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## Deconsolidation of Venezuelan Operations

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# Deconsolidation of Venezuelan Operations

Smurfit Kappa Group plc and a wholly-owned subsidiary Smurfit Holdings BV (together, 'SKG') confirm that due to the continuing actions and interference of the Government of Venezuela, SKG is no longer able to exercise control over the business of Smurfit Kappa Carton de Venezuela ('SKCV' or 'the Company') in Venezuela.

SKCV has been providing goods and services to its customers in Venezuela for almost 65 years giving employment today to almost 1,600 direct employees and generating more employment indirectly. During that time, the Company has operated to the highest business and ethical standards, invested significant amounts of capital in its business, developed a highly progressive Corporate Social Responsibility program and dedicated significant financial support and resources to the education and health of the less privileged members of the communities in which the Company operates. Three weeks ago, nine of the ten Company unions confirmed their support and desire to continue working with SKCV as a result of its good labour practices and compliance with local laws and regulations.

SKG previously reported that the Government of Venezuela took temporary control of the Company pursuant to an order that was notified on 28 August 2018 ('the Occupation Order'). Following receipt of the Occupation Order, SKG confirmed that it was impossible for SKCV to manage its affairs in a way that complies with its normal business standards and confirmed that as of 28 August 2018, SKCV was no longer responsible for the use of its installations, machinery and equipment, its employees' safety, that of its surrounding communities, any environmental impact, or the quality of the paper and packaging manufactured in the operations.

which have the effect of intimidating the Company's workforce resulting in increasing absenteeism. In addition, the Government of Venezuela has arbitrarily arrested two of the Company's employees, whose immediate and full release is being actively sought through all available means.

In light of these circumstances, and in order to protect the interests of its stakeholders and mitigate operating risks, SKG has notified the Government that full responsibility for the Company's operations and compliance with all applicable regulations have passed to the Venezuelan State from the date of the notification of the Occupation Order, namely, since 28 August 2018.

SKG and SKCV reserve all of their rights with regard to the Venezuelan Government's actions and any subsequent State measures under Venezuelan and international law including, without limitation, the right to initiate international arbitration proceedings to protect the interests of its stakeholders and seek compensation for Venezuela's unlawful measures.

As a consequence of the loss of control over SKCV, the Group will deconsolidate its Venezuelan operations in the third quarter of 2018, resulting in a write down of net assets of approximately €60 million for the Group. As noted in the Group's 2018 half year results, SKCV represented less than 1% of the Group's EBITDA in the first six months of 2018.

## PRODUCTS

Packaging

Bag-in-Box packaging

Displays

Packaging machinery

Containerboard

Paper and board