

**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, 2021

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
(State or Other Jurisdiction of
Incorporation or Organization)
1000 Abernathy Road NE, Atlanta, Georgia
(Address of Principal Executive Offices)

37-1880617
(I.R.S. Employer
Identification No.)
30328
(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 23, 2021
Common Stock, \$0.01 par value	267,006,103

**WESTROCK COMPANY
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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

**WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)**

(In millions, except per share data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net sales	\$ 4,816.3	\$ 4,236.3	\$ 13,655.6	\$ 13,107.3
Cost of goods sold	3,886.4	3,466.3	11,223.2	10,723.5
Gross profit	929.9	770.0	2,432.4	2,383.8
Selling, general and administrative, excluding intangible amortization	450.9	390.1	1,327.1	1,234.4
Selling, general and administrative intangible amortization	88.8	99.6	269.3	301.5
Loss (gain) on disposal of assets	1.0	1.0	3.8	(5.9)
Multiemployer pension withdrawal income	—	(2.0)	—	(1.1)
Restructuring and other costs	6.9	9.7	19.8	56.2
Operating profit	382.3	271.6	812.4	798.7
Interest expense, net	(102.5)	(92.4)	(279.8)	(283.2)
Loss on extinguishment of debt	—	(0.6)	(1.1)	(1.1)
Pension and other postretirement non-service income	31.5	25.6	101.4	78.4
Other income (expense), net	6.4	(5.0)	13.8	(9.6)
Equity in income of unconsolidated entities	10.7	—	29.4	8.7
Income before income taxes	328.4	199.2	676.1	591.9
Income tax expense	(77.4)	(19.2)	(158.2)	(123.5)
Consolidated net income	251.0	180.0	517.9	468.4
Less: Net income attributable to noncontrolling interests	(0.9)	(1.5)	(3.3)	(3.3)
Net income attributable to common stockholders	\$ 250.1	\$ 178.5	\$ 514.6	\$ 465.1
Basic earnings per share attributable to common stockholders	\$ 0.94	\$ 0.69	\$ 1.94	\$ 1.80
Diluted earnings per share attributable to common stockholders	\$ 0.93	\$ 0.69	\$ 1.93	\$ 1.79
Basic weighted average shares outstanding	266.5	259.4	264.7	258.9
Diluted weighted average shares outstanding	269.0	260.4	267.0	260.2

See Accompanying Notes to Condensed Consolidated Financial Statements

WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Consolidated net income	\$ 251.0	\$ 180.0	\$ 517.9	\$ 468.4
Other comprehensive income, net of tax:				
Foreign currency translation gain (loss)	143.6	21.6	253.3	(265.5)
Derivatives:				
Deferred loss on cash flow hedges	—	(0.7)	(0.1)	(10.1)
Reclassification adjustment of net loss on cash flow hedges included in earnings	1.5	1.0	4.4	2.2
Defined benefit pension and other postretirement benefit plans:				
Amortization and settlement recognition of net actuarial loss, included in pension cost	7.4	9.0	18.8	26.2
Amortization and settlement recognition of prior service cost, included in pension cost	1.3	1.0	3.4	2.5
Other comprehensive income (loss), net of tax	153.8	31.9	279.8	(244.7)
Comprehensive income	404.8	211.9	797.7	223.7
Less: Comprehensive income attributable to noncontrolling interests	(1.2)	(1.8)	(4.0)	(3.4)
Comprehensive income attributable to common stockholders	<u>\$ 403.6</u>	<u>\$ 210.1</u>	<u>\$ 793.7</u>	<u>\$ 220.3</u>

See Accompanying Notes to Condensed Consolidated Financial Statements

WESTROCK COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)	June 30, 2021	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 549.8	\$ 251.1
Accounts receivable (net of allowances of \$69.6 and \$66.3)	2,518.1	2,142.7
Inventories	2,145.6	2,023.4
Other current assets	500.4	520.5
Assets held for sale	9.8	7.0
Total current assets	5,723.7	4,944.7
Property, plant and equipment, net	10,631.3	10,778.9
Goodwill	5,982.7	5,962.2
Intangibles, net	3,418.0	3,667.2
Restricted assets held by special purpose entities	1,262.2	1,267.5
Prepaid pension asset	470.6	368.7
Other assets	1,925.6	1,790.5
Total Assets	\$ 29,414.1	\$ 28,779.7
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt	\$ 565.7	\$ 222.9
Accounts payable	1,906.1	1,674.2
Accrued compensation and benefits	612.0	386.7
Other current liabilities	760.2	645.1
Total current liabilities	3,844.0	2,928.9
Long-term debt due after one year	8,106.9	9,207.7
Pension liabilities, net of current portion	295.2	305.2
Postretirement benefit liabilities, net of current portion	152.7	145.4
Non-recourse liabilities held by special purpose entities	1,129.6	1,136.5
Deferred income taxes	2,885.3	2,916.9
Other long-term liabilities	1,527.2	1,490.3
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	2.7	1.3
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; 266.9 million and 260.4 million shares outstanding at June 30, 2021 and September 30, 2020, respectively	2.7	2.6
Capital in excess of par value	11,118.4	10,916.3
Retained earnings	1,370.8	1,031.6
Accumulated other comprehensive loss	(1,040.8)	(1,319.9)
Total stockholders' equity	11,451.1	10,630.6
Noncontrolling interests	19.4	16.9
Total equity	11,470.5	10,647.5
Total Liabilities and Equity	\$ 29,414.1	\$ 28,779.7

See Accompanying Notes to Condensed Consolidated Financial Statements

WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(In millions, except per share data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Number of Shares of Common Stock Outstanding:				
Balance at beginning of period	265.9	259.2	260.4	257.8
Issuance of common stock, net of stock received for tax withholdings	1.0	0.3	6.5	1.7
Balance at end of period	266.9	259.5	266.9	259.5
Common Stock:				
Balance at beginning of period	\$ 2.7	\$ 2.6	\$ 2.6	\$ 2.6
Issuance of common stock, net of stock received for tax withholdings	—	—	0.1	—
Balance at end of period	2.7	2.6	2.7	2.6
Capital in Excess of Par Value:				
Balance at beginning of period	11,057.5	10,784.4	10,916.3	10,739.4
Compensation expense under share-based plans	23.4	68.9	74.3	98.4
Issuance of common stock, net of stock received for tax withholdings	38.6	4.3	128.9	19.8
Other	(1.1)	—	(1.1)	—
Balance at end of period	11,118.4	10,857.6	11,118.4	10,857.6
Retained Earnings:				
Balance at beginning of period	1,186.0	2,114.4	1,031.6	1,997.1
Adoption of accounting standards (1)	—	—	(3.8)	73.5
Net income attributable to common stockholders	250.1	178.5	514.6	465.1
Dividends declared (per share - \$0.24, \$0.465, \$0.64 and \$1.13) (2)	(65.0)	(52.6)	(171.1)	(295.4)
Issuance of common stock, net of stock received for tax withholdings	(0.3)	—	(0.5)	—
Balance at end of period	1,370.8	2,240.3	1,370.8	2,240.3
Accumulated Other Comprehensive Loss:				
Balance at beginning of period	(1,194.3)	(1,419.0)	(1,319.9)	(1,069.2)
Adoption of accounting standards (1)	—	—	—	(73.4)
Other comprehensive income (loss), net of tax	153.5	31.6	279.1	(244.8)
Balance at end of period	(1,040.8)	(1,387.4)	(1,040.8)	(1,387.4)
Total Stockholders' equity	11,451.1	11,713.1	11,451.1	11,713.1
Noncontrolling Interests: (3)				
Balance at beginning of period	18.1	15.6	16.9	14.3
Net income	0.2	1.2	1.4	2.5
Distributions and adjustments to noncontrolling interests	1.1	—	1.1	—
Balance at end of period	19.4	16.8	19.4	16.8
Total equity	\$ 11,470.5	\$ 11,729.9	\$ 11,470.5	\$ 11,729.9

(1) For fiscal 2021, the amount relates to the adoption of ASU 2016-13 (as hereinafter defined). For fiscal 2020, the amount relates primarily to the adoption of ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income".

(2) Includes cash dividends paid and dividend equivalent units on certain restricted stock awards.

(3) Excludes amounts related to contingently redeemable noncontrolling interests, which are separately classified outside of permanent equity on the Condensed Consolidated Balance Sheets.

See Accompanying Notes to Condensed Consolidated Financial Statements

WESTROCK COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended June 30,	
	2021	2020
Operating activities:		
Consolidated net income	\$ 517.9	\$ 468.4
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,094.9	1,121.4
Cost of real estate sold	—	16.1
Deferred income tax (benefit) expense	(53.6)	16.1
Share-based compensation expense	74.4	98.4
401(k) match and company contribution in common stock	112.8	—
Pension and other postretirement funding more than expense (income)	(82.6)	(60.7)
Gain on sale of sawmill	(16.5)	—
Gain on sale of investment	(16.0)	—
Multiemployer pension withdrawal income	—	(1.1)
Other impairment adjustments	22.6	2.2
Loss (gain) on disposal of plant and equipment and other, net	3.8	(5.5)
Other, net	(73.9)	(33.4)
Change in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(333.4)	82.4
Inventories	(130.8)	(70.7)
Other assets	(149.7)	(98.3)
Accounts payable	197.2	(240.1)
Income taxes	70.0	15.7
Accrued liabilities and other	365.3	28.1
Net cash provided by operating activities	1,602.4	1,339.0
Investing activities:		
Capital expenditures	(505.4)	(860.2)
Investment in unconsolidated entities	(0.1)	(1.0)
Proceeds from sale of sawmill	58.5	—
Proceeds from sale of investment	29.5	—
Proceeds from sale of property, plant and equipment	4.3	22.5
Proceeds from property, plant and equipment insurance settlement	1.7	2.4
Other, net	26.0	10.9
Net cash used for investing activities	(385.5)	(825.4)
Financing activities:		
Proceeds from issuance of notes	—	598.6
Additions to revolving credit facilities	435.0	413.0
Repayments of revolving credit facilities	(355.0)	(478.2)
Additions to debt	258.1	683.1
Repayments of debt	(1,131.5)	(1,195.8)
Repayments of commercial paper, net	—	(9.3)
Other debt additions (repayments), net	16.3	(69.2)
Issuances of common stock, net of related tax withholdings	14.7	16.7
Cash dividends paid to stockholders	(169.8)	(292.6)
Cash distributions paid to noncontrolling interests	(1.4)	(1.4)
Other, net	(7.7)	(17.0)
Net cash used for financing activities	(941.3)	(352.1)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	23.1	(21.6)
Increase in cash, cash equivalents and restricted cash	298.7	139.9
Cash, cash equivalents and restricted cash at beginning of period	251.1	151.6
Cash, cash equivalents and restricted cash at end of period	\$ 549.8	\$ 291.5

(In millions)	Nine Months Ended	
	2021	2020
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 140.6	\$ 90.9
Interest, net of amounts capitalized	\$ 212.8	\$ 251.4

See Accompanying Notes to Condensed Consolidated Financial Statements

WESTROCK COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Month Periods Ended June 30, 2021
(Unaudited)

Unless the context otherwise requires, “we”, “us”, “our”, “WestRock” and “the Company” refer to the business of 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 condensed consolidated balance sheet at September 30, 2020 from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2020 (the “**Fiscal 2020 Form 10-K**”). In the opinion of management, all normal recurring adjustments necessary for the fair presentation of the condensed consolidated financial statements have been included for the interim periods reported.

We have condensed or omitted 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 2020 Form 10-K. The results for the three and nine months ended June 30, 2021 are not necessarily indicative of results that may be expected for the full year.

Reclassifications and Adjustments

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

COVID-19 Pandemic

The global impact of the COVID-19 pandemic (“**COVID-19**”) continues to evolve. The pandemic has affected our operational and financial performance and the extent of its effect on our operational and financial performance will continue to depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic (including due to new variants such as Delta), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others.

At June 30, 2021, we evaluated the then current economic environment, including our assessment of the impact of COVID-19, as well as the ransomware incident discussed below, and there were no indicators of impairment of our long-lived assets, including goodwill, that required a quantitative test to be performed. Our estimates involve numerous assumptions about the future growth and potential volatility in revenues and costs, capital expenditures, industry and global economic factors, interest rate environment and future business strategy. Accordingly, our accounting estimates may materially change from period to period due to changing market factors, including those driven by COVID-19. We will continue to monitor future events, changes in circumstances and the potential impact thereof, including performing our annual goodwill impairment assessment in the fourth quarter of fiscal 2021. If actual results are not consistent with our assumptions and estimates, we may be exposed to impairment losses that could be material. See “**Note 1. Description of Business and Summary of Significant Accounting Policies — Goodwill and Long-Lived Assets**” in the Fiscal 2020 Form 10-K for additional information regarding the results of, and our methods and assumptions applied to perform, our goodwill impairment testing in fiscal 2020.

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, including shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. We notified law enforcement and contacted our customers to apprise them of the situation.

We undertook extensive efforts to identify, contain and recover from this incident quickly and securely. Our teams worked to maintain our business operations and minimize the impact on our customers and teammates. All systems are back in service. All of our mills and converting locations began producing and shipping paper and packaging at pre-ransomware levels in March 2021 or earlier. Our mill system production was approximately 115,000 tons lower than planned for the quarter ended March 31, 2021 as a result of this incident. While shipments from some of our facilities initially lagged behind production levels, this gap closed as systems were restored during the second quarter of fiscal 2021. In locations where technology issues were identified, we used alternative methods, in many cases manual methods, to process and ship orders. We systematically brought our information systems back online in a controlled, phased approach.

We estimate the segment income impact of the lost sales and operational disruption of this incident on our operations in the second quarter of fiscal 2021 was approximately \$50 million, as well as approximately \$20 million of ransomware recovery costs, primarily professional fees. In addition, we incurred approximately \$9 million of ransomware recovery costs in the third quarter of fiscal 2021. We expect to recover substantially all of the ransomware losses from cyber and business interruption insurance in future periods. Disputes over the extent of insurance coverage for claims are not uncommon, and there will be a time lag between the initial incurrence of costs and the receipt of any insurance proceeds.

In response to the ransomware event, we accelerated information technology investments that we had previously planned to make in future periods in order to further strengthen our information security infrastructure. We engaged a leading cybersecurity defense firm that completed a forensics investigation of the ransomware incident and we are taking appropriate actions in response to the findings. For example, in the short-term, we reset all credentials Company-wide and strengthened security tooling across our servers and workstations. Longer term, in collaboration with our strategic partners, we established a roadmap to advance the maturity and effectiveness of our information security and resiliency capabilities. This roadmap includes initiatives to further strengthen our information security posture across the Company, and to enable us to potentially detect, respond to and recover from security and technical incidents in a faster and more effective manner. More specifically, we are progressing projects to bolster our security monitoring capabilities, strengthen our access controls, reduce risks associated with third-parties, and to enhance the information security of our mills and plants.

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 2020 Form 10-K for a summary of our significant accounting policies.

Recent Accounting Developments

New Accounting Standards — Recently Adopted

In November 2018, the Financial Accounting Standards Board (“**FASB**”) issued Accounting Standards Update (“**ASU**”) 2018-18 “*Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606*”, which provides targeted amendments to Accounting Standards Codification (“**ASC**”) 808, “*Collaborative arrangements*” and ASC 606, “*Revenues from Contracts with Customers*” (“**ASC 606**”). The amendments in this ASU require transactions between participants in a collaborative arrangement to be accounted for under ASC 606 only when the counterparty is a customer. We adopted the provisions of ASU 2018-18 on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17 “*Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities*”. This ASU changes how entities evaluate decision-making fees under the

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

variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis, rather than in their entirety, as currently required under generally accepted accounting principles in the U.S. (“GAAP”). We adopted the provisions of ASU 2018-17 on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 “*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*”. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. We adopted the provisions of ASU 2018-15 prospectively on October 1, 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14 “*Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans*”. The amendments in this ASU modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans to remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. We adopted the provisions of ASU 2018-14 retrospectively on October 1, 2020.

In June 2016, the FASB issued ASU 2016-13 “*Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*” (“**ASU 2016-13**”), which modifies the measurement of expected credit losses of certain financial instruments and replaces the incurred loss model with a model that reflects expected credit losses. In April 2019, the FASB issued ASU 2019-04 “*Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*” (“**ASU 2019-04**”), which addresses issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In May 2019, the FASB issued ASU 2019-05 “*Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief*” (“**ASU 2019-05**”), which provides targeted transition relief allowing entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets previously measured at amortized cost (except held-to-maturity securities) using the fair value option. In November 2019, the FASB issued ASU 2019-11 “*Codification Improvements to Topic 326, Financial Instruments – Credit Losses*” (“**ASU 2019-11**”), which makes certain narrow-scope amendments to Topic 326, including allowing entities to exclude accrued interest amounts from various required disclosures under Topic 326. In February 2020, the FASB issued ASU 2020-02 “*Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842)*” (“**ASU 2020-02**”), which adds and amends paragraphs in the ASC to reflect the issuance of SEC Staff Accounting Bulletin No. 119 primarily related to the new credit losses standard. The provisions of ASU 2019-04, ASU 2019-05, ASU 2019-11 and ASU 2020-02 related to Topic 326 are effective concurrent with the adoption of ASU 2016-13. We adopted ASU 2016-13 and its subsequent revisions using the modified retrospective transition approach on October 1, 2020. The adoption of ASU 2016-13 and its subsequent revisions resulted in us recognizing a cumulative effect adjustment of \$3.8 million (net of tax) decrease to opening balance of retained earnings related to our allowance for doubtful accounts primarily for our trade accounts receivable balance.

New Accounting Standards — Recently Issued

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 the London Interbank Offered Rate (“**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 can be adopted after their respective issuance dates through December 31, 2022. We are evaluating the impact of these ASUs.

In December 2019, the FASB issued ASU 2019-12 “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*”. This ASU simplifies the accounting for income taxes by removing certain exceptions to the

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

general principles in Topic 740 under GAAP. This ASU also improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2020 (fiscal 2022 for us) and interim periods within those fiscal years. Early adoption is permitted. While we are still finalizing our evaluation of the impact of this ASU, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

Note 2. Revenue Recognition

Disaggregated Revenue

ASC 606 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. In fiscal 2020, we completed our real estate monetization; therefore, we will not have any Land and Development sales in fiscal 2021.

(In millions)	Three Months Ended June 30, 2021			
	<u>Corrugated Packaging</u>	<u>Consumer Packaging</u>	<u>Intersegment Sales</u>	<u>Total</u>
Primary Geographical Markets				
North America	\$ 3,020.9	\$ 1,353.9	\$ (85.1)	\$ 4,289.7
South America	127.2	17.7	—	144.9
Europe	1.5	285.6	(0.1)	287.0
Asia Pacific	17.5	77.5	(0.3)	94.7
Total	<u>\$ 3,167.1</u>	<u>\$ 1,734.7</u>	<u>\$ (85.5)</u>	<u>\$ 4,816.3</u>

(In millions)	Nine Months Ended June 30, 2021			
	<u>Corrugated Packaging</u>	<u>Consumer Packaging</u>	<u>Intersegment Sales</u>	<u>Total</u>
Primary Geographical Markets				
North America	\$ 8,588.2	\$ 3,839.6	\$ (208.3)	\$ 12,219.5
South America	304.7	63.0	—	367.7
Europe	3.5	800.8	(0.2)	804.1
Asia Pacific	48.6	216.3	(0.6)	264.3
Total	<u>\$ 8,945.0</u>	<u>\$ 4,919.7</u>	<u>\$ (209.1)</u>	<u>\$ 13,655.6</u>

(In millions)	Three Months Ended June 30, 2020				
	<u>Corrugated Packaging</u>	<u>Consumer Packaging</u>	<u>Land and Development</u>	<u>Intersegment Sales</u>	<u>Total</u>
Primary Geographical Markets					
North America	\$ 2,632.4	\$ 1,238.4	\$ —	\$ (44.8)	\$ 3,826.0
South America	87.8	14.1	—	—	101.9
Europe	0.6	233.8	—	(0.2)	234.2
Asia Pacific	8.0	66.3	—	(0.1)	74.2
Total	<u>\$ 2,728.8</u>	<u>\$ 1,552.6</u>	<u>\$ —</u>	<u>\$ (45.1)</u>	<u>\$ 4,236.3</u>

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

(In millions)	Nine Months Ended June 30, 2020				
	Corrugated Packaging	Consumer Packaging	Land and Development	Intersegment Sales	Total
Primary Geographical Markets					
North America	\$ 8,187.0	\$ 3,718.8	\$ 18.9	\$ (137.7)	\$ 11,787.0
South America	296.1	52.9	—	—	349.0
Europe	4.9	731.8	—	(0.2)	736.5
Asia Pacific	32.8	202.3	—	(0.3)	234.8
Total	\$ 8,520.8	\$ 4,705.8	\$ 18.9	\$ (138.2)	\$ 13,107.3

Revenue Contract Balances

Contract assets are rights to consideration in exchange for goods that we have transferred to a customer when that right is conditional on something other than the passage of time. Contract assets are reduced when the control of the goods passes to the customer. 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 condensed consolidated balance sheet.

(In millions)	Contract Assets (Short-Term)	Contract Liabilities (Short-Term)
Beginning balance - October 1, 2020	\$ 185.8	\$ 12.0
Ending balance - June 30, 2021	193.9	22.7
Increase	\$ 8.1	\$ 10.7

Note 3. Restructuring and Other Costs

Summary of Restructuring and Other Initiatives

We recorded pre-tax restructuring and other costs of \$6.9 and \$19.8 million for the three and nine months ended June 30, 2021 and \$9.7 and \$56.2 million for the three and nine months ended June 30, 2020. 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 in more detail below.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Restructuring	\$ 7.0	\$ 7.4	\$ 17.7	\$ 40.1
Other	(0.1)	2.3	2.1	16.1
Restructuring and other costs	\$ 6.9	\$ 9.7	\$ 19.8	\$ 56.2

Restructuring

Our restructuring charges are primarily associated with restructuring portions of our operations (i.e. partial or complete plant closures), employee costs due to merger and acquisition-related workforce reductions and voluntary retirement programs in fiscal 2019 and 2020. A partial plant closure may consist of shutting down a machine and/or a workforce reduction.

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

When we close a facility, if necessary, we recognize a write-down to reduce the carrying value of related property, plant and equipment and lease right-of-use assets (“**ROU**”) to their fair value and record charges for severance and other employee-related costs. We reduce the carrying value of the assets classified as held for sale to their estimated fair value less cost to sell. Any subsequent change in fair value less cost to sell prior to disposition is recognized as it is identified; however, no gain is recognized in excess of the cumulative loss previously recorded unless the actual selling price exceeds the original carrying value. For plant closures, we also generally expect to record costs for equipment relocation, facility carrying costs and costs to terminate a lease or contract before the end of its term.

Although specific circumstances vary, our strategy has generally been to consolidate our sales and operations into large well-equipped plants that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives and/or further optimize our system following mergers and acquisitions or a changing business environment. Therefore, we generally transfer a substantial portion of each closed plant’s assets and production to our other plants. We believe these actions have allowed us to more effectively manage our business. In our former Land and Development segment, the restructuring charges primarily consisted of severance and other employee costs associated with the wind-down of operations and lease costs.

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

While restructuring costs are not charged to our segments and, therefore, do not reduce segment income, we highlight the segment to which the charges relate. 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, 2021 and 2020, the cumulative recorded amount since we started the initiatives and our estimate of the total we expect to incur (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative	Total Expected
	2021	2020	2021	2020		
Corrugated Packaging						
Net property, plant and equipment costs	\$ —	\$ (0.3)	\$ —	\$ 2.2	\$ 94.4	\$ 94.4
Severance and other employee costs	0.3	3.2	(0.8)	6.8	51.6	51.6
Equipment and inventory relocation costs	0.7	0.2	0.7	1.5	9.4	9.4
Facility carrying costs	0.3	0.4	1.3	1.4	22.2	23.8
Other costs	(0.1)	0.1	0.4	0.5	3.9	3.9
Restructuring total	\$ 1.2	\$ 3.6	\$ 1.6	\$ 12.4	\$ 181.5	\$ 183.1
Consumer Packaging						
Net property, plant and equipment costs	\$ —	\$ —	\$ 0.2	\$ 0.5	\$ 35.4	\$ 35.4
Severance and other employee costs	4.2	1.9	10.1	15.0	47.5	47.5
Equipment and inventory relocation costs	0.4	—	0.6	0.1	4.2	4.2
Facility carrying costs	0.5	—	0.5	—	1.6	1.6
Other costs	0.3	1.2	1.9	1.8	20.6	20.6
Restructuring total	\$ 5.4	\$ 3.1	\$ 13.3	\$ 17.4	\$ 109.3	\$ 109.3
Land and Development						
Net property, plant and equipment costs	\$ —	\$ —	\$ —	\$ —	\$ 1.8	\$ 1.8
Severance and other employee costs	—	—	—	—	13.8	13.8
Other costs	—	—	—	—	5.0	5.0
Restructuring total	\$ —	\$ —	\$ —	\$ —	\$ 20.6	\$ 20.6
Corporate						
Severance and other employee costs	\$ —	0.1	0.9	9.0	\$ 60.3	\$ 60.3
Other costs	0.4	0.6	1.9	1.3	10.6	10.6
Restructuring total	\$ 0.4	\$ 0.7	\$ 2.8	\$ 10.3	\$ 70.9	\$ 70.9
Total						
Net property, plant and equipment costs	\$ —	\$ (0.3)	\$ 0.2	\$ 2.7	\$ 131.6	\$ 131.6
Severance and other employee costs	4.5	5.2	10.2	30.8	173.2	173.2
Equipment and inventory relocation costs	1.1	0.2	1.3	1.6	13.6	13.6
Facility carrying costs	0.8	0.4	1.8	1.4	23.8	25.4
Other costs	0.6	1.9	4.2	3.6	40.1	40.1
Restructuring total	\$ 7.0	\$ 7.4	\$ 17.7	\$ 40.1	\$ 382.3	\$ 383.9

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

We have defined “**Net property, plant and equipment costs**” as used in this **Note 3** 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 and related parts and supplies on such assets, if any.

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 potential litigation costs associated with those activities. We incur integration costs pre- and post-acquisition that reflect work being performed to facilitate merger and acquisition integration, such as work associated with information systems and other projects, including spending to support future acquisitions, and primarily consist of professional services and 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 June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Acquisition costs	\$ (0.3)	\$ (0.2)	\$ 0.4	\$ 0.2
Integration costs	(0.2)	2.5	1.1	15.9
Divestiture costs	0.4	—	0.6	—
Other total	<u>\$ (0.1)</u>	<u>\$ 2.3</u>	<u>\$ 2.1</u>	<u>\$ 16.1</u>

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**” on our condensed consolidated statements of income (in millions):

	Nine Months Ended June 30,	
	2021	2020
Accrual at beginning of fiscal year	\$ 17.2	\$ 32.3
Additional accruals	12.1	31.7
Payments	(14.7)	(35.3)
Adjustment to accruals	(2.1)	(1.1)
Foreign currency rate changes and other	(1.8)	—
Accrual at June 30	<u>\$ 10.7</u>	<u>\$ 27.6</u>

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

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

	Nine Months Ended June 30,	
	2021	2020
Additional accruals and adjustments to accruals (see table above)	\$ 10.0	\$ 30.6
Acquisition costs	0.4	0.2
Integration costs	1.1	15.9
Divestiture costs	0.6	—
Net property, plant and equipment costs	0.2	2.7
Severance and other employee costs	0.4	(0.1)
Equipment and inventory relocation costs	1.3	1.6
Facility carrying costs	1.8	1.4
Other costs	4.0	3.9
Total restructuring and other costs	<u>\$ 19.8</u>	<u>\$ 56.2</u>

Note 4. 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 salaried and 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. We also have supplemental 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. Retirement Plans**” and “**Note 5. Retirement Plans — Multiemployer Plans**” of the Notes to Consolidated Financial Statements section in the Fiscal 2020 Form 10-K for more information regarding our involvement with retirement plans and involvement with MEPPs.

MEPPs

In the normal course of business, we evaluate our potential exposure to MEPPs, including with respect to potential withdrawal liabilities. During fiscal 2018, we submitted formal notification to withdraw from the Pace Industry Union-Management Pension Fund (“**PIUMPF**”) and the Central States, Southeast and Southwest Areas Pension Plan (“**Central States**”), and recorded estimated withdrawal liabilities for each. 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 (approximately \$0.7 million per month for 20 years) for the PIUMPF withdrawal liabilities in fiscal 2020, excluding the accumulated funding deficiency demands. We dispute the PIUMPF 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.

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. We believe we are adequately reserved for this matter.

At June 30, 2021 and September 30, 2020, we had recorded withdrawal liabilities of \$250.7 million and \$252.0 million, respectively, including liabilities associated with PIUMPF 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

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

of any such withdrawal liabilities, both individually and in the aggregate, are not material for the remaining plans in which we participate.

Pension and Postretirement Income / Expense

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 11.2	\$ 11.9	\$ 38.3	\$ 39.2
Interest cost	47.3	49.7	140.4	149.1
Expected return on plan assets	(92.0)	(90.1)	(276.0)	(271.7)
Amortization of net actuarial loss	9.8	11.4	25.7	35.1
Amortization of prior service cost	2.3	1.9	6.3	5.4
Curtailment loss	—	—	—	0.4
Company defined benefit plan income	(21.4)	(15.2)	(65.3)	(42.5)
Multiemployer pension withdrawal income	—	(2.0)	—	(1.1)
Multiemployer and other plans	0.4	0.3	1.2	1.0
Net pension income	\$ (21.0)	\$ (16.9)	\$ (64.1)	\$ (42.6)

The non-service elements of our pension and postretirement costs set forth in this **Note 4. Retirement Plans** are reflected in the condensed consolidated statements of income line item "Pension and other postretirement non-service income". The service cost components are reflected in "Cost of goods sold" and "Selling, general and administrative, 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 Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Service cost	\$ 0.2	\$ 0.3	\$ 0.8	\$ 1.0
Interest cost	1.5	1.7	4.4	5.3
Amortization of net actuarial loss (gain)	0.2	0.5	(0.4)	0.1
Amortization of prior service credit	(0.6)	(0.7)	(1.8)	(2.1)
Net postretirement cost	\$ 1.3	\$ 1.8	\$ 3.0	\$ 4.3

Employer Contributions

During the three and nine months ended June 30, 2021, we made contributions to our qualified and supplemental defined benefit pension plans of \$4.8 million and \$15.6 million, respectively, and for the three and nine months ended June 30, 2020, we made contributions of \$4.6 million and \$17.2 million, respectively.

During the three and nine months ended June 30, 2021, we funded an aggregate of \$1.6 million and \$4.7 million, respectively, and for the three and nine months ended June 30, 2020, we funded an aggregate of \$1.6 million and \$5.3 million, respectively, to our other postretirement benefit plans.

Note 5. Income Taxes

The effective tax rate for the three and nine months ended June 30, 2021 was 23.6% and 23.4%, respectively. The effective tax rate for both periods was impacted by (i) the inclusion of state taxes, (ii) tax expense related to stock-based compensation, (iii) the exclusion of tax benefits related to losses recorded by certain foreign operations, (iv) tax expense related to remeasurement of deferred taxes as a result of a tax law

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

change in the United Kingdom, partially offset by (v) tax benefit related to the annual domestic federal return-to-provision true-up and (vi) research and development tax credits. In addition, the nine months ended June 30, 2021 was also impacted by tax benefit related to remeasurement of deferred taxes as a result of a state law change.

The effective tax rate for the three and nine months ended June 30, 2020 was 9.6% and 20.9%, respectively. The effective tax rate for both periods was lower than the statutory federal rate primarily due to (i) the annual domestic federal return-to-provision adjustments, (ii) adjustments to certain uncertain tax positions and (iii) research and development tax credits, partially offset by the (iv) inclusion of state taxes, (v) income derived from certain foreign jurisdictions subject to higher tax rates, (vi) the exclusion of tax benefits related to losses recorded by certain foreign operations, and (vii) tax expense related to stock based compensation.

Note 6. Segment Information

We report our financial results of operations in the following two reportable segments: Corrugated Packaging, which consists of our containerboard mills, corrugated packaging and distribution operations, as well as our merchandising displays and recycling procurement operations; and Consumer Packaging, which consists of our consumer mills and food and beverage and partition operations. Prior to the completion of our monetization program in fiscal 2020, we had a third reportable segment, Land and Development, which previously sold real estate, primarily in the Charleston, SC region. Certain income and expenses are not allocated to our segments and, thus, the information that management uses to make operating decisions and assess performance does not reflect such amounts. Items not allocated are reported as non-allocated expenses or in other line items in the table below after segment income.

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

The following tables show selected operating data for our segments (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net sales (aggregate):				
Corrugated Packaging	\$ 3,167.1	\$ 2,728.8	\$ 8,945.0	\$ 8,520.8
Consumer Packaging	1,734.7	1,552.6	4,919.7	4,705.8
Land and Development	—	—	—	18.9
Total	\$ 4,901.8	\$ 4,281.4	\$ 13,864.7	\$ 13,245.5
Less net sales (intersegment):				
Corrugated Packaging	\$ 22.6	\$ 15.3	\$ 63.2	\$ 54.3
Consumer Packaging	62.9	29.8	145.9	83.9
Total	\$ 85.5	\$ 45.1	\$ 209.1	\$ 138.2
Net sales (unaffiliated customers):				
Corrugated Packaging	\$ 3,144.5	\$ 2,713.5	\$ 8,881.8	\$ 8,466.5
Consumer Packaging	1,671.8	1,522.8	4,773.8	4,621.9
Land and Development	—	—	—	18.9
Total	\$ 4,816.3	\$ 4,236.3	\$ 13,655.6	\$ 13,107.3
Segment income:				
Corrugated Packaging	\$ 321.7	\$ 227.9	\$ 742.0	\$ 755.8
Consumer Packaging	132.0	95.3	305.7	232.3
Land and Development	—	—	—	1.4
Segment income	453.7	323.2	1,047.7	989.5
Gain on sale of certain closed facilities	—	—	0.9	5.5
Multiemployer pension withdrawal income	—	2.0	—	1.1
Restructuring and other costs	(6.9)	(9.7)	(19.8)	(56.2)
Non-allocated expenses	(22.3)	(18.3)	(85.6)	(54.1)
Interest expense, net	(102.5)	(92.4)	(279.8)	(283.2)
Loss on extinguishment of debt	—	(0.6)	(1.1)	(1.1)
Other income (expense), net	6.4	(5.0)	13.8	(9.6)
Income before income taxes	\$ 328.4	\$ 199.2	\$ 676.1	\$ 591.9
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Depreciation and amortization:				
Corrugated Packaging	\$ 232.8	\$ 233.1	\$ 695.0	\$ 717.0
Consumer Packaging	134.9	131.2	396.0	399.7
Corporate	1.3	1.4	3.9	4.7
Total	\$ 369.0	\$ 365.7	\$ 1,094.9	\$ 1,121.4

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

In October 2018, our containerboard and pulp mill located in Panama City, FL sustained extensive damage from Hurricane Michael. In fiscal 2019, we received the majority of our Hurricane Michael-related insurance proceeds. In the three months ended December 31, 2019, we received the remaining Hurricane Michael-related insurance proceeds of \$32.3 million, of which \$29.5 million was recorded as a reduction of cost of goods sold in our Corrugated Packaging segment. The remaining \$2.8 million was deferred and recorded as a reduction of cost of goods sold in the three months ended March 31, 2020. The insurance proceeds consisted of \$11.7 million of business interruption recoveries and \$20.6 million for direct costs and property damage. Our condensed consolidated statement of cash flows for the nine months ended June 30, 2020 included \$30.9 million in net cash provided by operating activities and \$1.4 million of cash proceeds included in net cash used for investing activities related to Hurricane Michael and a \$1.0 million receipt of proceeds recorded as a reduction of cost of goods sold in the third quarter of fiscal 2020 for an unrelated matter in the Consumer Packaging segment.

Note 7. Interest Expense, Net

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Interest expense	\$ (114.0)	\$ (109.9)	\$ (314.4)	\$ (341.2)
Interest income	11.5	17.5	34.6	58.0
Interest expense, net	<u>\$ (102.5)</u>	<u>\$ (92.4)</u>	<u>\$ (279.8)</u>	<u>\$ (283.2)</u>

Note 8. 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, 2021	September 30, 2020
Finished goods and work in process	\$ 944.6	\$ 844.2
Raw materials	835.6	772.7
Spare parts and supplies	535.5	500.3
Inventories at FIFO cost	2,315.7	2,117.2
LIFO reserve	(170.1)	(93.8)
Net inventories	<u>\$ 2,145.6</u>	<u>\$ 2,023.4</u>

Note 9. Property, Plant and Equipment

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

	June 30, 2021	September 30, 2020
Property, plant and equipment at cost:		
Land and buildings	\$ 2,600.2	\$ 2,524.7
Machinery and equipment	15,718.5	15,147.3
Forestlands and mineral rights	127.8	110.8
Transportation equipment	28.4	29.1
Leasehold improvements	106.2	103.6
	<u>18,581.1</u>	<u>17,915.5</u>
Less: accumulated depreciation, depletion and amortization	(7,949.8)	(7,136.6)
Property, plant and equipment, net	<u>\$ 10,631.3</u>	<u>\$ 10,778.9</u>

Note 10. Fair Value

Assets and Liabilities Measured or Disclosed at Fair Value

We estimate fair values in accordance with ASC 820, "Fair Value Measurement". See "Note 12. Fair Value" of the Notes to Consolidated Financial Statements section of the Fiscal 2020 Form 10-K for more information. We disclose the fair value of our long-term debt in "Note 11. Debt". We disclose the fair value of our pension and postretirement assets and liabilities in "Note 5. Retirement Plans" of the Notes to Consolidated Financial Statements section of the Fiscal 2020 Form 10-K.

The nine months ended June 30, 2021, reflect a charge of \$22.5 million associated with not exercising an option to purchase an additional equity interest in Grupo Gondi that was recorded in other income (expense), net in the second quarter of fiscal 2021.

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.

Fair Value of Nonfinancial Assets and Nonfinancial Liabilities

We measure certain nonfinancial assets and nonfinancial liabilities at fair value on a nonrecurring basis. These assets and liabilities include equity method investments 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, ROU assets related to operating leases, goodwill and other and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. See "Note 3. Restructuring and Other Costs" for impairments associated with restructuring activities presented as "net property, plant and equipment costs". During the three and nine months ended June 30, 2021 and 2020, we did not have any significant non-restructuring nonfinancial assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

Accounts Receivable Sales Agreements

We are a party to an accounts receivable sales agreement to sell to a third party financial institution all of the short-term receivables generated from certain customer trade accounts. On September 17, 2020, we amended the then existing agreement and increased the purchase limit to \$700.0 million. The terms of the amended 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. Effective with the amended agreement, the facility is committed and has a term of 364 days. Transfers under the agreement meet the requirements to be accounted for as sales in accordance with guidance in ASC 860, "Transfers and Servicing". We also have a similar facility that we entered into on December 4, 2020 that has a \$88.5 million purchase limit, is uncommitted and has a term of one year. The customers from these facilities are not included in the Receivables Securitization Facility that is discussed in "Note 11. Debt".

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

The following table presents a summary of these accounts receivable sales agreements for the nine months ended June 30, 2021 and June 30, 2020 (in millions):

	Nine Months Ended June 30,	
	2021	2020
Receivable from financial institution at beginning of fiscal year	\$ —	\$ —
Receivables sold to the financial institution and derecognized	(2,011.9)	(1,847.8)
Receivables collected by financial institution	1,939.6	1,844.7
Cash proceeds from financial institution	72.3	3.1
Receivable from financial institution at June 30	<u>\$ —</u>	<u>\$ —</u>

Receivables sold under these accounts receivable sales agreements as of the respective balance sheet dates were approximately \$661.7 million and \$589.4 million as of June 30, 2021 and September 30, 2020, respectively.

Cash proceeds related to the receivables sold are included in cash from operating activities in the condensed consolidated statement 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 \$2.8 million and \$8.5 million for the three and nine months ended June 30, 2021, respectively, and \$2.2 million and \$10.6 million for the three and nine months ended June 30, 2020, respectively, and is recorded in "other income (expense), net" in the condensed consolidated statements of income. 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 quality of the customers underlying the receivables and the anticipated short collection period.

Note 11. Debt

See "Note 13. Debt" of the Notes to Consolidated Financial Statements section in the Fiscal 2020 Form 10-K for additional information on our debt and interest rates on that debt.

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

	June 30, 2021	September 30, 2020
Public bonds due fiscal 2022	\$ 399.7	\$ 399.3
Public bonds due fiscal 2023 to 2028	3,777.1	3,773.6
Public bonds due fiscal 2029 to 2033	2,769.6	2,778.9
Public bonds due fiscal 2037 to 2047	178.3	178.6
Term loan facilities	598.9	1,547.6
Revolving credit and swing facilities	330.0	250.0
Finance lease obligations	266.7	274.8
Vendor financing and commercial card programs	106.6	89.8
International and other debt	245.7	138.0
Total debt	8,672.6	9,430.6
Less: current portion of debt	565.7	222.9
Long-term debt due after one year	<u>\$ 8,106.9</u>	<u>\$ 9,207.7</u>

A portion of the debt classified as long-term may be paid down earlier than scheduled at our discretion without penalty. Certain customary restrictive covenants govern our maximum availability under our credit facilities. We test and report our compliance with these covenants as required and were in compliance with all of our covenants at June 30, 2021.

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

The estimated fair value of our debt was approximately \$9.6 billion as of June 30, 2021 and \$10.4 billion at September 30, 2020. The fair value of our long-term debt is categorized as level 2 within the fair value hierarchy and is primarily either based on quoted prices for those or similar instruments, or approximate their carrying amount as the variable interest rates reprice frequently at observable current market rates.

On August 2, 2021, we issued a notice of redemption pursuant to the indenture governing \$400 million of 4.9% bonds due March 2022 with a redemption date of September 10, 2021.

Revolving Credit Facility

On November 21, 2019, we amended our \$2.0 billion unsecured revolving credit facility entered into on July 1, 2015 (the “**Revolving Credit Facility**”) to, among other things, increase the committed principal to \$2.3 billion, increase the maximum permitted Debt to Capitalization Ratio (as defined in the credit agreement) to 0.65:1.00 and extend its maturity date to November 21, 2024. A portion of the Revolving Credit Facility may be used to fund borrowings in certain non-U.S. dollar currencies. At June 30, 2021 and September 30, 2020, there were no amounts outstanding under the facility.

Term Loans

At September 30, 2020, there was \$648.9 million outstanding on the five-year unsecured term loan we entered into with Wells Fargo, as administrative agent, on March 7, 2018. During the first quarter of fiscal 2021, we paid off the term loan primarily using cash on hand.

On June 7, 2019, we entered into a \$300.0 million credit agreement providing for a five-year unsecured term loan with Bank of America, N.A., as administrative agent. The facility was scheduled to mature on June 7, 2024. At September 30, 2020, the outstanding balance of this facility was \$300.0 million. In December 2020 and May 2021, we repaid \$50.0 million and \$250.0 million, respectively, using cash and cash equivalents which resulted in the facility being terminated.

On September 27, 2019, one of our wholly-owned subsidiaries, WestRock Southeast, LLC, entered into a credit agreement (the “**Farm Loan Credit Agreement**”) with CoBank ACB, as administrative agent, that replaced our then-existing facility. The Farm Loan Credit Agreement provides for a seven-year senior unsecured term loan in an aggregate principal amount of \$600.0 million (the “**Farm Loan Credit Facility**”). At any time, we may increase the principal amount by up to \$300.0 million by written notice. The Farm Loan Credit Facility is guaranteed by the Company, WRKCo Inc. and WestRock RKT, LLC (“**RKT**”) and WestRock MWV, LLC (“**MWV**”, and together with RKT, the “**Guarantor Subsidiaries**”). The carrying value of this facility at June 30, 2021 and September 30, 2020 was \$598.9 million and \$598.7 million, respectively.

Receivables Securitization Facility

On March 12, 2021, we amended our existing \$700.0 million receivables securitization agreement (the “**Receivables Securitization Facility**”), including extending its maturity to March 11, 2024, establishing the transition to the Secure Overnight Funding Rate at a future date from a blend of the market rate for asset-backed commercial paper and the one-month LIBOR rate plus a credit spread, and revising certain fees. At June 30, 2021 and September 30, 2020, maximum available borrowings, excluding amounts outstanding under the Receivables Securitization Facility, were \$700.0 million and \$700.0 million, respectively. The carrying amount of accounts receivable collateralizing the maximum available borrowings at June 30, 2021 and September 30, 2020 were approximately \$1,275.3 million and \$1,128.3 million, respectively. We have continuing involvement with the underlying receivables as we provide credit and collections services pursuant to the Receivables Securitization Facility. At June 30, 2021 and September 30, 2020, there were no amounts outstanding under this facility.

European Revolving Credit Facility

On February 26, 2021, we replaced our existing revolving credit facility with Coöperatieve Rabobank U.A., New York Branch, as administrative agent. The amendments included, among other things, increasing the facility to €600.0 million while maintaining the incremental €100.0 million accordion feature. This facility provides for a three-year unsecured U.S. dollar, Euro and British Pound denominated borrowing of not more than €600.0 million

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

maturing on February 26, 2024. At June 30, 2021, we had borrowed \$330.0 million under this facility and entered into foreign currency exchange contracts of \$330.3 million as an economic hedge for the U.S. dollar denominated borrowing plus interest by a non-U.S. dollar functional currency entity. The net of gains or losses from these foreign currency exchange contracts and the changes in the remeasurement of the U.S. dollar denominated borrowing in our foreign subsidiaries have been immaterial to our condensed consolidated statements of income. At September 30, 2020, we had borrowed \$250.0 million under the then-existing facility.

Commercial Paper Program

On December 7, 2018, we established an unsecured commercial paper program with WRKCo Inc. as the issuer. Under the program, we may issue 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, repaid and re-borrowed from time to time. At June 30, 2021 and September 30, 2020, there were no amounts outstanding.

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 will be repaid in equal, semiannual installments beginning on January 19, 2023 until the facility matures on January 19, 2026. The proceeds of the facility 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 will bear interest at a floating rate based on Brazil's Certificate of Interbank Deposit rate plus a spread of 2.50%. At June 30, 2021, there was R\$500.0 million (\$101.1 million) outstanding.

Note 12. 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 \$81.3 million and \$241.4 million during the three and nine months ended June 30, 2021, respectively. Our total lease cost, net was \$78.5 million and \$238.6 million during the three and nine months ended June 30, 2020, respectively. We obtained \$137.6 million and \$88.4 million of ROU assets in exchange for lease liabilities during the nine months ended June 30, 2021 and 2020, respectively.

Supplemental Balance Sheet Information Related to Leases

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

	Condensed Consolidated Balance Sheet Caption	June 30, 2021	September 30, 2020
Operating leases:			
Operating lease right-of-use asset	Other assets	\$ 695.7	\$ 658.6
Current operating lease liabilities	Other current liabilities	\$ 185.0	\$ 172.7
Operating lease liabilities	Other long-term liabilities	568.9	545.8
Total operating lease liabilities		<u>\$ 753.9</u>	<u>\$ 718.5</u>
Finance leases:			
Property, plant and equipment		\$ 143.0	\$ 143.2
Accumulated depreciation		(26.0)	(19.1)
Property, plant and equipment, net		<u>\$ 117.0</u>	<u>\$ 124.1</u>
Current finance lease liabilities	Current portion of debt	\$ 8.8	\$ 9.0
Noncurrent finance lease liabilities	Long-term debt due after one year	257.9	265.8
Total finance lease liabilities		<u>\$ 266.7</u>	<u>\$ 274.8</u>

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 13. Commitments and Contingencies**Health and Safety**

Our business involves the use of heavy equipment, machinery and chemicals and requires the performance of activities that create safety exposures. The health and safety of our teammates is our first priority, and we have established safety policies, programs, procedures and training for our manufacturing operations. We are subject to a broad range of foreign, federal, state and local laws and regulations relating to occupational health and safety, and our safety program includes measures required for compliance. In addition, our program includes the ongoing identification and elimination of workplace exposures that can lead to injuries and sharing of health and safety best practices. Failure to comply with applicable health and safety laws and regulations could subject us to fines, corrective actions or other sanctions.

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 lease or own. For those facilities where ACM is present and ACM is subject to regulation, we have established procedures for properly managing it.

We do not believe that future compliance with occupational health and safety laws and regulations will have a material adverse effect on our results of operations, financial condition or cash flows.

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 of hazardous substances, solid waste 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 release prevention plans and emergency response procedures. Our compliance initiatives related to these 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.

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 of these proceedings involve the cleanup of hazardous substances at sites that received waste from many different sources. 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. There are other remediation costs typically associated with the cleanup of hazardous substances at our current, closed or formerly-owned facilities, and recorded as liabilities in our balance sheet. Remediation costs are recorded in our financial statements when they become probable and reasonably estimable.

See “**Note 18. Commitments and Contingencies**” of the Notes to Consolidated Financial Statements section in the Fiscal 2020 Form 10-K for information related to environmental matters.

As of June 30, 2021, we had \$4.6 million reserved for environmental liabilities on an undiscounted basis, of which \$1.7 million is included in other long-term liabilities and \$2.9 million is included in other current liabilities, including amounts accrued in connection with environmental obligations relating to manufacturing facilities that we have closed. We believe the liability for these matters was adequately reserved at June 30, 2021.

Litigation

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. 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. We dispute the PIUMPF 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. See “**Note 4. Retirement Plans — MEPPs**” of the Notes to Condensed Consolidated Financial Statements 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, 2021, there were approximately 1,500 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 beyond our expectations, 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, 2021, we had a \$15.2 million estimated liability 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 with certainty, 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.

Brazil Tax Liability

We are challenging claims by the Brazil Federal Revenue Department that we are liable for underpayment of tax, penalties and interest in relation to a claim that a subsidiary of MeadWestvaco Corporation (the predecessor of WestRock MWV, LLC) had reduced its tax liability related to the goodwill generated by the 2002 merger of two of its Brazil 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 penalties for tax years 2009 to 2012 remains before CARF.

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\$698 million (\$141 million) as of June 30, 2021, 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, that excludes certain penalties, is included in the unrecognized tax benefits table. See “**Note 6. Income Taxes**” of the Notes to Consolidated Financial Statements section in the Fiscal 2020 Form 10-K. 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.

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. 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, 2021, we had recorded \$5.6 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 the 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.

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. The tax authorities in Brazil have 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 will allow us to recover tax amounts collected by the government. Due to the volume of invoices being reviewed (January 2002 to September 2019), we have recorded the estimated recoveries across several periods beginning in the fourth quarter of fiscal 2019 as we have reviewed the documents and the amount has become 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.

In the three months ended June 30, 2020, we recorded a receivable for our expected recovery and interest that consisted primarily of a \$4.2 million reduction of cost of goods sold and a \$6.0 million reduction of interest expense, net. In the nine months ended June 30, 2021 and 2020, we recorded a receivable for our expected recovery and interest that consisted primarily of a \$0.6 million and \$27.7 million reduction of cost of goods sold and a \$0.3 million and \$17.6 million reduction of interest expense, net, respectively. We are monitoring the status of our remaining cases, and subject to the resolution in the courts, we may record additional amounts in future periods.

Note 14. 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 Common Stock, representing approximately 15% of our outstanding common stock, par value \$0.01 per share ("**Common Stock**") as of July 1, 2015. The shares of Common Stock may be repurchased over an indefinite period of time at the discretion of management. Pursuant to the program, in the nine months ended June 30, 2021 and June 30, 2020, we repurchased no shares of Common Stock. As of June 30, 2021, we had approximately 19.1 million shares of Common Stock available for repurchase under the program.

Accumulated Other Comprehensive Loss

The tables below summarize the changes in accumulated other comprehensive loss, net of tax, by component for the nine months ended June 30, 2021 and June 30, 2020 (in millions):

	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Foreign Currency Items	Total ⁽¹⁾
Balance at September 30, 2020	\$ (5.6)	\$ (727.7)	\$ (586.6)	\$ (1,319.9)
Other comprehensive (loss) income before reclassifications	(0.1)	—	253.0	252.9
Amounts reclassified from accumulated other comprehensive loss	4.4	21.8	—	26.2
Net current period other comprehensive income	4.3	21.8	253.0	279.1
Balance at June 30, 2021	<u>\$ (1.3)</u>	<u>\$ (705.9)</u>	<u>\$ (333.6)</u>	<u>\$ (1,040.8)</u>

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

	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Foreign Currency Items	Total ⁽¹⁾
Balance at September 30, 2019	\$ 0.7	\$ (698.0)	\$ (371.9)	\$ (1,069.2)
Other comprehensive loss before reclassifications	(10.1)	—	(265.2)	(275.3)
Amounts reclassified from accumulated other comprehensive loss	2.2	28.3	—	30.5
Net current period other comprehensive (loss) income	(7.9)	28.3	(265.2)	(244.8)
Reclassification of stranded tax effects	—	(73.4)	—	(73.4)
Balance at June 30, 2020	<u>\$ (7.2)</u>	<u>\$ (743.1)</u>	<u>\$ (637.1)</u>	<u>\$ (1,387.4)</u>

(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 23% to 24% for the nine months ended June 30, 2021 and 25% to 26% for the nine months ended June 30, 2020. Although we are impacted by the exchange rates of a number of currencies, foreign currency translation adjustments recorded in accumulated other comprehensive loss for the nine months ended June 30, 2021 were primarily due to gains in the Brazilian Real, Canadian dollar, Mexican Peso and British Pound, each against the U.S. dollar. Foreign currency translation adjustments recorded in accumulated other comprehensive loss for the nine months ended June 30, 2020 were primarily due to losses in the Brazilian Real, Mexican Peso, Canadian dollar and Euro, each against the U.S. dollar.

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

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

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Pretax	Tax	Net of Tax	Pretax	Tax	Net of Tax
Amortization of defined benefit pension and postretirement items: (1)						
Actuarial losses (2)	\$ (9.3)	\$ 2.1	\$ (7.2)	\$ (11.4)	\$ 2.6	\$ (8.8)
Prior service costs (2)	(1.6)	0.3	(1.3)	(1.3)	0.3	(1.0)
Subtotal defined benefit plans	(10.9)	2.4	(8.5)	(12.7)	2.9	(9.8)
Derivative Instruments: (1)						
Interest rate swap hedge loss (3)	(2.1)	0.6	(1.5)	(1.4)	0.3	(1.1)
Total reclassifications for the period	<u>\$ (13.0)</u>	<u>\$ 3.0</u>	<u>\$ (10.0)</u>	<u>\$ (14.1)</u>	<u>\$ 3.2</u>	<u>\$ (10.9)</u>

(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 4. Retirement Plans" for additional details.

(3) These accumulated other comprehensive income components are included in Interest expense, net.

	Nine Months Ended June 30, 2021			Nine Months Ended June 30, 2020		
	Pretax	Tax	Net of Tax	Pretax	Tax	Net of Tax
Amortization of defined benefit pension and postretirement items: (1)						
Actuarial losses (2)	\$ (24.1)	\$ 5.7	\$ (18.4)	\$ (34.5)	\$ 8.7	\$ (25.8)
Prior service costs (2)	(4.4)	1.0	(3.4)	(3.3)	0.8	(2.5)
Reclassification of stranded tax effects (3)	—	—	—	—	73.4	73.4
Subtotal defined benefit plans	(28.5)	6.7	(21.8)	(37.8)	82.9	45.1
Derivative Instruments: (1)						
Interest rate swap hedge loss (4)	(6.0)	1.6	(4.4)	(0.4)	0.1	(0.3)
Natural gas commodity hedge gain (5)	—	—	—	(2.6)	0.7	(1.9)
Subtotal cash flow hedges	(6.0)	1.6	(4.4)	(3.0)	0.8	(2.2)
Total reclassifications for the period	<u>\$ (34.5)</u>	<u>\$ 8.3</u>	<u>\$ (26.2)</u>	<u>\$ (40.8)</u>	<u>\$ 83.7</u>	<u>\$ 42.9</u>

(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 4. Retirement Plans" for additional details.

(3) Amount reclassified to retained earnings as a result of the adoption of ASU 2018-02.

(4) These accumulated other comprehensive income components are included in Interest expense, net.

(5) These accumulated other comprehensive income components are included in Cost of goods sold.

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

Note 15. Earnings Per Share

The restricted stock awards that we grant to non-employee directors are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as our Common Stock. As participating securities, we include these instruments in the earnings allocation in computing earnings per share under the two-class method described in ASC 260, "*Earnings per Share*". The following table sets forth the computation of basic and diluted earnings per share under the two-class method (in millions, except per share data):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income attributable to common stockholders	\$ 250.1	\$ 178.5	\$ 514.6	\$ 465.1
Less: Distributed and undistributed income available to participating securities	—	—	(0.1)	(0.1)
Distributed and undistributed income available to common stockholders	<u>\$ 250.1</u>	<u>\$ 178.5</u>	<u>\$ 514.5</u>	<u>\$ 465.0</u>
Denominator:				
Basic weighted average shares outstanding	266.5	259.4	264.7	258.9
Effect of dilutive stock options and non-participating securities	2.5	1.0	2.3	1.3
Diluted weighted average shares outstanding	<u>269.0</u>	<u>260.4</u>	<u>267.0</u>	<u>260.2</u>
Basic earnings per share attributable to common stockholders	<u>\$ 0.94</u>	<u>\$ 0.69</u>	<u>\$ 1.94</u>	<u>\$ 1.80</u>
Diluted earnings per share attributable to common stockholders	<u>\$ 0.93</u>	<u>\$ 0.69</u>	<u>\$ 1.93</u>	<u>\$ 1.79</u>

Approximately 0.5 million and 4.0 million awards in the three months ended June 30, 2021 and June 30, 2020, respectively, were not included in computing diluted earnings per share because the effect would have been antidilutive. Approximately 0.6 million and 2.2 million awards in the nine months ended June 30, 2021 and June 30, 2020, respectively, were not included in computing diluted earnings per share because the effect would have been antidilutive.

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

The following discussion should be read in conjunction with the condensed consolidated financial statements and Notes thereto included herein and our audited Consolidated Financial Statements and Notes thereto for the fiscal year ended September 30, 2020, 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 2020 Form 10-K. The following discussion includes certain non-GAAP financial measures. See our reconciliations of non-GAAP financial measures in the "**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 the following two reportable segments: Corrugated Packaging, which consists of our containerboard mills, corrugated packaging and distribution operations, as well as our merchandising displays and recycling procurement operations; and Consumer Packaging, which consists of our consumer mills and food and beverage and partition operations. Prior to the completion of our monetization program in fiscal 2020, we had a third reportable segment, Land and Development, which previously sold real estate, primarily in the Charleston, SC region. Certain income and expenses are not allocated to our segments and, thus, the information that management uses to make operating decisions and assess performance does not reflect such amounts. See "**Note 1. Basis of Presentation and Significant Accounting Policies — Basis of Presentation**" for more information.

EXECUTIVE SUMMARY

Net sales of \$4,816.3 million for the third quarter of fiscal 2021 increased \$580.0 million, or 13.7%, compared to the third quarter of fiscal 2020. This increase was primarily due to the impact of higher selling price/mix, higher volumes and favorable foreign currency impacts. Volumes in the third quarter of fiscal 2020 were negatively impacted by COVID-19.

Earnings per diluted share were \$0.93 and \$0.69 in the three months ended June 30, 2021 and 2020, respectively. Adjusted Earnings Per Diluted Share were \$1.00 and \$0.76 in the three months ended June 30, 2021 and 2020, respectively. See the discussion and tables under "**Non-GAAP Financial Measures**" below.

Net cash provided by operating activities in the nine months ended June 30, 2021 and 2020 was \$1,602.4 million and \$1,339.0 million, respectively, primarily due to \$301.5 million of favorable working capital compared to the prior year period, including the payment of certain fiscal 2020 bonuses and the Company's 401(k) match and annual company contribution (i.e. up to 5% and 2.5%, respectively) in the form of stock, rather than cash, and deferral of certain payroll taxes in connection with the WestRock Pandemic Action Plan. During the nine months ended June 30, 2021, we paid down \$758.0 million of debt.

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

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, including shutting down certain systems out of an abundance of caution, as well as taking steps to supplement existing security monitoring, scanning and protective measures. We notified law enforcement and contacted our customers to apprise them of the situation.

We undertook extensive efforts to identify, contain and recover from this incident quickly and securely. Our teams worked to maintain our business operations and minimize the impact on our customers and teammates. All systems are back in service. All of our mills and converting locations began producing and shipping paper and packaging at pre-ransomware levels in March 2021 or earlier. Our mill system production was approximately 115,000 tons lower than planned for the quarter ended March 31, 2021 as a result of this incident. While shipments from some of our facilities initially lagged behind production levels, this gap closed as systems were restored during the second quarter of fiscal 2021. In locations where technology issues were identified, we used alternative methods, in many cases manual methods, to process and ship orders. We systematically brought our information systems back online in a controlled, phased approach.

We estimate the segment income impact of the lost sales and operational disruption of this incident on our operations in the second quarter of fiscal 2021 was approximately \$50 million, as well as approximately \$20 million of ransomware recovery costs, primarily professional fees. In addition, we incurred approximately \$9 million of ransomware recovery costs in the third quarter of fiscal 2021. We expect to recover substantially all of the ransomware losses from cyber and business interruption insurance in future periods. Disputes over the extent of insurance coverage for claims are not uncommon, and there will be a time lag between the initial incurrence of costs and the receipt of any insurance proceeds.

In response to the ransomware event, we accelerated information technology investments that we had previously planned to make in future periods in order to further strengthen our information security infrastructure. We engaged a leading cybersecurity defense firm that completed a forensics investigation of the ransomware incident and we are taking appropriate actions in response to the findings. For example, in the short-term, we reset all credentials Company-wide and strengthened security tooling across our servers and workstations. Longer term, in collaboration with our strategic partners, we established a roadmap to advance the maturity and effectiveness of our information security and resiliency capabilities. This roadmap includes initiatives to further strengthen our information security posture across the Company, and to enable us to potentially detect, respond to and recover from security and technical incidents in a faster and more effective manner. More specifically, we are progressing projects to bolster our security monitoring capabilities, strengthen our access controls, reduce risks associated with third-parties, and to enhance the information security of our mills and plants.

Expectations for the Fourth Quarter of Fiscal 2021

For the fourth quarter of fiscal 2021, we expect higher prices, stronger volumes, minimal scheduled maintenance downtime and improved productivity to drive higher sequential earnings. These items are expected to be partially offset by sequentially higher inflation across recycled fiber, virgin fiber and energy costs.

COVID-19 RESPONSE

Our first priority is the health and safety of our teammates. We have taken, and continue to take, actions to protect the health and safety of our teammates during COVID-19. Our business is an essential part of the global supply chain. Our paper and packaging products enable our customers to package essential food, beverage, health products, cleaning products and other goods. We are continuing to operate and meet or exceed our customers' needs in this rapidly evolving demand environment.

During the three and nine months ended June 30, 2021, we recorded \$4.2 million and \$45.0 million of expense related to COVID-19, including \$22.0 million of relief payments to employees in the first quarter of fiscal 2021. The balance was for increased costs for safety, cleaning and other items related to COVID-19. We began tracking the impact of costs related to COVID-19 in the third quarter of fiscal 2020. During the third quarter of fiscal 2020, we provided one-time recognition awards to our teammates who work in manufacturing and operations and recognized expense of \$31.6 million for those awards. We also incurred an additional expense of \$20.6 million for cleaning, safety supplies and equipment, screening resources and other items related to COVID-19. We expect to continue to incur additional costs related to safety, cleaning and other items related to COVID-19 as needed in the foreseeable future.

We continue to execute our differentiated strategy with financial strength and substantial liquidity, and we

continue to adapt to changing market conditions as a result of COVID-19. At June 30, 2021, we had approximately \$3.9 billion of availability under long-term committed credit facilities and cash and cash equivalents. We continue to believe that we have substantial liquidity to navigate the current dynamic environment, and remain focused on maintaining our investment grade rating and managing our working capital and taking appropriate actions to ensure our access to necessary liquidity.

WestRock Pandemic Action Plan

Given the uncertainties associated with the severity and duration of the pandemic, in May 2020 we announced, and began implementing, the WestRock Pandemic Action Plan. We have modified the WestRock Pandemic Action Plan as the impact of COVID-19 has evolved, and we may further modify it in the future. For example, we increased our dividend during the third quarter of fiscal 2021 and changed our capital expenditure assumptions, in each case as described below, and may change future estimates or the duration of the planned items. We expect that the actions that we have undertaken and will continue to undertake pursuant to the plan will provide an additional approximately \$1 billion in cash through the end of calendar 2021 that we will be able to use to reduce our outstanding indebtedness. Pursuant to the WestRock Pandemic Action Plan, as modified, we are committed to: (i) continue to protect the safety and well-being of our teammates, (ii) continue to match our supply with our customers' demand, (iii) reduce discretionary expenses, (iv) use Common Stock to make Company funded 401(k) match and annual contribution (i.e. up to 5% and 2.5%, respectively) beginning July 1, 2020 through September 30, 2021, (v) target reducing fiscal 2021 capital investments to a range of \$800 million to \$900 million (up from an initial range of \$600 to \$800 million), and (vi) resetting our quarterly dividend to \$0.20 per share for an annual rate of \$0.80 per share, which we did in May 2020. On May 4, 2021, our board of directors declared a quarterly dividend of \$0.24 per share, an increase of \$0.04 per share, or 20%, from the then existing rate and representing a \$0.96 per share annualized dividend. The decision to increase our dividend reflects the confidence we have in our business and our ability to generate strong cash flow, as well as the progress we have made in reducing debt since we began implementing the WestRock Pandemic Action Plan. On July 30, 2021, our board of directors declared a quarterly dividend of \$0.24 per share.

In addition, we followed through on previously disclosed commitments under the WestRock Pandemic Action Plan, as modified, including that we (i) decreased the salaries of our senior executive team by up to 25% from May 1, 2020 through December 31, 2020 and decreased the retainer for members of our board of directors by 25% for the third and fourth calendar quarters of 2020, (ii) used Common Stock to pay our annual incentive for fiscal 2020 for nearly all participants and set the payout level at 50% of the target opportunity subject to a safety modifier, as well as for Company funded 401(k) match and our annual contribution as noted above, and (iii) postponed \$116.5 million of employment taxes incurred through the end of calendar year 2020, pursuant to relief offered under the Coronavirus Aid, Relief and Economic Security ("**CARES**") Act. We also reduced fiscal 2020 capital investments to \$978.1 million after targeting to reduce them by approximately \$150 million to approximately \$950 million.

In fiscal 2020, we achieved more than \$350 million of the approximately \$1 billion goal set forth in the WestRock Pandemic Action Plan, as modified. As of June 30, 2021, we had achieved more than \$800 million of the approximately \$1 billion goal. The ultimate level achieved may be lower than the goal due to modifications such as increased capital investments and increased dividends as we modify the WestRock Pandemic Action Plan. We expect that our actions under the WestRock Pandemic Action Plan will continue to position us both to sustain our business in a range of economic and market conditions and for long-term success.

See Item 7. "**Management's Discussion and Analysis of Financial Condition and Results of Operations — COVID-19 RESPONSE — WestRock Pandemic Action Plan**" in our Fiscal 2020 Form 10-K for additional information.

RESULTS OF OPERATIONS

The following table summarizes our consolidated results for the three and nine months ended June 30, 2021 and June 30, 2020 (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net sales	\$ 4,816.3	\$ 4,236.3	\$ 13,655.6	\$ 13,107.3
Cost of goods sold	3,886.4	3,466.3	11,223.2	10,723.5
Gross profit	929.9	770.0	2,432.4	2,383.8
Selling, general and administrative, excluding intangible amortization	450.9	390.1	1,327.1	1,234.4
Selling, general and administrative intangible amortization	88.8	99.6	269.3	301.5
Loss (gain) on disposal of assets	1.0	1.0	3.8	(5.9)
Multiemployer pension withdrawal income	—	(2.0)	—	(1.1)
Restructuring and other costs	6.9	9.7	19.8	56.2
Operating profit	382.3	271.6	812.4	798.7
Interest expense, net	(102.5)	(92.4)	(279.8)	(283.2)
Loss on extinguishment of debt	—	(0.6)	(1.1)	(1.1)
Pension and other postretirement non-service income	31.5	25.6	101.4	78.4
Other income (expense), net	6.4	(5.0)	13.8	(9.6)
Equity in income of unconsolidated entities	10.7	—	29.4	8.7
Income before income taxes	328.4	199.2	676.1	591.9
Income tax expense	(77.4)	(19.2)	(158.2)	(123.5)
Consolidated net income	251.0	180.0	517.9	468.4
Less: Net income attributable to noncontrolling interests	(0.9)	(1.5)	(3.3)	(3.3)
Net income attributable to common stockholders	\$ 250.1	\$ 178.5	\$ 514.6	\$ 465.1

Net Sales (Unaffiliated Customers)

(In millions, except percentages)

	First Quarter	Second Quarter	Third Quarter	Nine Months Ended 6/30	Fourth Quarter	Fiscal Year
Fiscal 2020	\$ 4,423.7	\$ 4,447.3	\$ 4,236.3	\$ 13,107.3	\$ 4,471.5	\$ 17,578.8
Fiscal 2021	\$ 4,401.5	\$ 4,437.8	\$ 4,816.3	\$ 13,655.6		
% Change	(0.5)%	(0.2)%	13.7%	4.2%		

Net sales in the third quarter of fiscal 2021 increased \$580.0 million compared to the third quarter of fiscal 2020. This increase was primarily due to the impact of higher selling price/mix, higher volumes and favorable foreign currency impacts. Volumes in the third quarter of fiscal 2020 were negatively impacted by COVID-19.

Net sales in the nine months ended June 30, 2021 increased \$548.3 million compared to the nine months ended June 30, 2020. We experienced higher selling price/mix and higher volumes in the period, excluding the lost sales associated with the ransomware incident and winter weather events in the second quarter of fiscal 2021 (“the **Events**”) that decreased net sales by \$189.1 million. Volumes in the prior year period were negatively impacted by COVID-19, primarily in the third quarter. Additionally, we experienced aggregate favorable foreign currency impacts across our segments. The increase was partially offset by the absence of \$18.9 million of Land and Development net sales due to the completion of the monetization program in fiscal 2020. The change in net sales by segment is outlined below in “**Results of Operations — Corrugated Packaging Segment**” and “**Results of Operations — Consumer Packaging Segment**”.

Cost of Goods Sold

(In millions, except percentages)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Nine Months Ended 6/30</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
Fiscal 2020	\$ 3,614.7	\$ 3,642.5	\$ 3,466.3	\$ 10,723.5	\$ 3,658.1	\$ 14,381.6
(% of Net Sales)	81.7%	81.9%	81.8%	81.8%	81.8%	81.8%
Fiscal 2021	\$ 3,648.6	\$ 3,688.2	\$ 3,886.4	\$ 11,223.2		
(% of Net Sales)	82.9%	83.1%	80.7%	82.2%		

The \$420.1 million increase in cost of goods sold in the third quarter of fiscal 2021 compared to the prior year quarter was primarily due to higher volumes, increased cost inflation and other items. In the third quarter of fiscal 2020, we recorded costs of goods sold of \$45.0 million associated with COVID-19, including one-time recognition awards to our teammates who work in manufacturing and operations, increased costs for safety, cleaning and other items related to COVID-19 compared to \$4.6 million of costs for safety, cleaning and other items related to COVID-19 in the third quarter of fiscal 2021.

The \$499.7 million increase in cost of goods sold in the nine months ended June 30, 2021 compared to the prior year period was primarily due to higher volumes, increased cost inflation and other items, including operational disruption associated with the Events and COVID-19 related costs. These items were partially offset by productivity improvements and other items. In the nine months ended June 30, 2020, we received Hurricane Michael-related insurance proceeds of \$32.3 million and recorded a reduction of cost of goods sold of \$27.7 million in connection with an indirect tax claim in Brazil, primarily in the Corrugated Packaging segment. The Hurricane Michael-related insurance proceeds were for \$20.6 million of direct costs and property damage and for \$11.7 million for business interruption recoveries. In the nine months ended June 30, 2021, we recorded costs of goods sold of \$41.1 million related to COVID-19 primarily for relief payments to employees and increased costs for safety, cleaning and other items related to COVID-19. We did not track and report the impact of COVID-19 in the second quarter of fiscal 2020; therefore, the nine months ended June 30, 2020 includes costs of goods sold of \$45.0 million associated with COVID-19, including one-time recognition awards to our teammates who work in manufacturing and operations, increased costs for safety, cleaning and other items related to COVID-19 recorded in the third quarter. We expect to continue to incur additional costs related to safety, cleaning and other items related to COVID-19 as needed in the foreseeable future.

We discuss these items in greater detail below in “**Results of Operations — Corrugated Packaging Segment**” and “**Results of Operations — Consumer Packaging Segment**”.

Selling, General and Administrative Excluding Intangible Amortization

(In millions, except percentages)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Nine Months Ended 6/30</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
Fiscal 2020	\$ 425.7	\$ 418.6	\$ 390.1	\$ 1,234.4	\$ 390.0	\$ 1,624.4
(% of Net Sales)	9.6%	9.4%	9.2%	9.4%	8.7%	9.2%
Fiscal 2021	\$ 417.8	\$ 458.4	\$ 450.9	\$ 1,327.1		
(% of Net Sales)	9.5%	10.3%	9.4%	9.7%		

Selling, general, and administrative expenses (“**SG&A**”) excluding intangible amortization increased \$60.8 million in the third quarter of fiscal 2021 compared to the prior year quarter. The increase was primarily due to a \$44.8 million increase in bonus and stock-based compensation expense as a result of fiscal 2021 payments projected to be higher than fiscal 2020 payments that were reduced due to the actions we took in fiscal 2020 in connection with the WestRock Pandemic Action Plan discussed above. The increase was partially offset by a \$20.7 million decrease in bad debt expense compared to the prior year period.

SG&A excluding intangible amortization increased \$92.7 million in the nine months ended June 30, 2021 compared to the nine months ended June 30, 2020. The increase was primarily due to a \$107.3 million increase in bonus and stock-based compensation expense as a result of fiscal 2021 payments projected to be higher than fiscal 2020 payments, and included a \$9.6 million acceleration of stock-based compensation in connection with our former Chief Executive Officer in the second quarter of fiscal 2021. In addition, we incurred increased aggregate costs for consulting, professional and legal fees of \$16.7 million compared to the prior year period, primarily associated with the ransomware incident. These increases were partially offset by a \$30.3 million decrease in bad debt expense compared to the prior year period, as well as a \$23.5 million reduction in travel and entertainment associated with prolonged shelter-in-place orders in response to the ongoing effects of COVID-19.

The increased levels of bonus and stock-based compensation expense as compared to fiscal 2020 will likely continue in the fourth quarter of fiscal 2021.

Selling, General and Administrative Intangible Amortization

SG&A intangible amortization was \$88.8 million and \$99.6 million in the third quarter of fiscal 2021 and 2020, respectively. SG&A intangible amortization was \$269.3 million and \$301.5 million in the nine months ended June 30, 2021 and June 30, 2020, respectively. The declines were primarily attributable to certain intangibles from prior acquisitions reaching full amortization.

Loss (Gain) on Disposal of Assets

In the three and nine months ended June 30, 2021, we recorded a loss on disposal of assets of \$1.0 million and \$3.8 million. In the three and nine months ended June 30, 2020, we recorded loss on disposal of assets of \$1.0 million and a gain on disposal of assets of \$5.9 million, respectively.

Restructuring and Other Costs

We recorded aggregate pre-tax restructuring and other costs of \$6.9 million and \$9.7 million in the third quarter of fiscal 2021 and 2020, respectively, and \$19.8 million and \$56.2 million in the nine months ended June 30, 2021 and June 30, 2020, respectively. 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. See "**Note 3. Restructuring and Other Costs**" of the Notes to Condensed Consolidated Financial Statements for additional information.

Interest Expense, net

Interest expense, net for the third quarter of fiscal 2021 was \$102.5 million compared to \$92.4 million for the prior year quarter. The increase was primarily due to a \$7.7 million increase in interest expense associated with the remeasurement of our multiemployer pension liabilities in the third quarter of fiscal 2021, as well as \$6.0 million of interest income recorded in connection with an indirect tax claim in Brazil in the third quarter of fiscal 2020. These increases were partially offset by the impact of lower debt levels in the current year period.

Interest expense, net for the nine months ended June 30, 2021 was \$279.8 million compared to \$283.2 million for the prior year period. The decrease is primarily due to lower levels of debt in fiscal 2021 compared to the prior year period. Additionally, the prior year period included \$17.6 million of interest income recorded in connection with an indirect tax claim in Brazil.

See "**Note 13. Commitments and Contingencies — Indirect Tax Claim**" of the Notes to Condensed Consolidated Financial Statements for additional information.

Pension and Other Postretirement Non-Service Income

Pension and other postretirement non-service income for the third quarter of fiscal 2021 was \$31.5 million compared to \$25.6 million for the third quarter of fiscal 2020. Pension and other postretirement non-service income for the nine months ended June 30, 2021 was \$101.4 million compared to \$78.4 million for the nine months ended June 30, 2020. The increase was primarily due to the increase in plan asset balances used to determine the expected return on plan assets for fiscal 2021. Customary pension and other postretirement (income) costs are included in segment income. See "**Note 4. Retirement Plans**" of the Notes to Condensed Consolidated Financial Statements for more information.

Other income (expense), net

Other income (expense), net for the third quarter of fiscal 2021 was income of \$6.4 million compared to expense of \$5.0 million in the third quarter of fiscal 2020.

Other income (expense), net for the nine months ended June 30, 2021 was income of \$13.8 million compared to expense of \$9.6 million in the prior year period. The nine months ended June 30, 2021 primarily included a \$16.5 million gain on sale of the Summerville, SC sawmill and a \$16.0 million gain on sale of a legacy cost method investment which were partially offset by a \$22.5 million charge associated with not exercising an option to purchase an additional equity interest in Grupo Gondi.

Provision for Income Taxes

We recorded income tax expense of \$77.4 million for the three months ended June 30, 2021 compared to \$19.2 million for the three months ended June 30, 2020. The effective tax rate for the three months ended June 30, 2021 was 23.6%, while the effective tax rate for the three months ended June 30, 2020 was 9.6%.

We recorded income tax expense of \$158.2 million for the nine months ended June 30, 2021 compared to \$123.5 million for the nine months ended June 30, 2020. The effective tax rate for the nine months ended June 30, 2021 was 23.4%, while the effective tax rate for the nine months ended June 30, 2020 was 20.9%.

See "**Note 5. Income Taxes**" of the Notes to Condensed Consolidated Financial Statements for the primary factors impacting our effective tax rates.

Corrugated Packaging Segment

Corrugated Packaging Shipments

Corrugated Packaging shipments are expressed as a tons equivalent, which includes external and intersegment tons shipped from our Corrugated Packaging mills plus Corrugated Packaging container shipments converted from billion square feet ("**BSF**") to tons. We have presented the Corrugated Packaging shipments in two groups: North American and Brazil / India because we believe investors, potential investors, securities analysts and others find this breakout useful when evaluating our operating performance. The table below reflects shipments in thousands of tons, BSF and millions of square feet ("**MMSF**") per shipping day. The number of shipping days vary by geographic location.

North American Corrugated Packaging Shipments

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Nine Months Ended 6/30</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
Fiscal 2020						
North American Corrugated Packaging Shipments - thousands of tons	2,591.2	2,618.8	2,504.4	7,714.4	2,504.4	10,218.8
North American Corrugated Containers Shipments - BSF	23.9	23.8	23.2	70.9	24.9	95.8
North American Corrugated Containers Per Shipping Day - MMSF	385.9	371.2	369.3	375.4	388.0	378.6
Fiscal 2021						
North American Corrugated Packaging Shipments - thousands of tons	2,519.3	2,485.2	2,582.7	7,587.2		
North American Corrugated Containers Shipment - BSF	25.4	24.7	25.3	75.4		
North American Corrugated Containers Per Shipping Day - MMSF	416.7	391.5	402.0	403.2		

Brazil / India Corrugated Packaging Shipments

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Nine Months Ended 6/30</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
Fiscal 2020						
Brazil / India Corrugated Packaging Shipments - thousands of tons	168.1	182.5	176.4	527.0	185.1	712.1
Brazil / India Corrugated Containers Shipments - BSF	1.7	1.6	1.6	4.9	1.9	6.8
Brazil / India Corrugated Containers Per Shipping Day - MMSF	22.9	21.3	21.0	21.7	24.3	22.4
Fiscal 2021						
Brazil / India Corrugated Packaging Shipments - thousands of tons	156.8	183.9	194.9	535.6		
Brazil / India Corrugated Containers Shipments - BSF	1.8	1.9	1.9	5.6		
Brazil / India Corrugated Containers Per Shipping Day - MMSF	23.5	24.5	26.0	24.6		

Corrugated Packaging Segment – Net Sales and Income

(In millions, except percentages)

	<u>Net Sales (1)</u>	<u>Segment Income</u>	<u>Return on Sales</u>
Fiscal 2020			
First Quarter	\$ 2,909.5	\$ 283.4	9.7%
Second Quarter	2,882.5	244.5	8.5
Third Quarter	2,728.8	227.9	8.4
Nine Months Ended June 30, 2020	8,520.8	755.8	8.9
Fourth Quarter	2,898.4	281.9	9.7
Total	<u>\$ 11,419.2</u>	<u>\$ 1,037.7</u>	<u>9.1%</u>
Fiscal 2021			
First Quarter	\$ 2,864.5	\$ 215.0	7.5%
Second Quarter	2,913.4	205.3	7.0
Third Quarter	3,167.1	321.7	10.2
Nine Months Ended June 30, 2021	<u>\$ 8,945.0</u>	<u>\$ 742.0</u>	<u>8.3%</u>

(1) Net sales before intersegment eliminations.

Net Sales (Aggregate) — Corrugated Packaging Segment

Net sales of the Corrugated Packaging segment increased \$438.3 million in the third quarter of fiscal 2021 compared to the prior year quarter. The increase primarily consisted of \$257.5 million of higher selling price/mix, \$175.3 million of higher volumes and \$13.9 million of favorable foreign currency impacts. Volumes in the third quarter of fiscal 2020 were negatively impacted by COVID-19. Record third quarter North American per day box shipments during the third quarter of fiscal 2021 increased 8.9% compared to the prior year period.

Net sales of the Corrugated Packaging segment increased \$424.2 million in the nine months ended June 30, 2021 compared to the prior year period. The increase primarily consisted of \$312.1 million of higher selling price/mix and \$143.8 million of higher volumes that was partially offset by \$35.2 million of unfavorable foreign currency impacts. Volumes were negatively impacted by \$77.0 million and \$39.9 million due to the ransomware incident and winter weather, respectively, in the second quarter of fiscal 2021. Volumes in the prior year period were negatively impacted by COVID-19, primarily in the third quarter. Record North American per day box shipments during the nine month period ended June 30, 2021 increased 6.5% compared to the prior year period.

Segment Income — Corrugated Packaging Segment

Segment income attributable to the Corrugated Packaging segment in the third quarter of fiscal 2021 increased \$93.8 million primarily due to \$257.5 million of margin impact from higher selling price/mix and \$40.1 million of higher volumes that were partially offset by an estimated \$124.3 million of net cost inflation and a \$33.3 million reduction in productivity compared to the prior year period and other items. Net cost inflation consisted primarily of higher freight, energy, recovered fiber, chemical, virgin fiber and wage and other costs. The third quarter of fiscal 2020 included approximately \$27.5 million in one-time recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 compared to \$2.6 million of increased costs for safety, cleaning and other items related to COVID-19 in the third quarter of fiscal 2021.

Segment income attributable to the Corrugated Packaging segment in the nine months ended June 30, 2021 decreased \$13.8 million compared to the prior year period, primarily due to an estimated \$282.4 million of net cost inflation, \$42.6 million of estimated impact from the ransomware incident, \$27.8 million of Hurricane Michael insurance recoveries net of direct costs and \$25.1 million of decreased indirect tax claims in Brazil both in the prior year period, \$15.9 million of estimated impact from winter weather in the second quarter of fiscal 2021 and other items. These decreases were partially offset by \$322.9 million of margin impact from higher selling price/mix

on sales, \$54.1 million of higher volumes excluding the Events, \$22.0 million of lower depreciation and amortization, primarily due to accelerated depreciation incurred in the prior year period associated with the Florence, SC paper machine project and the North Charleston, SC reconfiguration project and other items, including higher segment income related to our North Charleston, SC mill and the Florence, SC mill following last year's reconfiguration and paper machine projects. Net cost inflation consisted primarily of higher recovered fiber, energy, freight, chemical and wage and other costs that were partially offset by lower virgin fiber compared to the prior year period. The impact of COVID-19 recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 for the nine months ended June 30, 2020 was \$27.5 million compared to \$24.0 million in the current year period.

Consumer Packaging Segment

Consumer Packaging Shipments

Consumer Packaging shipments are expressed as a tons equivalent, which includes external and intersegment tons shipped from our Consumer Packaging mills plus Consumer Packaging converting shipments converted from BSF to tons. The shipment data table excludes gypsum paperboard liner tons produced by Seven Hills Paperboard LLC our joint venture in Lynchburg, VA since it is not consolidated.

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Nine Months Ended 6/30</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
<u>Fiscal 2020</u>						
Consumer Packaging Shipments - thousands of tons	922.4	987.7	984.5	2,894.6	976.8	3,871.4
<u>Fiscal 2021</u>						
Consumer Packaging Shipments - thousands of tons	940.4	913.0	987.4	2,840.8		

Consumer Packaging Segment – Net Sales and Income

(In millions, except percentages)

	<u>Net Sales (1)</u>	<u>Segment Income</u>	<u>Return on Sales</u>
<u>Fiscal 2020</u>			
First Quarter	\$ 1,536.9	\$ 46.2	3.0%
Second Quarter	1,616.3	90.8	5.6
Third Quarter	1,552.6	95.3	6.1
Nine Months Ended June 30, 2020	4,705.8	232.3	4.9
Fourth Quarter	1,627.2	91.4	5.6
Total	<u>\$ 6,333.0</u>	<u>\$ 323.7</u>	<u>5.1%</u>
<u>Fiscal 2021</u>			
First Quarter	\$ 1,595.1	\$ 92.5	5.8%
Second Quarter	1,589.9	81.2	5.1
Third Quarter	1,734.7	132.0	7.6
Nine Months Ended June 30, 2021	<u>\$ 4,919.7</u>	<u>\$ 305.7</u>	<u>6.2%</u>

(1) Net sales before intersegment eliminations.

Net Sales (Aggregate) — Consumer Packaging Segment

The \$182.1 million increase in net sales for the Consumer Packaging segment for the third quarter of fiscal 2021 compared to the prior year quarter was primarily due to \$71.2 million of higher volumes, \$71.2 million of higher selling price/mix and \$39.7 million of favorable foreign currency impacts. Volumes in the third quarter of fiscal 2020 were negatively impacted by COVID-19.

The \$213.9 million increase in net sales for the Consumer Packaging segment for the nine months ended June 30, 2021 compared to the prior year period was primarily due to \$105.3 million of higher selling price/mix, \$33.8 million of higher volumes and \$74.6 million of favorable foreign currency impacts. Volumes were negatively impacted by \$40.5 million and \$31.7 million due to the ransomware incident and winter weather, respectively, in the second quarter of fiscal 2021. The prior year period was negatively impacted by COVID-19, primarily in the third quarter.

Segment Income — Consumer Packaging Segment

Segment income attributable to the Consumer Packaging segment in the third quarter of fiscal 2021 increased \$36.7 million compared to the prior year quarter primarily due to \$59.7 million of margin impact from higher selling price/mix, an estimated \$48.0 million of productivity improvements and \$17.9 million of higher volumes. These items were partially offset by an estimated \$76.0 million of net cost inflation and other items. Net cost inflation consisted primarily of higher wage and other costs and higher chemical, freight, energy, recovered fiber and virgin fiber costs. The third quarter of fiscal 2020 included approximately \$20.5 million of one-time recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 compared to \$1.6 million of increased costs for safety, cleaning and other items related to COVID-19 in the third quarter of fiscal 2021.

Segment income attributable to the Consumer Packaging segment for the nine months ended June 30, 2021 increased \$73.4 million compared to the prior year period primarily due to an estimated \$105.3 million of productivity improvements, \$95.6 million of margin impact from higher selling price/mix, \$26.0 million of higher volumes, which excludes the impact of the Events, and other items. These items were partially offset by an estimated \$107.6 million of net cost inflation, an estimated \$14.1 million impact of winter weather, an estimated \$13.3 million impact of the ransomware incident, and other items. Net cost inflation consisted primarily of higher wage and other costs and higher chemical, freight, recovered fiber and energy costs, which were partially offset by lower virgin fiber costs. The impact of COVID-19 recognition awards to our manufacturing and operations teammates and increased costs for safety, cleaning and other items related to COVID-19 for the nine months ended June 30, 2020 was \$20.5 million compared to \$19.2 million in the current year period.

LIQUIDITY AND CAPITAL RESOURCES

We fund 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 agreements, proceeds from the sale of property, plant and equipment removed from service and proceeds received in connection with the issuance of debt and equity securities. See “**Note 11. Debt**” of the Notes to Condensed Consolidated Financial Statements and “**Note 13. Debt**” of the Notes to Consolidated Financial Statements section in the Fiscal 2020 Form 10-K for more information regarding our debt. Funding for our domestic operations in the foreseeable future is expected to come from sources of liquidity within our domestic operations, including 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 \$549.8 million at June 30, 2021 and \$251.1 million at September 30, 2020. Approximately two-fifths of the cash and cash equivalents at June 30, 2021 was 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, 2021 and September 30, 2020, total debt was \$8,672.6 million and \$9,430.6 million, respectively, \$565.7 million and \$222.9 million of which was short-term at June 30, 2021 and September 30, 2020, respectively. Included in our total debt at June 30, 2021 was \$196.6 million of non-cash acquisition-related step-up. Total debt at June 30, 2021 decreased \$758.0 million compared to September 30, 2020. Total debt was primarily impacted by net cash provided by operating activities exceeding aggregate capital expenditures and dividends.

At June 30, 2021, we had approximately \$3.9 billion of availability under our long-term committed credit facilities and cash and cash equivalents. Our primary availability is under our revolving credit facilities and Receivables Securitization Facility, the majority of which matures on November 21, 2024. This liquidity may be used to provide for ongoing working capital needs and for other general corporate purposes, including acquisitions, dividends and stock repurchases. We have limited debt maturities prior to March 2022. However, on August 2, 2021, we issued a notice of redemption pursuant to the indenture governing \$400 million of 4.9% bonds due March 2022 with a redemption date of September 10, 2021. We expect to use cash and cash equivalents to redeem the bonds and record a loss on extinguishment of debt of approximately \$9 million.

Certain restrictive covenants govern our maximum availability under our credit facilities. We test and report our compliance with these covenants as required by these facilities and were in compliance with these covenants at June 30, 2021.

At June 30, 2021, we had \$64.4 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, a monetization facility where we sell short-term receivables to a group of third-party financial institutions and a receivables securitization facility. We describe these programs below.

We engage in certain customer-based SCF programs to accelerate the receipt of payment for outstanding accounts receivable from certain customers. Certain costs of these programs are borne by the customer or us. Receivables transferred under these customer-based supply chain financing programs generally meet the requirements to be accounted for as sales in accordance with guidance under ASC 860, "Transfers and Servicing" resulting in derecognition of such receivables from our consolidated balance sheets. Receivables involved with these customer-based supply chain finance programs constitute less than 3% 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 10. Fair Value — Accounts Receivable Sales 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 item accounts payable and accrued expenses in our consolidated balance sheet 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 15% of our accounts payable balance.

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 institutions' involvement. We also have a receivables securitization facility (as defined herein) that allows for borrowing availability based on the eligible underlying accounts receivable and compliance with certain covenants. See "**Note 11. Debt**" for additional information 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 June 30,	
	2021	2020
Net cash provided by operating activities	\$ 1,602.4	\$ 1,339.0
Net cash used for investing activities	\$ (385.5)	\$ (825.4)
Net cash used for financing activities	\$ (941.3)	\$ (352.1)

Net cash provided by operating activities during the nine months ended June 30, 2021 increased \$263.4 million compared to the nine months ended June 30, 2020, primarily due to \$301.5 million of favorable working capital compared to the prior year period, including the payment of certain fiscal 2020 bonuses and the Company's 401(k) match and annual company contribution (i.e. up to 5% and 2.5%, respectively) in the form of stock, rather than cash, and deferral of certain payroll taxes in connection with the WestRock Pandemic Action Plan.

Net cash used for investing activities of \$385.5 million in the nine months ended June 30, 2021 consisted primarily of \$505.4 million for capital expenditures that were partially offset by \$58.5 million of proceeds from the sale of the Summerville, SC sawmill and \$29.5 million of proceeds from the sale of investments. Net cash used for investing activities of \$825.4 million in the nine months ended June 30, 2020 consisted primarily of \$860.2 million for capital expenditures that were partially offset by \$22.5 million of proceeds from the sale of property, plant and equipment.

We started up a new paper machine at our Florence, SC mill in October 2020 and expect to ramp up to full production by the end of fiscal 2021. The Tres Barras mill upgrade project is complete and we expect to ramp up production by the end of the calendar year. We expect fiscal 2021 capital investments to be \$800 million to \$900 million, which is higher than the estimates that we incorporated into the WestRock Pandemic Action Plan due to investments that we subsequently identified in specific growth projects. At these capital investment levels, we are confident that we will continue to invest in the appropriate safety, environmental and maintenance projects, and complete our strategic mill projects while also making investments to support productivity and growth in our business. However, it is possible that 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 environmental or other regulatory changes.

In the nine months ended June 30, 2021, net cash used for financing activities of \$941.3 million consisted primarily of a net decrease in debt of \$777.1 million and cash dividends paid to stockholders of \$169.8 million. In the nine months ended June 30, 2020, net cash used for financing activities of \$352.1 million consisted primarily of cash dividends paid to stockholders of \$292.6 million and a net decrease in debt of \$57.8 million.

On July 30, 2021, our board of directors declared a quarterly dividend of \$0.24 per share. On May 4, 2021, our board of directors declared a quarterly dividend of \$0.24 per share, an increase of \$0.04 per share, or 20%, from the then existing rate and representing a \$0.96 per share annualized dividend. The decision to increase our dividend reflects the confidence we have in our business and our ability to generate strong cash flow, as well as the progress we have made in reducing debt since we began implementing the WestRock Pandemic Action Plan. In May 2021, February 2021 and November 2020, we paid a quarterly dividend of \$0.24, \$0.20 and \$0.20 per share, respectively, compared to \$0.20, \$0.465 and \$0.465 per share in May 2020, February 2020 and November 2019, respectively. We believe that reducing our dividend in May 2020 was prudent given the uncertain market conditions at the time driven by COVID-19 and that the reduction has allowed us to allocate additional cash to pay down our outstanding debt. Our short-term goal has been to reduce debt and leverage and return capital to stockholders through a competitive annual dividend. Longer term, our capital allocation priorities include (i) investing in our business, (ii) consistently growing our dividend, (iii) maintaining our investment grade profile, (iv) pursue tuck-in acquisitions that clearly align to our strategy and generate attractive returns and (v) opportunistic share repurchases.

At June 30, 2021, the U.S. federal, state and foreign net operating losses and other U.S. federal and state tax credits available to us aggregated approximately \$78 million in future potential reductions of U.S. federal, state and foreign cash taxes. Based on our current projections, we expect to utilize nearly all of the remaining U.S.

federal net operating losses and other U.S. federal credits during the current fiscal year. Foreign and state net operating losses and credits will be used over a longer period of time. 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. 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 cash tax rate to be slightly higher than our income tax rate in fiscal 2021 and fiscal 2022 primarily due to the absence of certain nonrecurring tax credits, the expected release of a non-cash tax reserve and the reduction in capital investments, including the timing of depreciation on our qualifying capital investments as allowed under the Tax Cuts and Jobs Act.

Our pension plans in the U.S. are overfunded and we have a pension asset of approximately \$0.5 billion on our condensed consolidated balance sheet as of June 30, 2021. We made contributions of \$15.6 million to our pension and supplemental retirement plans during the nine months ended June 30, 2021. Based on current facts and assumptions, we expect to contribute approximately \$22 million to our U.S. and non-U.S. pension plans in fiscal 2021. 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 (the “**Pension Act**”) and other regulations. Our estimates are based on current factors, such 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.

In the normal course of business, we evaluate our potential exposure to MEPPs, including with respect to potential withdrawal liabilities. During fiscal 2018, we submitted formal notification to withdraw from PIUMPF and Central States, and recorded estimated withdrawal liabilities for each. We also have liabilities associated with other MEPPs that we, or legacy companies, have withdrawn. Currently, we pay approximately \$14 million a year 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 liabilities, both individually and in the aggregate, are not material for the remaining plans in which we participate.

At June 30, 2021 and September 30, 2020, we had withdrawal liabilities recorded of \$250.7 million and \$252.0 million, respectively, including liabilities associated with PIUMPF. See “**Note 4. Retirement Plans — MEPPs**” of the Notes to Condensed Consolidated Financial Statements section 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 MEPPs**” in our Fiscal 2020 Form 10-K.

We anticipate that we will be able to fund our capital expenditures, interest payments, 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 agreements, proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities. In addition, we continually 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, we may seek to refinance existing indebtedness to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness.

Guarantor Summarized Financial Information

WRKCo, Inc. (the “**Issuer**”), a wholly owned subsidiary of Parent (as defined below), 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**”):

Aggregate Principal Amount (in millions)	Stated Coupon Rate	Maturity Date	Referred to as:
\$ 500	3.000%	September 2024	the 2024 Notes
\$ 600	3.750%	March 2025	the 2025 Notes
\$ 750	4.650%	March 2026	the 2026 Notes
\$ 500	3.375%	September 2027	the 2027 Notes
\$ 600	4.000%	March 2028	the 2028 Notes
\$ 500	3.900%	June 2028	the June 2028 Notes
\$ 750	4.900%	March 2029	the 2029 Notes
\$ 500	4.200%	June 2032	the 2032 Notes
\$ 600	3.000%	June 2033	the June 2033 Notes

Upon issuance, the Notes maturing in 2024, 2025, 2027 and March 2028 were fully and unconditionally guaranteed by the Guarantor Subsidiaries. On November 2, 2018, in connection with the consummation of the KapStone Acquisition, Whiskey Holdco, Inc. became the direct parent of the Issuer, changed its name to WestRock Company (“**Parent**”) and fully and unconditionally guaranteed these Notes. The remaining Notes were issued by the Issuer subsequent to the consummation of the KapStone Acquisition and were fully and unconditionally guaranteed at the time of issuance by Parent and the Guarantor Subsidiaries. Accordingly, each series of the Notes is fully and unconditionally guaranteed on a joint and several basis by Parent and the Guarantor Subsidiaries (together, the “**Guarantors**”). Collectively, the Issuer and the Guarantors are the “**Obligor Group**”.

Each series of Notes and the related guarantees constitute unsecured unsubordinated obligations of the applicable obligor. Each series of Notes and the related guarantees ranks equally in right of payment with all of the applicable obligor’s existing and future unsecured and unsubordinated debt; ranks senior in right of payment to all of the applicable obligor’s existing and future subordinated debt; is effectively junior to the applicable obligor’s existing and future secured debt to the extent of the value of the assets securing such debt; and is structurally subordinated to all of the existing and future liabilities of each subsidiary of the applicable obligor (that is not itself an obligor) that does not guarantee such Notes.

The indentures governing each series of Notes contain covenants that, among other things, limit our ability and the ability of our subsidiaries to grant liens on our assets and enter into sale and leaseback transactions. In addition, the indentures limit, as applicable, the ability of the Issuer and Guarantors to merge, consolidate or sell, convey, transfer or lease our or their properties and assets substantially as an entirety. The covenants contained in the indentures do not restrict the Company’s ability to pay dividends or distributions to stockholders.

The guarantee obligations of the Guarantors under the Notes are also subject to certain limitations and terms similar to those applicable to other guarantees of similar instruments, including that (i) the guarantees are subject to fraudulent transfer and conveyance laws and (ii) the obligations of each Guarantor under its guarantee of each series of Notes will be limited to the maximum amount as will result in the obligations of such Guarantor under its guarantee of such Notes not to be deemed to constitute a fraudulent conveyance or fraudulent transfer under federal or state law.

Under each indenture governing one or more series of the Notes, a Guarantor Subsidiary will be automatically and unconditionally released from its guarantee upon consummation of any transaction permitted under the applicable indenture resulting in such Guarantor Subsidiary ceasing to be an obligor (either as issuer or guarantor). Under the indentures, the guarantee of Parent will be automatically released and will terminate upon the merger of Parent with or into the Issuer or another guarantor, the consolidation of Parent with the Issuer or another guarantor or the transfer of all or substantially all of the assets of Parent to the Issuer or a guarantor. In addition, if the Issuer exercises its defeasance or covenant defeasance option with respect to the Notes of a series in accordance with the terms of the applicable indenture, each guarantor will be automatically and unconditionally released from its guarantee of the Notes of such series and all its obligations under the applicable indenture.

The Issuer and each Guarantor is a holding company that conducts substantially all of its business through subsidiaries. Accordingly, repayment of the Issuer's indebtedness, including the Notes, is dependent on the generation of cash flow by the Issuer's and each Guarantor's subsidiaries, as applicable, and their ability to make such cash available to the Issuer and the Guarantors, as applicable, by dividend, debt repayment or otherwise. The Issuer's and the Guarantors' subsidiaries may not be able to, or be permitted to, make distributions to enable them to make payments in respect of their obligations, including with respect to the Notes in the case of the Issuer and the guarantees in the case of the Guarantors. Each of the Issuer's and the Guarantors' subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuer's and the Guarantors' ability to obtain cash from their subsidiaries. In the event that the Issuer and the Guarantors do not receive distributions from their subsidiaries, the Issuer and the Guarantors may be unable to make required principal and interest payments on their obligations, including with respect to the Notes and the guarantees.

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 unaudited condensed 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.

SUMMARIZED STATEMENT OF OPERATIONS

(In millions)	<u>Nine Months Ended June 30, 2021</u>	
Net sales to unrelated parties	\$	1,135.1
Net sales to non-Guarantor Subsidiaries	\$	749.0
Gross profit	\$	459.1
Interest expense, net with non-Guarantor Subsidiaries	\$	(48.4)
Net loss and net loss attributable to the Obligor Group	\$	(21.9)

SUMMARIZED BALANCE SHEETS

(In millions)	<u>June 30, 2021</u>		<u>September 30, 2020</u>	
ASSETS				
Total current assets	\$	543.2	\$	334.8
Noncurrent amounts due from non-Guarantor Subsidiaries	\$	306.0	\$	310.0
Other noncurrent assets (1)		<u>2,056.7</u>		<u>2,096.7</u>
Total noncurrent assets	\$	<u>2,362.7</u>	\$	<u>2,406.7</u>
LIABILITIES				
Current amounts due to non-Guarantor Subsidiaries	\$	1,894.7	\$	1,520.1
Other current liabilities		<u>604.8</u>		<u>237.9</u>
Total current liabilities	\$	<u>2,499.5</u>	\$	<u>1,758.0</u>
Noncurrent amounts due to non-Guarantor Subsidiaries	\$	3,437.4	\$	2,821.3
Other noncurrent liabilities		<u>7,326.3</u>		<u>8,633.4</u>
Total noncurrent liabilities	\$	<u>10,763.7</u>	\$	<u>11,454.7</u>

(1) Other noncurrent assets includes aggregate goodwill and intangibles, net of \$1,723.7 million and \$1,797.2 million as of June 30, 2021 and September 30, 2020, respectively.

New Accounting Standards

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

Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, management believes certain non-GAAP financial measures provide investors and other users with additional meaningful financial information that should be considered 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, 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 board of directors, investors, potential investors, securities analysts and others with useful information to evaluate our performance because they exclude restructuring and other 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 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 income attributable to common stockholders and Earnings per diluted share, respectively.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Earnings per diluted share	\$ 0.93	\$ 0.69	\$ 1.93	\$ 1.79
Ransomware recovery costs	0.02	—	0.08	—
COVID-19 relief payments	—	0.09	0.06	0.09
Grupo Gondi option	—	—	0.06	—
Restructuring and other items	0.02	0.03	0.05	0.16
Accelerated compensation - former CEO	—	—	0.04	—
Losses at closed plants, transition and start-up costs	0.01	0.02	0.01	0.06
Loss on extinguishment of debt	—	—	0.01	—
North Charleston and Florence transition and reconfiguration costs	—	0.02	—	0.13
Accelerated depreciation on major capital projects and certain plant closures	—	—	—	0.05
Gain on sale of investment	—	—	(0.05)	—
Gain on sale of sawmill	—	—	(0.03)	—
Brazil indirect tax claim	—	(0.03)	—	(0.12)
Adjustment related to Tax Cuts and Jobs Act	—	(0.06)	—	(0.06)
Hurricane Michael recovery of direct costs, net	—	—	—	(0.05)
Litigation recovery	—	—	—	(0.03)
Gain on sale of certain closed facilities	—	—	—	(0.02)
MEPP liability adjustment due to interest rates	0.02	—	—	—
Other	—	—	—	0.02
Adjusted Earnings Per Diluted Share	\$ 1.00	\$ 0.76	\$ 2.16	\$ 2.02

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

	Three Months Ended June 30, 2021			Nine Months Ended June 30, 2021		
	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax
As reported	\$ 328.4	\$ (77.4)	\$ 251.0	\$ 676.1	\$ (158.2)	\$ 517.9
Ransomware recovery costs	9.3	(2.2)	7.1	29.1	(7.1)	22.0
COVID-19 relief payments	—	—	—	22.0	(5.4)	16.6
Grupo Gondi option	—	—	—	22.5	(6.7)	15.8
Restructuring and other items	6.9	(1.5)	5.4	19.8	(4.8)	15.0
Accelerated compensation - former CEO	—	—	—	11.7	—	11.7
Losses at closed plants, transition and start-up costs	1.4	(0.3)	1.1	2.6	(0.6)	2.0
Loss on extinguishment of debt	—	—	—	1.1	(0.3)	0.8
Accelerated depreciation on major capital projects and certain plant closures	—	—	—	0.7	(0.2)	0.5
Gain on sale of investment	(1.3)	0.3	(1.0)	(16.0)	2.4	(13.6)
Gain on sale of sawmill	—	—	—	(16.5)	8.3	(8.2)
Gain on sale of certain closed facilities	—	—	—	(0.9)	0.2	(0.7)
Brazil indirect tax claim	—	—	—	(0.9)	0.3	(0.6)
MEPP liability adjustment due to interest rates	7.7	(1.9)	5.8	(0.4)	0.1	(0.3)
Adjusted Results	<u>\$ 352.4</u>	<u>\$ (83.0)</u>	<u>\$ 269.4</u>	<u>\$ 750.9</u>	<u>\$ (172.0)</u>	<u>\$ 578.9</u>
Noncontrolling interests			(0.9)			(3.3)
Adjusted Net Income			<u>\$ 268.5</u>			<u>\$ 575.6</u>

	Three Months Ended June 30, 2020			Nine Months Ended June 30, 2020		
	Pre-Tax	Tax	Net of Tax	Pre-Tax	Tax	Net of Tax
As reported	\$ 199.2	\$ (19.2)	\$ 180.0	\$ 591.9	\$ (123.5)	\$ 468.4
Restructuring and other items	9.7	(2.4)	7.3	56.2	(14.0)	42.2
North Charleston and Florence transition and reconfiguration costs	6.3	(1.5)	4.8	43.4	(10.6)	32.8
COVID-19 manufacturing and operations bonus	31.6	(7.7)	23.9	31.6	(7.7)	23.9
Losses at closed plants, transition and start-up costs	5.6	(1.2)	4.4	19.1	(4.8)	14.3
Accelerated depreciation on major capital projects	—	—	—	17.1	(4.2)	12.9
Loss on extinguishment of debt	0.6	(0.2)	0.4	1.1	(0.3)	0.8
MEPP liability adjustment due to interest rates	—	—	—	0.9	(0.2)	0.7
Brazil indirect tax claim	(9.9)	3.3	(6.6)	(45.0)	14.2	(30.8)
Adjustment related to Tax Cuts and Jobs Act	—	(16.4)	(16.4)	—	(16.4)	(16.4)
Hurricane Michael recovery of direct costs, net	0.5	(0.1)	0.4	(16.1)	4.0	(12.1)
Litigation recovery	—	—	—	(11.5)	2.8	(8.7)
Gain on sale of certain closed facilities	—	—	—	(5.5)	1.3	(4.2)
Land and Development operating results	—	—	—	(1.3)	0.3	(1.0)
Other	0.9	(0.3)	0.6	7.0	(1.8)	5.2
Adjusted Results	<u>\$ 244.5</u>	<u>\$ (45.7)</u>	<u>\$ 198.8</u>	<u>\$ 688.9</u>	<u>\$ (160.9)</u>	<u>\$ 528.0</u>
Noncontrolling interests			(1.5)			(3.3)
Adjusted Net Income			<u>\$ 197.3</u>			<u>\$ 524.7</u>

We discuss certain of these charges in more detail in “**Note 3. Restructuring and Other Costs**” of the Notes to Condensed 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 our current expectations, beliefs, plans or forecasts and use words such as “may”, “will”, “could”, “would”, “anticipate”, “intend”, “estimate”, “project”, “plan”, “believe”, “expect”, “target” and “potential”, or refer to future time periods, and include statements made in this report regarding, among other things: that the extent of COVID-19’s effect on our operational and financial performance will continue to depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, (including the rate and effectiveness of vaccinations), transmission rates of the virus (including variants such as Delta) and the direct and indirect economic effects of the pandemic and related containment measures, among others; that our accounting estimates may materially change from period to period due to changing market factors, including those driven by COVID-19; that we will continue to monitor future events, changes in circumstances and the potential impact thereof, including performing interim goodwill impairment assessments, as warranted and that if actual results are not consistent with our assumptions and estimates, we may be exposed to impairment losses that could be material; that we expect to recover substantially all of the ransomware losses from cyber and business interruption insurance in future periods; that there will be a time lag between the initial incurrence of costs and the receipt of any insurance proceeds; that we are making information technology investments that we had planned to make in future periods in order to further strengthen our information security infrastructure; that we are taking appropriate actions in response to the findings of the forensics investigation; that we are continuing to advance the maturity and effectiveness of our information security resiliency strategy and capabilities; that we plan to take actions to

improve our security monitoring capabilities and enhance the information security within our mills and plants; that for plant closures, we generally expect to record costs for equipment relocation, facility carrying costs and costs to terminate a lease or contract before the end of its term; that we believe that our actions to consolidate our sales and operations into large well-equipped plants that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives and/or further optimize our system following mergers and acquisitions or a changing business environment have allowed us to more effectively manage our business; that we believe that we are adequately reserved in connection with the PIUMPF suit filed in July 2021; that it is reasonably possible that we may incur withdrawal liabilities with respect to certain other MEPPs in connection with withdrawals and that our estimate of any such withdrawal liability, both individually and in the aggregate, is not material for the remaining plans in which we participate; that failure to comply with applicable health and safety laws and regulations could subject us to fines, corrective actions or other sanctions and that we do not believe that future compliance with occupational health and safety laws and regulations will have a material adverse effect on our results of operations, financial condition or cash flows; that complex and lengthy processes may be required to obtain and renew approvals, permits, and licenses for new, existing or modified facilities; that our compliance initiatives related to environmental laws and regulations could result in significant costs, which could negatively impact our results of operations, financial condition and cash flows; that 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; that we believe we have insurance and contractual indemnification rights that may allow us to recover certain defense and other costs at some CERCLA sites; that we believe the liability for the environmental matters was adequately reserved at June 30, 2021; our belief that we have substantial insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims; that we have valid defenses to asbestos-related personal injury claims and intend to continue to defend them vigorously; that it is possible that we could incur significant costs resolving these cases should the volume of litigation grow substantially beyond our expectations; that 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 but that, in any given period or periods, it is possible such proceedings or matters could have an adverse effect on our results of operations, financial condition or cash flows; our belief that the resolution of certain other lawsuits and claims arising out of the conduct of our business will not have a material adverse effect on our results of operations, financial condition or cash flows; that the resolution of 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; that we estimate our exposure to certain guarantees to be less than \$50 million; that we believe our exposure related to guarantees would not have a material impact on our results of operations, financial condition or cash flows; that, with respect to the Brazilian indirect tax claim, 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 will allow us to recover tax amounts collected by the government and, subject to the resolution in the courts, we may record additional amounts in future periods; that we may further modify the WestRock Pandemic Action Plan in the future and may change future estimates or the duration of the planned items; that we expect the actions that we have undertaken and will continue to undertake pursuant to the plan will provide an additional approximately \$1 billion in cash through the end of calendar 2021 that we will be able to use to reduce our outstanding indebtedness subject to modifications to the WestRock Pandemic Action Plan for items such as increased capital investments and increased dividends; that, pursuant to the WestRock Pandemic Action Plan, as modified, we are committed to: (i) continue to protect the safety and well-being of our teammates, (ii) continue to match our supply with our customers' demand, (iii) reduce discretionary expenses, (iv) use Common Stock to make Company funded 401(k) match and annual contributions (i.e. up to 5% and 2.5%, respectively) beginning July 1, 2020 through September 30, 2021, (v) target reducing fiscal 2021 capital investments to a range of \$800 million to \$900 million and (vi) resetting our quarterly dividend to \$0.20 per share for an annual rate of \$0.80 per share; that the ultimate level achieved under our Pandemic Action Plan may be lower than the goal due to modifications such as increased capital investments and increased dividends as we modify the WestRock Pandemic Action Plan; that we expect that our actions under the WestRock Pandemic Action Plan will continue to position us both to sustain our business in a range of economic and market conditions and for long-term success; that we expect our earnings for the fourth quarter to increase sequentially; that we expect to benefit from continued strong demand for our products, the implementation of previously published price increases and lower maintenance downtime; that these items are expected to be partially offset by sequential inflation across recycled fiber, virgin fiber and energy costs; that we expect benefit from completing certain of our strategic capital projects;

that we expect our Florence, SC mill to reach full production levels by the end of the fourth quarter of fiscal 2021 that given our outlook for earnings and anticipated strong cash flows, we expect to continue to reduce our debt; that increased levels of bonus and stock-based compensation expense as compared to fiscal 2020 will likely continue in the fourth quarter of fiscal 2021; that we expect to continue to incur additional costs related to safety, cleaning and other items related to COVID-19 as needed in the foreseeable future; that we continue to believe that we have substantial liquidity to navigate the current dynamic environment and remain focused on maintaining our investment grade rating and managing our working capital and taking appropriate actions to ensure our access to necessary liquidity; that 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; that funding for our domestic operations in the foreseeable future is expected to come from sources of liquidity within our domestic operations, including cash and cash equivalents, and available borrowings under our credit facilities; that we expect to use cash and cash equivalents to redeem the bonds due 2022 and record a loss on extinguishment of debt of approximately \$9 million; that our foreign cash and cash equivalents are not expected to be a key source of liquidity to our domestic operations; that 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; that the Tres Barras mill is complete and is expected to ramp up production by the end of the calendar year; that we expect fiscal 2021 capital investments to be \$800 to \$900 million, and that at these capital investment levels we are confident that we will continue to invest in the appropriate safety, environmental and maintenance projects and complete our strategic mill projects while also making investments to support productivity and growth in our business but that it is possible that 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 environmental or other regulatory changes; that we believe that reduction in our dividend effective May 2020 was prudent given uncertain market conditions driven by COVID-19 and has allowed us to allocate additional cash to pay down our outstanding debt and our short-term goal is to reduce debt and leverage and return capital to stockholders through a competitive annual dividend; that, longer term, our capital allocation priorities include (i) investing in our business, (ii) consistently growing our dividend, (iii) maintaining our investment grade profile, (iv) pursue tuck-in acquisitions that clearly align to our strategy and generate attractive returns and (v) opportunistic share repurchases; that based on our current projections, we expect to utilize nearly all of the remaining U.S. federal net operating losses and other U.S. federal credits during the current fiscal year and that foreign and state net operating losses and credits will be used over a longer period of time; 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 cash tax rate to be slightly lower than our income tax rate in fiscal 2021 and slightly higher in fiscal 2022; that based on current facts and assumptions, we expect to contribute approximately \$22 million to our U.S. and non-U.S. pension plans in fiscal 2021; that we 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 Act and other regulations; that we anticipate that we will be able to fund our capital expenditures, interest payments, 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 agreements, proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities; and that we may seek to refinance existing indebtedness to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness.

With respect to these statements, we have made assumptions regarding, among other things, developments related to COVID-19, including the severity, magnitude and duration of the pandemic, negative global economic conditions arising from the pandemic, impacts of governments' responses to the pandemic on our operations, impacts of the pandemic on commercial activity, our customers and consumer preferences and demand, supply chain disruptions, and disruptions in the credit or financial markets; our ability to effectively integrate the operations of KapStone; our ability to effectively respond to the ransomware incident; the results and impact of the KapStone Acquisition; economic, competitive and market conditions generally, including the impact of COVID-19; volumes and price levels of purchases by customers; competitive conditions in our businesses; possible adverse actions of our customers, competitors and suppliers; labor costs; the amount and timing of capital

expenditures, including installation costs, project development and implementation costs, severance and other shutdown costs; restructuring costs; utilization of real property that is subject to the restructurings due to realizable values from the sale of such property; credit availability; and raw material and energy costs.

You should not place undue reliance on any forward-looking statements as these statements involve risks, uncertainties, assumptions and other factors that could cause actual results to differ materially, including the following: the level of demand for our products; our ability to respond effectively to the impact of COVID-19; our ability to successfully identify and make performance and productivity improvements; anticipated returns on our capital investments; our ability to achieve benefits from acquisitions, including the KapStone Acquisition, and the timing thereof, including synergies and performance improvements; our ability to successfully implement capital projects; the possibility of and uncertainties related to planned mill outages, production or supply chain disruptions; market risk from changes in interest rates and commodity prices; increases in energy, raw materials, shipping and capital equipment costs; the Company's ongoing assessment of the ransomware incident, adverse legal, reputational and financial effects on the Company resulting from cyber incidents and the effectiveness of the Company's business continuity plans during a ransomware incident; fluctuations in selling prices and volumes; intense competition; the potential loss of key customers; the impact of the Tax Cuts and Jobs Act; the impact of operational restructuring activities; the impact of economic conditions, including expected price changes, competitive pricing pressures and cost increases; our desire or ability to continue to repurchase Common Stock; environmental liabilities; the cost and other effects of complying with governmental laws and regulations; 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); future debt repayment; our ability to fund our capital expenditures, interest payments, dividends and stock repurchases, pension payments, working capital needs, debt repurchases, restructuring activities, repayments of current portion of long-term debt and other corporate actions; the expected impact of implementing new accounting standards; the impact of changes in assumptions and estimates on which we based the design of our system of disclosure controls and procedures; the occurrence of severe weather or a natural disaster, or other unanticipated problems, such as labor difficulties or shortages, equipment failure or unscheduled maintenance and repair, which could result in operational disruptions; adverse changes in general market and industry conditions; and other risks, uncertainties and factors discussed in Item 1A "**Risk Factors**" of the Fiscal 2020 Form 10-K. The information contained herein speaks as of the date hereof and we do not have or undertake any obligation to update such information as future events unfold.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the "**Quantitative and Qualitative Disclosures About Market Risk**" section in the Fiscal 2020 Form 10-K for a discussion of certain of the market risks to which we are exposed. There have been no material changes in our exposure to market risk since September 30, 2020.

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, 2021 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.

As previously disclosed on January 23, 2021, we detected a ransomware incident impacting certain of our operational and information technology systems. See "**Note 1. Basis of Presentation and Significant Accounting Policies — Ransomware Incident**" of the Notes to Condensed Consolidated Financial Statements for additional information. As a result of the incident, we performed additional tests of controls and manual compensating controls. 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.

PART II: OTHER INFORMATION

Item 1. **LEGAL PROCEEDINGS**

See "**Note 13. Commitments and Contingencies**" of the Notes to Condensed 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**" sections of the Fiscal 2020 Form 10-K. There have been no material changes in our risk factors from those disclosed in the "**Risk Factors**" sections of our Fiscal 2020 Form 10-K.

Item 6. **EXHIBITS**

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

WESTROCK COMPANY
INDEX TO EXHIBITS

Exhibit 22	<u>List of Guarantor Subsidiaries and Issuers of Guaranteed Securities (incorporated by reference to Exhibit 22 of WestRock's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020).</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 Ward H. Dickson, Executive Vice President and Chief Financial Officer of WestRock Company.</u>
Exhibit 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 Ward H. Dickson, 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.
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.

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)

Date: August 9, 2021

By: /s/ Ward H. Dickson
Ward H. Dickson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and duly authorized officer)

**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, not 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 its 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 and 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 9, 2021

/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.

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

I, Ward H. Dickson, 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 fact necessary to make the statements made, in light of the circumstances under which such statements were made, not 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 its 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 and 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 9, 2021

/s/ Ward H. Dickson

Ward H. Dickson

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.

**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, 2021 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 Ward H. Dickson, 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 of operations of the Corporation.

/s/ David B. Sewell

David B. Sewell
Chief Executive Officer and President
August 9, 2021

/s/ Ward H. Dickson

Ward H. Dickson
Executive Vice President and Chief Financial Officer
August 9, 2021