransomware incident, which we recorded as a reduction of Cost of goods sold and presented in net cash provided by operating activities on our consolidated statements of cash flows. Our recoveries related to the ransomware incident are now complete.

In the three and nine months ended June 30, 2022, we received additional business interruption insurance recoveries of \$10 million and \$20 million, respectively, related to the ransomware incident, which were similarly recorded. See "**Note 1. Description of Business and Summary of Significant Accounting Policies — Ransomware Incident**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for additional information, including recoveries (\$15 million in fiscal 2021 and \$57.2 million in fiscal 2022) and resiliency efforts and objectives.

Significant Accounting Policies

See "**Note 1. Description of Business and Summary of Significant Accounting Policies**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for a summary of our significant accounting policies.

Supplier Finance Program Obligations

We maintain supplier finance programs whereby we have entered into payment processing agreements with certain financial institutions. These agreements allow participating suppliers to track payment obligations from WestRock, and if voluntarily elected by the supplier, to sell payment obligations from WestRock to financial institutions at a discounted price. We are not a party to the agreements between the participating financial institutions and the suppliers in connection with the program, and we do not reimburse suppliers for any costs they incur for participation in the program. We have not pledged any assets as security or provided any guarantees as part of the programs. We have no economic interest in our suppliers' decisions to participate in the programs. Our responsibility is limited to making payment in full to the respective financial institution according to the terms originally negotiated with the supplier, which generally do not exceed 120 days. WestRock or the financial institutions may terminate the agreements upon 30 or 90 days' notice.

The outstanding payment obligations to financial institutions under these programs were \$436.1 million and \$425.8 million as of December 31, 2023 and September 30, 2023, respectively. These obligations are classified as accounts payable within the consolidated balance sheets.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

Recent Accounting Developments

New Accounting Standards — Recently Adopted

In November 2021, September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, "Government Assistance (Topic 832) – Disclosures by Business Entities about Government Assistance". This ASU aims to increase the transparency of government assistance through the annual disclosure of the types of assistance, an entity's accounting for the assistance and the effect of the assistance on an entity's financial statements. This ASU is effective for annual periods beginning after December 15, 2021 (fiscal 2023 for us), with early adoption permitted. We adopted the provisions of ASU 2021-10 beginning October 1, 2022. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". This ASU requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606 "Revenue from Contracts with Customers" ("ASC 606"). This ASU aims to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. This ASU is effective for fiscal years beginning after December 15, 2022 (fiscal 2024 for us), including interim periods therein, with early adoption permitted. We early adopted the provisions of ASU 2021-08 beginning October 1, 2022. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting". This ASU provides temporary optional expedients and exceptions for applying GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. In January 2021, the FASB issued ASU 2021-01, which adds implementation guidance to clarify certain optional expedients in Topic 848. The ASUs could be adopted after their respective issuance dates through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which extends the period of time entities can utilize the reference rate reform relief guidance under ASU 2020-04 from December 31, 2022 to December 31, 2024. We have reviewed and amended our contracts to applicable new reference rates. See "**Note 13. Debt**" of the current filing and "**Note 13. Debt**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for additional information on our recent credit facility changes. We adopted the provisions

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

of this optional guidance beginning October 1, 2022. The adoption of these ASUs did not have a material impact on our consolidated financial statements.

New Accounting Standards — Recently Issued

In March 2023, the FASB issued ASU 2023-01, "Leases (Topic 842): Common Control Arrangements". This ASU requires all lessees to amortize leasehold improvements associated with common control leases over their useful life to the common control group and account for them as a transfer of assets between entities under common control at the end of the lease. This update is effective for fiscal years beginning after December 15, 2023 (fiscal 2025 for us), including interim periods therein, with early adoption permitted in any annual or interim period as of the beginning of the related fiscal year. We are evaluating the impact of this ASU.

In September 2022, the FASB issued ASU 2022-04, "Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations". This ASU requires that all entities that use supplier finance programs in connection with the purchase of goods and services disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. This ASU is effective for fiscal years beginning after December 15, 2022 (fiscal 2024 for us), except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023 (fiscal 2025 for us), each with early adoption permitted. We are evaluating adopted the impact provisions of this ASU. ASU beginning October 1, 2023, other than the rollforward disclosure requirement which we will adopt in fiscal 2025. The adoption did not have a material impact on our consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". This ASU clarifies that contractual sale restrictions should not be considered in measuring the fair value of equity securities. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2025 for us), including interim periods therein, with early adoption permitted. We are evaluating the impact of this ASU.

In March 2022, the FASB issued ASU 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method". This ASU expands and clarifies the portfolio layer method for fair value hedges of interest rate risk. This ASU is effective for fiscal years beginning after December 15, 2022 (fiscal 2024 for us), including interim periods therein, with early adoption permitted. We adopted the provisions of this ASU beginning October 1, 2023. The adoption of this ASU did not have a material impact on our consolidated financial statements.

New Accounting Standards — Recently Issued

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. This update is effective for fiscal years beginning after December 15, 2024 (fiscal 2026 for us). All entities should apply the guidance prospectively but have the option to apply it retrospectively. Early adoption is permitted. We are evaluating the impact of this ASU.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". This ASU expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The updates will be applied retrospectively to all periods presented in financial statements. This ASU is effective for annual periods beginning after December 15, 2023 (fiscal 2025 for us), and for interim periods beginning after December 15, 2024 (fiscal 2026 for us). Early adoption is permitted. We are evaluating the impact of this ASU.

Note 2. Revenue Recognition

Disaggregated Revenue

Accounting Standards Codification (“ASC”) 606 “Revenue from Contracts with Customers” requires that we disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The tables below disaggregate our revenue by geographical market and product type (segment). Net sales are attributed to geographical markets based on our selling location. See “**Note 8.7. Segment Information**” for additional information.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following tables summarize our disaggregated revenue by primary geographical markets (in millions):

	Three Months Ended June 30, 2023						Three Months Ended December 31, 2023						
				Inte rseg						Inte rseg			
	Corru gated	Cons umer	Glo bal	Dist ribu	Sal es	Tot al	Corrugated	Consumer	Global	Distri bution	Interseg ment	Sales	Total
	Packa ging	Packa ging	Pap er	ribu tion	Sal es	Tot al	Packaging	Packaging	Paper	Distribution	Sales		
						3							
						,							
U.S.						7							
				9	2	9							
	1,9		5	6	(7	4							
	23.	72	2.	9.	1.	.							
	\$ 1	\$ 1.4	\$ 0	\$ 4	\$ 9)	\$ 0	\$ 1,796.4	\$ 593.8	\$ 820.5	\$ 248.1	\$ (61.0)	\$ 3,397.8	
Latin													
America							485.4	6.1	23.5	40.4	(4.1)	551.3	
Canada						3							
						2							
			5			4							
	138	13	2.	2.	(1	.							
	.6	1.4	8	9	.3)	4	135.1	116.7	51.1	1.2	(0.7)	303.4	

Latin America	5	9	0										
	502	11.	6.	5.	(4	.							
	.6	3	3	5	.9)	8							
EMEA						3							
(1)						2							
			1			7							
	31	2.			(0	.							
	1.4	4.1	3	—	.6)	2		3.0	270.9	11.9	—	(1.4)	
Asia Pacific						2						284.4	
Total						5							
							,						
			1,			1							
			0	3		2							
	2,5	1,2	6	1	(7	1							
	65.	50.	5.	7.	8.	.							
	\$ 7	\$ 6	\$ 7	\$ 8	\$ 7)	\$ 1		\$ 2,419.9	\$ 1,059.3	\$ 918.3	\$ 289.7	\$ (67.2)	\$ 4,620.0
	<u>\$ 7</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 8</u>	<u>\$ 7)</u>	<u>\$ 1</u>		<u>\$ 2,419.9</u>	<u>\$ 1,059.3</u>	<u>\$ 918.3</u>	<u>\$ 289.7</u>	<u>\$ (67.2)</u>	<u>\$ 4,620.0</u>

(1) Europe, Middle East and Africa ("EMEA")

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	Three Months Ended December 31, 2022						
	Corrugated		Consumer			Intersegment	
	Packaging	Packaging	Global Paper	Distribution	Sales		Total
U.S.	\$ 1,973.5	\$ 703.0	\$ 1,022.7	\$ 276.7	\$ (71.5)	\$ 3,904.4	
Latin America	225.5	51.7	33.6	41.4	(1.3)	350.9	
Canada	137.1	123.7	45.5	3.4	(1.5)	308.2	
EMEA	1.3	259.9	11.1	—	(0.1)	272.2	
Asia Pacific	—	76.7	10.7	—	—	87.4	
Total	\$ 2,337.4	\$ 1,215.0	\$ 1,123.6	\$ 321.5	\$ (74.4)	\$ 4,923.1	
	<u>\$ 2,337.4</u>	<u>\$ 1,215.0</u>	<u>\$ 1,123.6</u>	<u>\$ 321.5</u>	<u>\$ (74.4)</u>	<u>\$ 4,923.1</u>	

Notes to Consolidated Financial Statements (Unaudited) (Continued)

Nine Months Ended June 30, 2023							
	Corrugated		Consumer		Intersegment		
	Packaging	Packaging	Global Paper	Distribution	Sales	Total	
U.S.	\$ 5,898.2	\$ 2,166.1	\$ 3,031.0	\$ 806.4	\$ (228.0)	\$ 11,673.7	
Canada	413.7	389.6	152.7	9.1	(4.6)	960.5	
Latin America	1,213.1	75.5	105.0	131.1	(10.0)	1,514.7	
EMEA	5.5	878.5	34.8	—	(0.9)	917.9	
Asia Pacific	—	221.0	34.0	—	—	255.0	
Total	\$ 7,530.5	\$ 3,730.7	\$ 3,357.5	\$ 946.6	\$ (243.5)	\$ 15,321.8	
Three Months Ended June 30, 2022							
	Corrugated		Consumer		Intersegment		
	Packaging	Packaging	Global Paper	Distribution	Sales	Total	
U.S.	\$ 2,111.9	\$ 740.5	\$ 1,452.8	\$ 310.6	\$ (98.5)	\$ 4,517.3	
Canada	149.5	133.5	60.7	4.8	(2.3)	346.2	
Latin America	118.1	49.6	64.7	42.3	(0.1)	274.6	
EMEA	3.0	270.8	17.6	—	(0.1)	291.3	
Asia Pacific	—	75.8	14.5	—	—	90.3	
Total	\$ 2,382.5	\$ 1,270.2	\$ 1,610.3	\$ 357.7	\$ (101.0)	\$ 5,519.7	
Nine Months Ended June 30, 2022							
	Corrugated		Consumer		Intersegment		
	Packaging	Packaging	Global Paper	Distribution	Sales	Total	
U.S.	\$ 6,149.0	\$ 2,108.8	\$ 4,042.2	\$ 914.3	\$ (266.7)	\$ 12,947.6	
Canada	435.8	376.2	180.8	12.1	(5.6)	999.3	
Latin America	330.4	143.4	178.0	118.4	(0.3)	769.9	
EMEA	6.3	799.9	51.1	—	(0.2)	857.1	
Asia Pacific	—	231.2	48.9	—	—	280.1	
Total	\$ 6,921.5	\$ 3,659.5	\$ 4,501.0	\$ 1,044.8	\$ (272.8)	\$ 15,854.0	

Revenue Contract Balances

Contract assets are rights relate to consideration in exchange the manufacturing of certain products that have no alternative use to us, with right to payment for goods that we have transferred performance completed to date on these products, including a customer when that right is conditional on something other than the passage of time. reasonable profit. Contract assets are reduced when the control of customer takes title to the goods passes to and assumes the customer risks

and rewards for the goods. Contract liabilities represent obligations to transfer goods or services to a customer for which we have received consideration. Contract liabilities are reduced once control of the goods is transferred to the customer.

The opening and closing balances of our contract assets and contract liabilities are as follows. Contract assets and contract liabilities are reported within Other current assets and Other current liabilities, respectively, on the consolidated balance sheets (in millions).

	Contract Assets	Contract Liabilities
	(Short-Term)	(Short-Term)
Beginning balance - October 1, 2022	\$ 244.0	\$ 13.9
Increase (decrease)	7.3	(10.4)
Ending balance - June 30, 2023	<u>\$ 251.3</u>	<u>\$ 3.5</u>

	Contract Assets	Contract Liabilities
	(Short-Term)	(Short-Term)
Beginning balance - October 1, 2023	\$ 241.7	\$ 13.5
Increase (decrease)	9.4	(2.6)
Ending balance - December 31, 2023	<u>\$ 251.1</u>	<u>\$ 10.9</u>

Note 3. Acquisitions

When we obtain control of a business by acquiring its net assets, or some or all of its equity interest, we account for those acquisitions in accordance with ASC 805, “Business Combinations” (“ASC 805”). The estimated fair values of all assets acquired and liabilities assumed in acquisitions are provisional and may be revised as a result of additional information obtained during the measurement period of up to one year from the acquisition date.

Mexico Acquisition

On December 1, 2022, we completed the Mexico Acquisition. The acquiree is a leading integrated producer of fiber-based sustainable packaging solutions that operates four paper mills, nine corrugated packaging plants and

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

six high graphic plants throughout Mexico, producing sustainable packaging for a wide range of end markets in the

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

region. This acquisition is expected to provide us with further geographic and end market diversification as well as position us to continue to grow in the attractive Latin American market.

See below for a summary of the purchase consideration transferred as defined under ASC 805 (in millions):

	Purchase Consideration
Cash consideration transferred for 67.7% interest	\$ 969.8
Fair value of the previously held interest	403.7
Settlement of preexisting relationships (net receivable from joint venture)	40.2
Purchase consideration transferred	<u><u>\$ 1,413.7</u></u>

In connection with the transaction, in the first quarter of fiscal 2023, we recognized a \$46.8 million non-cash, pre-tax loss (or \$24.6 million after release of a related deferred tax liability) on our original 32.3% investment. The loss is reflected in the Equity in income (loss) of unconsolidated entities line item in our consolidated statements of operations and included the write-off of historical foreign currency translation adjustments previously recorded in Accumulated other comprehensive loss in our consolidated balance sheet, as well as the difference between the fair value of the consideration paid and the carrying value of our prior ownership interest. The fair value of our previously held interest in the joint venture was estimated to be \$403.7 million at the acquisition date based on the cash consideration exchanged for acquiring the 67.7% of equity interest adjusted for the deemed payment of a control premium. This step-acquisition provided us with 100% control, and we met the other requirements under ASC 805 for the transaction to be accounted for using the acquisition method of accounting. We have included the financial results of the acquired operations in our Corrugated Packaging segment. Post acquisition, sales to the operations acquired in the Mexico Acquisition are eliminated from our Global Paper segment results.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed in the Mexico Acquisition by major class of assets and liabilities as of the acquisition date, as well as adjustments made during fiscal 2023 the one year period from the acquisition date (referred to as "measurement period adjustments") (in millions):

	Measurement			Measurement		
	Amounts	Period	Recognized as	Amounts	Period	Amounts Recognized
Recognized as of the Acquisition	Adjust ments	of Acquisition Date	Amounts Recognized as of the Acquisition Date	Adjustments	as of Acquisition Date (as Adjusted)	
Date	(1) (2)	(as Adjusted)	the Acquisition Date	(1) (2)		(as Adjusted)
Cash and cash equivalents	\$ 116.3	\$ —	\$ 116.3	\$ 116.3	\$ —	\$ 116.3

Current assets, excluding cash and cash equivalents	697.0	(1.6)	695.4	697.0	(71.2)	625.8
Property, plant and equipment	1,380.3	38.3	1,418.6	1,380.3	43.0	1,423.3
Goodwill	231.2	(1.6)	229.6	231.2	6.2	237.4
Other noncurrent assets	101.4	0.1	101.5	101.4	0.6	102.0
Total assets acquired	2,526.2	35.2	2,561.4	2,526.2	(21.4)	2,504.8
Current portion of debt ⁽³⁾	13.2	—	13.2	13.2	—	13.2
Current liabilities, excluding debt	384.8	0.4	385.2	384.8	(50.4)	334.4
Long-term debt due after one year ⁽³⁾	591.4	36.2	627.6	591.4	36.2	627.6
Pension liabilities, net of current portion	35.2	—	35.2	35.2	(3.1)	32.1
Deferred income taxes	69.8	(1.4)	68.4	69.8	(4.1)	65.7
Other noncurrent liabilities	18.1	—	18.1	18.1	—	18.1
Total liabilities assumed	1,112.5	35.2	1,147.7	1,112.5	(21.4)	1,091.1
Net assets acquired	\$ 1,413.7	\$ —	\$ 1,413.7	\$ 1,413.7	\$ —	\$ 1,413.7

⁽¹⁾ The measurement period adjustments recorded in fiscal 2023 did not have a significant impact on our consolidated statements of operations for the three and nine months ended June 30, 2023, in any period.

⁽²⁾ The measurement period adjustments were primarily due to refinements to the carrying amounts of certain assets and liabilities. The net impact of the measurement period adjustments resulted in a net decrease in goodwill.

⁽³⁾ Includes \$494.8 million of debt that we assumed and repaid in connection with the closing of the Mexico Acquisition. The remaining balance relates to current and long-term portions of finance leases.

We continue to analyze the estimated values of all assets acquired and liabilities assumed including, among other things, finalizing third-party valuations; therefore, the allocation of the purchase price remains preliminary and subject to revision.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually

Notes to Consolidated Financial Statements (Unaudited) (Continued)

identified and separately recognized. The fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced reach of the combined organization and other synergies), the assembled work force, and the establishment of deferred tax liabilities for the difference between book and tax basis of the assets and liabilities acquired. The goodwill is not amortizable for income tax purposes.

Transaction costs to acquire the Mexico Acquisition are expensed as incurred and recorded within Restructuring and other costs. See "**Note 5.4. Restructuring and Other Costs, Net**" for additional information.

Note 4. Held For Sale

In November 2022, we announced our entry into a definitive agreement to divest our interior partitions converting operations (our ownership interest in RTS Packaging, LLC) and to sell our Chattanooga, TN uncoated recycled paperboard mill to our joint venture partner for \$330 million, subject to a working capital adjustment. The transaction is expected to close in fiscal 2023, subject to the satisfaction of closing conditions, including the receipt of regulatory approval. Accordingly, the related assets and liabilities have been reported in the consolidated balance sheet as of June 30, 2023 as assets and liabilities held for sale. We discontinued recording depreciation and amortization while the assets are held for sale. We have also measured the disposal groups classified as held for sale at the lower of their carrying amount or fair value less cost to sale, noting no impairment. We determined that the disposal groups classified as held for sale do not meet the criteria for classification as discontinued operations.

Net assets and liabilities held for sale at June 30, 2023 and September 30, 2022 were \$108.2 million and \$34.4 million, respectively. Net assets held for sale at June 30, 2023, include \$72.9 million for the divestiture outlined above and \$35.3 million related to closed facilities. The net assets held for sale at June 30, 2023 associated with the divestiture consisted primarily of \$44.0 million of property, plant and equipment, net and \$24.9 million of goodwill. Net assets held for sale of \$34.4 million at September 30, 2022 were related to closed facilities.

Note 5. Restructuring and Other Costs, Net

Summary of Restructuring and Other Initiatives

We recorded pre-tax restructuring and other costs, net of \$47.7 million and \$525.4 million for the three and nine months ended June 30, 2023, respectively, December 31, 2023 and \$0.6 million and \$366.3 million for the three and nine

months ended June 30, 2022, respectively. Of these costs, \$361.9 million and \$314.2 million for the nine months ended June 30, 2023 and June 30, 2022, respectively were non-cash. December 31, 2022. These amounts are not comparable since the timing and scope of the individual actions associated with each restructuring, acquisition, integration or divestiture can vary. We present our restructuring and other costs, net in more detail below.

The following table summarizes our Restructuring and other costs, net (in millions):

	Three Months		Nine Months		Three Months Ended	
	Ended		Ended		December 31,	
	June 30,		June 30,			
	2023	2022	2023	2022	2023	2022
Restructuring	39.		497.	363.		
	\$ 9	\$ (1.8)	\$ 4	\$ 2	\$ 62.7	\$ 15.4
Other	7.8	2.4	28.0	3.1	2.8	16.7
Restructuring and other costs	47.		525.	366.		
	\$ 7	\$ 0.6	\$ 4	\$ 3		
Restructuring and other costs, net					\$ 65.5	\$ 32.1

Restructuring

Our restructuring charges are primarily associated with restructuring portions of our operations (i.e., partial or complete facility closures). A partial facility closure may consist of shutting down a machine and/or a workforce

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

reduction. We have previously incurred reduction in workforce actions, facility closure activities, impairment costs and certain lease or other contract terminations. terminations from time to time.

We are committed to improving our return on invested capital as well as maximizing the performance of our assets. In the second quarter of fiscal 2023, we recorded charges associated with announced our decision plan to permanently cease operations at operating our Tacoma, WA and North Charleston, SC containerboard mill. mills. These charges mills ceased production in September 2023 and June 2023, respectively. The Tacoma and North Charleston mills' annual production capacity was 510,000 tons and 550,000 tons, respectively, of which approximately three-fifths and two-thirds, respectively, was shipped to external customers of the Global Paper segment. The combination of high operating costs and the need for significant capital investment were the determining factors in the decision to cease operations at these mills.

By closing these mills, significant capital that would have been required to keep the mills competitive in the future is expected to be deployed to improve key assets. Charges recognized are included reflected in the table below in the Global

Paper segment. We expect to record future restructuring charges, related to the closure of this mill, primarily associated with carrying costs and contract terminations. The mill's annual production capacity was 550,000 tons, approximately two-thirds of which was shipped to external customers of the Global Paper segment. The remaining one-third of the mill's production was utilized internally at our converting plants in our Corrugated Packaging segment. We ceased production at the North Charleston mill in the third quarter of fiscal 2023. The mill's operations were expected to require significant capital investment to maintain and improve going forward. By closing this mill, significant capital that would have been required to keep the mill competitive in the future is expected to be deployed to improve key assets. partially offset in a future period by proceeds from the sale of these facilities.

The numbers in the table below, particularly in the cumulative and total expected columns, also include various impairments and other charges associated with our second quarter of fiscal 2022 decision to permanently cease operations at our Panama City, FL mill. In addition, the table reflects the fourth quarter of fiscal 2022 decision to permanently close the corrugated medium manufacturing operations at the St. Paul, MN mill. In the second quarter of fiscal 2022, we cancelled our plans to shut down a bleached paperboard machine at our Evadale, TX mill and reversed certain employee and other accrued restructuring charges. See "Note 4.5. Restructuring and Other Costs, Net" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for additional information.

While restructuring costs are not charged to our segments and, therefore, do not reduce each segment's Adjusted EBITDA (as hereinafter defined), we highlight the segment to which the charges relate. Since we do not allocate restructuring costs to our segments, charges incurred in the Global Paper segment will represent all charges associated with our vertically integrated mills and recycling operations. These operations manufacture for

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

the benefit of each reportable segment that ultimately sells the associated paper and packaging products to our external customers.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following table presents a summary of restructuring charges related to active restructuring initiatives that we incurred during the three and nine months ended June 30, 2023 December 31, 2023 and 2022, the cumulative recorded amount since we started the initiatives and our estimates of the total charges we expect to incur (in millions). These estimates are subject to a number of assumptions, and actual results may differ.

	Three Months Ended June 30,		Nine Months Ended June 30,				Three Months Ended December 31,				
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2022	2023	2022	2023	Cumulative
											Total
Corrugated Packaging											Expected
PP&E and related costs	1										
	7.0	2.2	0.2	0.3	15.3	15.9	\$ 9	\$ 0.3	\$ (0.9)	\$ 12.7	\$ 12.7
Severance and other employee costs	1.0	6.2	4.2	16.5	16.5						
	5.2	8.2	2.5	5.5			4.5		1.7	23.2	23.3
Other restructuring costs	1.0	1.6	1.0	23.0							
	4.6	6.6	0.0	7.7	0.5		3.2		0.1	10.9	33.0
Restructuring total	1.0	2.0					\$ 8	\$ 8.0	\$ 0.9	\$ 46.8	\$ 69.0
	0.1	0.0	5.5	40.5	55.5						
Consumer Packaging											
PP&E and related costs	1.0	1.0		3.0			\$ 0	\$ 0.7	\$ —	\$ 5.0	\$ 5.0
Severance and other employee costs	1										
	5.1	4.4	4.4	39.3	40.1						
Other restructuring costs	2.0	2.4	0.5	12.3	15.1						
	9.0	4.1	1.6	6.1			1.6		(0.3)	8.3	17.1

Restructuring	1											
g total	9.	1.	7.	4.	55.	58	\$ 7	\$ 4	\$ 8	\$ 6	\$ 1	\$.4
PP&E and related costs			3	3					\$ 20.9	\$ 6.1	\$ 59.6	\$ 69.9
			4	3		72						
	6.	(7	9.	6.	72	1.						
	\$ 6	\$.5)	\$ 5	\$ 9	\$ 1.9	\$ 9	\$ (4.1)	\$ (1.1)	\$ 951.6	\$ 951.6		
Severance and other employee costs	1											
	(3	(0	5.	9.	27.	28						
	.4)	.8)	7	9	3	.2						
Other restructuring costs			7			23						
	5.	1.	4.	1.	91.	5.						
	8	2	8	2	0	9						
	—	—	—	—	—	—	44.0	—	6.0	—	168.8	—
	—	—	—	—	—	—	—	—	—	—	268.0	—
Restructuring	4											
g total			4	4		98						
	9.	(7	0.	8.	84	6.						
	\$ 0	\$.1)	\$ 0	\$ 0	\$ 0.2	\$ 0	\$ 34.8	\$ 4.7	\$ 1,157.3	\$ 1,257.5		
<u>Distribution</u>												
Severance and other employee costs			0.	1.		2.						
	0.	—	—	—	—	—						
	\$ 9	\$ —	\$ 9	\$ —	\$ 2.1	\$ 1	\$ (0.1)	\$ —	\$ 1.7	\$ 1.7		
Other restructuring costs			4.	1.	4.	1.						
	3	0	4	0	5.4	7						
	—	—	—	—	—	—	(2.8)	—	—	8.2	—	10.5
	—	—	—	—	—	—	—	—	—	—	—	—
Restructuring	5.											
g total	\$ 2	\$ 0	\$ 3	\$ 0	\$ 7.5	\$ 8	\$ (2.9)	\$ —	\$ 9.9	\$ 12.2		
<u>Corporate</u>												
PP&E and related costs			0.	0.	1.	11.	11					
	\$ —	\$ 4	\$ 6	\$ 6	\$ 4	\$.4	\$ —	\$ 0.4	\$ 2.6	\$ 2.6		

Severance											
and other											
employee	(0	3.		7.							
costs	.8)	—	1	—	7.1	1		0.3	2.2	7.5	7.5
Other											
restructuring	6.	1.	9.	2.	13.	22					
costs	0	4	0	5	5	.0		1.6	1.1	19.6	23.7
Restructuring			1								
g total	5.	1.	2.	4.	32.	40					
	\$ 2	\$ 8	\$ 7	\$ 1	\$ 0	\$.5		\$ 1.9	\$ 3.7	\$ 29.7	\$ 33.8
Total											
PP&E and			3	3							
related costs	1		6	3		75					
	5.	(6	3.	8.	75	2.					
	\$ 5	\$.8)	\$ 3	\$ 8	\$ 2.4	\$ 4		\$ (3.1)	\$ (1.6)	\$ 971.9	\$ 971.9
Severance											
and other			4	1							
employee	4.	0.	1.	8.	92.	94					
costs	0	8	9	6	3	.0		18.2	10.1	115.6	118.2
Other			2	9		30					
restructuring	0.	4.	2.	5.	13	3.					
costs	4	2	2	8	0.2	2		47.6	6.9	215.8	352.3
Restructuring			4	3		1,					
g total	3		9	6		14					
	9.	(1	7.	3.	97	9.					
	\$ 9	\$.8)	\$ 4	\$ 2	\$ 4.9	\$ 6		\$ 62.7	\$ 15.4	\$ 1,303.3	\$ 1,442.4

We define have defined "PP&E and related costs" as used in this Note 54 primarily as property, plant and equipment write-downs, subsequent adjustments to fair value for assets classified as held for sale, subsequent (gains) or losses on sales of property, plant and equipment, related parts and supplies on such assets, and deferred major maintenance costs, if any. We define "Other restructuring costs" as lease or other contract termination costs, facility carrying costs, equipment and inventory relocation costs, lease or other contract termination costs, and other items, including impaired intangibles attributable to our restructuring actions.

Other Costs

Our other costs consist of acquisition, integration and divestiture costs. We incur costs when we acquire or divest businesses. Acquisition costs include costs associated with transactions, whether consummated or not, such as advisory, legal, accounting, valuation and other professional or consulting fees, as well as litigation costs associated with those activities. We incur integration costs pre- and post-acquisition that reflect work performed to

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

facilitate merger and acquisition integration, such as work associated with information systems and other projects including spending to support future acquisitions, and **such costs** primarily consist of professional services and

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

labor. Divestiture costs consist primarily of similar professional fees. We consider acquisition, integration and divestiture costs to be corporate costs regardless of the segment or segments involved in the transaction.

The following table presents our acquisition, integration and divestiture costs (in millions):

	Three Months Ended		Nine Months Ended		Three Months Ended	
	June 30,		June 30,		December 31,	
	2023	2022	2023	2022	2023	2022
Acquisition costs	\$ 1.7	\$ 1.5	\$ 13.9	\$ 1.9	\$ 1.9	\$ 11.0
Integration costs	1.0	0.2	7.1	0.4	0.6	4.3
Divestiture costs	5.1	0.7	7.0	0.8	0.3	1.4
Other total	<u>\$ 7.8</u>	<u>\$ 2.4</u>	<u>\$ 28.0</u>	<u>\$ 3.1</u>	<u>\$ 2.8</u>	<u>\$ 16.7</u>

Acquisition costs in fiscal 2024 and 2023 in the table above primarily include transaction costs related to the **Transaction** and the **Mexico Acquisition**, as well as other matters, respectively.

Accruals

The following table summarizes the changes in the restructuring accrual, which is primarily composed of accrued severance and other employee costs, and a reconciliation of the restructuring accrual charges to the line item **“Restructuring and other costs, net”** on our consolidated statements of operations (in millions):

	Nine Months Ended		Three Months Ended	
	June 30,		December 31,	
	2023	2022	2023	2022
Accrual at beginning of fiscal year	\$ 25.2	\$ 13.4	\$ 55.5	\$ 25.2
Additional accruals	50.0	24.1	22.1	11.6
Payments	(26.2)	(8.2)	(15.0)	(13.7)
Adjustment to accruals	(8.3)	(0.8)	(4.0)	(1.7)
Foreign currency rate changes and other	—	(0.2)	0.4	—
Accrual at June 30	<u>\$ 40.7</u>	<u>\$ 28.3</u>		
Accrual at December 31			<u>\$ 59.0</u>	<u>\$ 21.4</u>

Reconciliation of accruals and charges to restructuring and other costs, **net** (in millions):

	Nine Months Ended		Three Months Ended	
	June 30,		December 31,	
	2023	2022	2023	2022
Additional accruals and adjustments to accruals (see table above)	\$ 41.7	\$ 23.3	\$ 18.1	\$ 9.9
PP&E and related costs	363.3	338.8	(3.1)	(1.6)
Severance and other employee costs	0.3	—	0.2	0.1
Acquisition costs	13.9	1.9	1.9	11.0
Integration costs	7.1	0.4	0.6	4.3
Divestiture costs	7.0	0.8	0.3	1.4
Other restructuring costs	<u>92.1</u>	<u>1.1</u>	<u>47.5</u>	<u>7.0</u>
Total restructuring and other costs	<u>\$ 525.4</u>	<u>\$ 366.3</u>		
Total restructuring and other costs, net			<u>\$ 65.5</u>	<u>\$ 32.1</u>

Note 6.5. Retirement Plans

We have defined benefit pension plans and other postretirement benefit plans for certain U.S. and non-U.S. employees. Certain plans were frozen for salaried and non-union hourly employees at various times in the past, and nearly all of our remaining U.S. salaried and U.S. non-union hourly employees accruing benefits ceased accruing benefits as of December 31, 2020. In addition, we participate in several multiemployer pension plans ("MEPP" or "MEPPs") that provide retirement benefits to certain union employees in accordance with various collective bargaining agreements and have participated in other MEPPs in the past. We also have supplemental

Notes to Consolidated Financial Statements (Unaudited) (Continued)

executive retirement plans and other non-qualified defined benefit pension plans that provide unfunded supplemental retirement benefits to certain of our current and former executives. See “**Note 5.6. Retirement Plans**”

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for more information regarding our involvement with retirement plans.

MEPPs

In the normal course of business, we evaluate our potential exposure to MEPPs, including potential withdrawal liabilities. In fiscal 2018, we submitted formal notification to withdraw from the Pace Industry Union-Management Pension Fund (“PIUMPF”) and recorded a withdrawal liability and a liability for our proportionate share of PIUMPF’s accumulated funding deficiency. Subsequently, in fiscal 2019 and 2020, we received demand letters from PIUMPF, including a demand for withdrawal liabilities and for our proportionate share of PIUMPF’s accumulated funding deficiency. In July 2021, PIUMPF filed suit against us in the U.S. District Court for the Northern District of Georgia claiming the right to recover our pro rata share of the pension fund’s accumulated funding deficiency along with interest, liquidated damages and attorney’s fees. We believe we are adequately reserved for this matter. See “**Note 5.6. Retirement Plans — Multiemployer Plans**” of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for additional information on our MEPPs and see “**Note 17.16. Commitments and Contingencies — Other Litigation**” for additional information on the litigation.

At June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, we had recorded withdrawal liabilities of \$203.1 203.7 million and \$214.7 203.2 million, respectively, including liabilities associated with PIUMPF’s accumulated funding deficiency demands. The liability reduction in fiscal 2023 was primarily the result of non-PIUMPF arbitrations, the impact of which is reflected in Multiemployer pension withdrawal income on our consolidated statements of operations.

Pension and Postretirement Cost (Income)

The following table presents a summary of the components of net pension cost (income) (in millions):

Three Months Ended		Nine Months Ended		Three Months Ended	
June 30,	June 30,	June 30,	June 30,	December 31,	December 31,
2023	2022	2023	2022	2023	2022

Service cost	10.	21.	35.		\$	6.6	\$	7.5
	\$ 6.2	\$ 7	\$ 6	\$ 9				
Interest cost	64.	46.	192	141				
	8	9	.9	.6				
Expected return on plan assets	(76	(92	(22	(27				
	.5)	0)	7.8)	7.0)				
Amortization of net actuarial loss	14.		43.					
	6	2.3	8	6.7				
Amortization of prior service cost	2.0	2.1	6.0	6.3				
Settlement loss	—	—	—	0.2				
Company defined benefit plan cost (income)	11.	(30.	36.	(86.				
	1	0)	5	3)				
Company defined benefit plan cost					5.9			12.0
Multiemployer and other plans	0.4	0.4	1.1	1.1		0.4		0.3
Net pension cost (income)	11.	(29.	37.	(85.				
	\$ 5	\$ 6)	\$ 6	\$ 2)				
Net pension cost					\$ 6.3		\$	12.3

The non-service elements of our pension and postretirement cost set forth in this **Note 65** are reflected in the consolidated statements of operations line item “Pension and other postretirement non-service **income (cost) income**”. The service cost components are reflected in “Cost of goods sold” and “Selling, general and administrative expense excluding intangible amortization” line items.

We maintain other postretirement benefit plans that provide certain health care and life insurance benefits for certain salaried and hourly employees who meet specified age and service requirements as defined by the plans. The following table presents a summary of the components of the net postretirement cost (in millions):

	Three Months		Nine Months		Three Months Ended			
	Ended		Ended		December 31,			
	June 30,		June 30,					
	2023	2022	2023	2022	2023		2022	
Service cost	\$ 0.3	\$ 0.3	\$ 0.7	\$ 0.8	\$	0.2	\$	0.2
Interest cost	1.8	1.7	5.4	4.8		1.9		1.8

Amortization of net actuarial (gain) loss	(1. 2)	0.4	5)	(0.4)		
Amortization of net actuarial gain					(1.3)	(1.1)
Amortization of prior service credit	(0. 2)	(0.1)	5)	(0.5)		(0.1)
Net postretirement cost	<u>\$ 0.7</u>	<u>\$ 2.3</u>	<u>\$ 2.1</u>	<u>\$ 4.7</u>	<u>\$ 0.7</u>	<u>\$ 0.7</u>

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Employer Contributions

During the three and nine months ended June 30, 2023 December 31, 2023, we made contributions to our qualified and supplemental defined benefit pension plans of \$4.8 4.3 million and \$19.8 million, respectively, and for the three and nine months ended June 30, 2022 December 31, 2022 we made contributions of \$4.8 7.6 million and \$15.1 million, respectively.million.

During the three and nine months ended June 30, 2023 December 31, 2023, we funded an aggregate of \$1.8 million and \$5.4 million, respectively, to our other postretirement benefit plans and for the three and nine months ended June 30, 2022 December 31, 2022, we funded an aggregate of \$2.0 1.5 million and \$5.1 million, respectively.million.

Note 7.6. Income Taxes

The effective tax rate for the three and nine months ended June 30, 2023 December 31, 2023 was (24.9 33.5)% and 2.3%, respectively.due to the loss. The effective tax rates were impacted by (i) the tax effects related to the Mexico Acquisition (ii) research and development and other tax credits (iii) the inclusion of state taxes, (iv) interest accrued on uncertain tax benefits, (v) income derived from certain foreign jurisdictions subject to higher tax rates and (vi) the exclusion of tax benefits related to losses recorded by certain foreign operations. The lower operations, partially offset by research and development and other tax rate in the nine months ended June 30, 2023 was primarily due to the tax effects of the goodwill impairment.credits.

The effective tax rate for the three and nine months ended June 30, 2022 December 31, 2022 was 25.9 15.1% and 24.2%, respectively. The effective tax rate for both periods was impacted by (i) a net benefit from the tax effects related to the acquisition of the remaining interest in Grupo Gondi and (ii) benefits from research and development and other tax credits, partially offset by (i) the inclusion of state taxes, (ii) income derived from certain foreign jurisdictions subject to higher tax rates and (iii) the exclusion of tax benefits related to losses recorded by certain foreign operations, and (iv) the impact of our decision to surrender two corporate owned life insurance policies, partially offset by (v) benefits from research and development tax credits. The lower tax rate in the nine months ended June 30, 2022 was primarily due to a larger impact from research and development tax credits in that period operations.

During the nine three months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022, cash paid for income taxes, net of refunds, was \$197.2 19.3 million and \$175.8 28.6 million, respectively.

On August 16, 2022, the Inflation Reduction Act was signed into law, with tax provisions primarily focused on implementing a 15% minimum tax on global adjusted financial statement income and a 1% excise tax on share repurchases. We do not believe the provisions of the Inflation Reduction Act that became effective in fiscal 2024 will have a material impact on our financial results.

Note 8.7. Segment Information

We report our financial results of operations in the following four reportable segments:

- **Corrugated Packaging**, which substantially consists of our integrated corrugated converting operations and generates its revenues primarily from the sale of corrugated containers and other corrugated products, including the operations acquired in the Mexico Acquisition;
- **Consumer Packaging**, which consists of our integrated consumer converting operations and generates its revenues primarily from the sale of consumer packaging products such as folding cartons, interior partitions (before divestiture in September 2023) and other consumer products;
- **Global Paper**, which consists of our commercial paper operations and generates its revenues primarily from the sale of containerboard and paperboard to external customers; and
- **Distribution**, which consists of our distribution and display assembly operations and generates its revenues primarily from the distribution of packaging products and assembly of display products.

We determined our operating segments based on the products and services we offer. Our operating segments are consistent with our internal management structure, and we do not aggregate operating segments. We report the benefit of vertical integration with our mills in each reportable segment that ultimately sells the associated paper and packaging products to our external customers. We account for intersegment sales at prices that approximate market prices.

We have included the operations acquired in the Mexico Acquisition in our Corrugated Packaging segment, which is consistent with our internal operational structure and how the Company's chief operating decision maker ("CODM") allocates

resources and assesses financial performance. See "**Note 3. Acquisitions**" for additional information. As part of this assessment, we also moved certain existing consumer converting operations in Latin

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

America into our Corrugated Packaging segment in line with how we are managing the business effective January 1, 2023. We did not recast prior year results related to these operations as they were not material. The results of the Mexico Acquisition for the month of December have been recast and are reflected in the Corrugated Packaging segment.

Adjusted EBITDA is our measure of segment profitability in accordance with ASC 280, "Segment Reporting" ("**ASC 280**") because it is used by our chief operating decision maker ("**CODM**") to make decisions regarding allocation of resources and to assess segment performance. Certain items are not allocated to our operating

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

segments and, thus, the information that our CODM uses to make operating decisions and assess performance does not reflect such amounts. Adjusted EBITDA is defined as pre-tax earnings of a reportable segment before depreciation, depletion and amortization, and excludes the following items our CODM does not consider part of our segment performance: gain on sale of certain closed facilities, multiemployer pension withdrawal income, restructuring and other costs, impairment of goodwill and other assets, net, non-allocated expenses, interest expense, net, loss other (expense) income, net, gain on extinguishment sale of debt, other income (expense), net, RTS and Chattanooga, and other adjustments - each as outlined in the table below ("**Adjusted EBITDA**"). Management believes excluding these items is useful in the evaluation of operating performance from period to period because these items are not representative of our ongoing operations or are items our CODM does not consider part of our reportable segments.

The tables in this **Note 87** show selected financial data for our reportable segments (in millions):

	Three Months				Three Months Ended			
	Ended		Nine Months Ended		December 31,			
	June 30,		June 30,		2023		2022	
	2023	2022	2023	2022				
Net sales (aggregate):								
Corrugated Packaging	2,56	2,38	7,530	6,921				
	\$ 5.7	\$ 2.5	\$.5	\$.5	\$	2,419.9	\$	2,337.4
Consumer Packaging	1,25	1,27	3,730	3,659				
	0.6	0.2	.7	.5		1,059.3		1,215.0

Global Paper	1,06	1,61	3,357	4,501			
	5.7	0.3	.5	.0	918.3		1,123.6
Distribution	317.	357.		1,044			
	8	7	946.6	.8	289.7		321.5
Total	5,19	5,62	15,56	16,12			
	\$ 9.8	\$ 0.7	\$ 5.3	\$ 6.8	\$ 4,687.2	\$	4,997.5
Less net sales (intersegment):							
Corrugated Packaging	\$ 69.5	\$ 93.5	\$ 219.5	\$ 246.2	\$ 59.2	\$	68.4
Consumer Packaging	7.7	6.1	19.9	19.0	5.3		4.7
Distribution	1.5	1.4	4.1	7.6	2.7		1.3
Total		101.					
	\$ 78.7	\$ 0	\$ 243.5	\$ 272.8	\$ 67.2	\$	74.4
Net sales (unaffiliated customers):							
Corrugated Packaging	2,49	2,28	7,311	6,675			
	\$ 6.2	\$ 9.0	\$.0	\$.3	\$ 2,360.7	\$	2,269.0
Consumer Packaging	1,24	1,26	3,710	3,640			
	2.9	4.1	.8	.5	1,054.0		1,210.3
Global Paper	1,06	1,61	3,357	4,501			
	5.7	0.3	.5	.0	918.3		1,123.6
Distribution	316.	356.		1,037			
	3	3	942.5	.2	287.0		320.2
Total	5,12	5,51	15,32	15,85			
	\$ 1.1	\$ 9.7	\$ 1.8	\$ 4.0	\$ 4,620.0	\$	4,923.1
Adjusted EBITDA:							
Corrugated Packaging	429.	385.	1,166	1,002			
	\$ 7	\$ 2	\$.6	\$.8	\$ 327.8	\$	329.4
Consumer Packaging	230.	234.					
	0	9	631.9	610.0	166.2		183.3
Global Paper	177.	399.					
	0	0	521.4	940.0	118.4		157.3
Distribution	6.0	19.2	26.1	53.7	9.0		10.8
Total	842.	1,03	2,346	2,606			
	7	8.3	.0	.5	621.4		680.8
Depreciation, depletion and amortization	(382	(377	(1,15	(1,11			
	.5)	.3)	1.5)	7.4)	(381.8)		(373.2)

Gain on sale of certain closed facilities	—	—	9.8	14.4
Multiemployer pension withdrawal income	12.2	—	12.2	3.3
Restructuring and other costs	(47.7)	(0.6)	4)	(36.3)
Impairment of goodwill and other assets	—	0)	3.0)	(26.0)
Restructuring and other costs, net				(65.5) (32.1)
Non-allocated expenses	(40.8)	(32.8)	(103.4)	(66.8) (50.7) (28.7)
Interest expense, net	(108.1)	(78.5)	(313.8)	(237.7) (101.4) (97.3)
Loss on extinguishment of debt	—	—	—	(8.2)
Other income (expense), net	1.4	(7.2)	8.8	(0.7)
Other (expense) income, net				(4.7) 25.2
Gain on sale of RTS and Chattanooga				0.5 —
Other adjustments			(185.6)	(119.6)
	(6.8)	(3.4)	8)	(3.7) (34.8)
Income (loss) before income taxes	270.4	512.5	(1,796.1)	\$ 797.4 \$ (17.0) \$ 55.1

²⁰ See “**Note 4. Restructuring and Other Costs, Net**” for additional information on how the Restructuring and other costs, net relate to our reportable segments.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

Additional selected financial data (in millions):

	Three Months		Nine Months					
	Ended		Ended		Three Months Ended			
	June 30,		June 30,		December 31,			
	2023	2022	2023	2022	2023	2022	2023	2022
Depreciation, depletion and amortization:								
Corrugated Packaging	20	16	607.	503.				
	\$ 4.2	\$ 9.7	\$ 6	\$ 6	\$ 205.3	\$ 192.2		
Consumer Packaging	85.	88.	255.	264.				
	8	2	4	6	86.5	84.1		
Global Paper	84.	11	264.	329.				
	1	3.0	4	0	81.1	89.1		
Distribution	6.9	5.8	20.7	17.4			7.3	6.9
Corporate	1.5	0.6	3.4	2.8			1.6	0.9
Total	38	37	1,15	1,11				
	\$ 2.5	\$ 7.3	\$ 1.5	\$ 7.4	\$ 381.8	\$ 373.2		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>				
Other adjustments:								
Corrugated Packaging	(21							
	\$.3)	\$ 0.8	\$ 33.2	\$ (5.6)	\$ 5.1	\$ 49.8		
Consumer Packaging	0.3	—	59.9	7.7			3.6	31.6
Global Paper	5.2	2.6	31.8	1.6			1.5	17.5
Distribution	0.1	—	0.1	—			(0.3)	—
Corporate	22.							
	5	—	60.8	—	24.9			20.7
Total			185.					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>				
Equity in income (loss) of unconsolidated entities:								
Corrugated Packaging	23.	18.						
	\$ 4	\$ 6	\$ (8.4)	\$ 54.2	\$ 3.2	\$ (35.8)		
Consumer Packaging	—	—	—	3.4	—	—		
Global Paper			(0.					
	0.3	3)	0.6	(0.3)	1.0			(0.2)

Total	23.	18.				\$ 7	\$ 3	\$ (7.8)	\$ 57.3	\$	4.2	\$	(36.0)
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Other adjustments in the table above for the three months ended **June 30, 2023** **December 31, 2023** consist primarily of:

- a \$19.2 million gain on sale of an unconsolidated displays joint venture in our Corrugated Packaging segment, and
- business systems transformation costs in Corporate of \$22.6 **24.9** million, and
- losses at facilities in the process of being closed of \$9.1 million (excluding depreciation and amortization), split across our segments.

Other adjustments in the table above for the **nine** **three** months ended **June 30, 2023** **December 31, 2022** consist primarily of:

- a \$46.8 million non-cash, pre-tax loss in the Corrugated Packaging segment related to the Mexico Acquisition as discussed in “**Note 3. Acquisitions**” that was partially offset by a \$19.2 million gain on sale of an unconsolidated displays joint venture in our Corrugated Packaging segment.,
- incremental work stoppage costs at our Mahrt mill of \$58.5 **31.3** million pre-tax in our Consumer Packaging segment and \$19.3 **10.3** million pre-tax in our Global Paper segment,
- business systems transformation costs in Corporate of \$60.3 **20.2** million, and
- acquisition accounting inventory-related adjustments of \$7.6 **5.5** million and \$5.5 **3.0** million in the Global Paper and Corrugated Packaging and Global Paper segments, respectively.

See “**Note 5. Restructuring and Other Costs**” for additional information on how the Restructuring and other costs relate to our reportable segments.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

We allocate the assets and capital expenditures of our mill system across our reportable segments because the benefits of vertical integration are reflected in the reportable segment that ultimately sells the associated paper and packaging products to external customers. The following tables reflect such allocation (in millions):

	June 30, 2023	September 30, 2022
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	2023	2022
Assets:		
Corrugated Packaging	\$ 13,059.6	\$ 11,382.5
Consumer Packaging	6,592.5	6,704.5
Global Paper	5,122.4	7,039.2
Distribution	821.3	863.0
Assets held for sale	175.4	34.4
Corporate	2,377.7	2,381.9
Total	<u><u>\$ 28,148.9</u></u>	<u><u>\$ 28,405.5</u></u>
Intangibles, net:		
Corrugated Packaging	\$ 581.1	\$ 648.4
Consumer Packaging	1,426.6	1,523.5
Global Paper	548.1	612.6
Distribution	121.2	136.1
Total	<u><u>\$ 2,677.0</u></u>	<u><u>\$ 2,920.6</u></u>
Equity method investments:		
Corrugated Packaging	\$ 45.6	\$ 479.3
Consumer Packaging	0.6	0.5
Global Paper	1.7	0.5
Corporate	0.1	0.1
Total	<u><u>\$ 48.0</u></u>	<u><u>\$ 480.4</u></u>

The decrease in equity method investments compared to September 30, 2022, was due to the Mexico Acquisition in December 2022 and the sale of an unconsolidated displays joint venture in June 2023. See **"Note 3. Acquisitions"** and **"Note 1. Basis of Presentation and Significant Accounting Policies"** for additional information.

	Nine Months Ended	
	June 30,	
	2023	2022
Capital expenditures:		
Corrugated Packaging	\$ 344.0	\$ 260.3
Consumer Packaging	174.8	109.9
Global Paper	225.7	165.8
Distribution	9.7	2.9
Corporate	64.1	30.6
Total	<u><u>\$ 818.3</u></u>	<u><u>\$ 569.5</u></u>

The changes in the carrying amount of goodwill during the nine months ended June 30, 2023 are as follows (in millions):

	Corrugated		Consumer		\$ 1,366.5	\$ 137.5	\$ 5,895.2
	Packaging	Packaging	Packaging	Global Paper			
Balance as of Sep. 30, 2022	\$ 2,802.8		\$ 1,588.4		\$ 1,366.5	\$ 137.5	\$ 5,895.2
Goodwill impairment	(514.3)		—	(1,378.7)		—	(1,893.0)
Acquisitions	229.6		—	—		—	229.6
Divestitures	—		(7.4)	(4.1)		—	(11.5)
Transferred to assets held for sale	—		(24.9)	—		—	(24.9)
Translation and other adjustments	88.4		(35.3)	16.3		1.2	70.6
Balance as of Jun. 30, 2023							
Goodwill	\$ 3,120.8		\$ 1,520.8	\$ 1,378.7	\$ 138.7	\$ 6,159.0	
Accumulated impairment losses	(514.3)		—	(1,378.7)	—	—	(1,893.0)
	\$ 2,606.5		\$ 1,520.8	\$ -	\$ 138.7	\$ 4,266.0	

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

We review the carrying value of our goodwill annually as of the beginning of the fourth quarter of each fiscal year, or more often if events or changes in circumstances indicate that the carrying amount may exceed fair value. In the second quarter of fiscal 2023, due to the sustained decrease in our market capitalization and the further deterioration of macroeconomic conditions, including the impact of soft demand, pricing pressure and elevated inflation, which negatively affected our long-term forecasts in certain segments, we concluded that impairment indicators existed. As a result, we completed an interim quantitative goodwill impairment test in conjunction with our normal quarterly reporting process. Consistent with past practice, the estimated fair value of our reporting units was determined using a combination of the present value of expected cash flows ("income approach") and the guideline public company method ("market approach"). These fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. We have not made any material changes to our impairment loss assessment methodology in the past three fiscal years. See "**Note 1. Description of Business and Summary of Significant Accounting Policies — Goodwill and Long-Lived Assets**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for additional information regarding our goodwill policy and testing.

In the second quarter of fiscal 2023, as a result of this interim goodwill impairment analysis, we recorded a pre-tax, non-cash impairment charge of \$1,893.0 million (\$1,829.8 million after-tax); \$1,378.7 million in the Global Paper reportable segment and \$514.3 million in the Corrugated Packaging reportable segment. Goodwill associated with the Global Paper reporting unit was written off in its entirety as of March 31, 2023.

Following the interim goodwill impairment analysis, our Consumer Packaging and Distribution reporting units had fair values that exceeded their carrying values by approximately 23% and 15%, respectively; and the fair value of our Corrugated Packaging reporting unit approximated its carrying value. Because the fair values of the Corrugated Packaging and Distribution reporting units are not substantially more than their carrying values, these reporting units have greater risk of future impairments should we experience adverse changes in our assumptions, estimates, or market factors. The discount

rates used in the impairment analysis for our reporting units ranged from 9.5% to 13.5%. Our perpetual growth rates ranged from 0.0% to 1.0%. Had we concluded it was appropriate to increase the discount rate used to estimate the fair values of the Consumer Packaging and Distribution reporting units by 100 basis points, the fair values of each of these reporting units would have continued to exceed their carrying values.

Subsequent to our second quarter of fiscal 2023 testing, we monitored industry economic trends and other factors through the end of our third quarter of fiscal 2023 and determined no additional quantitative testing for goodwill impairment was warranted.

If the assumptions, estimates, and market factors underlying our fair value determinations change adversely, we may be exposed to additional impairment charges, particularly with respect to the Corrugated Packaging and Distribution reporting units, which could be material. Additionally, there are certain risks inherent to our operations as described in Item 1A. "Risk Factors" herein and in our Fiscal 2022 Form 10-K that could affect our estimates and assumptions in the future.

Our long-lived assets, including intangible assets remain recoverable. See "**Note 5. Restructuring and Other Costs**" for additional information on long-lived asset write-offs included in restructuring charges recorded in conjunction with our decision to permanently cease operations at the North Charleston, SC containerboard mill.

Note 9.8. Interest Expense, Net

The components of interest expense, net are as follows (in millions):

	Three Months		Nine Months		Three Months Ended			
	Ended		Ended		December 31,			
	June 30,		June 30,		2023		2022	
	2023	2022	2023	2022				
Interest expense	(141.9)	(92.4)	(395.1)	(275.6)	\$ (139.5)	\$ (118.9)		
Interest income	33.8	9	81.3	37.9	38.1			21.6
Interest expense, net	(108.1)	(78.5)	(313.8)	(237.7)	\$ (101.4)	\$ (97.3)		

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Cash paid for interest, net of amounts capitalized, was \$306.1 million and \$238.1 million were made during the nine months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022, respectively.

Note 10.9. Inventories

We value substantially all of our U.S. inventories at the lower of cost or market, with cost determined on a last-in first-out ("LIFO") basis. We value all other inventories at the lower of cost and net realizable value, with cost determined using

methods that approximate cost computed on a first-in first-out ("FIFO") basis. These other inventories represent primarily foreign inventories, distribution business inventories, spare parts inventories and certain inventoried supplies.

The components of inventories were as follows (in millions):

	June 30,	September 30,	December 31,	September 30,
	2023	2022	2023	2023
Finished goods and work in process	\$ 1,179.3	\$ 1,102.4	\$ 1,083.8	\$ 1,044.9
Raw materials	1,158.4	1,135.9	1,045.8	1,049.8
Spare parts and supplies	601.5	529.6	601.7	578.2
Inventories at FIFO cost	2,939.2	2,767.9	2,731.3	2,672.9
LIFO reserve	(390.2)	(450.8)	(340.0)	(341.4)
Net inventories	<u>\$ 2,549.0</u>	<u>\$ 2,317.1</u>	<u>\$ 2,391.3</u>	<u>\$ 2,331.5</u>

Note 11.10. Property, Plant and Equipment

The components of property, plant and equipment were as follows (in millions):

	June 30,	September 30,	December 31,	September 30,
	2023	2022	2023	2023
Property, plant and equipment at cost:				
Land and buildings	\$ 3,154.6	\$ 2,646.4	\$ 3,099.3	\$ 2,994.7
Machinery and equipment	18,316.8	16,592.5	18,026.7	17,682.4
Forestlands	106.3	95.7	113.3	105.2
Transportation equipment	27.6	24.2	27.9	27.3
Leasehold improvements	107.7	103.4	100.9	98.8
Construction in progress			927.4	967.8
	21,713.0	19,462.2	22,295.5	21,876.2
Less: accumulated depreciation, depletion and amortization	(10,450.5)	(9,380.8)	(11,065.3)	(10,813.0)
Property, plant and equipment, net	<u>\$ 11,262.5</u>	<u>\$ 10,081.4</u>	<u>\$ 11,230.2</u>	<u>\$ 11,063.2</u>

Accrued additions to property, plant and equipment at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023 were \$132.5 188.4 million and \$223.2 165.2 million, respectively.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 12.11. Fair Value

Assets and Liabilities Measured or Disclosed at Fair Value

We estimate fair values in accordance with ASC 820, "Fair Value Measurement". We have not changed the valuation techniques for measuring the fair value of any financial assets or liabilities during the fiscal year. See "Note 12.13. Fair Value" of the Notes to Consolidated Financial Statements section in the Fiscal 2022/2023 Form 10-K for more information. We disclose the fair value of our long-term debt in "Note 13.12. Debt". We disclose the fair value of our derivative instruments in "Note 15.14. Derivatives" and our restricted assets and non-recourse liabilities held by special purpose entities in "Note 16.15. Special Purpose Entities". We disclose the fair value of our pension and postretirement assets and liabilities in "Note 5.6. Retirement Plans" of the Notes to Consolidated Financial Statements section in the Fiscal 2022/2023 Form 10-K.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Financial Instruments Not Recognized at Fair Value

Financial instruments not recognized at fair value on a recurring or nonrecurring basis include cash and cash equivalents, accounts receivable, certain other current assets, short-term debt, accounts payable, certain other current liabilities and long-term debt. With the exception of long-term debt, the carrying amounts of these financial instruments approximate their fair values due to their short maturities.

Nonrecurring Fair Value Measurements

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities include equity method investments when they become subject to fair value remeasurement upon obtaining control due to a step-up acquisition or when they are deemed to be other-than-temporarily impaired, investments for which the fair value measurement alternative is elected, assets acquired and liabilities assumed when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in a merger or an acquisition or in a nonmonetary exchange, property, plant and equipment, right-of-use ("ROU") assets related to operating or finance leases, and goodwill and other intangible assets that are written down to fair value when they are held for sale or determined to be impaired. In the second quarter of fiscal 2023, we recorded a \$1.9 billion pre-tax, non-cash goodwill impairment charge. See "Note 8. Segment Information" for additional information. See "Note 5.4. Restructuring and Other Costs, Net" for impairments associated with restructuring activities including the impairment of our North Charleston, SC containerboard mill in the second quarter of fiscal 2023 and our Panama City, FL mill in the second quarter of fiscal 2022 and other such similar items presented as "PP&E and related costs". Fair value of the remaining land, building and improvements was determined based on a third-party appraisal. During the three and nine months ended June 30, 2023/December 31, 2023 and 2022, we did not have any significant nonfinancial assets or

liabilities other than goodwill and restructuring, that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition other than the \$26.0 million pre-tax non-cash impairment of certain mineral rights in the third quarter of fiscal 2022 that was driven by a lack of new leasing or development activity on the related properties for an extended period of time. With the impairment, we had no value assigned to our remaining mineral rights. recognition.

Accounts Receivable Sales Monetization Agreements

We are a party to an On September 11, 2023, we terminated our existing \$700.0 million accounts receivable sales agreement monetization facility to sell to a third-party financial institution all of the short-term receivables generated from certain customer trade accounts. On September 16, 2022, the same date, we amended this entered into a new replacement \$700.0 million facility to extend the maturity to September 15, 2023 (the "A/R Sales Monetization Agreement") with Coöperatieve Rabobank U.A., New York Branch, as purchaser, ("Rabo") on substantially the same terms as the former agreement. The Monetization Agreement provides for, among other things, (i) an extension of the scheduled amortization termination date until September 13, 2024, and addressed (ii) the transition ability to effectuate the Transaction without any additional consent from LIBOR to Rabo or the Secure Overnight Funding Rate ("TermSOFR"). triggering of a notification event under the Monetization Agreement. The terms of the A/R Sales Monetization Agreement limit the balance of receivables sold to the amount available to fund such receivables sold, thereby eliminating the receivable for proceeds from the financial institution at any transfer date. Transfers under the A/R Sales Monetization Agreement meet the requirements to be accounted for as sales in accordance with guidance in ASC 860, "Transfers "Transfers and Servicing". Servicing" ("ASC 860"). We pay a monthly yield on investment to Rabo at a rate equal to adjusted Term SOFR plus a margin on the outstanding amount of Rabo's investment.

We also have a similar \$110.0 million facility that was amended on December 2, 2021 to address the transition from LIBOR to Term SOFR. The facility was again amended on December 2, 2022 to extend the term through December 4, 2023 and to include certain general revisions. The facility was again amended on December 4, 2023 to include certain fee and other general revisions, including the extension of the term through December 4, 2024 and the ability to effectuate the Transaction without any additional consent from the counterparty. The facility purchase limit was unchanged and the facility remains uncommitted.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

The customers from these facilities are not included in the Receivables Securitization Facility (as hereinafter defined) that is discussed in "**Note 13.12. Debt**".

Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following table presents a summary of these accounts receivable sales monetization agreements for the nine months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022 (in millions):

	Nine Months Ended		Three Months Ended	
	June 30,		December 31,	
	2023	2022	2023	2022
Receivable from financial institutions at beginning of fiscal year	\$ —	\$ —	\$ —	\$ —
Receivables sold to the financial institutions and derecognized	(2,112.8)	(2,200.7)	(673.2)	(734.0)
Receivables collected by financial institutions	2,117.8	2,113.3	667.5	715.4
Cash (payments to) proceeds from financial institutions	(5.0)	87.4		
Receivable from financial institutions at June 30	\$ —	\$ —		
Cash proceeds from financial institutions			5.7	18.6
Receivable from financial institutions at December 31			\$ —	\$ —

Receivables sold under these accounts receivable sales monetization agreements as of the respective balance sheet dates were approximately \$719.7 697.8 million and \$724.7 692.2 million as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, respectively.

Cash proceeds related to the receivables sold are included in Net cash provided by operating activities in the consolidated statements of cash flows in the accounts receivable line item. While the expense recorded in connection with the sale of receivables may vary based on current rates and levels of receivables sold, the expense recorded in connection with the sale of receivables was \$12.0 million and \$36.2 12.3 million for the three and nine months ended June 30, 2023 December 31, 2023, respectively, and \$5.0 million and \$10.4 10.9 million for the three and nine months ended June 30, 2022 December 31, 2022, and is recorded in "Other (expense) income, (expense), net" in the consolidated statements of operations. Although the sales are made without recourse, we maintain continuing involvement with the sold receivables as we provide collections services related to the transferred assets. The associated servicing liability is not material given the high credit quality of the customers underlying the receivables and the anticipated short collection period.

Note 13.12. Debt

Our outstanding indebtedness consists primarily of public bonds and borrowings under credit facilities. The public bonds issued by WRKCo Inc. ("WRKCo") and WestRock MWV, LLC ("MWV") are guaranteed by WestRock Company and certain WestRock of its subsidiaries. The public bonds are unsecured, unsubordinated obligations that rank equally in right of payment with all of our existing and future unsecured, unsubordinated obligations. The bonds are effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt and to the obligations of

our non-debtor/guarantor subsidiaries. The industrial development bonds associated with the finance lease obligations of MWV are guaranteed by the WestRock Company and certain of its subsidiaries. At **June 30, 2023** December 31, 2023, all of our debt was unsecured with the exception of our Receivables Securitization Facility (as defined below) and finance lease obligations.

Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following table shows the carrying value of the individual components of our debt (in millions):

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Public bonds due fiscal 2024 to 2028	\$ 3,436.6	\$ 3,433.4		
Public bonds due fiscal 2025 to 2028			\$ 2,939.4	\$ 2,938.6
Public bonds due fiscal 2029 to 2033	2,743.0	2,753.3	2,735.9	2,739.5
Public bonds due fiscal 2037 to 2047	177.4	177.8	177.2	177.3
Revolving credit and swing facilities	91.2	286.3	43.6	32.0
Term loan facilities	1,347.3	598.2	1,347.7	1,347.4
Receivables securitization	425.0	—	525.0	425.0
Commercial paper	149.6	—	249.2	283.9
International and other debt	105.2	127.6	48.4	61.9
Finance lease obligations	429.9	287.5	521.2	472.6
Vendor financing and commercial card programs	121.8	123.1	110.6	105.7
Total debt	9,027.0	7,787.2	8,698.2	8,583.9
Less: current portion of debt	419.4	212.2	462.3	533.0
Long-term debt due after one year	\$ 8,607.6	\$ 7,575.0	\$ 8,235.9	\$ 8,050.9

A portion of the debt classified as long-term may be paid down earlier than scheduled at our discretion without penalty. Our credit facilities contain certain restrictive covenants, including a covenant to satisfy a debt to

Notes to Consolidated Financial Statements (Unaudited) (Continued)

capitalization ratio. We test and report our compliance with these covenants as required by these facilities and were in compliance with them as of **June 30, 2023** **December 31, 2023**.

The estimated fair value of our debt was approximately **\$8.7** **\$8.5** billion as of **June 30, December 31, 2023** and **\$7.3** **\$8.1** billion at **September 30, 2022** **September 30, 2023**. The fair value of our long-term debt is categorized as level 2 within the fair value hierarchy and either is primarily based on quoted prices for those or similar instruments **in a less active market**, or approximates their carrying amount, as the variable interest rates reprice frequently at observable current market rates.

See “**Note 13. 14. Debt**” of the Notes to Consolidated Financial Statements section in the Fiscal **2022** **2023** Form 10-K for additional information on our debt, **including** interest rates on that **debt, as well as** debt.

Public Bonds

On September 26, 2023, following completion of consent solicitations, we entered into supplemental indentures governing our outstanding: (i) \$600 million aggregate principal amount of 3.750% senior notes due March 2025; (ii) \$750 million aggregate principal amount of 4.650% senior notes due March 2026; (iii) \$500 million aggregate principal amount of 3.375% senior notes due September 2027; (iv) \$600 million aggregate principal amount of 4.000% senior notes due March 2028 and (v) \$750 million aggregate principal amount of 4.900% senior notes due March 2029 to, among other things, amend the **status** definition of “Change of Control” to add an exception for the **LIBOR** transition in our applicable debt facilities. **proposed Transaction.**

Revolving Credit Facilities

Revolving Credit Facility

On July 7, 2022, we entered into a credit agreement (the “**Revolving Credit Agreement**”) that included a five-year senior unsecured revolving credit facility in an aggregate amount of \$2.3 billion, consisting of a \$1.8 billion U.S. revolving facility and a \$500 million multicurrency revolving facility (collectively, the “**Revolving Credit Facility**”) with Wells Fargo Bank, National Association, as administrative agent and multicurrency agent. The Revolving Credit Facility is guaranteed by WestRock Company and certain of its subsidiaries as set forth in the Revolving Credit Agreement. **We amended the Revolving Credit Agreement on September 27, 2023, to provide that the proposed Transaction would not constitute a “Change in Control” thereunder.** At **June 30, 2023** **December 31, 2023** and **September 30, 2022** **September 30, 2023**, there were no amounts outstanding under the facility.

European Revolving Credit Facilities

On July 7, 2022, we entered into a credit agreement (the "European Revolving Credit Agreement") with Coöperatieve Rabobank U.A., New York Branch, Rabo, as administrative agent. The European Revolving Credit Agreement provides for a three-year senior unsecured revolving credit facility in an aggregate amount of €700.0 million and includes an incremental €100.0 million accordion feature (the "European Revolving Credit Facility"). The European Revolving Credit Facility is guaranteed by WestRock Company and certain of its subsidiaries as set forth in the European Revolving Credit Agreement. We amended the European Revolving Credit Agreement on September 27, 2023, to provide that the proposed Transaction would not constitute a "Change in Control" thereunder. At June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, we had outstanding borrowings of € there were 30.0 no million (\$32.6 million) and €270.0 million (\$265.0 million), respectively. amounts outstanding under the facility.

Term Loan Facilities

Farm Loan Credit Facility

On July 7, 2022, we amended and restated the prior credit agreement (the "Farm Credit Facility Agreement") with CoBank, ACB, as administrative agent. The Farm Credit Facility Agreement provides for a seven-year senior unsecured term loan facility in an aggregate principal amount of \$600 million (the "Farm Credit Facility"). At any time, we have the ability to request an increase in the principal amount by up to \$400 million by written notice. The Farm Credit Facility is guaranteed by WestRock Company and certain of its subsidiaries as set forth in the Farm Credit Facility Agreement. We amended the Farm Credit Facility Agreement on September 27, 2023, to provide that the proposed Transaction would not constitute a "Change in Control" thereunder. The carrying value of this facility at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023 was \$598.5 million and \$598.4 million, and \$598.2 million, respectively.

Delayed Draw Term Facility

On August 18, 2022, we amended the Revolving Credit Agreement (the "Amended Credit Agreement") to add a three-year senior unsecured delayed draw term loan facility with an aggregate principal amount of up to \$1.0 billion (the "Delayed Draw Term Facility") that could be drawn in a single draw through May 31, 2023. On November 28, 2022, in connection with the Mexico Acquisition, we drew upon the facility in full. The Delayed Draw Term Facility is guaranteed by WestRock Company and certain of its subsidiaries as set forth in the Amended Credit Agreement. We have the option to extend the maturity date by one year with full lender consent. The one-year maturity extension would cost a fee of 20 basis points. We amended the Amended Credit Agreement on September 27, 2023, to provide that the proposed Transaction would not constitute a "Change in Control" thereunder. The carrying value of this facility at June 30, 2023 December 31, 2023 and September 30, 2023 was \$748.9 749.2 million. million and \$

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

million, respectively.

Receivables Securitization Facility

On February 28, 2023, we amended our existing \$700.0 million receivables securitization agreement (the “**Receivables Securitization Facility**”), primarily to extend the maturity to February 27, 2026 and to complete the transition from LIBOR to Term SOFR. Term SOFR loans will be subject to a credit spread adjustment equal to 0.10% per annum. No other changes were made to the rates in the agreement. At **June 30, 2023** December 31, 2023 and **September 30, 2022** September 30, 2023, maximum available borrowings, excluding amounts outstanding under the Receivables Securitization Facility, were \$700.0 612.9 million and \$700.0 million, respectively. The carrying amount of accounts receivable collateralizing the maximum available borrowings at **June 30, 2023** December 31, 2023 and **September 30, 2022** September 30, 2023 were approximately \$1,170.4 1,024.1 million and \$1,390.5 1,177.6 million, respectively. We have continuing involvement with the underlying receivables as we provide credit and collections services pursuant to the Receivables Securitization Facility. We amended the Receivables Securitization Facility on September 29, 2023, to provide that the proposed Transaction would not constitute a “Change in Control” thereunder. At **June 30, 2023** December 31, 2023 and **September 30, 2022** September 30, 2023, there was \$425.0 525.0 million and \$no 425.0 amount outstanding million borrowed under this facility, respectively.

Commercial Paper

On December 7, 2018, we established an unsecured commercial paper program with WRKCo as the issuer. Under the program, we may issue senior short-term unsecured commercial paper notes in an aggregate principal amount at any time not to exceed \$1.0 billion with up to 397-day maturities. The program has no expiration date and can be terminated by either the agent or us with not less than 30 days’ notice. Our Revolving Credit Facility is intended to backstop the commercial paper program. Amounts available under the program may be borrowed,

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

repaid and re-borrowed from time to time. At **June 30, 2023** December 31, 2023 and **September 30, 2022** September 30, 2023, there was \$149.6 249.2 million and \$no 283.9 amount million issued, respectively.

International and Other Debt

Brazil Export Credit Note

On January 18, 2021, we entered into a credit agreement to provide for R\$500.0 million of a senior unsecured term loan of WestRock Celulose, Papel E Embalagens Ltda. (a subsidiary of the Company), as borrower, and the Company, as guarantor. The outstanding amount of the principal is being repaid in equal, semiannual installments beginning on January 19,

2023 until the facility matures on January 19, 2026. The proceeds borrowed are to be used to support the production of goods or acquisition of inputs that are essential or ancillary to export activities. Loans issued under the facility bear interest at a floating rate based on Brazil's Certificate of Interbank Deposit rate plus a spread of 2.50%. At June 30, 2023 and September 30, 2022, there was R\$278.6 million (\$57.3 million) outstanding and R\$500.0 million (\$92.7 million) outstanding, respectively.

Note 14.13. Leases

We lease various real estate, including certain operating facilities, warehouses, office space and land. We also lease material handling equipment, vehicles and certain other equipment. Our total lease cost, net was \$119.7 million and \$316.3 million during the three and nine months ended June 30, 2023, respectively. Our total lease cost, net was \$88.3 million and \$258.1 million during the three and nine months ended June 30, 2022, respectively. We obtained \$136.9 million and \$131.7 million of ROU assets in exchange for lease liabilities for operating leases during the nine months ended June 30, 2023 and December 31, 2022, respectively. Additionally, we obtained \$

92.7 million of ROU assets in exchange for lease liabilities for finance leases during the three months ended December 31, 2023 and

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Notes to Consolidated Financial Statements (Unaudited) (Continued) in the three months ended December 31, 2022.

Supplemental Balance Sheet Information Related to Leases

The table below presents supplemental balance sheet information related to leases (in millions):

	September 30, 2023			December 31, 2022		
	Consolidated	June 30, 2023	September 30, 2023	Consolidated	December 31, 2022	September 30, 2022
	Sheet Caption	2023	2022	Sheet Caption	2023	2022
Operating leases:						
Operating lease right-of-use asset	Other noncurrent assets	6		Other noncurrent assets	622.2	648.5
	noncurrent assets	7				
		5.699				
		\$ 6	\$.6			

Current operating lease liabilities	Other current liabilities	2 0 2. 191 \$ 4 \$.9	Other current liabilities	\$ 195.5 \$ 202.4
Noncurrent operating lease liabilities	Other noncurrent liabilities	5 2 3. 551 5 .1	Other noncurrent liabilities	477.4 499.7
Total operating lease liabilities		7 2 5. 743 \$ 9 \$.0		\$ 672.9 \$ 702.1
Finance leases:				
Property, plant and equipment		3 5 5. 177 \$ 5 \$.4		\$ 453.5 \$ 400.6
Accumulated depreciation		(6 1. (37. 0) 3)		(65.7) (105.3)
Property, plant and equipment, net		2 9 4. 140 \$ 5 \$.1		\$ 387.8 \$ 295.3
Current finance lease liabilities	Current portion of debt	2 3. 14. \$ 6 \$ 5	Current portion of debt	\$ 25.9 \$ 62.9
Noncurrent finance lease liabilities	Long-term debt due after one year	4 0 6. 273 3 .0	Long-term debt due after one year	495.3 409.7
Total finance lease liabilities		4 2 9. 287 \$ 9 \$.5		\$ 521.2 \$ 472.6

Our finance lease portfolio includes certain assets that are either fully depreciated or transferred for which the lease arrangement requires a one-time principal repayment on the maturity date of the lease obligation.

Note 15.14. Derivatives

We are exposed to risks from changes in, among other things, commodity price risk, foreign currency exchange risk and interest rate risk. To manage these risks, from time to time and to varying degrees, we may enter into a variety of financial derivative transactions and certain physical commodity transactions that are determined to be derivatives.

We have designated certain natural gas commodity contracts as cash flow hedges for accounting purposes. Therefore, the entire change in fair value of the financial derivative instrument is reported as a component of other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction, and in the same period or periods during which the forecasted transaction affects earnings. Fair value measurements for our natural gas commodity derivatives are classified under level 2 because such measurements are estimated based on observable inputs such as commodity future prices. Approximately three-fourths of our natural gas purchases for our U.S. and Canadian mill operations are tied to NYMEX. Our natural gas hedging positions are entered in layers over multiple months and up to 12 months in advance to achieve a targeted hedging volume of up to 80% of our anticipated NYMEX-based natural gas purchases. However, we may modify our strategy based on, among other things, our assessment of market conditions.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

For financial derivative instruments that are not designated as accounting hedges, the entire change in fair value of the financial instrument is reported immediately in current period earnings.

The following table sets forth the outstanding notional amounts related to our derivative instruments (in millions):

	Metric	June 30, 2023	September 30, 2022
Designated cash flow hedges:			
Natural gas commodity contracts	MMBtu	22.2	18.3
Undesignated derivatives:			
Foreign currency contracts ⁽¹⁾	Mexican pesos	—	8,000.0
		December 31.	September 30.

	Metric	December 31, 2023	September 30, 2023
Designated cash flow hedges:			
Natural gas commodity contracts	MMBtu	20.4	22.0
(1) At September 30, 2022, the outstanding foreign currency exchange contract was related to the purchase of 8.0 billion Mexican pesos (\$389.9 million) for refinancing the external debt acquired in the Mexico Acquisition on December 1, 2022.		29	

Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following table sets forth the location and fair values of our derivative instruments (in millions):

	Consolidated	June	Septem	Consolidated Balance	December 31, 2023	September 30, 2023
	Balance	30,	ber 30,			
	Sheet Caption	2023	2022			
Designated cash flow hedges:	Designated cash flow hedges:			Designated cash flow hedges:		
Natural gas commodity contracts	Other current assets	0.		Other current liabilities (1)		
	\$ 1	\$ —			\$ 16.6	\$ 6.3
Natural gas commodity contracts	Other current liabilities (1)	13				
	\$.0	\$ 12.0				
Undesignated derivatives:						
Foreign currency contracts	Other current assets	\$ —	\$ 3.4			

(1) At June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, liability positions by counterparty were partially offset by \$1.20.2 million and \$2.30.2 million, respectively, of asset positions where we had an enforceable right of netting.

The following table sets forth gains (losses) recognized in accumulated other comprehensive loss, net of tax for cash flow hedges (in millions):

	Three Months Ended			Nine Months Ended		
	June 30,		June 30,	June 30,		
	2023	2022		2023	2022	
Natural gas commodity contracts	\$ 14.7	\$ (23.5)	\$ (0.6)	\$ (23.5)		

	Three Months Ended	
	December 31,	
	2023	2022
Natural gas commodity contracts	\$ (7.7)	\$ (11.9)

The following table sets forth amounts of gains (losses) recognized in the consolidated statements of operations for cash flow hedges reclassified from accumulated other comprehensive loss (in millions):

	Three Months Ended		Nine Months Ended		
	June 30,		June 30,		
	2023	2022	2023	2022	
Natural gas commodity contracts	Cost of goods sold	\$ (20.2)	\$ —	\$ (60.2)	\$ —

	Three Months Ended		
	December 31,		
	2023	2022	
Natural gas commodity contracts	Cost of goods sold	\$ (5.2)	\$ (13.2)

The following table sets forth amounts of gains (losses) recognized in the consolidated statements of operations for derivatives not designated as hedges (in millions):

	Three Months Ended		Nine Months Ended		
	June 30,		June 30,		
	2023	2022	2023	2022	
Foreign currency contracts	Other income (expense), net	\$ —	\$ —	\$ 19.7	\$ —

	Three Months Ended		
	December 31,		
	2023	2022	
Foreign currency contracts	Other (expense) income, net	\$ —	\$ 19.7

Note 16.15. Special Purpose Entities

Pursuant to the sale of certain forestlands in 2007 and 2013, special purpose entities ("SPEs") received and WestRock assumed upon the strategic combination of Rock-Tenn Company and MeadWestvaco Corporation's respective businesses, certain installment notes receivable ("Timber Notes"), and using these installment notes as collateral, the special purpose entities received proceeds under secured financing agreements ("Non-recourse Liabilities"). See "Note 15.17. Special Purpose Entities" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for additional information.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

The restricted assets and non-recourse liabilities held by special purpose entities are included in the consolidated balance sheets in the following (in millions):

	June 30,		September 30,		December 31,		September 30,	
	2023	2022	2022	2023	2023	2023	2023	2023
Other current assets	\$ 865.0	\$ —		\$ —	\$ —	\$ —	\$ 862.1	
Other noncurrent assets	\$ 381.9	\$ 1,253.0		\$ 383.5	\$ 382.7			
Other current liabilities	\$ 779.6	\$ —		\$ —	\$ —	\$ —	\$ 776.7	
Other noncurrent liabilities	\$ 329.8	\$ 1,117.8		\$ 330.7	\$ 330.2			

The decrease in Other noncurrent assets and Other noncurrent liabilities subsequent to September 30, 2022 September 30, 2023 reflects one the collection of an installment note receivable of \$860 million and payment of a secured financing liability of \$774 million in December 2023. This resulted in a receipt of \$88.1 million, net of interest and other items, from the related special purpose entity to the Company.

The carrying value of the installment notes becoming current in December 2022.

remaining restricted asset and non-recourse liability as of December 31, 2023 approximates fair value due to their floating rates. As of June 30, 2023 and September 30, 2022 September 30, 2023, the aggregate fair value of the Timber Notes and Non-recourse Liabilities was \$1,257.2 million and \$1,278.3 million, respectively. As of June 30, 2023 and September 30,

2022, the fair value of the Non-recourse Liabilities was \$1,112.4 million and \$1,132.3 million, respectively. Fair values of the Timber Notes and Non-recourse Liabilities are classified as level 2 within the fair value hierarchy.

The restricted assets and non-recourse liabilities have the following activity (in millions):

	Three Months Ended		2022	
	December 31,			
	2023	2022		
Interest income on Timber Notes (1)	\$ 12.3	\$ 13.1		
Interest expense on Timber Loans (1)	\$ 10.6	\$ 11.7		
Cash receipts on Timber Notes (2)	\$ 32.2	\$ 24.9		
Cash payments on Timber Loans (2)	\$ 28.6	\$ 23.4		

(1) Presented in Interest expense, net on the accompanying Consolidated Statements of Operations.

(2) Included as part of operating cash flows on the accompanying Consolidated Statements of Cash Flows.

Note 17.16. Commitments and Contingencies

Health and Safety

Environmental

Environmental compliance requirements are a significant factor affecting our business. Our business involves manufacturing processes are subject to numerous federal, state, local and international environmental laws and regulations, as well as the use requirements of heavy equipment, machinery environmental permits and chemicals and requires the performance of activities that create safety exposures. The health and safety of our team members is our most important responsibility, and our goal is to create a 100% safe work environment for our team members. Our safety strategy focuses on People, Process, Prevention and Performance. similar authorizations issued by various governmental authorities. We have established safety policies, programs, procedures incurred, and training expect that we will continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations. Changes in these laws, as well as litigation relating to these laws, could result in more stringent or additional environmental compliance obligations for the Company that may require additional capital investments or increase our manufacturing operations. We seek to reduce exposures and eliminate life changing events through engagement, execution of targeted, results-driven activities, and implementation of systems that promote continuous improvement. We also are implementing Human Organizational Performance throughout the organization to create more resilient and safer workplaces. operating costs.

We are subject to a broad range of foreign, federal, state involved in various administrative and local laws and regulations other proceedings relating to occupational health environmental matters that arise in the normal course of business, and safety, we may become involved in similar matters in the future. Although the ultimate outcome of these proceedings cannot be predicted and our safety program includes measures required for compliance. Failure to comply with health and safety laws and regulations, or we cannot at this time estimate any permits and authorizations required thereunder, could subject us to fines or other sanctions, corrective action requirements and litigation or reputational damage. We have incurred, and will continue to incur, capital expenditures to meet our health and safety compliance requirements, as well as to continually improve our safety systems. We reasonably possible losses based on available information, we do not believe that future compliance with occupational health the currently expected outcome of any environmental proceedings and safety laws

and regulations claims that are pending or threatened against us will not have a material adverse effect on our results of operations, financial condition or cash flows.

The global impact of COVID has affected our operational and financial performance to varying degrees. The extent of the effects of future public health crises, including a resurgence of COVID, or related containment measures and government responses, are highly uncertain and cannot be predicted.

Certain governmental authorities in locations where we do business have established asbestos standards for the workplace. Although we do not use asbestos in manufacturing our products, asbestos containing material ("ACM") is present in some of the facilities we own or lease. For those facilities where ACM is present and ACM is subject to regulation, we have established procedures for properly managing it.

Environmental

We are subject to numerous international, federal, state, local and other environmental laws and regulations, including those governing discharges to air, soil and water; the management, treatment and disposal as a result of releases of hazardous substances solid waste into the environment from various sites owned and hazardous wastes; the investigation and remediation of contamination resulting from historical site operations; and requirements relating to the use of chemicals in packaging. We are also subject to the requirements of environmental permits and similar authorizations issued by various governmental authorities. Complex and lengthy processes may be required to obtain and renew approvals, permits, and licenses for new, existing or modified facilities. Additionally, the use and handling of various chemicals or hazardous materials require third parties at which Company-generated wastes have allegedly been deposited.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

release prevention plans and emergency response procedures. Our compliance initiatives related to these In addition, certain of our current or former locations are being investigated or remediated under various environmental laws, and regulations could result in significant costs, which could negatively impact our results of operations, financial condition and cash flows. Failure to comply with environmental laws and regulations, or any permits and authorizations required thereunder, could subject us to fines or other sanctions, corrective action requirements and litigation or reputational damage.

Environmental regulations in the U.S. and Canada will require our power boilers at certain WestRock mills to meet more stringent nitrogen oxide ("NOx") emission standards beginning in 2026. In the U.S., the Environmental Protection Agency recently finalized a regulation, known as the "Good Neighbor" Plan, that is intended to reduce ozone-forming emissions of nitrogen oxides from industrial facilities in 20 states during the ozone season (May through September). In Canada, the

government is implementing the Multi-Sector Air Pollutants Regulation, which establishes tighter NOx limits for boilers and heaters in several industries, including pulp and paper. Our preliminary analysis indicates that to meet these new requirements, we need to reduce NOx emissions from nine power boilers at four mills in the U.S. and one in Canada. Our environmental and engineering teams are working on strategies for meeting these new limits. Based on our initial assessment, we do not believe the costs of compliance will be material; however, litigation has been filed in several jurisdictions challenging the "Good Neighbor" Plan, and it is currently unclear how these ongoing legal proceedings may impact future obligations under this regulatory program.

We have been named as a potentially responsible party ("PRP") in environmental remediation actions under various federal and state laws, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"). Many Based on information known to us and assumptions, we do not believe that the costs of any ongoing investigation and remediation projects will have a material adverse effect on our results of operations, financial condition or cash flows. However, the discovery of contamination or the imposition of additional obligations, including investigation or remediation triggered by the closures or sales of former manufacturing facilities may necessitate, and/or natural resources damages at these proceedings involve or other sites in the cleanup future, could impact our results of hazardous substances at sites that received waste from many different parties. While joint and several liability is authorized under CERCLA and analogous state laws, liability for CERCLA cleanups is typically shared with other PRPs, and costs are commonly allocated according to relative amounts of waste deposited and other factors. We believe we have insurance and contractual indemnification rights that may allow us to recover certain defense and other costs at some CERCLA sites. Other remediation costs typically associated with the cleanup of hazardous substances at our current, closed operations, financial condition or formerly-owned facilities, are recorded as liabilities in our consolidated balance sheets. Remediation costs are recorded in our financial statements when they become probable and reasonably estimable. cash flows.

See "**Note 17.19. Commitments and Contingencies**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for information related to environmental matters.

As of June 30, 2023, December 31, 2023, we had \$9.8 9.4 million reserved for environmental liabilities on an undiscounted basis, of which \$3.4 3.3 million is included in Other noncurrent liabilities and \$6.4 6.1 million is included in Other current liabilities, on the consolidated balance sheets, including amounts accrued in connection with environmental obligations relating to manufacturing facilities that we have closed. We believe the liability liabilities for these matters was adequately reserved at June 30, 2023 December 31, 2023.

Climate Change

Climate change presents risks and uncertainties for us, us. Unpredictable weather patterns or extended periods of severe weather may result in interruptions to our manufacturing operations, as well as certain potential opportunities. With respect to physical risks, our physical assets and infrastructure, including our manufacturing operations, have been, and may be in future periods impacted by severe weather-related events such as hurricanes and floods, potentially resulting in items such as physical damage to our facilities and lost production. Unpredictable weather patterns also may result in supply chain disruptions and increased material costs, such as through impacts to virgin fiber supplies and prices, which may fluctuate during prolonged periods of heavy rain or drought, or during tree disease or insect epidemics or other environmental

conditions that may be related to caused by variations in climate conditions. On the other hand, changes in climate also could result in more accommodating weather patterns for greater periods of time in certain areas, which may create favorable fiber market conditions. We incorporate a review of meteorological forecast data into our fiber procurement decisions and strategies. To the extent that severe weather-related weather or other climate-related risks materialize, and we are unprepared for them, we may incur unexpected costs, which could have a material effect on our results of operations, cash flows and financial condition, and the trading price of our Common Stock may be adversely impacted.

Responses to climate change may result in regulatory risks as new laws and regulations aimed at reducing greenhouse gas ("GHG") emissions come into effect. We have systems in place for tracking the GHG emissions from our energy-intensive facilities, and we monitor developments in climate-related laws, regulations and policies to assess the potential impact of such developments on our results of operations, financial condition, cash flows and disclosure obligations. Compliance with climate programs may require future expenditures to meet GHG emission reduction obligations in future years.

See "**Note 17.19. Commitments and Contingencies**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for information related to climate change.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Brazil Tax Liability

We are challenging claims by the Brazil Federal Revenue Department that we underpaid tax, penalties and interest associated with a claim that a subsidiary of MeadWestvaco Corporation (the predecessor of WestRock MWV, LLC) MWV had reduced its tax liability related to the goodwill generated by the 2002 merger of two of its Brazil Brazilian subsidiaries. The matter has proceeded through the Brazil Administrative Council of Tax Appeals ("CARF") principally in two proceedings, covering tax years 2003 to 2008 and 2009 to 2012. The tax and interest claim relating to tax years 2009 to 2012 was finalized and is now the subject of an annulment action we filed in the Brazil federal court. CARF notified us of its final decision regarding the tax, penalties and interest claims relating to tax years 2003 to 2008 on June 3, 2020. We have filed an annulment action in Brazil federal court with respect to that decision as well. The dispute related to fraud penalties for tax years 2009 to 2012 was resolved by CARF in favor of WestRock effective January 23, 2023.

We assert that we have no liability in these matters. The total amount in dispute before CARF and in the annulment actions relating to the claimed tax deficiency was R\$705 723 million (\$145 149 million) as of June 30, 2023 December 31, 2023, including various penalties and interest. The U.S. dollar equivalent has fluctuated significantly due to changes in exchange rates. The amount of our uncertain tax position reserve for this matter, which excludes certain penalties, is included in the unrecognized tax benefits table in our Fiscal 2022 2023 Form 10-K, 10-K; see "**Note 6.7. Income Taxes**" of the

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Notes to Consolidated Financial Statements. Statements (Unaudited) (Continued)

Notes to Consolidated Financial Statements in the Fiscal 2023 Form 10-K for additional information. Resolution of the uncertain tax positions could have a material adverse effect on our cash flows and results of operations or materially benefit our results of operations in future periods depending upon their ultimate resolution.

Other Litigation

During fiscal 2018, we submitted formal notification to withdraw from the PIUMPF and recorded a liability associated with the withdrawal. Subsequently, in fiscal 2019 and 2020, we received demand letters from PIUMPF, including a demand for withdrawal liabilities and for our proportionate share of PIUMPF's accumulated funding deficiency, and we refined our liability, the impact of which was not significant. We began making monthly payments for the PIUMPF withdrawal liabilities in fiscal 2020, excluding the accumulated funding deficiency demands, which we dispute. demands. We dispute the accumulated funding deficiency demands. In February 2020, we received a demand letter from PIUMPF asserting that we owe \$51.2 million for our pro-rata share of PIUMPF's accumulated funding deficiency, including interest. Similarly, in April 2020, we received an updated demand letter related to a subsidiary of ours asserting that we owe \$1.3 million of additional accumulated funding deficiency, including interest. The subsidiary for which we received the updated demand letter was sold in September 2023. In July 2021, the PIUMPF filed suit against us in the U.S. District Court for the Northern District of Georgia claiming the right to recover our pro-rata share of the pension fund's accumulated funding deficiency, along with interest, liquidated damages and attorney's fees. We believe we are adequately reserved for this matter. See "**Note 5.6. Retirement Plans — Multiemployer Plans**" of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for more information regarding our withdrawal liabilities.

We have been named a defendant in asbestos-related personal injury litigation. To date, the costs resulting from the litigation, including settlement costs, have not been significant. As of June 30, 2023 December 31, 2023, there were approximately 650 575 such lawsuits. We believe that we have substantial insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims. We also have valid defenses to these asbestos-related personal injury claims and intend to continue to defend them vigorously. Should the volume of litigation grow substantially, it is possible that we could incur significant costs resolving these cases. We do not expect the resolution of pending asbestos litigation and proceedings to have a material adverse effect on our results of operations, financial condition or cash flows. In any given period or periods, however, it is possible such proceedings or matters could have an adverse effect on our results of operations, financial condition or cash flows. At June 30, 2023 December 31, 2023, we had \$12.0 14.7 million reserved for these matters.

We are a defendant in a number of other lawsuits and claims arising out of the conduct of our business. While the ultimate results of such suits or other proceedings against us cannot be predicted, we believe the resolution of these other matters will not have a material adverse effect on our results of operations, financial condition or cash flows.

Indirect Tax Claim

In March 2017, the Supreme Court of Brazil issued a decision concluding that certain state value added tax should not be included in the calculation of federal gross receipts taxes. Subsequently, in fiscal 2019 and 2020, the Supreme Court of Brazil rendered favorable decisions on eight of our cases granting us the right to recover certain state value added tax. **In response, the** The tax authorities in Brazil filed a Motion of Clarification with the Supreme Court of Brazil. Based on our evaluation and the opinion of our tax and legal advisors, we believe the decision reduced our gross receipts tax in Brazil prospectively and retrospectively, and **allowed** **will allow** us to recover tax amounts collected by the government. **We** Due to the volume of invoices being reviewed (January 2002 to September 2019), we recorded the estimated recoveries across several periods beginning in the fourth quarter of fiscal 2019 as we reviewed the documents and the amount became estimable. In May 2021, the Supreme Court of Brazil judged the Motion of Clarification and concluded on the gross methodology, which was consistent with our evaluation and that of our tax and legal advisors. We are monitoring the **statuses** **status** of our remaining cases, and subject to the resolution in the courts, we may record additional amounts in future periods.

In the third quarter of fiscal 2023, we recorded a receivable for our expected recovery and interest that consisted of a \$4.4 million reduction of Cost of goods sold and \$4.7 million reduction of Interest expense, net. See “**Note 17.19. Commitments and Contingencies — Indirect Tax Claim**” of the Notes to Consolidated Financial Statements section in the Fiscal 2022 2023 Form 10-K for information related to our previously recorded estimated recoveries.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Guarantees

We make certain guarantees in the normal course of conducting our operations, for compliance with certain laws and regulations, or in connection with certain business **dispositions** **transactions**. The guarantees include items such as funding of net losses in proportion to our ownership share of certain joint ventures, debt guarantees related to certain unconsolidated entities acquired in acquisitions, indemnifications of lessors in certain facilities and equipment operating leases for items such as additional taxes being assessed due to a change in tax law and certain other agreements. We estimate our exposure to these matters to be less than \$50 million. As of **June 30, 2023** **December 31, 2023**, we had recorded \$0.8 million for the estimated fair value of these guarantees. We are unable to estimate our maximum exposure under operating leases because it is dependent on potential changes in tax laws; however, we believe our exposure related to guarantees would not have a material impact on our results of operations, financial condition or cash flows.

Note 18.17. Equity and Other Comprehensive Income (Loss)

Equity

Stock Repurchase Program

In July 2015, our board of directors authorized a repurchase program of up to 40.0 million shares of our outstanding common stock, par value \$0.01 per share ("Common Stock,"), representing approximately 15% of our outstanding Common Stock as of July 1, 2015. On May 4, 2022, our board of directors authorized a new repurchase program of up to 25.0 million shares of our Common Stock, representing approximately 10% of our outstanding Common Stock, plus any unutilized shares left from the July 2015 authorization. Shares We have indefinitely suspended the program in light of our Common Stock may be purchased from time to time in open market or privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined the proposed Transaction (and related restrictions imposed by management at its discretion based on factors including the market price of our Common Stock, general economic and market conditions and applicable legal requirements. The repurchase program may be commenced, suspended or discontinued at any time. Pursuant to Transaction Agreement). In the programs, in the nine three months ended June 30, 2023, December 31, 2023 and 2022, we had no share repurchases. In the nine months ended June 30, 2022, we repurchased approximately 12.6 million shares of our Common Stock for an aggregate cost of \$597.5 million. The amount reflected as purchased in the consolidated statements of cash flows varies due to the timing of share settlement. As of June 30, 2023, we had approximately 29.0 million shares of Common Stock available for repurchase repurchases under the program.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

these programs.

Accumulated Other Comprehensive Loss

The tables below summarize the changes in accumulated other comprehensive loss, net of tax, by component for the nine three months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022 (in millions):

	Defined Benefit				Defined Benefit			
	Deferred (Loss)	Pension and	Foreign		Deferred (Loss)	Pension and	Foreign	
	Income on	Postretirement	Currency	Total	Income on Cash	Postretirement	Currency	
	Cash	rement	ency	(1)	Flow Hedges	Plans	Items	Total (1)
	Flow Hedges	Plans	Items	(1)	Flow Hedges	Plans	Items	Total (1)
Balance at September 30, 2022				(7) (1,414)				
				(741) 03 54.				
	\$	(9.1)	\$.6)	\$.6)	\$ 3)			
Balance at September 30, 2023					\$ (4.9)	\$ (572.0)	\$ (321.7)	\$ (898.6)

Other comprehensive (loss) income before reclassifications	47	1.	426					
Amounts reclassified from accumulated other comprehensive loss	(45.9)	—	9	.0	(11.6)	—	158.8	147.2
Net current period other comprehensive (loss) income	45.3	33.7	.0	.0	3.9	6.0	—	9.9
Balance at June 30, 2023			50					
			0.	534				
	(0.6)	33.7	9	.0	(7.7)	6.0	158.8	157.1
			(2)					
			(707)	02	(92)			
Balance at December 31, 2023	\$ (9.7)	\$ (.9)	\$.7)	\$.3)	\$ (12.6)	\$ (566.0)	\$ (162.9)	\$ (741.5)

⁽¹⁾ All amounts are net of tax and noncontrolling interests.

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	Deferred	Defined Benefit			Total ⁽¹⁾
	(Loss) Income	Pension and	Foreign	Currency	
	on Cash	Postretirement	Items		
	Flow Hedges	Plans	Items		
Balance at September 30, 2021	\$ (0.2)	\$ (536.5)	\$ (462.4)	\$ (999.1)	
Other comprehensive (loss) income before reclassifications	(23.5)	0.1	(81.7)	(105.1)	
Amounts reclassified from accumulated other comprehensive loss	—	8.8	—	8.8	
Net current period other comprehensive (loss) income	(23.5)	8.9	(81.7)	(96.3)	
Balance at June 30, 2022	\$ (23.7)	\$ (527.6)	\$ (544.1)	\$ (1,095.4)	

Notes to Consolidated Financial Statements (Unaudited) (Continued)

	Deferred	Defined Benefit			Total ⁽¹⁾
	(Loss) Income	Pension and	Foreign	Currency	
	on Cash	Postretirement	Items		
	Flow Hedges	Plans	Items		

Balance at September 30, 2022	\$ (9.1)	\$ (741.6)	\$ (703.6)	\$ (1,454.3)
Other comprehensive (loss) income before reclassifications	(21.8)	—	117.2	95.4
Amounts reclassified from accumulated other comprehensive loss	9.9	11.1	29.0	50.0
Net current period other comprehensive (loss) income	(11.9)	11.1	146.2	145.4
Balance at December 31, 2022	\$ (21.0)	\$ (730.5)	\$ (557.4)	\$ (1,308.9)

⁽¹⁾ All amounts are net of tax and noncontrolling interests.

The net of tax amounts were determined using the jurisdictional statutory rates, and reflect effective tax rates averaging 25.28% to 26.29% for the nine three months ended June 30, 2023 December 31, 2023 and 24.27% to 25.28% for the nine three months ended June 30, 2022 December 31, 2022. Although we are impacted by the exchange rates of a number of currencies to varying degrees by period, our foreign currency translation adjustments recorded in accumulated other comprehensive loss for the nine three months ended June 30, 2023 December 31, 2023 were primarily due to gains in the Mexican Peso, Brazilian Real, Canadian dollar and British Pound, and Canadian dollar, each against the U.S. dollar. Foreign currency translation adjustments recorded in accumulated other comprehensive loss for the nine three months ended June 30, 2022 December 31, 2022 were primarily due to losses gains in the British Pound, Japanese Yen Brazilian Real, Mexican Peso, Polish Zloty, Czech Koruna and Canadian dollar, partially offset by gains in the Brazilian Real, each against the U.S. dollar.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

The following table summarizes the reclassifications out of accumulated other comprehensive loss by component (in millions):

Amortization of defined benefit pension and postretirement items: ⁽¹⁾	Three Months Ended		Three Months Ended		Three Months Ended			Three Months Ended		
	June 30, 2023		June 30, 2022		December 31, 2023			December 31, 2022		
	Net		Net							
	Pre-tax	of	Pre-tax	of	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax

Actuarial losses (2)	(1.3 3. . (9. (2 0. (1. \$ 1) \$ 2 \$ 9) \$.5) \$ 6 \$ 9) \$ (6.8) \$ 1.9 \$ (4.9) \$ (13.3) \$ 3.6 \$ (9.7)											
Prior service costs (2)	0 (1. . (1. (2 0. (1. .8) 4 4) .0) 5 5) (1.5) 0.4 (1.1) (1.9) 0.5 (1.4)											
Subtotal defined benefit plans	(1.3 (1 4. . 1. (4 1. (3. 9) 6 3) .5) 1 4) (8.3) 2.3 (6.0) (15.2) 4.1 (11.1)											
Foreign currency translation adjustments: (1)												
Recognition of previously unrealized net foreign currency loss upon consolidation of equity investment (3)								—	—	—	(29.0)	— (29.0)
Derivative Instruments: (1)												
Natural gas commodity hedge loss (3)	(2.4 (1 0. . 5. 2) 9 3) — — —											
Natural gas commodity hedge loss (4)								(5.2) 1.3 (3.9) (13.2) 3.3 (9.9)				
Total reclassifications for the period	(3.8 (2 5. . 6. (4 1. (3. \$ 1) \$ 5 \$ 6) \$.5) \$ 1 \$ 4) \$ (13.5) \$ 3.6 \$ (9.9) \$ (57.4) \$ 7.4 \$ (50.0)											

(1) Amounts in parentheses indicate charges to earnings. Amounts pertaining to noncontrolling interests are excluded.

(2) Included in the computation of net periodic pension cost. See "Note 6. Retirement Plans" for additional details.

(3) These accumulated other comprehensive loss components are included in Cost of goods sold.

	Nine Months Ended	Nine Months Ended
	June 30, 2023	June 30, 2022

	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Amortization of defined benefit pension and postretirement items: ⁽¹⁾						
Actuarial losses ⁽²⁾	\$ (39.6)	\$ 10.1	\$ (29.5)	\$ (6.0)	\$ 1.5	\$ (4.5)
Prior service costs ⁽²⁾	(5.6)	1.4	(4.2)	(5.8)	1.5	(4.3)
Subtotal defined benefit plans	(45.2)	11.5	(33.7)	(11.8)	3.0	(8.8)
Foreign currency translation adjustments: ⁽¹⁾						
Recognition of previously unrealized foreign currency losses on consolidation of equity investment ⁽³⁾	(29.0)	—	(29.0)	—	—	—
Derivative Instruments: ⁽¹⁾						
Natural gas commodity hedge loss ⁽⁴⁾	(60.2)	14.9	(45.3)	—	—	—
Total reclassifications for the period	\$ (134.4)	\$ 26.4	\$ (108.0)	\$ (11.8)	\$ 3.0	\$ (8.8)

⁽¹⁾ Amounts in parentheses indicate charges to earnings. Amounts pertaining to noncontrolling interests are excluded.

⁽²⁾ Included in the computation of net periodic pension cost. See "**Note 6.5. Retirement Plans**" for additional details.

⁽³⁾ Amount reflected in Equity in income (loss) of unconsolidated entities in the consolidated statements of operations.

⁽⁴⁾ These accumulated other comprehensive loss components are included in Cost of goods sold.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)

Note 19.18. Earnings Per Share

The following table sets forth the computation of basic and diluted (loss) earnings per share under the two-class method (in millions, except per share data):

Three Months		Nine Months		Three Months Ended December 31,			
Ended		Ended		December 31,			
June 30,		June 30,		December 31,			
2023	2022	2023	2022	2023	2022	2023	2022

Numerator:							
Net income (loss) attributable to							
common	202	377	(1,75	60			
stockholders	\$.0	\$.9	\$ 8.8)	\$ 0.1			
Less: Distributed and							
undistributed income							
available to participating				(0.			
securities	—	—	—	—	1)		
Distributed and undistributed							
income (loss)							
available to common	202	377	(1,75	60			
stockholders	\$.0	\$.9	\$ 8.8)	\$ 0.0			
Net (loss) income attributable to							
common							
stockholders					\$	(22.4)	\$ 45.3
Denominator:							
Basic weighted average shares	256	255	255.	26			
outstanding	.3	.6	5	1.2		257.0	254.7
Effect of dilutive stock options							
and non-							
participating securities	0.7	1.8	—	2.0		—	2.0
Diluted weighted average	257	257	255.	26			
shares outstanding	.0	.4	5	3.2		257.0	256.7
Basic earnings (loss) per share							
attributable to	0.7	1.4		2.3			
common stockholders	\$ 9	\$ 8	\$ (6.88)	\$ 0			
Diluted earnings (loss) per							
share attributable to	0.7	1.4		2.2			
common stockholders	\$ 9	\$ 7	\$ (6.88)	\$ 8			
Basic (loss) earnings per share							
attributable to							
common stockholders					\$	(0.09)	\$ 0.18
Diluted (loss) earnings per							
share attributable to							
common stockholders					\$	(0.09)	\$ 0.18

Beginning in fiscal 2022, non-employee directors began receiving equity grants in the form of restricted stock units, which are not considered participating securities as the rights to dividends accrued during the vesting period are forfeitable. The restricted stock grants to non-employee directors prior to fiscal 2022 were considered participating securities as they received non-forfeitable rights to dividends at the same rate as our Common Stock. As participating securities, we included these instruments in the earnings allocation in computing earnings per share under the two-class method described in ASC 260, "Earnings per Share".

Approximately 2.4 million and 0.4 million shares underlying awards in the three months ended June 30, 2023 and 2022, respectively, were not included in computing diluted earnings per share because the effect would have been antidilutive. Approximately 2.9 million and 0.4 million shares underlying awards in the nine months ended June 30, 2023 December 31, 2023 and 2022, respectively, were not included in computing diluted earnings per share because the effect would have been antidilutive.

Note 20. Subsequent Events 32

On August 1, 2023, we announced our plan to permanently cease operating our Tacoma, WA containerboard mill. We expect to cease production by September 30, 2023. We are committed to improving our return on invested capital as well as maximizing the performance of our assets. The combination of high operating costs and the need for significant capital investment were the determining factors in the decision to cease operations at the mill. The mill's annual production capacity was 510,000 tons, approximately three-fifths of which was shipped to external customers of the Global Paper segment. We expect to incur aggregate charges of approximately \$345 million associated with the Tacoma mill closure, consisting of approximately \$247 million in asset write-down or related charges, \$12 million in severance and other employee costs, and \$86 million in other restructuring costs (e.g., mill shutdown, contract termination and facility carrying costs). We will recognize the substantial majority of the charges in the fourth quarter of fiscal 2023 and expect approximately two-thirds of the total charges to be non-cash. The remaining one-third of these charges, which relate to severance and other restructuring costs, are expected to be paid in cash generally over two years. We expect these cash costs to be partially offset in a future period by proceeds from the sale of this facility. These estimates are subject to a number of assumptions, and actual results may differ from our initial estimates.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included herein and our audited consolidated financial statements and notes thereto for the fiscal year ended September 30, 2022 September 30, 2023, as well as the information under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" that are part of the Fiscal 2022 2023 Form 10-K. The following

discussion includes certain non-GAAP financial measures. See our reconciliations of non-GAAP financial measures in the **“Definitions and Non-GAAP Financial Measures”** section below.

OVERVIEW

We are a multinational provider of sustainable fiber-based paper and packaging solutions. We partner with our customers to provide differentiated, sustainable paper and packaging solutions that help them win in the marketplace. Our team members support customers around the world from our operating and business locations in North America, South America, Europe, Asia and Australia.

Presentation

We report our financial results of operations in four reportable segments: Corrugated Packaging, Consumer Packaging, Global Paper and Distribution. Our Adjusted EBITDA is our measure of segment profitability for each reportable segment is Adjusted EBITDA in accordance with ASC 280, because it is the measure used by our CODM to make decisions regarding allocation of resources and to assess segment performance. See “**Note 8.7. Segment Information**” for additional information.

On June 16, 2023, Strategic Portfolio Actions

We are committed to improving our return on invested capital as well as maximizing the performance of our assets. From time to time, we sold have completed acquisitions that have expanded our ownership interest product and geographic scope, allowed us to increase our integration levels and impacted our comparative financials. Subject to restrictions in an unconsolidated displays joint venture for \$43.8 million the Transaction Agreement, we expect to continue to evaluate potential transactions in cash and recorded a pre-tax gain on sale of \$19.2 million recorded in Equity in income (loss) of unconsolidated entities line item in our consolidated statements of operations.the future, although their size may vary.

On December 1, 2022, we completed the Mexico Acquisition. Acquisition for \$969.8 million in cash and the assumption of debt. We accounted for this acquisition as a business combination resulting in its consolidation. In connection with the transaction, we recognized a \$46.8 million non-cash, pre-tax loss that was partially offset by a write-off of \$22.2 million of deferred taxes. The loss represents the write-off of historical foreign currency translation adjustments recorded in Accumulated other comprehensive loss, as well as the difference between the fair value of the consideration paid and the carrying value of our prior ownership interest.

We have included the operations acquired in the Mexico Acquisition in our Corrugated Packaging segment, which is consistent with our internal operational structure and how the CODM allocates resources and assesses financial performance. segment. In conjunction with our Mexico Acquisition, we also moved certain existing consumer converting operations in Latin America into our Corrugated Packaging segment in line with how we are managing the business effective January 1, 2023. We did not recast prior year results related to these operations as they were not material. However, we have disclosed those impacts in the respective results of operations section below. See “**Note 3. Acquisitions**” of the Notes to Consolidated Financial Statements for additional information.

On December 1, 2022,

In addition, in fiscal 2023, we divested our interior partitions converting operations and sold our Chattanooga, TN uncoated recycled paperboard mill, sold our ownership interest in an unconsolidated displays joint venture, sold our Seven Hills mill joint venture in Lynchburg, VA, and sold our Eaton, IN, and Aurora, IL uncoated recycled paperboard mills. These divestitures align with our commitment to optimize our portfolio and recorded a pre-tax gain focus our strategy on sale of \$11.1 million recorded in Other income, net in our consolidated statements of operations. See “**Note 1. Basis of Presentation and Significant Accounting Policies**” of the Notes to Consolidated Financial Statements for additional information.

In fiscal 2023, we announced our plan to permanently cease operating our Tacoma, WA and North Charleston, SC containerboard mills and recorded various impairment and other charges associated with the closures. These mills ceased production in September 2023 and June 2023, respectively. By closing these mills, significant capital that would have been required to keep the mills competitive in the future is expected to be deployed to improve key assets. See “**Note 4. Restructuring and Other Costs, Net**” of the Notes to Consolidated Financial Statements for additional information.

Transaction Agreement with Smurfit Kappa

On September 12, 2023, we entered into Transaction Agreement with Smurfit Kappa. As a result of the proposed Transaction, each share of Common Stock, with certain exceptions, will be converted into the right to

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receive one ListCo Share and \$5.00 in cash. The Transaction is expected to close in early July 2024, conditional upon regulatory approvals, shareholder approvals and satisfaction of other closing conditions. See “**Note 1. Basis of Presentation and Significant Accounting Policies**” of the Notes to Consolidated Financial Statements for additional information.

Business Systems Transformation

In the fourth quarter of fiscal 2022, we launched a multi-year phased business systems transformation project that is expected to cost approximately \$0.5 to \$0.6 billion. The investment will replace much of our existing disparate systems and transition them to a standardized enterprise resource planning (“ERP”) system on a cloud-based platform, as well as a suite of other complementing technologies, across approximately 85% to 90% over an estimated 80% of our footprint based on net sales. Approximately 85% to 90% of the project spend is expected to be related to the implementation of the ERP, including process definition, standardization and simplification, with the remaining costs primarily related to the implementation of complementing technologies.

The new systems are intended to transform areas such as manufacturing, supply chain, procurement, quote to cash, financials and analytics, and position us to better leverage automation and process efficiency and enable

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productivity enhancements. An implementation of this scale is a major financial undertaking and will require substantial time and attention of management and key employees. Project completion dates and anticipated costs may also change. As the systems are phased in, they will become a significant component of our internal control over financial reporting. See also Item 1A. **"Risk Factors — We May Not Be Able To Successfully Implement Our Strategic Transformation Initiatives, Including Our New Business Systems Transformation"** in our Fiscal 2022 Form 10-K.

Due to the nature, scope and magnitude of this investment, management believes these incremental transformation costs are above the normal, recurring level of spend for information technology to support operations. These strategic investments are not expected to recur in the foreseeable future, and are not considered representative of our underlying operating performance. As such, management believes presenting these costs as an adjustment in the non-GAAP results provides additional information to investors about trends in our operations and is useful for period-over-period comparisons. This presentation also allows investors to view our underlying operating results in the same manner as they are viewed by management.

The expenses expected to be adjusted from Net (loss) income attributable to common stockholders ("Net Income") are expensed as incurred during the implementation of software applications and other enabling technologies, and do not include deferred or capitalized costs, depreciation and/or amortization, and costs to support or maintain these software applications or systems once they are in productive use. During the investment period, the normal level of spend associated with non-transformative programs is expected to be maintained and these expenses will not be adjusted in our non-GAAP measures. The items adjusted from Net Income will also be adjusted in our presentation of Consolidated Adjusted EBITDA.

We expect approximately half of the estimated \$0.5 to \$0.6 billion investment will represent incremental operating costs to be adjusted in our Consolidated Adjusted EBITDA and Adjusted Earnings Per Diluted Share non-GAAP measures over the course of the project, with substantially all such costs being recorded within **Selling, general and administrative expense ("SG&A (as hereinafter defined)"**) in the consolidated statements of operations. These non-GAAP adjustments would not include any cash operating costs that are expected to continue to recur after the business systems transformation project is completed.

In fiscal 2023, we invested \$138 million in our business systems transformation; \$91 million of this amount was expensed as incurred within SG&A, including amortization, and \$47 million was deferred or capitalized. Of the amount expensed, \$79 million, or 87%, was adjusted from Net Income for our non-GAAP measures. The deferred and capitalized costs are being amortized as the project is deployed.

In fiscal 2023, 2024, we expect the aggregate investment in our business systems transformation to be approximately \$150 million \$0.2 billion. We expect approximately \$110 million \$0.1 billion to be expensed when incurred, of which approximately 90% 80% would be adjusted from Net Income for our non-GAAP financial measures. Approximately \$40 million \$0.1 billion is expected to be deferred or capitalized and amortized over future periods as the project is deployed. The level of spending in the current fiscal year may increase or decrease depending on the timing of the various waves of deployment, which may be impacted by the timing of the Transaction.

EXECUTIVE SUMMARY

Net sales of \$5.1 billion \$4.6 billion for the third first quarter of fiscal 2023 2024 decreased \$398.6 million \$303.1 million, or 7.2% 6.2%, compared to the third first quarter of fiscal 2022 2023. This decrease was primarily due to lower volumes that excluding the Mexico Acquisition, lower selling price/mix and lower sales due to prior year mill and interior partition divestitures. These items were partially offset by increased sales due to the Mexico Acquisition and higher selling price/mix, favorable foreign exchange rates.

Net income loss attributable to common stockholders was \$202.0 million \$22.4 million for the third first quarter of fiscal 2023 2024 compared to net income of \$377.9 million \$45.3 million in the third first quarter of fiscal 2022 2023. The \$175.9 \$67.7 million decrease was primarily driven by lower volumes excluding the Mexico Acquisition, selling price/mix, the impact of increased economic downtime and prior year mill closures, lower volumes excluding the Mexico Acquisition and higher restructuring and other costs, increased non-cash pension costs, higher net interest expense, planned maintenance outages and business systems transformation costs net. These costs were partially offset by the impact of higher selling price/mix, increased cost savings and the additional two months of contribution from the Mexico Acquisition.

The prior year quarter was also impacted by the Mahrt mill work stoppage and a non-cash loss related to the Mexico Acquisition estimated net cost deflation that were partially offset by a gain on foreign currency exchange contract derivatives entered into in anticipation of the Mexico Acquisition and the gain on sale of an unconsolidated entity, two URB mills. The Mexico Acquisition non-cash loss primarily relates to the non-cash write-off of prior foreign currency translation adjustments recorded in accumulated other comprehensive loss, as well as the difference between the fair value of the consideration paid and the carrying value of our prior ownership interest. Consolidated Adjusted EBITDA of \$801.9 million \$570.7 million for the third first quarter of fiscal 2024 decreased \$81.4 million, or 12.5%, from \$652.1 million in the first quarter of fiscal 2023 decreased \$203.6 million, or 20.2%, from \$1.0 billion primarily due to lower Adjusted EBITDA for each of the third quarter of fiscal 2022. Global Paper and Consumer Packaging segments.

Earnings In the three months ended December 31, 2023 and 2022, loss per diluted share was \$0.09 and earnings per diluted share were \$0.79 and \$1.47 in the three months ended June 30, 2023 and 2022, \$0.18 respectively. Adjusted Earnings Per Diluted Share were \$0.89 \$0.20 and \$1.54 \$0.55 in the three months ended June 30, 2023 December 31, 2023 and 2022, respectively. See the discussion and tables under "**Definitions and Non-GAAP Financial Measures**" below with respect to Consolidated Adjusted EBITDA and Adjusted Earnings Per Diluted Share.

Net cash provided by operating activities in the nine three months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022 was \$1.2 billion \$275.0 million and \$1.5 billion \$265.9 million, respectively. The \$236.5 million decrease \$9.1 million increase was primarily due to lower earnings, partially offset by \$268.8 million \$120.5 million of reduced working capital usage compared to the prior year period period, partially offset by lower earnings. During the nine three months

ended **June 30, 2023** **December 31, 2023**, we invested **\$818.3 million** **\$247.3 million** in capital expenditures and returned **\$210.8 million** **\$77.6 million** in capital to stockholders in dividend payments. During the **nine** **three** months ended **June 30, 2023** **December 31, 2023**, debt increased **\$1.2 billion** million, primarily due to the Mexico Acquisition, net of debt repayments. See **"Note 3. Acquisitions"** for additional information. **\$0.1 billion** and was largely offset by an increase in cash and cash equivalents.

Expectations for the **Fourth** **Second** Quarter of Fiscal **2023** **2024**

In the **fourth** **second** quarter of fiscal **2023, 2024**, we expect **sequential improvement in consolidated volumes and continued realization of published price declines**. We plan to continue balancing our supply with our customers' demand, the flow-through of previously published price decreases to be largely offset by cost savings and gradually improving volumes sequentially. In addition, we **demand**. We expect sequentially higher **energy and recycled fiber costs, slightly higher energy costs and moderately lower costs of relatively flat virgin fiber, chemical and chemicals**. We also expect scheduled mill maintenance outages, resulting in approximately 32,000 tons of maintenance downtime, well below freight costs. In addition, the **140,000 tons** in the **third** **second** quarter of fiscal **2023**. We expect continued unfavorable non-cash pension expense of approximately **\$40 million** driven **2024** will be negatively impacted by **higher interest rates and market volatility, flat sequentially**. We expect to record restructuring charges **winter weather disruptions** that occurred in **connection with the permanent closure of our Tacoma, WA containerboard mill**. See **"Note 20. Subsequent Events"** of the Notes to Consolidated Financial Statements for additional information. We expect an effective tax rate benefit in the fourth quarter of fiscal 2023 primarily related to the Tacoma mill closure and the approximately **\$30 million** impact of the release of uncertain tax positions due to the expiration of statute of limitations, recognized state tax credits and other discrete items in the quarter, **January 2024**.

A detailed review of our performance appears below under **"Results of Operations"**.

COVID-19 Pandemic

The global impact of COVID has affected our operational and financial performance to varying degrees. The extent of the effects of future public health crises, including a resurgence of COVID, or related containment measures and government responses are highly uncertain and cannot be predicted.

Ransomware Incident

As previously disclosed, on January 23, 2021 we detected a ransomware incident impacting certain of our systems. Promptly upon our detection of this incident, we initiated response and containment protocols and our security teams, supplemented by leading cyber defense firms, worked to remediate this incident. These actions included taking preventative measures, such as shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. In our Form 10-Q for the second quarter of fiscal 2021, we announced that all systems were back in service.

In the three and nine months ended June 30, 2023, we received \$10 million of business interruption insurance recoveries, related to the ransomware incident, which we recorded as a reduction of Cost of goods sold and presented in net cash provided by operating activities on our consolidated statements of cash flows. Our recoveries related to the ransomware incident are now complete.

In the three and nine months ended June 30, 2022, we received business interruption insurance recoveries of \$10 million and \$20 million, respectively, related to the ransomware incident, which were similarly recorded. See “**Note 1. Description of Business and Summary of Significant Accounting Policies — Ransomware Incident**” of the Notes to Consolidated Financial Statements section in the Fiscal 2022 Form 10-K for additional information, including recoveries (\$15 million in fiscal 2021 and \$57.2 million in fiscal 2022) and resiliency efforts and objectives.

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RESULTS OF OPERATIONS

The following table summarizes our consolidated results for the three and nine months ended June 30, 2023 December 31, 2023 and June 30, 2022 December 31, 2022 (in millions):

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net sales	\$ 5,121.1	\$ 5,519.7	\$ 15,321.8	\$ 15,854.0
Cost of goods sold	4,099.6	4,360.3	12,614.8	12,894.3
Gross profit	1,021.5	1,159.4	2,707.0	2,959.7
Selling, general and administrative expense excluding intangible amortization	541.5	504.3	1,519.5	1,450.3
Selling, general and administrative intangible amortization expense	84.8	87.5	257.6	263.6
Loss (gain) on disposal of assets	1.0	(0.2)	(9.3)	(11.6)
Multiemployer pension withdrawal income	(12.2)	—	(12.2)	(3.3)
Restructuring and other costs	47.7	0.6	525.4	366.3
Impairment of goodwill and other assets	—	26.0	1,893.0	26.0

Operating profit (loss)	358.7	541.2	(1,467.0)	868.4
Interest expense, net	(108.1)	(78.5)	(313.8)	(237.7)
Loss on extinguishment of debt	—	—	—	(8.2)
Pension and other postretirement non-service (cost) income	(5.3)	38.7	(16.3)	118.3
Other income (expense), net	1.4	(7.2)	8.8	(0.7)
Equity in income (loss) of unconsolidated entities	23.7	18.3	(7.8)	57.3
Income (loss) before income taxes	270.4	512.5	(1,796.1)	797.4
Income tax (expense) benefit	(67.3)	(132.7)	41.2	(193.1)
Consolidated net income (loss)	203.1	379.8	(1,754.9)	604.3
Less: Net income attributable to noncontrolling interests	(1.1)	(1.9)	(3.9)	(4.2)
Net income (loss) attributable to common stockholders	\$ 202.0	\$ 377.9	\$ (1,758.8)	\$ 600.1

	Three Months Ended	
	December 31,	
	2023	2022
Net sales	\$ 4,620.0	\$ 4,923.1
Cost of goods sold	3,861.2	4,157.1
Gross profit	758.8	766.0
Selling, general and administrative expense excluding intangible amortization	527.1	479.1
Selling, general and administrative intangible amortization expense	82.0	86.6
Restructuring and other costs, net	65.5	32.1
Operating profit	84.2	168.2
Interest expense, net	(101.4)	(97.3)
Pension and other postretirement non-service income (cost)	0.2	(5.0)
Other (expense) income, net	(4.7)	25.2
Equity in income (loss) of unconsolidated entities	4.2	(36.0)
Gain on sale of RTS and Chattanooga	0.5	—
(Loss) income before income taxes	(17.0)	55.1
Income tax expense	(5.7)	(8.3)
Consolidated net (loss) income	(22.7)	46.8

Less: Net loss (income) attributable to noncontrolling interests	0.3	(1.5)
Net (loss) income attributable to common stockholders	\$ (22.4)	\$ 45.3

Net Sales (Unaffiliated Customers)

(In million)		(In million)		Se		Fo		(In millions, except percentages)					
Sales, except percentages)													
Sales, except percentages)		Sales, except percentages)		Sales, except percentages)		Sales, except percentages)							

Net sales in the **third** **first** quarter of fiscal **2023** **2024** decreased **\$398.6 million** **\$303.1 million** compared to the **third** **first** quarter of fiscal **2022**, **2023**. This decrease was primarily due to lower volumes **that** **excluding** the Mexico Acquisition, lower selling price/mix and lower sales due to prior year mill and interior partition divestitures. These items were **largely** **partially** offset by increased sales due to the Mexico Acquisition and **higher** **selling** **price/mix** **favorable** foreign exchange rates.

Net sales in See “**Segment Information**” below for detailed information regarding the nine months ended June 30, 2023 decreased \$532.2 million compared to the prior year period. This decrease was primarily due to lower volumes and unfavorable foreign exchange rates, which were largely offset by higher selling price/mix and increased sales due to the Mexico Acquisition.

The change in net sales before intersegment eliminations by reportable segment is outlined below for each reportable segment.

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Cost of Goods Sold

(In million)	(In million)						(In millions, except percentages)					
	Sales	Se	Nine	Fo	First	Second	Third	Fourth	Fiscal	Quarter	Quarter	Quarter
except percent ages)	except perce ntage	co	Thi	Mont	h	Fis	Quarter	Quarter	Quarter	Quarter	Year	
(s)	er	er	er	6/30	er	ar						
Fiscal					1							
2022	4	4	4		4	7						
	,	,	,		,	,						
	1	3	3		3	2						
	5	7	6		4	3						
	5	8	0	12,	1	5						
	.	.	.	89	.	.						
	\$6	\$4	\$3	\$4.3	\$5	\$8						
Fiscal												
2023					\$ 4,157.1	\$ 4,357.6	\$ 4,100.6	\$ 4,110.2	\$ 16,725.5			
(% of	8	8	7		8	8						
Net	3	1	9		0	1						
Sales	.	.	.	81.	.	.						
)	9%	4%	0%	3%	4%	1%						
					84.4%	82.6%	80.1%	82.4%	82.4%			

Fiscal	4	4	4			
2023	,	,	,			
	1	3	0			
	5	5	9			
	7	7	9	12,		
	.	.	.	61		
	\$9	\$3	\$6	\$4.8		
Fiscal						
2024						\$3,861.2
(% of	8	8	8			
Net	4	2	0			
Sales	.	.	.	82.		
)	5%	6%	1%	3%		83.6 %

The \$260.7 million \$295.9 million decrease in cost of goods sold in the third first quarter of fiscal 2023 2024 compared to the prior year quarter was primarily due to lower volumes, the impact of cost savings and relatively flat estimated net cost deflation. Net inflation.

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The relatively flat net cost deflation inflation consisted primarily of lower higher wage and other costs, recycled fiber costs and chemical costs, which were largely offset by lower energy costs including hedges, virgin fiber and freight costs, which were partially offset by higher wage and benefit costs, and chemical costs.

The \$279.5 million decrease in cost of goods sold in the nine months ended June 30, 2023 compared to the prior year period was primarily due to lower volumes and the impact of cost savings which were partially offset by the impact of estimated increased net cost inflation. Net cost inflation consisted primarily of higher wage and benefit costs, chemical costs, freight costs, virgin fiber costs, and energy costs including hedges, which were partially offset by lower recycled fiber costs.

See “**Note 15. 14. Derivatives**” of the Notes to Consolidated Financial Statements for more information on our natural gas hedges. We discuss our operations in greater detail below for each reportable segment, as applicable.

Selling, General and Administrative Expense Excluding Intangible Amortization

(In millions, except percent ages)	Se Fir co Thi Nine st nd rd Month Qu Qu Qu art art art Ended art Yea er er er 6/30						First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Fiscal Year	
	ur h cal er er er r															
Fiscal 2022							1									
	4	4	5				4	9								
	5	9	0				8	3								
	2	3	4				2	2								
	.	.	.	1,45			.	.								
	\$ 9	\$ 1	\$ 3	\$ 0.3	\$ 3	\$ 6										
Fiscal 2023							\$ 479.1		\$ 498.9		\$ 541.5		\$ 494.9		\$ 2,014.4	
(% of Net Sales)	9	9	9		8	9										
	1 %	2 %	1 %	9.1 %	9 %	1 %		9.7 %		9.5 %		10.6 %		9.9 %	9.9 %	
Fiscal 2023	4	4	5													
	7	9	4													
	9	8	1													
	.	.	.	1,51												
	\$ 1	\$ 9	\$ 5	\$ 9.5												
Fiscal 2024							\$ 527.1									
(% of Net Sales)			1													
	9	9	0													
	7 %	5 %	6 %	9.9 %				11.4 %								

Selling, general and administrative expense ("SG&A") excluding intangible amortization increased \$37.2 million \$48.0 million in the third first quarter of fiscal 2023 2024 compared to the prior year quarter. The increase was primarily due \$31.8 million to \$20.6 million related to the consolidation of the Mexico Acquisition and \$25.0 million of business systems transformation costs. These costs were partially offset by SG&A cost savings including \$11.3 million of lower compensation and benefit costs compared to the third quarter of fiscal 2022.

SG&A excluding intangible amortization increased \$69.2 million that included two additional months in the nine months ended June 30, 2023 current year quarter compared to the prior year period. The increase was primarily due to \$66.4 million

related to the Mexico Acquisition, \$66.0 million quarter. In addition, we incurred \$7.8 million of higher business systems transformation costs and increased travel and entertainment expense of \$19.0 million. These costs were partially offset SG&A cost savings including \$40.6 million of lower compensation and benefit costs compared to the prior year period quarter. Compared to the first quarter of fiscal 2023, and excluding the Mexico Acquisition and business systems transformation costs, we incurred \$9.2 million of higher professional fees related to various initiatives.

Selling, General and Administrative Intangible Amortization Expense

SG&A intangible amortization expense was \$84.8 million \$82.0 million and \$87.5 million \$86.6 million in the **third** first quarter of fiscal 2024 and 2023, and 2022, respectively. SG&A intangible amortization expense was \$257.6 million and \$263.6 million in the nine months ended June 30, 2023 and 2022, respectively.

Multiemployer Pension Withdrawal Income

In the three and nine months ended June 30, 2023, we recorded multiemployer pension withdrawal income of \$12.2 million and \$12.2 million, respectively. In the nine months ended June 30, 2022, we recorded multiemployer

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pension withdrawal income of \$3.3 million. See “**Note 6. Retirement Plans — MEPPs**” of the Notes to Consolidated Financial Statements for additional information.

Loss (Gain) on Disposal of Assets

In the three and nine months ended June 30, 2023, we recorded a loss on disposal of assets of \$1.0 million and a gain on disposal of assets of \$9.3 million, respectively. In the three and nine months ended June 30, 2022, we recorded a gain on disposal of assets of \$0.2 million and a gain on disposal of assets of \$11.6 million, respectively. The gains were due to the sale of previously closed facilities.

Restructuring and Other Costs, Net

We recorded aggregate pre-tax restructuring and other costs, net of \$47.7 million \$65.5 million and \$0.6 million \$32.1 million in the **third** first quarter of fiscal 2024 and 2023, and 2022, respectively, and \$525.4 million and \$366.3 million in the nine months ended June 30, 2023 and 2022, respectively. Of these costs, \$361.9 million and \$314.2 million for the nine months ended June 30, 2023 and June 30, 2022, respectively, were non-cash. The charges in the nine months ended June 30, 2023 were primarily associated with our decision to permanently cease operations at our North Charleston, SC containerboard mill, and the charges in the nine months ended June 30, 2022 were primarily associated with our decision to permanently cease operations at our Panama City, FL mill. In addition, we incurred charges for other facility closure activities, reduction in workforce actions and charges associated with acquisition, integration or divestiture activities.

These amounts are not comparable since the timing and scope of the individual actions associated with a given restructuring, acquisition, integration or divestiture vary. We generally expect the integration of a closed facility's assets and

production with other facilities to enable the receiving facilities to better leverage their fixed costs while eliminating fixed costs from the closed facility. While restructuring costs are not charged to our segments and, therefore, do not reduce each segment's Adjusted EBITDA, we highlight the segment to which the charges relate. See "**Note 5.4. Restructuring and Other Costs**," of the Notes to Consolidated Financial Statements for additional information.

Impairment of Goodwill and Other Assets

In the nine months ended June 30, 2023, we recorded a pre-tax, non-cash goodwill impairment of \$1.9 billion, with \$1.4 billion and \$0.5 billion in the Global Paper and Corrugated Packaging reportable segments, respectively. The impairment is not included in Adjusted EBITDA of our segments. See "**Note 8. Segment Information Net**" of the Notes to Consolidated Financial Statements for additional information, including a description of the disclosure type of costs incurred. We have restructured portions of our critical accounting estimate related operations from time to time to goodwill.

In the three time, have current restructuring initiatives taking place, and nine months ended June 30, 2022, it is likely that we recorded a \$26.0 million pre-tax non-cash impairment of certain mineral rights driven by a lack of new leasing or development activity on the related properties for an extended period of time. With the impairment, we had no value assigned to our remaining mineral rights. will engage in future restructuring activities.

Interest Expense, net

Interest expense, net for the third first quarter of fiscal 2023 2024 was \$108.1 million \$101.4 million compared to \$78.5 million \$97.3 million for the prior year quarter. Interest expense, net increased in the current year period primarily due to higher interest rates on debt in the current year period and increased average debt primarily associated with the Mexico Acquisition, which was partially offset by higher interest income. The first quarter of fiscal 2024 included three months of debt associated with the Mexico Acquisition that was partially offset by \$4.7 million instead of interest income recorded one month in connection with an indirect tax claim in Brazil. Additionally, the three months ended June 30, 2022 included a \$12.7 million reduction in interest expense associated with the remeasurement of our multiemployer pension liabilities for the change in interest rates.

Interest expense, net for the nine months ended June 30, 2023 was \$313.8 million compared to \$237.7 million for the prior year period. The increase is primarily due to higher interest rates on debt in the current year period and increased debt associated with the Mexico Acquisition that was partially offset by \$4.7 million of interest income recorded in connection with an indirect tax claim in Brazil. Additionally, the nine months ended June 30, 2022 also included a \$27.3 million reduction in interest expense associated with the remeasurement of our multiemployer pension liabilities as noted above.

Loss on Extinguishment of Debt

Loss on extinguishment of debt Consolidated Financial Statements for the nine months ended June 30, 2022 was \$8.2 million related to our March 22, 2022 redemption of \$350 million aggregate principal amount of our 4.00% senior notes due

March 2023, additional information.

Pension and Other Postretirement Non-Service Income (Cost) Income

Pension and other postretirement non-service cost income (cost) for the **third** first quarter of fiscal **2023** **2024** was **\$5.3** million income of **\$0.2** million compared to income cost of **\$38.7** million **\$5.0** million for the **third** first quarter of fiscal **2022**. Pension and other postretirement non-service cost for the nine months ended June 30, 2023 was **\$16.3** million compared to income of **\$118.3** million for the nine months ended June 30, 2022. The **higher** **lower** costs in fiscal **2023** **2024** are primarily the result of an actuarial gain in fiscal 2023. The actuarial gain was largely driven by reduced U.S. pension plan benefit obligations that were primarily due to higher interest rates driving the decrease positively impacted in plan asset balances used to determine the expected return on plan assets for fiscal 2023 by a 61-basis point increase in the discount rate compared to greater plan assets used to determine the expected return in the prior year measurement date, and non-U.S. pension plan obligations that were positively impacted by

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a 73-basis point increase for the same period. Customary pension and other postretirement cost (income) income (cost) are included in our segment results. See "**Note 6.5. Retirement Plans**" of the Notes to Consolidated Financial Statements for more information.

Other (Expense) Income, (Expense), net

Other (expense) income, (expense), net for the **third** first quarter of fiscal **2023** **2024** was **expense** of **\$4.7** million compared to income of **\$1.4** million compared to expense of **\$7.2** million **\$25.2** million in the **third** first quarter of fiscal **2022** **2023**. Other (expense) income, (expense), net, for the **third** first quarter of fiscal **2023** **2024** compared to the prior year was lower primarily included a favorable **\$18.6** million impact of foreign currency and a favorable **\$2.7** million on the sale investments that were partially offset by **\$7.0** million of increased expense in connection with the sale of receivables and due to an unfavorable **\$5.5** million **\$17.9** million of other non-operating costs each as compared primarily due to the third quarter of fiscal 2022.

Other income (expense), net for the nine months ended June 30, 2023 was income of **\$8.8** million compared to expense of **\$0.7** million for the prior year period. Other income (expense), net, for the nine months ended June 30, 2023, primarily included a favorable **\$15.9** million impact of foreign currency, a favorable **\$11.8** million of other non-operating costs that included a **\$19.7** million gain on foreign currency exchange contract derivatives entered into in anticipation of the Mexico Acquisition in the prior year quarter and a favorable **\$7.5** million on an unfavorable **\$10.2** million related to the sale of investments businesses that included was primarily due to an **\$11.2** million **\$11.1** million gain on the sale of our Eaton, IN, and Aurora, IL, uncoated recycled paperboard mills. These items were partially offset by **\$25.8** million mills in the prior year period. In addition, we incurred an unfavorable **\$6.6** million impact of foreign currency and **\$1.4** million of increased expense in

connection with the sale of receivables, each as compared to receivables. These items were partially offset by a \$6.2 million gain on sale of fixed assets, primarily for the first nine months sale of fiscal 2022, an airplane.

See "Note 12.11. Fair Value — Accounts Receivable Sales Monetization Agreements" of the Notes to Consolidated Financial Statements for additional information on our sale of receivables and associated expenses.

Equity in Income (Loss) of Unconsolidated Entities

Equity in income (loss) of unconsolidated entities for the third first quarter of fiscal 2023 2024 was income of \$23.7 million \$4.2 million compared to income a loss of \$18.3 million \$36.0 million for the third first quarter of fiscal 2022, respectively. In the third quarter of fiscal 2023, we recorded a pre-tax gain on sale of \$19.2 million in connection with the sale of our ownership interest in an unconsolidated displays joint venture. The change year-over-year was also impacted by no longer recording equity income after the December 2022 purchase of our remaining interest in the operations acquired in the Mexico Acquisition and stronger performance by the displays joint venture in the third quarter of fiscal 2022.

Equity in income (loss) of unconsolidated entities for the nine months ended June 30, 2023 was a loss of \$7.8 million compared to income of \$57.3 million for the nine months ended June 30, 2022, respectively. The loss in the nine months ended June 30, 2023 first quarter of fiscal 2023 was driven by a \$46.8 million non-cash, pre-tax loss to recognize the write-off of historical foreign currency translation adjustments recorded in Accumulated other comprehensive loss, as well as the difference between the fair value of the consideration paid for the Mexico Acquisition and the carrying value of our prior ownership interest. The loss was partially offset by the \$19.2 million pre-tax gain on sale of our displays joint venture noted above. Additionally, as noted above, the change year-over-year was also impacted by no longer recording equity income after the December 2022 purchase of our remaining interest in the operations acquired in the Mexico Acquisition and stronger performance by the sale of a displays joint venture in the prior year period. See "Note 3. Acquisitions" of the Notes to Consolidated Financial Statements for additional information.

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information on the Mexico Acquisition.

Provision for Income Taxes

We recorded income tax expense of \$67.3 million \$5.7 million for the three months ended June 30, 2023 December 31, 2023 compared to \$132.7 million \$8.3 million for the three months ended June 30, 2022 December 31, 2022. The effective tax rate for the three months ended June 30, 2023 December 31, 2023 was 24.9%, (33.5)% due to the loss, while the effective tax rate for the three months ended June 30, 2022 December 31, 2022 was 25.9% 15.1%.

We recorded an income tax benefit of \$41.2 million for the nine months ended June 30, 2023 compared to \$193.1 million of expense for the nine months ended June 30, 2022. The effective tax rate for the nine months ended June 30, 2023 was 2.3%, while the effective tax rate for the nine months ended June 30, 2022 was 24.2%. The low tax rate in the nine months ended June 30, 2023 was primarily due to the tax effects related to the goodwill impairment.

See “**Note 7.6. Income Taxes**” of the Notes to Consolidated Financial Statements for the primary factors impacting our effective tax rates.

SEGMENT INFORMATION

Corrugated Packaging Segment

Corrugated Packaging Shipments

Corrugated Packaging shipments are expressed as tons equivalent in thousands of tons, which includes external and intersegment shipments from our corrugated converting operations, principally for the sale of corrugated containers and other corrugated products. **Tons sold from period to period may be impacted by customer conversions to lower basis weight products.** In addition, we disclose North American Corrugated Packaging shipments in billion square feet (“**BSF**”) and millions of square feet (“**MMSF**”) per shipping day. **In the industry, the term “North American Corrugated Packaging” commonly refers to U.S. and Canadian operations only.** We have presented **the Corrugated Packaging shipments** this **shipment data** in this manner because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. **Tons sold from period to**

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period may be impacted by customer conversions to lower basis weight products. Quantities in the table may not sum across due to trailing decimals.

	Firs	Sec	Thir	Nine	Fou		First	Second	Third	Fourth	Fiscal
	t	ond	d	Months	rth	Fisc					
	Qua	Qua	Qua	Ended	Qua	al					
	Quarter	Quarter	Quarter	6/30	Quarter	Year	Quarter	Quarter	Quarter	Quarter	Year
Fiscal 2022											
Corrugated											
Packaging	1,	1,	1,		1,	6,					
Shipments -	62	64	63		56	47					
thousands of	1.	6.	5.	4,903.	7.	1.					
tons ⁽¹⁾	0	3	8	2	9	1					
Fiscal 2023 ⁽¹⁾											

Corrugated Packaging Shipments - thousands of tons						1,556.2	1,751.1	1,745.7	1,753.9	6,806.9
North American Corrugated Packaging Shipments -	24	24	24		23	97				
BSF	.5	.7	.5	73.7	.4	.1	22.7	22.7	22.3	22.5
North American Corrugated Packaging Per Shipping Day -	40	38	38		36	38				
MMSF	0	8	3	391.9	5	2	378.8	354.9	353.8	363.4
										362.5

Fiscal 2023

Corrugated Packaging Shipments - thousands of tons	1,	1,	1,							
BSF	54	74	74							
thousands of tons (2)	8.	8.	2.	5,039.						
	8	2	0	0						

Fiscal 2024

Corrugated Packaging Shipments - thousands of tons						1,717.3				
North American Corrugated Packaging Shipments -	22	22	22							
BSF	.4	.4	.0	66.7			22.1			
North American Corrugated Packaging Per Shipping Day -	37	34	34							
MMSF	2	5	8	356.9			363.0			

(1) In the **first** fourth quarter of fiscal 2023, the fiscal **2022** **2023** Corrugated Packaging Shipments were revised by an immaterial amount.

(2) In the second quarter of fiscal 2023, we finalized our segment reporting assessment and included the results of the operations acquired the Mexico Acquisition in our Corrugated Packaging segment. Accordingly, we updated the Corrugated Packaging shipments beginning the first quarter of fiscal 2023 to include the acquired operations.

Corrugated Packaging Segment – Net Sales and Adjusted EBITDA

(In millions, except percentages)	Net	Adjusted	Adjusted EBITDA	Net Sales ⁽¹⁾	Adjusted	Adjusted EBITDA
	Sales ⁽¹⁾	EBITDA	Margin		EBITDA	Margin
Fiscal 2022						
First Quarter	2,220					
	\$.0	\$ 288.9	13.0 %			
Second Quarter	2,319					
	.0	328.7	14.2			
Third Quarter	2,382					
	.5	385.2	16.2			
Nine Months Ended June 30, 2022	6,921					
	.5	1,002.8	14.5			
Fourth Quarter	2,386					
	.1	383.9	16.1			
Total	9,307					
	\$.6	\$ 1,386.7	14.9 %			
Fiscal 2023						
First Quarter	2,337					
	\$.4	\$ 329.4	14.1 %	\$ 2,337.4	\$ 329.4	14.1 %
Second Quarter	2,627					
	.4	407.5	15.5	2,627.4	407.5	15.5
Third Quarter	2,565					
	.7	429.7	16.7	2,565.7	429.7	16.7
Nine Months Ended June 30, 2023	7,530					
	\$.5	\$ 1,166.6	15.5 %			
Fourth Quarter				2,524.4	433.8	17.2
Total				\$ 10,054.9	\$ 1,600.4	15.9 %
Fiscal 2024						

First Quarter	\$ 2,419.9	\$ 327.8	13.5 %
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⁽¹⁾ Net sales before intersegment eliminations, also referred to as segment sales.

Net Sales (Aggregate) — Corrugated Packaging Segment

Net sales before intersegment eliminations for the Corrugated Packaging segment increased \$183.2 million \$82.5 million in the **third** **first** quarter of fiscal **2023** **2024** compared to the prior year quarter. The increase primarily consisted of \$339.6 million \$209.2 million of sales from the operations acquired in the Mexico Acquisition \$37.0 million as the current year quarter included three months versus only one month in the prior year quarter and \$41.6 million associated with the converting operations formerly in the Consumer Packaging segment and \$29.3 million of higher selling price/mix, which segment. These items were partially offset by \$221.9 million \$132.1 million of lower selling price/mix and \$30.2 million of lower volumes excluding the acquisition.

Net sales for the Corrugated Packaging segment increased \$609.0 million in the nine months ended June 30, 2023 compared to the prior year period. The increase primarily consisted of \$770.2 million of sales from the operations acquired in the Mexico Acquisition, \$386.4 million of higher selling price/mix and \$76.8 million associated with the converting operations formerly in the Consumer Packaging segment, which were partially offset by \$631.7 million of lower volumes. Acquisition.

Adjusted EBITDA — Corrugated Packaging Segment

Corrugated Packaging segment Adjusted EBITDA in the **third** **first** quarter of fiscal **2023** increased \$44.5 million **2024** decreased \$1.6 million compared to the prior year quarter primarily due to an estimated \$54.4 million \$124.7 million of increased net cost deflation, \$27.9 million of cost savings and an estimated \$25.0 million margin impact from higher lower selling price/mix, mix and \$3.2 million of lower volumes. These items were partially offset by \$65.5 million of increased cost savings and an estimated \$49.0 million \$11.9 million impact of lower economic downtime and prior year mill closures and \$44.8 million an estimated \$11.3 million of lower volumes. increased net cost deflation. Additionally, we had \$31.0 million \$37.6 million of other net favorable items compared to the prior year quarter that consisted primarily of \$46.8 million \$19.3 million from the operations acquired in the Mexico Acquisition, \$10.1 million of favorable planned downtime including maintenance outages and \$4.2 million \$6.1 million associated with the converting operations formerly in the Consumer Packaging segment that were partially offset by \$10.9 million of planned downtime including maintenance outages, \$8.9 million of lower equity in income of unconsolidated entities excluding our former joint venture in Mexico and \$8.5 million of higher non-cash pension costs. segment.

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Corrugated Packaging segment Adjusted EBITDA in the nine months ended June 30, 2023 increased \$163.8 million compared to the prior year period primarily due to an estimated \$385.5 million margin impact from higher selling price/mix and \$73.7 million of cost savings. These items were partially offset by an estimated \$203.4 million impact of economic downtime and prior year mill closures, \$115.3 million of lower volumes and an estimated \$69.1 million of increased net cost inflation. Additionally, we had \$92.4 million of other net favorable items that consisted primarily of \$111.4 million from the operations acquired in the Mexico Acquisition and \$10.8 million associated with converting operations formerly in the Consumer

Packaging segment that were partially offset by \$24.9 million of higher non-cash pension costs and \$19.4 million of lower equity in income of unconsolidated entities excluding our former joint venture in Mexico.

Consumer Packaging Segment

Consumer Packaging Shipments

Consumer Packaging shipments are expressed as a tons equivalent in thousands of tons, which includes external and intersegment shipments from our consumer converting operations, principally for the sale of folding cartons, interior partitions (before divestiture in September 2023) and other consumer products. We have presented the Consumer Packaging shipments in this manner because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. Quantities in the table may not sum across due to trailing decimals.

	Firs t	Sec ond	Thi rd	Nine	Fou rth	
	Qu arte	Qu arte	Qu arte	Months Ended	Qu arte	Fisc al
	r	r	r	6/30	r	Year
<u>Fiscal 2022</u>						
Consumer						
Packaging	3	4	3		3	
Shipments -	7	0	9		9	1,5
thousands of	4.	1.	9.		1.	66.
tons	2	3	3	1,174.8	4	2
<u>Fiscal 2023</u>						
Consumer						
Packaging	3	3	3			
Shipments -	6	5	4			
thousands of	0.	6.	6.			
tons	2	3	5	1,063.0	360.2	356.3
					346.5	348.3
						1,411.3
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year	

Fiscal 2024

Consumer
Packaging
Shipments -
thousands of
tons 298.1

Consumer Packaging Segment – Net Sales and Adjusted EBITDA

(In millions, except percentages)	Net	Adjusted	Adjusted EBITDA	Net	Adjusted	Adjusted EBITDA
	Sales ⁽¹⁾	EBITDA	Margin	Sales ⁽¹⁾	EBITDA	Margin
Fiscal 2022						
First Quarter	1,138					
	\$.7	\$ 169.3	14.9 %			
Second Quarter	1,250					
	.6	205.8	16.5			
Third Quarter	1,270					
	.2	234.9	18.5			
Nine Months Ended June 30, 2022	3,659					
	.5	610.0	16.7			
Fourth Quarter	1,305					
	.7	219.2	16.8			
Total	4,965					
	\$.2	\$ 829.2	16.7 %			
Fiscal 2023						
First Quarter	1,215					
	\$.0	\$ 183.3	15.1 %	\$ 1,215.0	\$ 183.3	15.1 %
Second Quarter	1,265					
	.1	218.6	17.3	1,265.1	218.6	17.3
Third Quarter	1,250					
	.6	230.0	18.4	1,250.6	230.0	18.4
Nine Months Ended June 30, 2023	3,730					
	\$.7	\$ 631.9	16.9 %			
Fourth Quarter				1,211.1	203.8	16.8
Total				\$ 4,941.8	\$ 835.7	16.9 %

Fiscal 2024

First Quarter	\$ 1,059.3	\$ 166.2	15.7 %
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⁽¹⁾ Net sales before intersegment eliminations, also referred to as segment sales.

Net Sales (Aggregate) — Consumer Packaging Segment

The \$19.6 million decrease in net sales before intersegment eliminations for the Consumer Packaging segment decreased \$155.7 million in the third quarter of fiscal 2023 compared to the prior year quarter. The decrease was primarily due to \$81.7 million of lower volumes, \$54.2 million due to the prior year divestiture of our interior partition operations and \$6.4 million of unfavorable foreign exchange rates. In addition, the third quarter of fiscal 2022 included \$37.1 million of net sales for converting operations now included in the Corrugated Packaging segment. These items were partially offset by \$105.5 million of higher selling price/mix.

The \$71.2 million increase in net sales for the Consumer Packaging segment in the nine months ended June 30, 2023 compared to the prior year period was primarily due to \$363.2 million of higher selling price/mix that was partially offset by \$129.6 million and \$14.7 million of lower volumes and \$89.7 million of unfavorable foreign exchange rates. In addition, the prior year period included \$70.1 million of net sales for converting operations now included in the Corrugated Packaging segment.

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Adjusted EBITDA — Consumer Packaging Segment

Consumer Packaging segment Adjusted EBITDA in the third quarter of fiscal 2023 decreased \$4.9 million compared to the prior year quarter primarily due to \$51.0 million of lower volumes, an estimated \$39.0 million impact of higher economic downtime and an estimated \$20.7 million of increased net cost inflation. These items were partially offset by \$48.9 million of increased cost savings and an estimated \$12.9 million impact of economic downtime. These items were more than offset by an estimated \$97.9 million margin impact from higher selling price/mix and \$18.8 million of cost savings. Additionally, we had \$18.7 million of other net unfavorable items compared to the prior year quarter that consisted primarily of \$10.5 million due to the prior year divestiture of higher non-cash pension costs our interior partition operations and \$8.2 million of Adjusted EBITDA from the third quarter of fiscal 2022 associated with the converting operations now included in the Corrugated Packaging segment.

Consumer Packaging segment, Adjusted EBITDA in the nine months ended June 30, 2023 increased \$21.9 million compared to the prior year period primarily due to an estimated \$352.2 million margin impact from higher selling price/mix and \$13.5 million of cost savings which were partially offset by an estimated \$151.2 million of increased net cost inflation, \$104.6 million of lower volumes and an estimated \$16.8 million impact of economic downtime. Additionally, we had \$71.2 million of other net unfavorable items that consisted primarily of \$34.6 million of higher non-cash pension costs, \$17.2 million of unfavorable foreign exchange rates and \$14.7 million of Adjusted EBITDA from the prior year period associated with

the converting operations now included in the Corrugated Packaging segment. favorable planned downtime including maintenance outages.

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Global Paper Segment

Global Paper Shipments

Global Paper shipments in thousands of tons include the sale of containerboard, paperboard, market pulp and specialty papers (including kraft paper papers and saturating kraft) to external customers. The shipment data table excludes gypsum paperboard liner tons produced by our Seven Hills Paperboard LLC mill joint venture in Lynchburg, VA (prior to its September 2023 sale) since it is was not consolidated. We have presented the Global Paper shipments in this manner because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. Tons sold from period to period may be impacted by customer conversions to lower basis weight products. Quantities in the table may not sum across due to trailing decimals.

	Firs t	Sec ond	Thir d	Nine Months	Fou rth	Fisc al			
	Qua rter	Qua rter	Qua rter	Ended	Qua rter	al			
	—	—	—	6/30	—	Year			
Fiscal 2022									
Global Paper Shipments - thousands of tons	1, 51 5.	1, 65 8.	1, 63 2.	1, 37 4,806.	1, 7. 7	6, 18 4. 3			
Fiscal 2023									
Global Paper Shipments - thousands of tons	1, 09 1.	1, 17 8.	1, 12 6.	1, 3,397.	1,091.9	1,178.7	1,126.8	1,129.5	4,526.9
Fiscal 2024									

Global Paper	
Shipments -	
thousands	

of tons

1,008.5

Global Paper Segment – Net Sales and Adjusted EBITDA

(In millions, except percentages)	Adjusted		Adjusted EBITDA
	Net Sales (1)	EBITDA	Margin
Fiscal 2022			
First Quarter	\$ 1,352.6	\$ 232.4	17.2 %
Second Quarter	1,538.1	308.6	20.1
Third Quarter	1,610.3	399.0	24.8
Nine Months Ended June 30, 2022	4,501.0	940.0	20.9
Fourth Quarter	1,429.2	306.4	21.4
Total	<u>\$ 5,930.2</u>	<u>\$ 1,246.4</u>	<u>21.0 %</u>
Fiscal 2023			
First Quarter	\$ 1,123.6	\$ 157.3	14.0 %
Second Quarter	1,168.2	187.1	16.0
Third Quarter	1,065.7	177.0	16.6
Nine Months Ended June 30, 2023	<u>\$ 3,357.5</u>	<u>\$ 521.4</u>	<u>15.5 %</u>

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(In millions, except percentages)	Adjusted		Adjusted
	Net Sales (1)	EBITDA	EBITDA Margin
Fiscal 2023			
First Quarter	\$ 1,123.6	\$ 157.3	14.0 %
Second Quarter	1,168.2	187.1	16.0
Third Quarter	1,065.7	177.0	16.6
Fourth Quarter	1,012.4	133.6	13.2
Total	<u>\$ 4,369.9</u>	<u>\$ 655.0</u>	<u>15.0 %</u>
Fiscal 2024			
First Quarter	\$ 918.3	\$ 118.4	12.9 %

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⁽¹⁾ Net sales before intersegment eliminations, also referred to as segment sales.

Net Sales (Aggregate) — Global Paper Segment

The \$544.6 million \$205.3 million decrease in net sales before intersegment eliminations for the Global Paper segment in the third first quarter of fiscal 2023 2024 compared to the prior year quarter was primarily due to \$484.2 million \$114.1 million of lower selling price/mix, \$42.1 million of lower volumes and \$35.5 million \$26.6 million of lower selling price/mix. sales associated with prior year mill divestitures. Additionally, net sales are \$23.2 million \$22.7 million lower than the prior year period as sales to the operations acquired in the Mexico Acquisition are now eliminated. Volumes were largely impacted by lower demand for our products, as well as shifting consumer spending and excess inventories throughout eliminated following the supply chain.

The \$1,143.5 million decrease in net sales for the Global Paper segment in the nine months ended June 30, 2023 compared to the prior year period was primarily due to \$1,184.4 million of lower volumes, partially offset by \$120.7 million of higher selling price/mix. Additionally, net sales are \$76.4 million lower than the prior year period as sales to the operations acquired in the Mexico Acquisition are now eliminated. Volumes were impacted by lower demand for our products, as well as shifting consumer spending and excess inventories throughout the supply chain. acquisition.

Adjusted EBITDA — Global Paper Segment

Global Paper segment Adjusted EBITDA in the third first quarter of fiscal 2023 2024 decreased \$222.0 million \$38.9 million compared to the prior year quarter primarily due to \$141.7 million \$91.4 million of margin impact from lower volumes, selling price/mix, an estimated \$56.2 million \$61.6 million impact of higher economic downtime and prior year mill closures and \$37.5 million \$4.4 million of margin impact from lower selling price/mix. volumes. These items were partially offset by an estimated \$26.6 million \$102.1 million of increased cost savings and \$18.2 million of net cost deflation and \$15.5 million of cost savings. deflation. Additionally, we had \$28.7 million \$1.8 million of other net unfavorable items that consisted primarily of an estimated \$9.0 million of planned downtime including maintenance outages, \$7.3 million of unfavorable foreign exchange rates and \$6.0 million of higher non-cash pension costs.

Global Paper segment Adjusted EBITDA in the nine months ended June 30, 2023 decreased \$418.6 million compared to the prior year period primarily due to \$360.7 million of lower volumes, an estimated \$130.7 million impact of economic downtime and prior year mill closures, and an estimated \$56.8 million of increased net cost inflation. These items were partially offset by \$140.7 million of margin impact from higher selling price/mix and \$37.0 million of cost savings. Additionally, we had \$48.1 million of other net unfavorable items quarter that consisted primarily of \$16.3 million \$10.1 million of higher non-cash pension costs and \$9.3 million fewer net weather recoveries. lower Adjusted EBITDA associated with prior year mill divestitures, which was largely offset by an estimated \$7.7 million of lower planned downtime including maintenance outages.

Distribution Segment

Distribution Shipments

Distribution shipments are expressed as a tons equivalent in thousands of tons, which includes external and intersegment shipments from our distribution and display assembly operations. We have presented the Distribution shipments in this manner because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. Quantities in the table may not sum across due to trailing decimals.

	First Quarter	Second Quarter	Third Quarter	Nine Months Ended 6/30	Fourth Quarter	Fiscal Year
Fiscal 2022						
Distribution Shipments - thousands of tons	48.5	50.8	59.8	159.1	46.8	205.9
Fiscal 2023						
Distribution Shipments - thousands of tons	34.1	45.4	40.8	120.2		
	49					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year	
Fiscal 2023						
Distribution Shipments - thousands of tons	34.1	45.4	40.8	32.8	153.0	
Fiscal 2024						
Distribution Shipments - thousands of tons		31.4				

Distribution Segment – Net Sales and Adjusted EBITDA

(In millions, except percentages)	Net	Adjusted	Adjusted EBITDA	Net	Adjusted	Adjusted EBITDA
	Sales ⁽¹⁾	EBITDA	Margin	Sales ⁽¹⁾	EBITDA	Margin
Fiscal 2022						
First Quarter	\$ 324.8	\$ 6.5	2.0%			
Second Quarter	362.3	28.0	7.7			
Third Quarter	357.7	19.2	5.4			
Nine Months Ended June 30, 2022	1,044.8	53.7	5.1			
Fourth Quarter	374.1	26.0	7.0			

Total	1,418							
	\$.9	\$ 79.7		5.6 %				
<u>Fiscal 2023</u>								
First Quarter	\$ 321.5	\$ 10.8	3.4 %	\$ 321.5	\$ 10.8			3.4 %
Second Quarter	307.3	9.3	3.0	307.3	9.3			3.0
Third Quarter	317.8	6.0	1.9	317.8	6.0			1.9
Nine Months Ended June 30, 2023	\$ 946.6	\$ 26.1	2.8 %					
Fourth Quarter			314.1		10.9			3.5
Total			\$ 1,260.7		\$ 37.0			2.9 %
<u>Fiscal 2024</u>								
First Quarter			\$ 289.7		\$ 9.0			3.1 %

⁽¹⁾ Net sales before intersegment eliminations, also referred to as segment sales.

Net Sales (Aggregate) — Distribution Segment

The \$39.9 million \$31.8 million decrease in net sales before intersegment eliminations for the Distribution segment in the third first quarter of fiscal 2023 2024 compared to the prior year quarter was primarily due to \$37.5 million of lower volumes. The lower volumes were primarily due to lower moving and storage business volumes in the current quarter and a large healthcare order in the prior year period.

The \$98.2 million decrease in net sales for the Distribution segment in the nine months ended June 30, 2023 compared to the prior year period was primarily due to \$115.2 million \$36.0 million of lower volumes that was were partially offset by \$14.4 million \$4.0 million of higher selling price/mix. The lower volumes were primarily due to the large healthcare order in the prior year period and lower moving & storage and storage automotive business volumes in the current year period. volumes.

In April 2023, one of our larger Distribution segment customers notified us that they were transitioning their business to a third party. We do not expect the impact on our consolidated operations to be material, although we expect the segment's net sales and Adjusted EBITDA to temporarily decline be reduced until the sales are replaced. We expect only minimal impact to the segment's Adjusted EBITDA.

Adjusted EBITDA — Distribution Segment

Distribution segment Adjusted EBITDA in the third first quarter of fiscal 2023 2024 decreased \$13.2 million \$1.8 million compared to the prior year quarter primarily due to an estimated \$11.3 million of lower volumes, an estimated \$2.4 million of

increased net cost inflation and \$2.2 million of margin impact of lower selling price/mix which were partially offset by \$2.6 million of cost savings.

Distribution segment Adjusted EBITDA in the nine months ended June 30, 2023 decreased \$27.6 million compared to the prior year period primarily due to \$32.9 million \$10.0 million of lower volumes and an estimated \$18.4 million \$8.4 million of increased net cost inflation, that which were partially largely offset by an estimated \$14.4 million \$12.5 million of cost savings and \$4.0 million of margin impact from of higher selling price/mix and \$8.1 million of cost savings.

mix.

LIQUIDITY AND CAPITAL RESOURCES

We fund have funded our working capital requirements, capital expenditures, mergers, acquisitions and investments, restructuring activities, dividends and stock repurchases from net cash provided by operating activities, borrowings under our credit facilities, proceeds from the sale of receivables under our accounts receivable sales monetization agreements, proceeds from the sale of property, plant and equipment removed from service and proceeds received in connection

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in connection with the issuance of debt and equity securities. See “**Note 13.12. Debt**” of the Notes to Consolidated Financial Statements for more information regarding our debt.

Cash and cash equivalents were \$488.1 million at December 31, 2023 and \$393.4 million at September 30, 2023. Approximately three-fifths of the cash and cash equivalents at December 31, 2023 were held outside of the U.S. The proportion of cash and cash equivalents held outside of the U.S. generally varies from period to period. At December 31, 2023 and September 30, 2023, total debt was \$8.7 billion and \$8.6 billion, respectively, \$462.3 million and \$533.0 million of which was short-term at December 31, 2023 and September 30, 2023, respectively. Included in our total debt at December 31, 2023 was \$152.2 million of non-cash acquisition-related step-up. During the three months ended December 31, 2023, debt increased \$0.1 billion and was largely offset by an increase in cash and cash equivalents. Funding for our domestic operations in the foreseeable future is expected to come from sources of liquidity within our domestic operations, including net cash provided by operating activities, cash and cash equivalents, and available borrowings under our credit facilities. As such, our foreign cash and cash equivalents are not expected to be a key source of liquidity to our domestic operations.

Cash and cash equivalents were \$314.8 million at June 30, 2023 and \$260.2 million at September 30, 2022. Approximately three-fourths of the cash and cash equivalents at June 30, 2023 were held outside of the U.S. The proportion of cash and cash equivalents held outside of the U.S. generally varies from period to period. At June 30, 2023 and September 30, 2022, total debt was \$9.0 billion and \$7.8 billion, respectively, \$419.4 million and \$212.2 million of which was short-term at

June 30, 2023 and September 30, 2022, respectively. Included in our total debt at June 30, 2023 was \$161.6 million of non-cash acquisition-related step-up. During the nine months ended June 30, 2023, debt increased \$1.2 billion primarily due to the Mexico Acquisition, net of debt repayments. See "**Note 3. Acquisitions**" for additional information.

At June 30, 2023 December 31, 2023, we had approximately \$3.5 billion \$3.4 billion of available liquidity under our long-term committed credit facilities and cash and cash equivalents. Our primary available liquidity availability is under our revolving credit facilities and Receivables Securitization Facility, Facility, the majority of which matures July 2027. This liquidity may be used to provide for ongoing working capital needs and for other general corporate purposes, including acquisitions dividends and stock repurchases.dividends.

Our credit facilities contain certain restrictive covenants, including a covenant to satisfy a debt to capitalization ratio. We test and report our compliance with all of these covenants as required by these facilities and were in compliance with all of these covenants them as of June 30, 2023 December 31, 2023.

At June 30, 2023 December 31, 2023, we had \$77.6 million \$80.0 million of outstanding letters of credit not drawn upon.

We use a variety of working capital management strategies, including supply chain financing ("SCF") programs, vendor financing and commercial card programs, monetization facilities where we sell short-term receivables to a group of third-party financial institutions and a receivables securitization facility. facilities. We describe these programs below.

We engage in certain customer-based SCF programs to accelerate the receipt of payment for outstanding accounts receivables from certain customers. Certain costs of these programs are borne by the customer or us. Receivables transferred under these customer-based SCF programs generally meet the requirements to be accounted for as sales in accordance with guidance under ASC 860 resulting in derecognition of such receivables from our consolidated balance sheets. Receivables involved with these customer-based SCF programs constitute approximately 2% of our annual net sales. In addition, we have monetization facilities that sell to third-party financial institutions all of the short-term receivables generated from certain customer trade accounts. See "**Note 12.11. Fair Value — Accounts Receivable Sales Monetization Agreements**" for a discussion of our monetization facilities.

Our working capital management strategy includes working with our suppliers to revisit terms and conditions, including the extension of payment terms. Our current payment terms with the majority of our suppliers generally range from payable upon receipt to 120 days and vary for items such as the availability of cash discounts. We do not believe our payment terms will be shortened significantly in the near future, and we do not expect our net cash provided by operating activities to be significantly impacted by additional extensions of payment terms. Certain financial institutions offer voluntary SCF programs that enable our suppliers, at their sole discretion, to sell their receivables from us to the financial institutions on a non-recourse basis at a rate that leverages our credit rating and thus might be more beneficial to our suppliers. We and our suppliers agree on commercial terms for the goods and services we procure, including prices, quantities and payment terms, regardless of whether the supplier elects to participate in SCF programs. The suppliers sell us goods or services and issue the associated invoices to us based on the agreed-upon contractual terms. The due dates of the invoices are not extended due to the supplier's participation in SCF programs. Our suppliers, at their sole discretion if they choose to participate in a SCF program, determine which invoices, if any, they want to sell to the financial institutions. No guarantees are provided by us under SCF programs, and we have no economic interest in a supplier's decision to participate in the SCF program. Therefore, amounts

due to our suppliers that elect to participate in SCF programs are included in the line items Accounts payable and Other current liabilities in our consolidated balance sheets and the activity is reflected in net cash provided by operating activities in our consolidated statements of cash flows. Based on correspondence with the financial institutions that are involved with our two primary SCF programs, while the amount suppliers elect to sell to the financial institutions varies from period to period, the amount generally averages approximately 17% to 20% of our accounts payable balance.

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We also participate in certain vendor financing and commercial card programs to support our travel and entertainment expenses and smaller vendor purchases. Amounts outstanding under these programs are classified as debt primarily because we receive the benefit of extended payment terms and a rebate from the financial institution that we would not have otherwise received without the financial institution's involvement. We also have the Receivables Securitization Facility that allows for borrowing availability based on the eligible underlying accounts receivable eligibility and compliance with certain covenants. See "**Note 13.12. Debt**" for a discussion of our Receivables Securitization Facility and the amount outstanding under our vendor financing and commercial card programs.

Cash Flow Activity

(In millions)	Nine Months Ended		Three Months Ended	
	June 30,		December 31,	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 1,243.6	\$ 1,480.1	\$ 275.0	\$ 265.9
Net cash used for investing activities	\$ (1,522.0)	\$ (514.2)		
Net cash provided by (used for) financing activities	\$ 336.2	\$ (965.8)		
Net cash provided by (used for) investing activities			\$ 625.4	\$ (1,080.2)
Net cash (used for) provided by financing activities			\$ (804.0)	\$ 982.9

Net cash provided by operating activities during the nine months ended June 30, 2023 decreased \$236.5 million December 31, 2023 increased \$9.1 million compared to the nine months ended June 30, 2022. The decrease was December 31, 2022 primarily due to lower earnings partially offset by \$268.8 million \$120.5 million of reduced working capital usage compared to the prior year period. We expect working capital to be a source period, partially offset by lower earnings.

Net cash provided by investing activities of liquidity \$625.4 million in the fourth quarter three months ended December 31, 2023 consisted primarily of fiscal 2023.

\$860.0 million of proceeds from the collection of an installment note receivable related to our Timber Notes and \$8.3 million of proceeds from the sale of property, plant and equipment that were partially offset by \$247.3 million for capital expenditures. Net cash used for investing activities of \$1,522.0 million \$1.1 billion in the nine three months ended June 30, 2023 December 31, 2022 consisted primarily of \$853.5 million of cash paid for the purchase of businesses, net of cash acquired, for the Mexico Acquisition and \$818.3 million \$282.2 million for capital expenditures that were partially offset by \$43.8 million of proceeds from the sale of an unconsolidated displays joint venture, \$36.0 million of proceeds from corporate owned life insurance, \$26.3 million \$25.9 million of proceeds from the sale of two URB mills and \$23.2 million of proceeds from currency forward contracts and \$21.7 million contracts. See "Note 3. Acquisitions" of proceeds from the sale of property, plant and equipment. Net cash used Notes to Consolidated Financial Statements for investing activities of \$514.2 million in additional information on the nine months ended June 30, 2022 consisted primarily of \$569.5 million for capital expenditures that was partially offset by \$29.8 million of proceeds from corporate owned life insurance and \$25.6 million of proceeds from the sale of property, plant and equipment. Mexico Acquisition.

Going into fiscal 2023, we expected capital expenditures of We expect to invest approximately \$1.0 \$1.2 to \$1.1 billion. We now expect \$1.5 billion in capital expenditures in fiscal 2023 to be approximately \$1.0 billion. At 2024. We expect this level of capital investment we expect that we will allow us to continue to invest in safety, environmental and maintenance projects, while also making investments to support productivity and growth in our business. In addition business and complete certain asset recapitalization and to investments in these projects, in future periods we may invest up to \$0.5 billion per year in initiate strategic capital projects. investments. However, our capital expenditure assumptions may change, project completion dates may change, or we may decide to invest a different amount depending upon opportunities we identify, or changes in market conditions or to comply with changes in environmental laws and regulations.

In the nine three months ended June 30, 2023 December 31, 2023, net cash used for financing activities of \$804.0 million consisted primarily of a \$774.0 million payment of a secured financing liability related to our Non-recourse Liabilities, and cash dividends paid to stockholders of \$77.6 million which were partially offset by a net increase in debt of \$49.1 million. In the three months ended December 31, 2022, net cash provided by financing activities of \$336.2 million \$982.9 million consisted primarily of a net increase in debt of \$561.1 million \$1,050.9 million which was partially offset by cash dividends paid to stockholders of \$210.8 million. In the nine months ended June 30, 2022, net cash used for financing activities of \$965.8 million consisted primarily of share repurchases of \$600.0 million, cash dividends paid to stockholders of \$195.9 million and a net decrease in debt of \$195.3 million \$70.0 million.

On July 28, 2023, See "Note 15. Special Purpose Entities" of the Notes to Consolidated Financial Statements for additional information on the installment note receivable and secured financing liability referenced above.

In January 2024, our board of directors declared a quarterly dividend of \$0.275 \$0.3025 per share. In May November 2023, February 2023 and November 2022, we paid a quarterly dividend of \$0.275 \$0.3025 per share, representing a \$1.10 \$1.21 per share annualized dividend, or an increase of 10% from the prior year. In May November 2022, February 2022 and November 2021, we paid a quarterly dividend of \$0.25 \$0.275 per share, respectively. share.

In July 2015, our board of directors authorized We have a share repurchase program that has been indefinitely suspended in light of up to 40.0 million shares of our outstanding Common Stock, representing approximately 15% of our outstanding Common Stock as of July 1, 2015 the proposed Transaction (and related restrictions imposed by the Transaction Agreement). On May 4, 2022, our board of directors authorized a new repurchase program of up to 25.0 million shares of our Common Stock, representing approximately 10% of our outstanding Common Stock, plus any unutilized shares left from In the July 2015 authorization. Shares of our Common Stock may be purchased from time to time in open market or privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined by

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management at its discretion based on factors, including the market price of our Common Stock, general economic and market conditions and applicable legal requirements. The repurchase program may be commenced, suspended or discontinued at any time. Pursuant to the program, in the nine three months ended June 30, 2023, December 31, 2023 and 2022, we had no share repurchases. In repurchases under these programs. See "**Note 17. Equity and Other Comprehensive Income — Equity — Stock Repurchase Program**" of the nine months ended June 30, 2022, we repurchased approximately 12.6 million shares of our Common Stock Notes to Consolidated Financial Statements for an aggregate cost of \$597.5 million. The amount reflected as purchased in the consolidated statements of cash flows varies due to the timing of share settlement. As of June 30, 2023, we had approximately 29.0 million shares of Common Stock available for repurchase under the program. additional information.

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The U.S. federal, state and foreign net operating losses and other U.S. federal and state tax credits available to us aggregated approximately \$51 million \$41 million in future potential reductions of U.S. federal, state and foreign cash taxes at the end of the previous fiscal year. These items are primarily for foreign and state net operating losses and credits that generally will be utilized between fiscal 2023 2024 and 2040. 2042. Our cash tax rate is highly dependent on our taxable income, utilization of net operating losses and credits, changes in tax laws or tax rates, capital expenditures and other factors. Going into fiscal 2023, we expected our fiscal 2023 cash tax rate to be slightly lower than our income tax rate. Due to the impact of impairments in fiscal 2023, the comparison of our cash tax rate to our income tax rate is not meaningful. Barring significant changes in our current assumptions, including changes in tax laws or tax rates, forecasted taxable income, levels of capital expenditures and other items, we expect our fiscal 2024 cash tax rate will be approximately 15 percentage points higher than our expected income tax rate. The higher cash tax rate expected in fiscal 2024 is primarily due to current the timing of depreciation on our qualifying capital investments as allowed under the Tax Cuts and Jobs Act, legislation requiring amortization of research and experimental costs instead of a full deduction in the year incurred and cash taxes due as a result of a deferred payment on the sale of our interior packaging operations and Chattanooga mill. We expect our fiscal 2025 and 2026 cash tax rates to be approximately 5 percentage points higher than our income tax rate primarily due to the timing of depreciation on our qualifying capital investments as allowed under the Tax Cuts and Jobs Act. Act and legislation requiring

amortization of research and experimental costs instead of a full deduction in the year incurred. These rates are subject to change for a variety of reasons, including as a result of consummation of the proposed Transaction.

Our pension plans in the U.S. are overfunded, and we had a \$474.1 million pension asset on our consolidated balance sheet as of June 30, 2023. We made contributions of \$19.8 million \$4.3 million to our qualified and supplemental defined benefit pension plans during the ~~nine~~ three months ended ~~June 30, 2023~~ December 31, 2023. Based on current facts and assumptions, we expect to contribute an aggregate of approximately \$25 million to our qualified and supplemental defined benefit pension plans in fiscal ~~2023~~ 2024. We have made contributions and expect to continue to make contributions in the coming years to our pension plans in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Protection Act of 2006 and other regulations. Our estimates pension plans in the U.S. are ~~based~~ overfunded, and we had a \$629.5 million pension asset on current factors, such as our consolidated balance sheet as discount rates and expected return on plan assets. It is possible that our assumptions may change, actual market performance may vary or we may decide to contribute different amounts. of December 31, 2023.

In the normal course of business, we evaluate our potential exposure to MEPPs, including with respect to potential withdrawal liabilities. In fiscal 2018, we submitted formal notification to withdraw from certain MEPPs, including PIUMPF, and recorded estimated withdrawal liabilities for each. We also have liabilities associated with other MEPPs that from which we, or legacy companies, have withdrawn from in the past. In fiscal ~~2023~~ 2024, we expect to pay approximately \$11 million in withdrawal liabilities, excluding accumulated funding deficiency demands. With respect to certain other MEPPs, in the event we withdraw from one or more of the MEPPs in the future, it is reasonably possible that we may incur withdrawal liabilities in connection with such withdrawals. Our estimate of any such withdrawal liability, both individually and in the aggregate, is not material for the remaining plans in which we participate.

At ~~June 30, 2023~~ December 31, 2023 and ~~September 30, 2022~~ September 30, 2023, we had recorded withdrawal liabilities of \$203.1 million \$203.7 million and \$214.7 million \$203.2 million, respectively, including liabilities associated with PIUMPF's accumulated funding deficiency demands. See "**Note 6.5. Retirement Plans — MEPPs**" of the Notes to Consolidated Financial Statements for more information regarding these liabilities. See also Item 1A. "**Risk Factors — We May Incur Withdrawal Liability and/or Increased Funding Requirements in Connection with Multiemployer Pension Plans**" in our Fiscal 2022 Form 10-K.

We anticipate The Transaction Agreement provides that we will be able generally continue to fund conduct our business in the ordinary course and consistent with past practice in all material respects. It also contains covenants that restrict our ability to undertake certain actions without consent from Smurfit Kappa, including incurrence of debt or modification of existing debt arrangements under certain circumstances. Subject to these restrictions, we anticipate funding our capital expenditures, interest payments, debt service obligations, dividends, and stock repurchases, pension payments, working capital needs, note repurchases, restructuring activities, repayments of current portion of long-term debt and other corporate actions for the foreseeable future from cash generated from operations, borrowings under our credit facilities, proceeds from our accounts receivable sales monetization agreements, proceeds from the issuance of debt or equity securities or and other additional long-term debt financing, including new or amended facilities, financing. In addition, we continually regularly review our capital

structure and conditions in the private and public debt markets in order to optimize our mix of indebtedness. In connection with these reviews, and subject to restrictions imposed in the Transaction Agreement, we may seek to refinance existing indebtedness to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness. In light of the Transaction, we do not anticipate refinancing our \$600 million 3.750 % bond due March 2025 prior to the anticipated closing date of the Transaction.

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Guarantor Summarized Financial Information

WRKCo, Inc. (the “**Issuer**”), a wholly owned subsidiary of WestRock Company (“**Parent**”), has issued the following debt securities pursuant to offerings registered under the Securities Act of 1933, as amended (collectively for purposes of this subsection, the “**Notes**”) (in millions, except percentages):

	Aggregate Principal Amount	Stated Coupon Rate	Maturity Date
AA gg gg rr ee gg aa tt S ee t PP a riri t nn e cc d M ii C a pp o t aa u u ll p ri AA o t mm n y oo R D uu a a nn t t tt e e	\$0 0% 4	600	3.750 % March 2025

M	a	r	c	3	h	.	2	6	7	0	0	5	2	\$0	0%	5	750	4.650 %	March 2026	
M	a	r	c	4	h	.	2	7	6	0	5	5	2	\$0	0%	6	500	3.375 %	September 2027	
S	e	p	t	e	m	b	e	3	r	.	2	5	3	0	0	7	2	600	4.000 %	March 2028

J	
u	
n	
3	e
.	2
6	0
0	0
\$0	0%
	3

Upon issuance, the Notes maturing in 2024, 2025, 2027 and March 2028 were fully and unconditionally guaranteed by two other wholly owned subsidiaries of Parent: WestRock RKT, LLC and MWV, together, (the “**Guarantor Subsidiaries**”). Parent has also fully and unconditionally guaranteed these Notes. The remaining Notes were issued by the Issuer subsequent to the consummation of the acquisition of KapStone Paper and Packaging Corporation in November 2018 and were fully and unconditionally guaranteed at the time of issuance by the Parent and the Guarantor Subsidiaries. Accordingly, each series of the Notes is fully and unconditionally guaranteed on a joint and several basis by the Parent and the Guarantor Subsidiaries (together, the “**Guarantors**”). Collectively, the Issuer and the Guarantors are the “**Obligor Group**”.

For additional information regarding the notes, related indentures and other information, see Item 7. “**Management’s Discussion and Analysis of Financial Condition and Results of Operations — Guarantor Summarized Financial Information**” in our Fiscal **2022** **2023** Form 10-K.

Pursuant to amended Rule 3-10 of Regulation S-X, the summarized financial information below is presented for the Obligor Group on a combined basis after the elimination of intercompany balances and transactions among the Obligor Group and equity in earnings from and investments in the non-Guarantor Subsidiaries. The summarized financial information below should be read in conjunction with the Company’s consolidated financial statements contained herein as the summarized financial information may not necessarily be indicative of results of operations or financial position had the subsidiaries operated as independent entities (in millions).

SUMMARIZED STATEMENT OF OPERATIONS

(In millions)	Nine Months Ended		Three Months Ended	
	June 30, 2023	December 31, 2023		
Net sales to unrelated parties	\$ 1,212.3	\$ 357.5		
Net sales to non-Guarantor Subsidiaries	\$ 981.7	\$ 267.9		
Gross profit	\$ 823.0	\$ 266.5		
Interest expense, net with non-Guarantor Subsidiaries	\$ (106.0)	\$ (122.4)		
Net loss and net loss attributable to the				
Obligor Group ⁽¹⁾	\$ (27.8)			

Net loss and net loss attributable to the Obligor Group	\$	(51.7)
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⁽¹⁾ Includes a pre-tax goodwill impairment charge of \$107.8 million.

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SUMMARIZED BALANCE SHEETS

(In millions)	June 30,	September 30,								
	2023	2022	December 31, 2023		September 30, 2023					
ASSETS										
Current amounts due from non-										
Guarantor Subsidiaries			\$	150.6	\$	—				
Other current assets				208.3		192.4				
Total current assets	\$ 203.7	\$ 227.4	\$	358.9	\$	192.4				
Noncurrent amounts due from non-										
Guarantor Subsidiaries	\$ 285.5	\$ 370.1	\$	242.3	\$	262.2				
Other noncurrent assets ⁽¹⁾	1,652.5	1,812.8		1,613.0		1,607.9				
Total noncurrent assets	\$ 1,938.0	\$ 2,182.9	\$	1,855.3	\$	1,870.1				
LIABILITIES										
Current amounts due to non-										
Guarantor Subsidiaries	\$ 2,857.1	\$ 2,253.5	\$	1,252.4	\$	1,106.2				
Other current liabilities	378.6	144.5		452.6		427.4				
Total current liabilities	\$ 3,235.7	\$ 2,398.0	\$	1,705.0	\$	1,533.6				

Noncurrent amounts due to non-						
Guarantor Subsidiaries	\$ 1,906.2	\$ 3,097.5	\$	6,560.7	\$	6,472.6
Other noncurrent liabilities	7,546.8	6,872.7		7,037.5		7,056.6
Total noncurrent liabilities	\$ 9,453.0	\$ 9,970.2	\$	13,598.2	\$	13,529.2

⁽¹⁾ Other noncurrent assets includes aggregate goodwill and intangibles, net of \$1,419.9 million \$1,371.0 million and \$1,601.2 million \$1,395.5 million as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, respectively.

New Accounting Standards

See “**Note 1. Basis of Presentation and Significant Accounting Policies**” of the Notes to Consolidated Financial Statements for a description of recent accounting pronouncements.

DEFINITIONS AND NON-GAAP FINANCIAL MEASURES

Definitions and Non-GAAP Financial Measures

We calculate cost savings as the year-over-year change in certain costs incurred for manufacturing, procurement, logistics, and SG&A, in each case excluding the impact of economic downtime and inflation. Cost savings achieved to date may not recur in future periods, and estimates of future savings are subject to change.

Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, management believes certain non-GAAP financial measures provide our management, board of directors, investors, potential investors, securities analysts and others with additional meaningful financial information that should may be considered relevant when assessing our ongoing performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions, and in evaluating our performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, to, our GAAP results. The non-GAAP financial measures we present may differ from similarly captioned measures presented by other companies.

We use the non-GAAP financial measures “Adjusted Net Income” and “Adjusted Earnings Per Diluted Share”. Management believes these measures provide our management, board of directors, investors, potential investors, securities analysts and others with useful information to evaluate our performance because they exclude restructuring and other costs, impairment of goodwill and other assets, net, business systems transformation costs and other specific items that management believes are not indicative of the ongoing operating results of the business. We and our board of directors use this information to evaluate when making financial, operating and planning decisions and when evaluating our performance relative to other periods. We believe that the most directly comparable GAAP measures to Adjusted Net Income and Adjusted Earnings Per Diluted Share are Net (loss) income (loss) attributable to common stockholders and Earnings (loss) (Loss)

earnings per diluted share, respectively. See Item 2. **“Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Business Systems Transformation”**

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for additional information regarding our business systems transformation.

Set forth below is a reconciliation of the non-GAAP financial measure Adjusted Earnings Per Diluted Share to **Earnings (Loss) earnings** per diluted share, the most directly comparable GAAP measure (in dollars per share) for the periods indicated.

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Earnings (loss) per diluted share	\$ 0.79	\$ 1.47	\$ (6.88)	\$ 2.28
Goodwill impairment	—	—	7.16	—
Restructuring and other costs	0.14	—	1.55	1.05
Mahrt mill work stoppage	—	—	0.23	—
Business systems transformation costs	0.07	—	0.18	—
Loss on consolidation of previously held equity method investment net of deferred taxes	—	—	0.09	—
Acquisition accounting inventory related adjustments	—	—	0.04	—
Losses at closed facilities	0.02	0.01	0.04	0.01
Mineral rights impairment	—	0.08	—	0.08
Loss on extinguishment of debt	—	—	—	0.02
Accelerated depreciation on certain closed facilities	—	0.02	—	0.02
Gain on sale of unconsolidated entity	(0.07)	—	(0.07)	—
Multiemployer pension withdrawal income	(0.04)	—	(0.04)	—
Gain on sale of two uncoated recycled paperboard mills	—	—	(0.03)	—
Gain on sale of certain closed facilities	—	—	(0.03)	(0.04)
Brazil indirect tax claim	(0.02)	—	(0.02)	—
MEPP liability adjustment due to interest rates	—	(0.04)	—	(0.08)
Adjustment to reflect adjusted earnings on a fully diluted basis	—	—	(0.01)	—
Adjusted Earnings Per Diluted Share	<u>\$ 0.89</u>	<u>\$ 1.54</u>	<u>\$ 2.21</u>	<u>\$ 3.34</u>

	Three Months Ended			
	December 31,			
	2023	2022		
(Loss) earnings per diluted share	\$ (0.09)	\$ 0.18		
Restructuring and other costs, net	0.19	0.10		
Business systems transformation costs	0.07	0.06		
Losses at closed facilities	0.03	0.01		
Work stoppages	0.01	0.12		
Accelerated depreciation on certain consolidated facilities	0.01	—		
Loss on consolidation of previously held equity method investment net of deferred taxes	—	0.09		
Acquisition accounting inventory related adjustments	—	0.02		
Gain on sale of airplane	(0.02)	—		
Gain on sale of two uncoated recycled paperboard mills	—	(0.03)		
Adjusted Earnings Per Diluted Share	\$ 0.20	\$ 0.55		

The as reported results in the table below for Pre-Tax, Tax and Net of Tax are equivalent to the line items "Income (loss) "before income taxes", "Income tax (expense) benefit" and "Consolidated net income (loss)" income", respectively, as reported on the consolidated statements of operations. Set forth below are reconciliations of Adjusted Net Income to the most directly comparable GAAP measure, Net (loss) income (loss) attributable to common stockholders (represented in the table below as the as reported results for Consolidated net (loss) income (loss) (i.e., Net of Tax) less net income Net loss (income) attributable to Noncontrolling noncontrolling interests), for the periods indicated (in millions):

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Three Months Ended						Nine Months Ended						Three Months Ended				Three Months Ended					
June 30, 2023			June 30, 2023			December 31, 2023			December 31, 2022			Pre-Tax		Tax		Pre-Tax		Tax		Net of Tax	
Pre-	of	Net	Pre-	of	Net	Pre-	Tax	Tax	Pre-	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax	

As reported	2																		
	7	(6		(1,		(1,													
	0.	7.	20	79	41	75													
	\$ 4	\$ 3)	\$ 3.1	\$ 6.1)	\$.2	\$ 4.9)													
Goodwill impairment				1,8	(6	1,8													
				93.	3.	29.													
	—	—	—	0	2)	8													
Restructuring and other costs	4	(1			(1														
	7.	1.	36.	52	28	39													
	6	6)	0	5.3	.7)	6.6													
Mahrt mill work stoppage ⁽¹⁾					(1														
	—	—	—	77.	9.	58.													
	—	—	—	8	1)	7													
Restructuring and other costs, net							65.5	(16.2)											
Business systems transformation costs	2			(1															
	2.	(5	17.	60.	4.	45.													
⁽¹⁾	6	.6)	0	3	8)	5													
Losses at closed facilities ⁽¹⁾							10.4	(2.5)											
Accelerated depreciation on certain consolidated facilities									2.0	(0.5)									
										1.5	—	—	—						
Work stoppages ⁽¹⁾							1.8	(0.5)											
Loss on consolidation of previously held equity										1.3	41.6	(10.2)							
method investment					(2														
net of deferred taxes				46.	2.	24.													
⁽¹⁾	—	—	—	8	2)	6													
Acquisition accounting inventory related adjustments ⁽¹⁾				13.	(3.														
	—	—	—	1	2)	9.9													
	—	—	—																

Losses at closed facilities ⁽¹⁾	8.3	(2.1)	6.2	0	9.0	9.1					
Gain on sale of unconsolidated entity ⁽¹⁾	9.2	2.0	(1.2)	(19.7)	2.0	(17.2)					
Multiemployer pension withdrawal income	2.2	3.0	(9.2)	(12.2)	3.0	(9.2)					
Gain on sale of airplane							(6.2)	1.5	(4.7)	—	—
Gain on sale of unconsolidated entities, net ⁽¹⁾							(1.0)	0.2	(0.8)	—	—
Gain on sale of RTS and Chattanooga							(0.5)	0.2	(0.3)	—	—
Gain on sale of two uncoated recycled paperboard mills	(0.1)	—	(0.1)	(11.2)	2.8	(8.4)	—	—	—	(11.1)	2.8
Gain on sale of certain closed facilities	—	—	—	(9.8)	2.4	(7.4)					
Brazil indirect tax claim ⁽¹⁾	(9.1)	3.1	(6.0)	(9.1)	3.1	(6.0)					
Other ⁽¹⁾				(0.0)			0.3	(0.1)	0.2	0.5	(0.1)
Adjusted Results	3.0	—	—	0.6	—	0.5	—	—	—	—	0.4
	0.8	—	—	22.77	99.57		\$ 80.2	\$ (29.7)	\$ 50.5	\$ 196.2	\$ (53.3)
	\$ 3	\$ 5	\$ 9.8	\$ 1.3	\$.7	\$ 1.6	—	—	—	—	\$ 142.9
Noncontrolling interests			(1.1)		(9.9)				0.3		(1.5)
Adjusted Net Income		22		56			\$ 50.8			\$ 141.4	
	\$ 8.7		\$ 7.7								

⁽¹⁾ These footnoted items, other than "Other" for the three months ended December 31, 2023, represent the "Other adjustments" reported in the additional segment information table in our segment footnote. The "Losses at closed facilities" line for the three and nine months ended June 30, 2023 December 31, 2023 and 2022, includes \$1.3 million and \$0.5 million, includes \$0.5 million and \$1.2 million respectively, of depreciation and amortization, respectively, and the Brazil indirect tax claim includes \$4.7 million of interest income in each period amortization. See "Note 8.7. Segment Information" for additional information.

	Three Months Ended			Nine Months Ended		
	June 30, 2022			June 30, 2022		
	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax
As reported	\$ 512.5	\$ (132.7)	\$ 379.8	\$ 797.4	\$ (193.1)	\$ 604.3
Restructuring and other costs	0.6	(0.1)	0.5	366.3	(89.7)	276.6
Mineral rights impairment	26.0	(6.4)	19.6	26.0	(6.4)	19.6
Loss on extinguishment of debt	—	—	—	8.2	(2.0)	6.2
Accelerated depreciation on certain closed facilities	7.5	(1.9)	5.6	7.5	(1.9)	5.6
Losses at closed facilities ⁽¹⁾	3.7	(0.8)	2.9	4.1	(1.0)	3.1
MEPP liability adjustment due to interest rates	(12.7)	3.1	(9.6)	(27.3)	6.7	(20.6)
Gain on sale of certain closed facilities	—	—	—	(14.4)	3.6	(10.8)
Other	(0.9)	0.2	(0.7)	(0.9)	0.2	(0.7)
Adjusted Results	\$ 536.7	\$ (138.6)	\$ 398.1	\$ 1,166.9	\$ (283.6)	\$ 883.3
Noncontrolling interests			(1.9)			(4.2)
Adjusted Net Income			\$ 396.2			\$ 879.1

(1)

These footnoted items represent the "Other adjustments" reported in the additional segment information table in our segment footnote. The "Losses at closed facilities" line for the three and nine months ended June 30, 2022, includes \$0.3 million and \$0.4 million of depreciation and amortization, respectively.

We also use the non-GAAP financial measure "Consolidated Adjusted EBITDA", along with other factors measures such as "Adjusted EBITDA" Adjusted EBITDA (a GAAP measure of segment performance our CODM uses to evaluate our segment results in accordance with ASC 280) results, to evaluate our overall performance. The composition of Adjusted EBITDA is not addressed or prescribed by GAAP.

Management believes that the most directly comparable GAAP measure to Consolidated Adjusted EBITDA is "Net" "Net (loss) income (loss) attributable to common stockholders" stockholders". Management believes this measure provides our management, board of directors, investors, potential investors, securities analysts and others with useful information to evaluate our performance because it excludes restructuring and other costs, impairment of goodwill and other assets, net, business systems transformation costs and other specific items that management believes are not indicative of the ongoing operating results of the business. We and our board of directors use this information to evaluate in making financial, operating and planning decisions and when evaluating our performance relative to other periods.

Set forth below is a reconciliation of the non-GAAP financial measure Consolidated Adjusted EBITDA to Net **(loss)** income **(loss)** attributable to common stockholders for the periods indicated (in millions).

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income (loss) attributable to common stockholders	\$ 202.0	\$ 377.9	\$ (1,758.8)	\$ 600.1
<u>Adjustments:</u> ⁽¹⁾				
Less: Net income attributable to noncontrolling interests	1.1	1.9	3.9	4.2
Income tax (benefit) expense	67.3	132.7	(41.2)	193.1
Other (income) expense, net	(1.4)	7.2	(8.8)	0.7
Loss on extinguishment of debt	—	—	—	8.2
Interest expense, net	108.1	78.5	313.8	237.7
Restructuring and other costs	47.7	0.6	525.4	366.3
Impairment of goodwill and other assets	—	26.0	1,893.0	26.0
Multiemployer pension withdrawal income	(12.2)	—	(12.2)	(3.3)
Gain on sale of certain closed facilities	—	—	(9.8)	(14.4)
Depreciation, depletion and amortization	382.5	377.3	1,151.5	1,117.4
Other adjustments	6.8	3.4	185.8	3.7
Consolidated Adjusted EBITDA	<u>\$ 801.9</u>	<u>\$ 1,005.5</u>	<u>\$ 2,242.6</u>	<u>\$ 2,539.7</u>

	Three Months Ended	
	December 31,	
	2023	2022
Net (loss) income attributable to common stockholders	\$ (22.4)	\$ 45.3
<u>Adjustments:</u> ⁽¹⁾		
Less: Net (loss) income attributable to noncontrolling interests	(0.3)	1.5
Income tax expense	5.7	8.3
Other expense (income), net	4.7	(25.2)
Interest expense, net	101.4	97.3
Restructuring and other costs, net	65.5	32.1
Gain on sale of RTS and Chattanooga	(0.5)	—
Depreciation, depletion and amortization	381.8	373.2
Other adjustments	<u>34.8</u>	<u>119.6</u>

Consolidated Adjusted EBITDA	\$ 570.7	\$ 652.1
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⁽¹⁾ The table above adds back expense or subtracts income for certain financial statement and segment footnote items to compute Consolidated Adjusted EBITDA.

The non-GAAP measure Consolidated Adjusted EBITDA can also be derived by adding together each segment's "Adjusted EBITDA" plus "Non-allocated expenses" from our segment footnote. See "**Note 8.7. Segment Information**" of the Notes to Consolidated Financial Statements.

Forward-Looking Statements

Statements in this report that do not relate strictly to historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the Company's current expectations, beliefs, plans or forecasts and use words such as "may", "will", "could", "should", "would", "anticipate", "intend", "estimate", "project", "plan", "believe", "expect", "target", "prospects", "potential", "commit" and "forecast", or words of similar import or meaning or refer to future time periods. Forward-looking statements involve estimates, expectations, projections, goals, targets, forecasts, assumptions, risks and uncertainties. A forward-looking statement is not a guarantee of future performance, and actual results could differ materially from those contained in the forward-looking statement.

Forward-looking statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, such as developments related to pricing cycles and volumes; economic, competitive and market conditions generally, including macroeconomic uncertainty, **and adverse developments affecting the financial services industry**, customer inventory rebalancing, the impact of inflation and increases in energy, raw materials, shipping, labor and capital equipment costs; reduced supply of raw materials, energy and transportation, including from supply chain disruptions and labor shortages; intense competition; results and impacts of acquisitions, including operational and financial effects from the Mexico Acquisition; **divestitures as well as risks related to our joint ventures**; **Acquisition and divestitures**; business disruptions, including from public health crises such as a resurgence of COVID, the occurrence of severe weather or a natural disaster or other unanticipated problems, such as labor difficulties, equipment failure or unscheduled maintenance and **repair**; **repair or public health crises**; failure to respond to changing customer **preferences**; **preferences and to protect our intellectual property**;

the amount and timing of capital expenditures, including installation costs, project development and implementation costs, and costs related to resolving disputes with third parties with which we work to manage and implement capital projects; risks related to international sales and operations; the production of faulty or contaminated products; the loss of certain customers; adverse legal, reputational, operational and financial effects resulting from **cyber** **information security** incidents and the

effectiveness of business continuity plans during a ransomware or other cyber incident; work stoppages and other labor relations difficulties; inability to attract, motivate **train** and retain qualified **personnel**; personnel, including as a result of the proposed Transaction; risks associated with sustainability and climate change, including our ability to achieve **ESG** sustainability targets and **goals** commitments and realize climate-related opportunities on announced timelines or at all; our inability to successfully identify and make performance improvements and deliver cost savings and risks associated with completing strategic projects on anticipated timelines and realizing anticipated financial or operational improvements on announced timelines or at all, including with respect to our business systems

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transformation; risks related to the proposed Transaction, including our **indebtedness**; ability to complete the Transaction on the anticipated timeline, or at all, restrictions imposed on our business under the Transaction Agreement, disruptions to our business while the proposed Transaction is pending, the impact of management's time and attention being focused on consummation of the proposed Transaction, costs associated with the proposed Transaction, and integration difficulties; risks related to our indebtedness, including increases in interest rates; the scope, costs, timing and impact of any restructuring of our operations and corporate and tax structure; our desire or ability to repurchase company stock; the scope, timing and outcome of any litigation, claims or other proceedings or dispute resolutions and the impact of any such litigation (including with respect to the Brazil tax liability matter); and additional impairment charges. Such risks and other factors that may impact forward-looking statements are discussed in the Company's Annual Report on Form 10-K for the fiscal year ended **September 30, 2022** (the "Annual Report") and in its subsequent filings with the Securities and Exchange Commission, including in Item 1A "**Risk Factors**" of the Annual Report and of this report. **September 30, 2023**. The information contained herein speaks as of the date hereof, and the Company does not have or undertake any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law. Forward-looking statements, including projections herein, could also change as a result of consummation of the proposed Transaction.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the "**Quantitative and Qualitative Disclosures About Market Risk**" section in the Fiscal **2022** **2023** Form 10-K for a discussion of certain of the market risks to which we are exposed. Certain of these risks are primarily associated with While we have experienced changes in commodity prices and certain input costs in fiscal 2024, there have been no material changes in our mill operations: sales of containerboard and paperboard, energy, recycled fiber, virgin fiber and freight. The Mexico Acquisition added approximately 1.0 million tons of mill capacity exposure to our pre-acquisition mill capacity of approximately 15.2 million tons. Our market risk therefore increased fairly proportionally. However, this increase had been essentially offset by mill closures announced during fiscal 2023. In addition, we are exposed to changes in interest rates. Based on the amounts and mix of our fixed and floating rate debt at June 30, 2023, if market interest rates increased an average of 100 basis points, our annual interest expense would increase by approximately \$21 million sensitivities since September 30, 2023. At June 30, 2023, the notional amount of our natural gas commodity derivatives was 22.2 million MMBtu. Based on our open contracts as of June 30, 2023, the effect of a 10% change in the price per MMBtu, other than for July 2023 which period is already priced, would impact Cost of goods sold by approximately \$6 million.

Item 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023 December 31, 2023 to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, except as described below. During the quarter ended December 31, 2022, we completed the Mexico Acquisition. Subsequent to the Mexico Acquisition, we have begun controls assessment and integration activities. See “**Note 3. Acquisitions**” of the Notes to Consolidated Financial Statements for additional information. In accordance with the SEC’s published guidance, we plan to exclude these operations from our assessments of internal control over financial reporting because we acquired these operations during the fiscal year. SEC rules require that we complete our assessment of the internal control over financial reporting of the Mexico Acquisition within one year after the date of the acquisition. reporting.

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PART II: OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

See “**Note 17.16. Commitments and Contingencies**” of the Notes to Consolidated Financial Statements for more information.

Item 1A. *RISK FACTORS*

Certain risks and events that could adversely affect our results of operations, cash flows and financial condition, and the trading price of our Common Stock, are described in the “**Risk Factors**” section of the Fiscal 2022 2023 Form 10-K. There have been no material changes in our risk factors from those disclosed in the “**Risk Factors**” section of our Fiscal 2022 2023 Form 10-K, other than as set forth below.

The risk factor set forth under the heading “We Have a Significant Amount of Goodwill and Other Intangible Assets and a Write-Down Could Materially Adversely Impact Our Operating Results and Stockholders’ Equity” is replaced in its entirety by

the following:

We Have a Significant Amount of Goodwill and Other Intangible Assets and Have Experienced Impairments in the Past, and Any Additional Future Write-Downs Could Materially Adversely Impact Our Operating Results and Stockholders' Equity

At June 30, 2023, the carrying value of our goodwill and intangible assets was \$6.9 billion. We review the carrying value of our goodwill for impairment annually, or more frequently when impairment indicators exist. Similarly, we review our other intangible assets for impairment when circumstances indicate that the carrying value may not be recoverable. The impairment analysis requires us to analyze a number of factors and make estimates that require significant judgment. In fiscal 2020, we recorded a pre-tax, non-cash goodwill impairment charge of \$1.3 billion in our legacy Consumer Packaging reporting unit. In the second quarter of fiscal 2023, we determined that our Global Paper and Corrugated Packaging reporting units had carrying values that exceeded their fair values, and we recorded an aggregate pre-tax, non-cash impairment charge of \$1.9 billion. These impairments materially adversely affected our operating results for the applicable reporting periods. The factors that led to the impairment charge in the second quarter of fiscal 2023 may persist, worsen, or recur in the future. Additionally, other future changes, including to underlying assumptions, estimates and market factors, could require us to record additional impairment charges, which could lead to future decreases in assets and reductions in net income. See **Note 8. Segment Information** of the Notes to Consolidated Financial Statements for additional information. Any additional significant write-down could have a material adverse effect on our operating results and stockholders' equity and could impact the trading price of our Common Stock.

10-K.

Item 6. EXHIBITS

See separate Exhibit Index attached hereto and hereby incorporated by reference.

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WESTROCK COMPANY
INDEX TO EXHIBITS

Exhibit 3.1

[Amended and Restated Certificate of Incorporation of WestRock Company, effective as of November 2, 2018 \(incorporated by reference to Exhibit 3.1 of WestRock's Current Report on Form 8-K filed on November 5, 2018\).](#)

Exhibit 3.2	<u>Certificate of Correction to the Amended and Restated Certificate of Incorporation of WestRock Company dated November 13, 2018 (incorporated by reference to Exhibit 3.2 of WestRock's Annual Report on Form 10-K for the year ended September 30, 2018).</u>
Exhibit 3.3	<u>Second Amended and Restated Bylaws of WestRock Company, effective as of October 27, 2022 (incorporated by reference to Exhibit 3.1 of WestRock's Current Report on Form 8-K filed on November 2, 2022).</u>
Exhibit 10.1^*	<u>Form of Repayment Obligations Letter.</u>
Exhibit 22	<u>List of Guarantor Subsidiaries and Issuers of Guaranteed Securities (incorporated by reference to Exhibit 22 of WestRock's Quarterly Annual Report on Form 10-Q 10-K for the quarter year ended December 31, 2020 September 30, 2023).</u>
Exhibit 31.1*	<u>Certification Accompanying Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by David B. Sewell, Chief Executive Officer and President of WestRock Company.</u>
Exhibit 31.2*	<u>Certification Accompanying Periodic Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Alexander W. Pease, Executive Vice President and Chief Financial Officer of WestRock Company.</u>
Exhibit 32.1# 32.1#	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by David B. Sewell, Chief Executive Officer and President of WestRock Company, and by Alexander W. Pease, Executive Vice President and Chief Financial Officer of WestRock Company.</u>
Exhibit 101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH*	Inline XBRL Taxonomy Extension Schema. Schema with Embedded Linkbases Document.
Exhibit 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
Exhibit 101.DEF*	Inline XBRL Taxonomy Extension Definition Label Linkbase.
Exhibit 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
Exhibit 101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
Exhibit 104*	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

* Filed as part of this quarterly report.

^ Management contract or compensatory plan or arrangement.

In accordance with SEC Release No. 33-8238, Exhibit 32.1 is to be treated as "accompanying" this report rather than "filed" as part of the report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTROCK COMPANY
(Registrant)

August 4, 2023 February

Date: 2, 2024

By: /s/ Alexander W. Pease

Alexander W. Pease
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and duly authorized officer)

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Exhibit 10.1

December 15, 2023

[NAME] [ADDRESS]

Re: Accelerated Payments and Potential Repayment Obligations Dear [NAME]:

This letter agreement (the "Letter Agreement") memorializes your agreement and understanding with WestRock Company (the "Company") regarding the following in connection with the anticipated completion of the transactions contemplated by that certain transaction agreement ("Transaction Agreement") entered into on

September 12, 2023, by and among the Company and Smurfit Kappa Group plc, a public limited company incorporated in Ireland, and the other signatories thereto:

- [The accelerated vesting of certain of your previously granted equity awards;
- The accelerated payment of a portion of your fiscal year 2024 target annual bonus; [and]
- The extension of the “Restricted Period” as defined in that certain [Restrictive Covenant Agreement] / [Fa Competition and Proprietary Information Protection Agreement] entered into between you and WestRock Services, LLC.]

In order to mitigate potential negative tax consequences to you and the Company under Sections 280G and 4999 of the Internal Revenue Code, the Company will, on or prior to December 31, 2023:

- [Accelerate the vesting and settlement of your currently unvested and outstanding restricted stock units (“RSUs”) set forth on Schedule A attached hereto (as accelerated, the “Accelerated RSUs”)[.] [; and]
- Accelerate a portion of your annual bonus under the WestRock Fiscal 2024 Short-Term Incentive Program (the “STIP”) equal to 75% of your target bonus amount (as accelerated, the “Accelerated STIP”).]

For purposes of this Letter Agreement, “Cause” and “Good Reason” shall be as defined in [the award agreement evidencing the grant of such RSUs][or][the STIP][, as applicable,] or, following the consummation of the transactions contemplated by the Transaction Agreement, then as defined in your Change in Control Severance Agreement.

[In the event you are terminated for Cause or you resign without Good Reason, in each case, prior to the date the Accelerated RSUs otherwise would have vested, you will be obligated to promptly repay to the Company an amount equal to the number of shares you receive (or if net settled, the gross number of shares you would have received absent net settlement) in respect of the Accelerated RSUs *multiplied by* the closing price of a share of the Company on the date of settlement of the Accelerated RSUs. Such amount shall be paid to the Company as soon as practicable and in any event within 30 business days after such termination.]

[In the event you are terminated for Cause or you resign without Good Reason, in each case, prior to the last business day of the STIP plan year, you will be obligated to promptly repay to the Company an amount equal to the gross amount paid to you in respect of the Accelerated STIP. Such amount shall be paid to the Company as soon as practicable and in any event within 30 business days after such termination.]

In the event you are terminated without Cause or you resign for Good Reason, in each case, prior to the last business day of the STIP plan year, any severance benefits due to you under any Company severance agreement to which you are a party or Company severance plan in which you participate will be reduced by the gross amount paid to you in respect of the Accelerated STIP.

In the event you remain employed through the last business day of the STIP plan year, (i) if your final gross payout under the STIP based on actual performance is higher than the gross amount of the Accelerated STIP, you will receive a payout under the STIP equal to the excess of the gross payout determined based on actual performance over the gross amount of the Accelerated STIP, payable in accordance with the terms and

conditions of the STIP and subject to applicable tax withholding, or (ii) if your final payout under the STIP based on actual performance is lower than the Accelerated STIP, you will be obligated to promptly repay to the Company an amount equal to the excess of the after-tax amount of the Accelerated STIP over what would be the after-tax amount of the payout determined based on actual performance. Such amount shall be paid to you or to the Company, as applicable, as soon as practicable after the STIP payments are made to similarly situated executives.]

[In consideration for the foregoing accelerated vesting of RSUs and payment of the Accelerated STIP, you agree that the Restricted Period shall mean your employment with the Company and for a period of [18][24] months following the Termination Date (as defined in the Restrictive Covenant Agreement).]

This Letter Agreement shall be governed and construed in accordance with the laws of the State of Georgia, without regard to conflicts of laws principles thereof and may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

Please confirm your agreement by signing below. Sincerely,

COMPANY

WestRock Company

By:

Name:

AGREED AND ACCEPTED BY:

[NAME]

Exhibit 31.1

**CERTIFICATION ACCOMPANYING PERIODIC REPORT
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David B. Sewell, Chief Executive Officer and President, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WestRock Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, includ

consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 4, 2023** **February 2, 2024**

/s/ David B. Sewell

David B. Sewell

Chief Executive Officer and President

A signed original of this written statement required by Section 302, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 302, has been provided to WestRock Company and will be retained by WestRock Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

**CERTIFICATION ACCOMPANYING PERIODIC REPORT
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Alexander W. Pease, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WestRock Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material necessary to make the statements made, in light of the circumstances under which such statements were made misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023 February 2, 2024

/s/ Alexander W. Pease

Alexander W. Pease

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by

Section 302, has been provided to WestRock Company and will be retained by WestRock Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of WestRock Company (the “**Corporation**”), for the quarter ended **June 30, 2023** **December 31, 2023** as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), the undersigned, David B. Sewell, Chief Executive Officer and President of the Corporation, and Alexander W. Pease, Executive Vice President and Chief Financial Officer of the Corporation, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results operations of the Corporation.

/s/ David B. Sewell

David B. Sewell

Chief Executive Officer and President

August 4, 2023 **February 2, 2024**

/s/ Alexander W. Pease

Alexander W. Pease

Executive Vice President and Chief Financial Officer

August 4, 2023 **February 2, 2024**

DISCLAIMER

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