

# Atria Plc

## Interim Report

### 1 January – 31 March 2014

CEO  
Juha Gröhn  
6 May 2014

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## Atria Group

### Review Q1/2014

| € Million             | Q1    |       | 2013    |
|-----------------------|-------|-------|---------|
|                       | 2014  | 2013  |         |
| Net sales             | 327.0 | 328.4 | 1 411.0 |
| EBIT                  | -2.5  | 3.2   | 19.7    |
| EBIT %                | -0.8  | 1.0   | 1.4     |
| Profit before taxes   | -5.7  | 0.7   | 6.9     |
| Earnings per share, € | -0.19 | -0.03 | -0.15   |
| Extraordinary items*  | -0.8  | 1.1   | -17.3   |

\* Extraordinary items are included in the reported figures.

- Consolidated EBIT of **Atria Group** was EUR -2.5 million (EUR 3.2 million). Net sales at the same level as that of last year.
- The results were weighed down by the difficult situation in the meat market both in Finland and in Russia. In Finland the glut of pork weighs down the selling prices – in Russia the import ban has raised the pork prices.
- Atria lowered its EBIT forecast. The 2014 EBIT is expected to be clearly smaller than the previous year's operative EBIT of EUR 37.0 million.

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## Atria Finland Review Q1/2014

| € Million            | Q1<br>2014 | Q1<br>2013 | 2013  |
|----------------------|------------|------------|-------|
| Net sales            | 216.9      | 205.1      | 886.8 |
| EBIT                 | 0.2        | 6.7        | 32.9  |
| EBIT %               | 0.1        | 3.3        | 3.7   |
| Extraordinary items* | -0.8       | 1.1        | 1.1   |

\*Extraordinary items are included in the reported figures.

- **Atria Finland's** net sales increased by EUR 11.8 million, resulting from the increase of sales in all customer accounts, as well as from the consolidation of the operations acquired from Saarioinen into Atria as of early February.
- The comparative EBIT was EUR 1.0 million (EUR 5.6 million). The result was weighed down by a decrease in prices due to tougher competition and the glut of pork. Since consumers have less purchasing power, they buy more affordable products, which has resulted in fierce price competition across all customer accounts. Meanwhile, the difficult situation in the meat market has lowered the price of meat raw material compared to the previous year.

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## Atria Finland



- During the period under review Atria acquired Saarioinen's procurement, slaughtering and cutting operations for beef, pork and chicken. The purchase price was EUR 29.2 million. The acquisition consolidates Atria's position as a processing company of domestic meat and complements Atria's existing operations and product range. As a result of the deal, Atria's net sales are projected to grow by around EUR 70 million per year.
- Atria consolidated its market position across all customer accounts compared to the same period last year. Atria's total market share in retail trade was more than 27 per cent in terms of value.

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## Atria Scandinavia

### Review Q1/2014

| € Million            | Q1<br>2014 | Q1<br>2013 | 2013  |
|----------------------|------------|------------|-------|
| Net sales            | 88.4       | 94.2       | 395.0 |
| EBIT                 | 0.9        | 0.1        | 12.2  |
| EBIT %               | 1.1        | 0.1        | 3.1   |
| Extraordinary items* | 0.0        | 0.0        | -1.0  |

\*Extraordinary items are included in the reported figures.

- **Atria Scandinavia's** net sales amounted to EUR 88.4 million (EUR 94.2 million). Net sales were weighed down by an increase in the market share of more inexpensive private label products in Sweden and the shift of the Easter season to the second quarter.
- EBIT amounted to EUR 0.9 million (EUR 0.1 million). EBIT improved due to the increased efficiency of production, better sales structure and more stable meat raw material prices.

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## Atria Scandinavia



- During the period under review, the market share of the 3-Stjernet cold cuts rose to 15 per cent in the Danish retail market (source: AC Nielsen).
- The Swedish cold cuts market declined by about 5 per cent and the cooking sausages market by some 2 per cent.
- In the Swedish retail sector, the market share of private label products grew.
- Chinese authorities granted the Atria Scandinavia production plant located in Horsens, Denmark a licence to export heat treated meat products to China. The Horsens plant is one of the three meat product plants in the world that has been awarded such a licence.

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## Atria Russia

### Review Q1/2014

| € Million            | Q1    | Q1    | 2013  |
|----------------------|-------|-------|-------|
|                      | 2014  | 2013  |       |
| Net sales            | 21.3  | 27.4  | 121.5 |
| EBIT                 | -2.2  | -3.1  | -21.0 |
| EBIT %               | -10.2 | -11.4 | -17.3 |
| Extraordinary items* | 0.0   | 0.0   | -17.4 |

\*Extraordinary items are included in the reported figures.

- **Atria Russia's** net sales for January–March amounted to EUR 21.3 million (EUR 27.4 million). At a comparable exchange rate, net sales fell by 3.3 per cent year-on-year. This decrease in comparable net sales was due to the discontinuation of primary production late last year.
- EBIT was EUR -2.2 million (EUR -3.1 million). EBIT was weighed down by an increase of almost 30 per cent in meat raw material prices during the first quarter.

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## Atria Russia



- The market situation was difficult during the period under review.
- Russia's import ban on EU pork and the weakening of the rouble have raised the price of meat raw material in Russia by an average of 30 per cent from the beginning of the year.
- Because of the tight market situation, Atria Russia has not been able to pass on the rapidly increased raw material costs in full to sales prices.

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## Atria Baltic

### Review Q1/2014

| € Million            | Q1   | Q1   | 2013 |
|----------------------|------|------|------|
|                      | 2014 | 2013 |      |
| Net sales            | 7.4  | 7.2  | 32.9 |
| EBIT                 | -0.2 | -0.4 | 0.1  |
| EBIT %               | -2.8 | -4.9 | 0.2  |
| Extraordinary items* | 0.0  | 0.0  | 0.0  |

\*Extraordinary items are included in the reported figures.

- **Atria Baltic's** net sales for January–March totalled EUR 7.4 million (EUR 7.2 million), showing growth of EUR 0.2 million year-on-year.
- This slight increase in EBIT was due to successful long-term efforts to increase the efficiency of production and a better sales structure.

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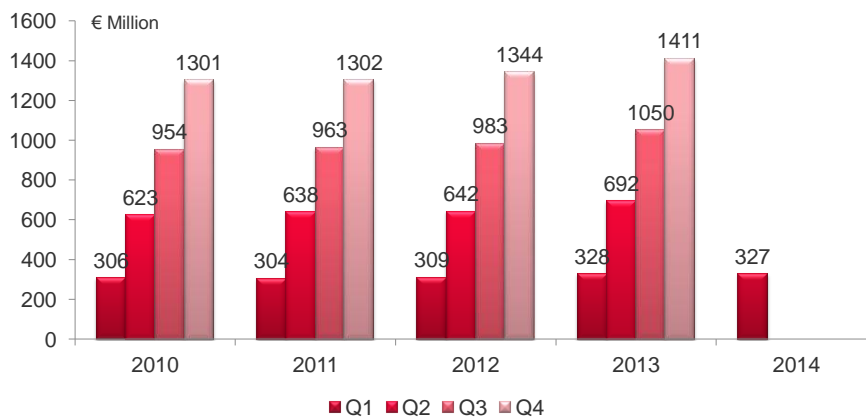
## Financial Development

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## Atria Group Net Sales

cumulative, quarterly

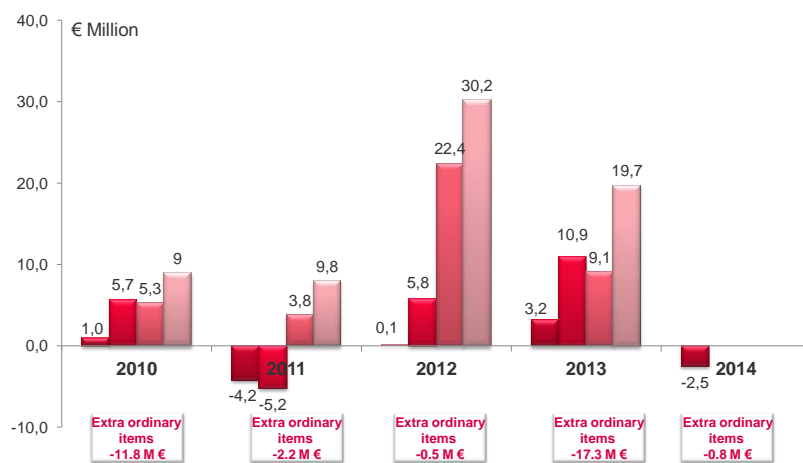


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## Atria Group EBIT

cumulative, quarterly



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## Atria Group Financial indicators

| € Million                           | Q1/2014 | Q1/2013 | 2013  |
|-------------------------------------|---------|---------|-------|
| Shareholders' equity per share, EUR | 14.7    | 15.24   | 14.45 |
| Interest-bearing liabilities        | 336.5   | 379.7   | 334.7 |
| Equity ratio, %                     | 40.6    | 41.5    | 42.2  |
| Gearing, %                          | 83.9    | 87.4    | 81.3  |
| Net gearing, %                      | 81.3    | 85.7    | 74.3  |
| Gross investments in fixed assets   | 37.5    | 8.8     | 41.1  |
| Gross investments, % of net sales   | 11.5    | 2.7     | 2.9   |
| Average number of employees         | 4,707   | 4,670   | 4,669 |

- On 31 March 2014, the amount of the Group's undrawn committed credit facilities stood at EUR 148.7 million (31 December 2013: EUR 148.2 million). The average maturity of loans and committed credit facilities at the end of the period under review was 3 years 2 months (31 December 2013: 3 years 4 months).
- The Group's operating cash flow was EUR 13.7 million (EUR 2.4 million) and cash flow from investments EUR -37.2 million (EUR -6.1 million). A decrease in the working capital improved the operating cash flow.
- The Group's free cash flow for the period (operating cash flow - cash flow from investments) was EUR -23.5 million (EUR -3.8 million), and net liabilities were EUR 325.9 million (31 December 2013: EUR 305.9 million).

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## Atria Group Income Statement

| € Million                                 | Q1<br>2014 | Q1<br>2013 | 2013     |
|---|------------|------------|----------|
| NET SALES                                 | 327.0      | 328.4      | 1,411.0  |
| Cost of goods sold                        | -293.6     | -291.8     | -1,237.1 |
| GROSS PROFIT                              | 33.4       | 36.6       | 173.9    |
| <i>% of Net sales</i>                     | 10.2       | 11.1       | 12.3     |
| Other income                              | 0.6        | 1.6        | 6.1      |
| Other expenses                            | -36.5      | -34.9      | -160.3   |
| EBIT                                      | -2.5       | 3.2        | 19.7     |
| <i>% of Net sales</i>                     | -0.8       | 1.0        | 1.4      |
| Financial income and expenses             | -3.6       | -3.5       | -15.2    |
| Income from joint-ventures and associates | 0.4        | 1.0        | 2.3      |
| PROFIT BEFORE TAXES                       | -5.7       | 0.7        | 6.9      |
| Income taxes                              | 0.4        | -1.6       | -11.2    |
| PROFIT FOR THE PERIOD                     | -5.3       | -0.9       | -4.3     |
| <i>% of Net sales</i>                     | -1.6       | -0.3       | -0.3     |
| Earnings/share, €                         | -0.19      | -0.03      | -0.15    |

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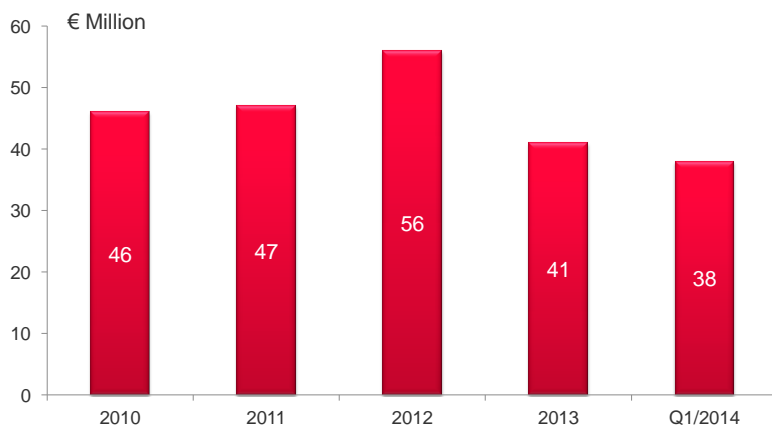
## Atria Group Cash flow statement

| € Million  | Q1           |             | 2013        |
|--|--------------|-------------|-------------|
|  | 2014         | 2013        |             |
| Cash flow from operating activities                  | 18.8         | 2.5         | 110.6       |
| Financial items and taxes                            | -5.1         | -0.1        | -21.7       |
| Net cash flow from operating activities              | 13.7         | 2.4         | 88.9        |
| Investing activities, tangible and intangible assets | -10.6        | -8.4        | -38.7       |
| Acquired subsidiary shares                           | -26.3        |             |             |
| Change in non-current receivables                    | -0.9         | 0.3         | 2.1         |
| Investments  | 0.6          | 1.9         | 1.8         |
| Net cash used in investing activities                | -37.2        | -6.1        | -34.8       |
| <b>FREE CASH FLOW</b>                                | <b>-23.5</b> | <b>-3.8</b> | <b>54.1</b> |
| Proceeds from non-current borrowings                 | 0.0          | 50.0        | 50.0        |
| Repayments of non-current loans                      | -42.3        | -2.3        | -62.3       |
| Changes in current loans                             | 47.6         | -42.9       | -13.0       |
| Dividends paid                                       |              |             | -6.2        |
| Net cash used in financing activities                | 5.3          | 4.8         | -31.5       |
| CHANGE IN LIQUID FUNDS                               | -18.2        | 1.0         | 22.6        |

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## Atria Group Gross investments

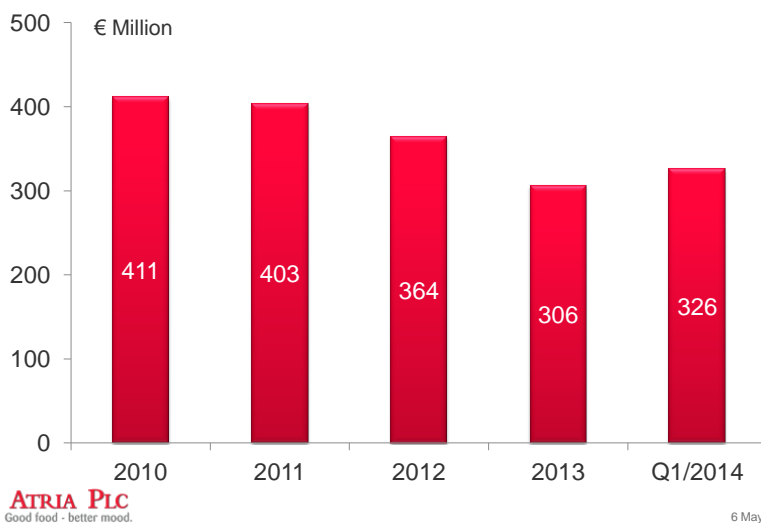


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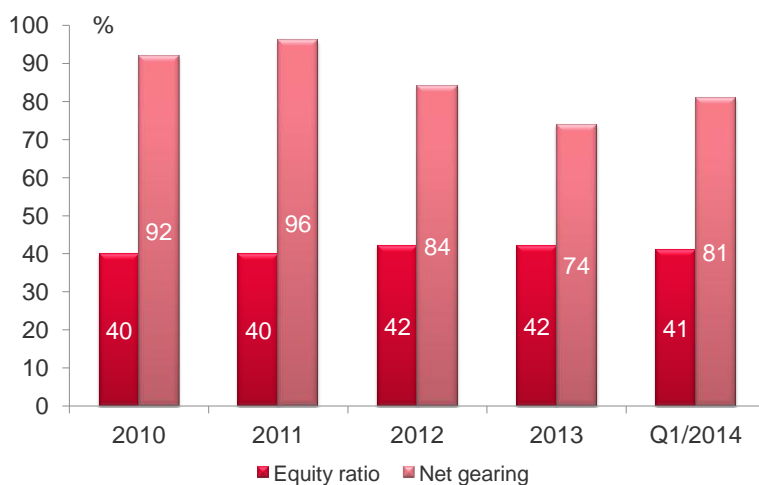
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## Atria Group Net debts



## Atria Group Equity ratio & Net gearing



## Events occurring after the period

- Atria lowered its EBIT forecast. The company expects the 2014 EBIT without non-recurring items to be clearly smaller than the previous year's EBIT of EUR 37.0 million. Net sales are expected to grow in 2014.
- The EBIT forecast was adjusted due to the difficult conditions in the Finnish and Russian meat markets. A glut of pork and tougher competition have decreased sales prices both in Finland and elsewhere in the EU.
- Atria Finland's employer–employee negotiations regarding the improvement of beef and pork production profitability and efficiency improvements at Atria's Jyväskylä plant were completed on 24 April 2014. Atria estimates that removing overlapping functions and improving efficiency will result in annual savings of about EUR 5 million, which will be realised from the beginning of 2015.
- Chinese authorities granted the Atria Scandinavia production plant located in Horsens, Denmark a licence to export heat treated meat products to China. The Horsens plant is one of the three meat product plants in the world that has been awarded such a licence.

## Outlook for the future

- The company expects the 2014 EBIT without non-recurring items to be clearly smaller than the previous year's EBIT of EUR 37.0 million.
- Net sales are expected to grow in 2014.



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