

# Atria Plc

## 1 January – 30 June 2011

CEO  
Juha Gröhn  
28 July, 2011

# Atria Group

## Review 1 January – 30 June 2011

€ Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
Net sales	333.6	317.0	637.6	622.9	1,300.9
EBIT	-0.9	4.7	-5.2	5.7	9.8
EBIT %	-0.3	1.5	-0.8	0.9	0.8
Profit before taxes	-4.4	3.5	-10.9	1.7	0.3
Earnings per share, €	-0.15	0.10	-0.34	0.03	-0.18

- High raw material costs and too low sales prices continued to burden Atria's result
- Net sales for H1 increased by 2.4% in comparison with the previous year
- EBIT for the period under review showed a loss of EUR 5.2 million (profit of EUR 5.7 million)
- The Group's equity ratio is at the target level: 40.0% (40.4%)
- During the review period, Atria issued a profit warning and announced a change in its 2011 EBIT forecast.

## Atria Finland

Review 1 January – 30 June 2011

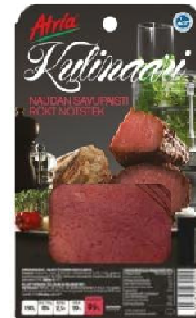
€Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
Net sales	203.0	178.9	389.3	358.0	767.8
EBIT	2.6	6.0	3.2	10.9	30.7
EBIT %	1.3	3.4	0.8	3.0	4.0

- **Atria Finland's** H1 net sales increased by 8.7% year on year
- The reason for the weak EBIT was raw material prices, which remained high, in combination with the weakened sales structure
- Exports now account for a greater proportion of total sales than they did in the previous year
- It was not possible to transfer the raw material price increase in full to sales prices
- During the first part of the year, Atria Finland launched two efficiency improvement programmes: for increasing the efficiency of bovine slaughtering and for developing the Nurmo production plant. The total annual cost savings from these measures will be approximately EUR 10 million.

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## Atria Finland

- Atria lost some of its market share over the course of the full period, but toward the end of the period (in Q2), it strengthened its market position. Atria's market share during H1 was approximately 25% (Source: Atria's own estimate)
- The situation in the Finnish pork market continued to be difficult in the first part of the year. Prices of cereals and feed have remained high, which has led to a decrease in the profitability of domestic meat production
- The launch of the new Atria Kulinaari cold-cut products was successful, and the summer grilling season's sales began as expected
- In May, Atria launched an advertising campaign for domestic Atria meats. The campaign aims to give Finnish consumers reasons for placing domestic meat in the shopping basket. The campaign, called 'Susi naudan vaatteissa' (meaning 'Wolf in beef's clothing') was a success and sparked lively public discussion about food being domestic and safe.



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## Atria Scandinavia

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€Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
Net sales	95.8	99.7	183.6	194.7	391.6
EBIT	2.7	3.3	5.0	4.0	13.9
EBIT %	2.8	3.3	2.7	2.1	3.5

- **Atria Scandinavia's** net sales decreased by 5.7% in comparison with H1 of last year. The main reason for the decreased net sales is the discontinuation of the production of consumer-packed meat in summer 2010
- The EBIT for H1 was EUR 5.0 million (EUR 4.0 million). The H1/2010 EBIT includes EUR 2.0 million of non-recurring costs
- The development and efficiency improvement programme for Atria Scandinavia's operations progressed as planned. The production of black pudding will be transferred to the Tranås production plant. This is expected to generate annual cost savings of approximately EUR 1.0 million.

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## Atria Scandinavia

- The cold-cut and sausage market in the Swedish retail trade has contracted slightly year on year
- Atria managed to increase its market share in Lönneberga cold-cut products in the contracting market through a highly visible launch campaign
- Atria lost some of its market share for sausages after its withdrawal from unprofitable products (Source: ACNielsen)
- The total value of the Swedish market for Food Service products increased slightly in the first part of the year
- Atria's Food Service has maintained its market share.



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## Atria Russia

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€Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
Net sales	32.5	34.4	60.8	63.3	129.2
EBIT	-5.6	-2.7	-11.1	-4.9	-27.9
EBIT %	-17.1	-7.8	-18.3	-7.7	-21.6

- **Atria Russia's** net sales for H1 decreased by 3.9% year on year. This was due to the decrease in sales in Moscow
- The performance in the course of the period under review was weighed down by the rapid increase in meat raw material prices at the end of last year as well as the slow recovery of the demand for meat products. Performance during the period was burdened also by the costs of the new plant completed last summer in St Petersburg as well as the costs from the restructuring of operations
- The restructuring of production launched in 2010 is progressing according to schedule. Meat product production in the Moscow and Sinyavino plants will be centralised at the new Gorelovo plant, in St Petersburg.

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## Atria Russia

- The market is slowly recovering after the slump that started in 2009. It has not been possible to increase sales prices to match the rise in raw material costs.
- Atria is the clear market leader in St Petersburg, with a share of approximately 20%. In Moscow, Atria's market share has weakened somewhat and is around two per cent (Source: Atria's own estimates)
- The continuously high feed costs will weaken the performance of Campofarm, a pork farm owned by Atria, for the remainder of the year.



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## Atria Baltic

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€Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
Net sales	9.1	9.8	17.3	17.5	35.0
EBIT	0.2	-0.8	0.0	-2.1	-3.7
EBIT %	2.5	-8.2	0.1	-12.0	-10.5

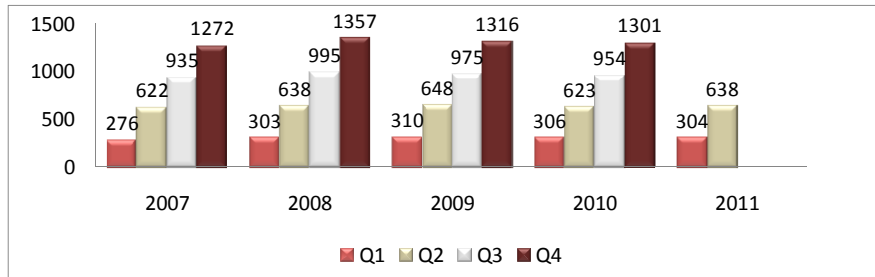
- Atria's net sales in Estonia remain at the same level as that seen last year
- The positive development of earnings was due to the improvement in cost-efficiency and sales structure during the review period as well as the gains achieved in non-recurring sales
- The Q2/2011 EBIT includes EUR 0.6 million in non-recurring gain on the sale of fixed assets. The EBIT for the first half of the year includes, in total, EUR 0.9 million in non-recurring sales gains
- The earnings development of the company's primary production was burdened by increased cereal and feed prices
- In H1/2011, Atria's market share has increased for sausages but decreased for meat products and cold cuts (source: ACNielsen)
- Atria has launched many new products especially for the summer season, and the proportion of total sales accounted for by new products has risen.

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## Financial Development

## Atria Group Net Sales cumulative

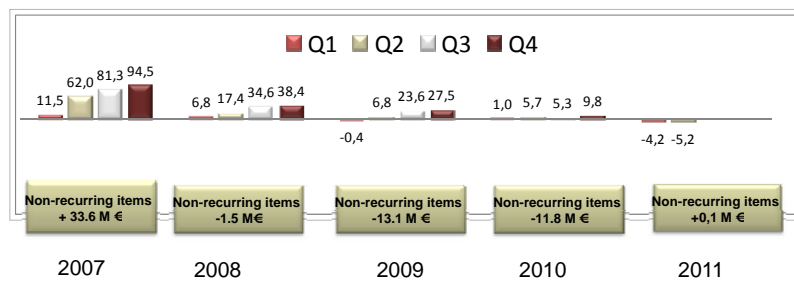
€ Million



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## Atria Group EBIT cumulative

€ Million



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## Atria Group Financial indicators

€ Million	30 June 2011	30 June 2010	31 December 2010
Interest-bearing liabilities, M€	432.7	444.1	429.9
Total assets, M€	1,069.8	1,118.8	1,111.6
Equity ratio, %	40.0	40.4	40.2
Shareholders' equity per share, €	15.02	15.90	15.68
Average number of employee (FTE)	5,642	5,812	5,812

- Interest-bearing liabilities increased slightly compared with the level of the turn of the year
- Equity ratio remained on the target level.

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## Atria Group Income Statement

€ Million	Q2 2011	Q2 2010	H1 2011	H1 2010	2010
NET SALES	333.6	317.0	637.6	622.9	1,300.9
Cost of goods sold	-298.0	-279.0	-573.8	-550.8	-1,149.1
GROSS PROFIT	35.6	38.0	63.8	72.1	151.8
<i>% of Net sales</i>	10.7	12.0	10.0	11.6	11.7
Other income	2.2	1.4	3.6	2.2	7.7
Other expenses	-38.7	-34.7	-72.6	-68.6	-149.7
EBIT	-0.9	4.7	-5.2	5.7	9.8
<i>% of Net sales</i>	-0.3	1.5	-0.8	0.9	0.8
Financial income and expenses	-3.6	-1.6	-6.5	-5.0	-11.2
Income from associates	0.1	0.4	0.7	1.0	1.7
PROFIT BEFORE TAXES	-4.4	3.5	-10.9	1.7	0.3
Income taxes	0.1	-0.3	1.2	-0.3	-4.5
PROFIT FOR THE PERIOD	-4.3	3.2	-9.8	1.4	-4.2
<i>% of Net sales</i>	-1.3	1.0	-1.5	0.2	-0.3
Earnings/share, €	-0.15	0.10	-0.34	0.03	-0.18

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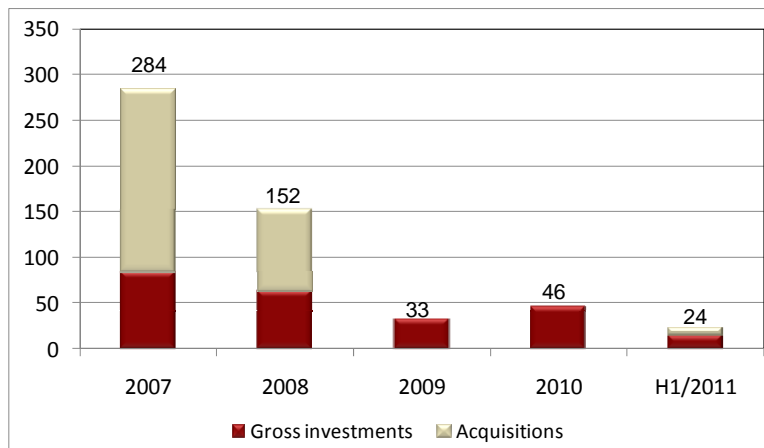
## Atria Group Cash flow statement

€ Million	H1 2011	H1 2010	2010
Cash flow from operating activities	14.7	20.2	85.5
Financial items and taxes	-5.9	-16.6	-40.9
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>8.8</b>	<b>3.6</b>	<b>44.6</b>
Investing activities, tangible and intangible assets	-13.7	-24.1	-39.6
Sold subsidiary	2.0		
Bought subsidiary	-6.1		
Investments	0.3	-4.7	-0.6
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-17.5</b>	<b>-28.8</b>	<b>-40.2</b>
<b>FREE CASH FLOW</b>	<b>-8.7</b>	<b>-25.2</b>	<b>4.4</b>
Loans drawn down	50.0	29.5	40.8
Loans repaid	-44.3	-22.5	-56.2
Dividends paid	-7.0	-7.1	-7.0
<b>CASH FLOW FROM FINANCING, TOTAL</b>	<b>-1.4</b>	<b>-0.1</b>	<b>-22.4</b>
<b>CHANGE IN LIQUID FUNDS</b>	<b>-10.1</b>	<b>-25.3</b>	<b>-18.0</b>

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## Atria Group Gross investments

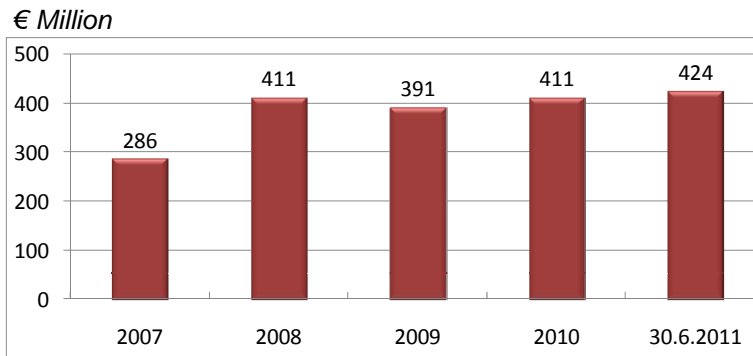
€ Million



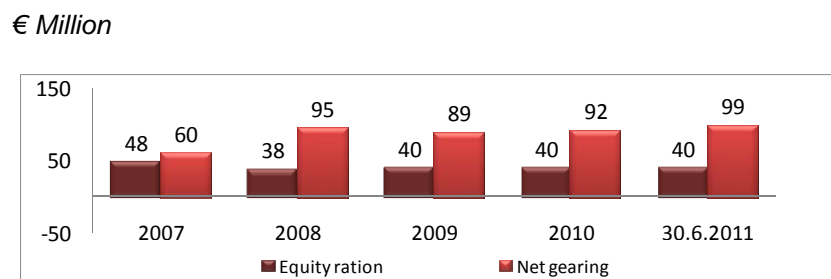
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## Atria Group Net debts



## Atria Group Equity ratio & Net gearing



## Outlook for the future

- Atria Plc announced an amendment to its 2011 EBIT forecast during the period under review. The company expects the full-year EBIT to be significantly lower than the 2010 EBIT excluding non-recurring items (which came to EUR 21.6 million). According to an earlier forecast, the 2011 EBIT figure would have been higher than EUR 21.6 million. The company's net sales forecast remains unchanged, with net sales expected to grow somewhat in 2011
- The key source of uncertainty in terms of growth in net sales is the difficult market situation in Russia. Tightening competition may also slow down sales growth
- Atria Finland's unexpectedly weak performance hampers the performance of the whole Group. Atria Finland's performance has been weakened by the sharp rise in prices of key raw materials in meat production as well as the market situation for pork remaining difficult. The price development for raw materials will be significant for the Group's performance in the latter part of the year also in other business areas.

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## Outlook for the future

- The meat raw material market should stabilise in 2011 from the situation in 2010. However, there is still pressure to raise meat raw material prices, e.g. due to the increased costs of energy and animal feed. Consequently, prices of end products can be expected to rise throughout the remainder of the year in all of Atria's business areas. Consumption of food is expected to grow slightly in Finland, Sweden, Denmark, and Estonia. Atria estimates that total Russian demand for food products has started to grow moderately and will continue to be slow in 2011
- Implementation of the product leadership strategy is progressing according to plan. Highly visible launch campaigns will be carried out in various fields of business in 2011
- Atria has initiated profitability improvement measures in various business areas in 2010 and 2011. These measures will generate annual cost savings totalling EUR 17 million. The savings will begin to materialise during 2011 and will have fully materialised in 2013 at the latest.

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