
# Atria Plc Interim Report

1 January – 30 September 2018

ATRIA

Good food – better mood.

# INTERIM REPORT OF ATRIA PLC 1 JANUARY – 30 SEPTEMBER 2018

## Atria Group's net sales were at the previous year's level. In Finland, the result improved - in Sweden, profitability declined

**July-September 2018**

- Consolidated net sales totalled EUR 357.1 million (EUR 360.8 million).
- Consolidated EBIT was EUR 12.7 million (EUR 16.2 million), which is 3.5 per cent (4.5%) of net sales.
- Atria Finland's net sales and market share continued to grow.
- The Group's EBIT was brought down by the poor profitability of Atria Sweden and Russia.
- Atria will invest EUR 3.4 million in poultry production in Nurmo and Sahalahti.

**January-September 2018**

- Consolidated net sales totalled EUR 1,061.6 million (EUR 1,061.7 million).
- Consolidated EBIT was EUR 21.5 million (EUR 27.5 million), which is 2.0 per cent (2.6%) of net sales.
- Atria Finland's net sales and EBIT increased.
- The Group's net sales were brought down by the weakened Swedish krona and Russian rouble.
- Atria Sweden's EBIT was weighed down by the poor profitability of poultry operations and increased raw material costs.
- Atria Plc lowered its EBIT and net sales forecast for 2018. The full-year EBIT of the Group is expected be lower than EBIT in 2017. Net sales are expected to remain at the 2017 level.

| | Q3 | Q3 | Q1-Q3 | Q1-Q3 | |
|---|---|---|---|---|---|
| **EUR million** | **2018** | **2017** | **2018** | **2017** | **2017** |
| **Net sales** | | | | | |
| Atria Finland | 250.1 | 245.0 | 750.7 | 725.7 | 986.4 |
| Atria Sweden | 72.5 | 78.6 | 213.8 | 229.5 | 307.2 |
| Atria Denmark & Estonia | 24.7 | 25.0 | 72.0 | 73.6 | 98.9 |
| Atria Russia | 19.4 | 22.4 | 55.2 | 64.0 | 85.7 |
| Eliminations | -9.6 | -10.2 | -30.0 | -31.0 | -42.0 |
| **Total net sales** | **357.1** | **360.8** | **1,061.6** | **1,061.7** | **1,436.2** |
| | | | | | |
| **EBIT** | | | | | |
| Atria Finland | 13.6 | 13.1 | 27.2 | 24.9 | 36.3 |
| Atria Sweden | -1.0 | 0.7 | -6.0 | 1.0 | 2.4 |
| Atria Denmark & Estonia | 1.6 | 1.4 | 4.3 | 3.9 | 5.2 |
| Atria Russia | -0.8 | 1.3 | -1.4 | 0.1 | 0.8 |
| Unallocated | -0.8 | -0.3 | -2.5 | -2.3 | -3.7 |
| **EBIT, total** | **12.7** | **16.2** | **21.5** | **27.5** | **40.9** |
| **EBIT%** | **3.5 %** | **4.5 %** | **2.0 %** | **2.6 %** | **2.8 %** |
| | | | | | |
| **Profit before taxes** | **11.6** | **14.3** | **16.8** | **23.3** | **35.5** |
| **Earnings per share, EUR** | **0.30** | **0.37** | **0.46** | **0.58** | **0.92** |
| **Items affecting comparability of EBIT:** | | | | | |
| Divestment of subsidiary | - | - | - | - | 1.4 |
| **Adjusted EBIT** | **12.7** | **16.2** | **21.5** | **27.5** | **39.6** |

## Juha Gröhn, CEO

“The moderately good economy has had a positive impact on consumer demand, and market development has remained favourable in all the countries in our business areas. The poultry and convenience food product groups showed the largest growth. Eating out continues to increase its popularity, yielding interesting opportunities for increasing Food Service sales. On the other hand, the increased demand has raised the costs of several materials, supplies and services. Price competition has continued strong.

In Finland, sales over the summer were a success, with Atria as the market leader of barbecue products. We can be content with both our growth and profitability.

In Sweden, the growth and profitability targets were not reached. This was influenced by high raw material costs, the poor profitability of poultry operations, and the persistently weak Swedish krona, thus increasing the costs of imported materials and supplies.

The business operations of Denmark & Estonia met their set earnings target. The growth target was not met due to some the meat products losing their place in store selections in a fierce price competition in Denmark.

The profit and net sales in Russia did not meet set targets. The prices of meat raw materials have risen in two peaks – first in spring and for a second time in early autumn. This has resulted in a lowered margin level. The sales of Sibylla products have been good. Likewise, Food Service sales are on the rise.

The hot and dry summer decreased crop harvests all over Europe. The prices of cereals, crops and animal feed have increased strongly during the autumn. The price of meat is also on the rise. Atria is preparing for increased raw material costs.”

## July-September 2018

**Atria Group’s** net sales for July-September totalled EUR 357.1 million (EUR 360.8 million). EBIT amounted to EUR 12.7 million (EUR 16.2 million). Atria Finland's net sales grew by EUR 5.1 million from the previous year; sales to retail and Food Service customers continued to grow. Atria Sweden's net sales were reduced by the weak Swedish krona and the divestment of the Nordic Fast Food business operations in December 2017. The sales to retail of poultry increased. Atria Denmark & Estonia's net sales were at the same level as last year. Atria Russia's decrease in net sales was caused by a weakened exchange rate and decreased sales to retail.

Atria Finland's EBIT increased thanks to improved sales structures. The Group's EBIT was burdened by increased raw material costs in Sweden and Russia as well as Atria Sweden's poor profitability of poultry operations. Atria Denmark & Estonia's EBIT improved year-on-year.

In August, Atria launched its new Vegyu brand, a 100 % meat-free product range. The products of the versatile range include convenience foods, cold cuts, and cooking products. Vegyu is aimed at consumers looking for alternatives to meat-based products or variation in their meal solutions.

Atria Finland faces the growth in the poultry market by investing a total of EUR 3.4 million in the Nurmo and Sahalahti poultry production plants. The cutting capacity will be increased at both Nurmo and Sahalahti plant. The projects will be carried out in late 2018 and spring 2019.

## January-September 2018

**Atria Group's** net sales for January-September totalled EUR 1,061.6 million (EUR 1,061.7 million). EBIT amounted to EUR 21.5 million (EUR 27.5 million). The net sales of Atria Finland grew by EUR 25 million from the previous year. The weakened Swedish krona and Russian rouble brought down the Group's net sales in January-September.

Atria Finland and Denmark & Estonia's EBIT increased thanks to improved sales structures. In Sweden, EBIT was weighed down by the poor profitability of poultry operations, the weakened krona, and increased raw material costs. In Russia, the result was brought down by significantly increased raw material costs.

Atria Group's operational structure and financial reporting were altered as of the beginning of 2018. Atria Group's reporting segments are as follows: Atria Finland, Atria Sweden, Atria Russia, and Atria Denmark & Estonia.

Atria Group's corporate responsibility projects proceeded according to plan during the review period. The Atria Way of Leading training programme and the Safely Home from Atria occupational safety programme were implemented in all business areas. The solar power park was completed in September, and in February the company launched its antibiotic-free pork products. The Group initiated the revision of Atria's strategy for corporate responsibility.

| **Key indicators**<br>**EUR million** | **30.9.18** | **30.9.17** | **31.12.17** |
|---|---|---|---|
| Shareholders´ equity per share EUR | 14.61 | 14.55 | 14.81 |
| Interest-bearing liabilities | 255.1 | 244.9 | 214.3 |
| Equity ratio, % | 45.8 % | 46.0 % | 47.5 % |
| Net gearing, % | 59.7 % | 56.6 % | 49.0 % |
| Gross investments in fixed assets | 33.1 | 38.5 | 53.9 |
| % of net sales | 3.1 % | 3.6 % | 3.8 % |
| Average FTE | 4,446 | 4,447 | 4,449 |

The principles for calculating indicators are presented at the end of the report.

## Business development by area January-September 2018

### Atria Finland

| EUR million | Q3 2018 | Q3 2017 | Q1-Q3 2018 | Q1-Q3 2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 250.1 | 245.0 | 750.7 | 725.7 | 986.4 |
| EBIT | 13.6 | 13.1 | 27.2 | 24.9 | 36.3 |
| EBIT, % | 5.4 % | 5.4 % | 3.6 % | 3.4 % | 3.7 % |
| | | | | | |
| Items affecting comparability | - | - | - | - | - |
| Adjusted EBIT | 13.6 | 13.1 | 27.2 | 24.9 | 36.3 |

**Atria Finland's** net sales for July–September totalled EUR 250.1 million (EUR 245.0 million). Net sales increased by EUR 5.1 million. Sales to retail and to Food Service customers continued to grow from the previous year. EBIT amounted to EUR 13.6 million (EUR 13.1 million). The growth of EBIT was thanks to a better sales structure than during the corresponding period last year.

Net sales for January–September totalled EUR 750.7 million (EUR 725.7 million). Net sales increased by EUR 25.0 million. Sales to retail and to Food Service customers has clearly improved from the year before. EBIT amounted to EUR 27.2 million (EUR 24.9 million). The sales structure during January-September was better than during the corresponding period last year.

The poor harvest season of the past summer has raised production costs at Finnish meat farms during the autumn. This caused pressure to increase Atria's raw material prices during the third quarter.

In June–August, the retail market for product groups represented by Atria increased by 3 per cent in terms of value compared to the corresponding period last year. Atria's sales to retail increased faster than the market. Especially the sales trends of Atria's brand products were very strong, with a growth of 14 per cent year-on-year. Atria was the market leader in all product groups it represents apart from convenience food, where Atria is number two. Atria’s supplier share was 26 per cent. For poultry, Atria’s supplier share is over 50 per cent (Source: Atria).

Atria's sales to Food Service customers has increased faster than the market throughout the beginning of the year. Atria’s supplier share in the Food Service market was approximately 23 per cent. (Source: Atria)

Atria Finland faces the rise in demand of poultry products and will invest a total of EUR 3.4 million in the Nurmo and Sahalahti production plants. The cutting capacity will be increased at both Nurmo and Sahalahti plant. The new production lines will be commissioned in spring 2019.

In August, Atria launched its new Vegyu brand, a 100 % meat-free product range. The products of the versatile range include convenience foods, cold cuts, and cooking products. Vegyu is aimed at consumers looking for alternatives to meat-based products or variation in their meal solutions. One important focus group is flexitarians: consumers who aim to reduce meat-eating but with a flexible approach.

Atria's Finnish grass-fed beef sirloin steak was selected world's best steak in the fourth annual World Steak Challenge competition held in London in July. Atria's Danish partner, JN Meat International, participated in the competition with Atria's beef products and came first place in as many as four categories out of six.

In February, Atria launched the antibiotic-free pork. All pork from Atria Family Farms is from pigs that have been reared entirely without antibiotics. The name of the Family Farm printed on the product package traces the origin of the meat all the way back to the farm.

The solar power park was completed in September. The project began in June 2017 and has been producing energy for Atria's need since July 2017.

## Atria Sweden

| EUR million | Q3 2018 | Q3 2017 | Q1-Q3 2018 | Q1-Q3 2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 72.5 | 78.6 | 213.8 | 229.5 | 307.2 |
| EBIT | -1.0 | 0.7 | -6.0 | 1.0 | 2.4 |
| EBIT, % | -1.3 % | 0.9 % | -2.8 % | 0.4 % | 0.8 % |
| | | | | | |
| Items affecting comparability: | | | | | |
| Divestment of subsidiary | - | - | - | - | 1.4 |
| Adjusted EBIT | -1.0 | 0.7 | -6.0 | 1.0 | 1.0 |

**Atria Sweden's** net sales for July–September totalled EUR 72.5 million (EUR 78.6 million). In the local currency, net sales were at the same level year-on-year. The sales of poultry products grew considerably during the summer, improving net sales. On the other hand, net sales were decreased by the weakened Swedish krona and the divestment of the Nordic Fast Food business operations in December 2017. EBIT was EUR -1.0 million (EUR 0.7 million). The decrease in EBIT was due to the poor performance of poultry operations. In addition, the persistently weak Swedish krona raised the prices of imported raw materials.

Net sales for January–September totalled EUR 213.8 million (EUR 229.5 million). EBIT was EUR -6.0 million (EUR 1.0 million). The decrease in net sales was caused by the weak Swedish krona and the divestment of the Nordic Fast Food business operations in December 2017. In the local currency, net sales were at the same level year-on-year. EBIT was weighed down by further increases in raw material costs, the poor profitability of poultry operations, and employee arrangements at the beginning of the year. The profitability of poultry operations has weakened due to an unfavourable sales structure and the price pressure caused by the sluggishness in the market at the beginning of the year. The commissioning of the renewed poultry plant continued during the third quarter according to plan.

The most significant investments of the 2-year-long development programme of the poultry unit have now been completed. During the remainder of the year, Atria will invest in improving the commercial operations and supply chain cost-efficiency of its poultry unit.

Atria’s supplier share in retail trade improved in cooking sausages and fresh poultry products, whereas the supplier share for cold cuts decreased slightly.

The Sibylla business expanded to Asia with the foundation of the Atria Korea LLC subsidiary in July.

## Atria Denmark & Estonia

| EUR million | Q3 2018 | Q3 2017 | Q1-Q3 2018 | Q1-Q3 2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 24.7 | 25.0 | 72.0 | 73.6 | 98.9 |
| EBIT | 1.6 | 1.4 | 4.3 | 3.9 | 5.2 |
| EBIT, % | 6.7 % | 5.7 % | 6.0 % | 5.2 % | 5.2 % |
| | | | | | |
| Items affecting comparability | - | - | - | - | - |
| Adjusted EBIT | 1.6 | 1.4 | 4.3 | 3.9 | 5.2 |

**Atria Denmark & Estonia's** net sales for July-September totalled EUR 24.7 million (EUR 25.0 million). EBIT amounted to EUR 1.6 million (EUR 1.4 million). In Estonia, Atria's sales to retail grew by approximately 6 per cent in terms of value, and in Denmark the net sales fell slightly. The sales structure for July-September was better than last year.

Net sales for January-September totalled EUR 72.0 million (EUR 73.6 million). EBIT amounted to EUR 4.3 million (EUR 3.9 million). In Estonia, Atria's sales to retail increased during January-September. In Denmark, the net sales decreased due to tight price competition. The EBIT of the business area increased slightly thanks to good cost management and a favourable sales structure.

In Estonia, the African swine fever still occurs amongst wild boars, but no new cases have been found at pig farms.

## Atria Russia

| EUR million | Q3 2018 | Q3 2017 | Q1-Q3 2018 | Q1-Q3 2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 19.4 | 22.4 | 55.2 | 64.0 | 85.7 |
| EBIT | -0.8 | 1.3 | -1.4 | 0.1 | 0.8 |
| EBIT, % | -3.9 % | 5.7 % | -2.6 % | 0.1 % | 0.9 % |
| | | | | | |
| Items affecting comparability | - | - | - | - | - |
| Adjusted EBIT | -0.8 | 1.3 | -1.4 | 0.1 | 0.8 |

**Atria Russia's** net sales for July-September totalled EUR 19.4 million (EUR 22.4 million). EBIT was EUR -0.8 million (EUR 1.3 million). The decrease in net sales was the result of a weakened Russian rouble and decreased sales to retail customers. In the local currency, net sales fell by approximately 4 per cent. The sales of Sibylla and Food Service products strengthened compared to last year. EBIT was weakened by increased raw material prices and decreased sales volumes to retail.

Net sales for January-September totalled EUR 55.2 million (EUR 64.0 million). EBIT was EUR -1.4 million (EUR 0.1 million). The decrease in net sales was caused by the weakening of the rouble and decreased sales to retail. In the local currency, the net sales fell by approximately 2 per cent. EBIT was brought down by increased meat raw material prices.

The investment project initiated in the Sinyavino cured sausage production plant has progressed according to plan. The investment enables the production of new types of cured sausage and whole meat products for retail customers. The total value of the project was approximately EUR 0.8 million.

Ilari Hyyrynen started as Director of the Atria Russia business area on 9 July 2018.

## Average personnel (FTE)

| Personnel by Business Area (FTE) | Q1-Q3 2018 | Q1-Q3 2017 | 2017 |
|---|---|---|---|
| Atria Finland | 2,331 | 2,323 | 2,314 |
| Atria Sweden | 841 | 838 | 846 |
| Atria Denmark & Estonia | 419 | 428 | 429 |
| Atria Russia | 855 | 858 | 860 |
| **Total** | 4,446 | 4,447 | 4,449 |

## Financial position and taxes

During the period under review, the Group’s free cash flow (operating cash flow - cash flow from investments) was EUR -29.1 million (EUR -14.8 million). Operating cash flow was EUR +3.8 million (EUR +21.6 million), and the cash flow from investments was EUR -33.0 million (EUR -36.4 million). Operating cash flow was weakened by an increase in working capital items. The increased raw material prices have raised inventory value.

The Group’s investments during the period totalled EUR 33.1 million (EUR 38.5 million).

The equity ratio was 45.8 per cent (31 December 2017: 47.5%). The total translation differences with the Swedish krona and the Russian rouble recognised in equity reduced equity by EUR 7.3 million (EUR -3.4 million) in January-September. Interest-bearing net liabilities amounted to EUR 254.0 million (31 December 2017: EUR 211.1 million). On 30 September 2018, the Group had undrawn committed credit facilities worth EUR 85.0 million (31 December 2017: EUR 105.0 million). In May, the company reduced its superfluous EUR 50 million committed credit facility by EUR 20 million, the new amount at the end of the review period being EUR 30 million. The average maturity of loans and committed credit facilities at the end of the period under review was 3 years (31 December 2017: 3 years 4 months).

Sweden's gradually decreasing corporate tax rates have been taken into consideration in the deferred tax.

## Business risks in the review period and short-term risks

Incidents related to the quality and safety of raw materials and products in any part of the chain, from primary production to consumption, are ordinary short-term risks in Atria’s business environment. Price trends for raw materials, the general economic climate, market development and competitors’ operations can give rise to uncertainty in terms of trends in the demand for Atria's products.

The poor harvest season this summer has raised production costs at meat farms during the autumn. This causes pressure to increase raw material prices.

Other potential short-term uncertainties in Atria's operations are related to implementing the strategy and maintaining or improving the financial results of business areas. African swine fever continues to cause disruption in Estonia. There is a risk of it spreading to Finland. Atria has taken several precautionary measures to prevent the disease from spreading into its production facilities, and strives to manage the risk.

Changes in the value of the Russian rouble and the Swedish krona are reflected in the Group's euro-denominated net sales, result and equity. A more detailed description of the risks related to the Group's operations was provided in the 2017 annual report.

## Outlook for the future

The consolidated EBIT in 2017 was EUR 40.9 million. In 2018, EBIT is expected to be lower than in 2017. In 2018, net sales are expected to remain at the 2017 level.

## Financial calendar 2019

Atria Plc's financial statement release for 2018 will be published on 13 February 2019 at approximately 8:00 am. The Annual General Meeting will be held in Helsinki on 26 April 2019. Under the Limited Liability Companies Act, a shareholder has the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting if the shareholder so demands in writing from the Board of Directors well in advance of the meeting so that the matter can be mentioned in the notice. The Board of Directors must be notified of the demand by 22 February 2019 in order for it to be dealt with at the General Meeting. The demand, with accompanying justification or proposed resolution, must be sent in writing to Atria Plc, Group Legal Affairs, Läkkisepäntie 23, FI-00620 Helsinki.

Atria Plc's Annual Report 2018 will be published in week 13/2019.

Atria Plc will publish two interim reports and one half-year report in 2019:
- interim report January–March on 26 April 2019 at approximately 8:00 am
- half-year report January–June: 18 July 2019 at approximately 8:00 am
- interim report January-September on 23 October 2019 at approximately 8:00 am.

Financial releases can also be viewed on the company's website at www.atria.com immediately after their release.

## Shares

Atria Plc's share capital consists of a total of 28,267,728 shares, divided into 19,063,747 series A shares and 9,203,981 series KII shares. Each series A share entitles its holder to one (1) vote and each series KII share to ten (10) votes at a General Meeting. Therefore, Atria Plc's shareholders are entitled to a total of 111,103,557 votes. The company holds 111,312 series A treasury shares.

## Valid authorisations to purchase or issue shares, grant special rights and make donations

The General Meeting authorised the Board of Directors to decide on the acquisition of a maximum of 2,800,000 of the company's own A shares, in one or several tranches, with funds belonging to the company's unrestricted equity, subject to the provisions of the Limited Liability Companies Act regarding the maximum number of treasury shares to be held by a company. The company's own series A shares may be acquired for use as consideration in any acquisitions or other arrangements relating to the company's business, to finance investments, as part of the company's incentive programmes, to develop the company's capital structure, to be otherwise further transferred, to be retained by the company or to be cancelled.

The shares shall be acquired in a proportion other than that of the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the market price at the moment of acquisition. The shares shall be acquired and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Oy. The Board of Directors was authorised to decide on the acquisition of the company's own shares in all other respects.

The authorisation shall supersede the authorisation granted by the Annual General Meeting on 27 April 2017 to the Board of Directors to decide on the acquisition of the company's own shares and be valid until the closing of the next Annual General Meeting or until 30 June 2019, whichever is first.

The General Meeting authorised the Board of Directors to decide, on one or several occasions, on an issue of a maximum of 5,500,000 new series A shares or on the disposal of any series A shares held by the company through a share issue and/or by granting option rights or other special rights entitling people to shares as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The authorisation may be exercised to finance or execute any acquisitions or other arrangements or investments related to the company's business, to implement the company's incentive plan or for other purposes at the Board's discretion.

The Board of Directors is also authorised to decide on all terms and conditions of the share issue and of the granting of special rights as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The authorisation thus also includes the right to issue shares in a proportion other than that currently held by the shareholders under the conditions provided by law, the right to issue shares against or without payment and the right to decide on a share issue to the company itself without payment – subject to the provisions of the Limited Liability Companies Act regarding the maximum number of treasury shares to be held by a company.

The authorisation shall supersede the share issue authorisation granted by the Annual General Meeting on 27 April 2017 to the Board of Directors and is valid until the closing of the next Annual General Meeting or until 30 June 2019, whichever is first.

The General Meeting authorised the Board of Directors to decide on the donation of a maximum of EUR 100,000 to universities or other educational institutions.

## Composition of Atria Plc's Nomination Board

The following people were elected to Atria Plc's Nomination Committee, appointed by the Annual General Meeting:

- Jukka Kaikkonen, Farmer, representative of Lihakunta
- Kjell-Göran Paxal, Farmer, representative of Pohjanmaan Liha
- Juho Anttikoski, Farmer, representative of Itikka Co-operative
- Timo Sallinen, Investment Director (listed investments), representative of Varma Mutual Pension Insurance Company
- Seppo Paavola, Agrologist, expert member, Chairman of Atria Plc's Board of Directors

The Nomination Committee elects a Chairman from amongst its members at its first meeting. The Nomination Board prepares proposals to the next Annual General Meeting regarding the remuneration of the members of the Board of Directors and the Supervisory Board as well as the election of the members of the Board of Directors. The Nomination Board shall present its proposal to the Board of Directors by 1 February 2019.

Shareholders or their representatives who own Series KII shares as well as the largest holder of Series A shares who does not own Series KII shares, or a representative thereof, shall be elected to the Nomination Board in accordance with their ownership in early September preceding the next General Meeting. If the largest holder of Series A shares does not wish to exercise his or her right to nominate a member, the right will be transferred to the next largest Series A shareholder. Itikka Co-operative, Lihakunta and Pohjanmaan Liha Co-operative are Series KII shareholders.

Some shareholders are obligated to notify the company of certain changes in shareholding (flagging obligations) when necessary under the Finnish Securities Markets Act. Such shareholders may present a written request to the Company's Board of Directors by the end of August for the holdings of corporations or foundations controlled by the shareholder, or the shareholder's holdings in several funds or registers, to be combined when calculating voting rights. A shareholder with nominee-registered shares is considered when defining the composition of the Shareholders' Nomination Committee, if the holder of nominee-registered shares presents a request regarding the matter to the company's Board of Directors by the end of August preceding the General Meeting.

## Corporate Governance Principles

Atria's corporate governance principles and deviations from the Finnish Corporate Governance Code are published on the company's website at www.atria.com.

## ATRIA GROUP

### CONSOLIDATED INCOME STATEMENT

| EUR million | 7-9/18 | 7-9/17 | 1-9/18 | 1-9/17 | 1-12/17 |
|---|---|---|---|---|---|
| **Net sales** | **357.1** | **360.8** | **1,061.6** | **1,061.7** | **1,436.2** |
| Costs of goods sold | -316.4 | -314.8 | -946.9 | -934.2 | -1 262.9 |
| **Gross profit** | **40.7** | **45.9** | **114.7** | **127.6** | **173.3** |
| | | | | | |
| Sales and marketing expenses | -18.3 | -20.4 | -60.8 | -69.4 | -92.4 |
| Administrative expenses | -9.5 | -9.4 | -31.4 | -31.0 | -42.7 |
| Other operating income | 1.2 | 0.9 | 3.2 | 2.5 | 5.7 |
| Other operating expenses | -1.4 | -0.9 | -4.2 | -2.3 | -3.0 |
| **EBIT** | **12.7** | **16.2** | **21.5** | **27.5** | **40.9** |
| | | | | | |
| Finance income and costs | -1.2 | -2.1 | -5.0 | -5.6 | -7.3 |
| Income from joint ventures and associates | 0.2 | 0.1 | 0.3 | 1.4 | 1.9 |
| **Profit before taxes** | **11.6** | **14.3** | **16.8** | **23.3** | **35.5** |
| | | | | | |
| Income taxes | -2.9 | -2.9 | -2.6 | -5.1 | -7.1 |
| **Profit for the period** | **8.8** | **11.3** | **14.1** | **18.2** | **28.4** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| Owners of the parent | 8.4 | 10.5 | 12.9 | 16.5 | 25.9 |
| Non-controlling interests | 0.3 | 0.8 | 1.2 | 1.8 | 2.5 |
| **Total** | **8.8** | **11.3** | **14.1** | **18.2** | **28.4** |
| | | | | | |
| Basic earnings per share, EUR | 0.30 | 0.37 | 0.46 | 0.58 | 0.92 |
| Diluted earnings per share, EUR | 0.30 | 0.37 | 0.46 | 0.58 | 0.92 |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR million | 7-9/18 | 7-9/17 | 1-9/18 | 1-9/17 | 1-12/17 |
|---|---|---|---|---|---|
| **Profit for the period** | **8.8** | **11.3** | **14.1** | **18.2** | **28.4** |
| **Other comprehensive income after tax:** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Actuarial losses from benefit-based pension obligations | - | - | - | - | -0.1 |
| **Items reclassified to profit or loss when specific conditions are met** | | | | | |
| Cash flow hedges | -0.5 | 0.9 | 2.8 | 1.5 | 2.1 |
| Currency translation differences | -0.6 | -0.7 | -7.3 | -3.5 | -6.1 |
| **Total comprehensive income for the period** | **7.7** | **11.5** | **9.6** | **16.3** | **24.3** |
| | | | | | |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | 7.4 | 10.7 | 8.3 | 14.6 | 21.9 |
| Non-controlling interests | 0.3 | 0.8 | 1.3 | 1.7 | 2.4 |
| **Total** | **7.7** | **11.5** | **9.6** | **16.3** | **24.3** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Assets<br>EUR million | 30.9.18 | 30.9.17 | 31.12.17 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 404.3 | 407.6 | 408.7 |
| Biological assets | 0.6 | 0.7 | 0.6 |
| Goodwill | 162.1 | 168.9 | 166.8 |
| Other intangible assets | 84.1 | 90.2 | 89.1 |
| Investments in joint ventures and associates | 14.7 | 14.3 | 14.7 |
| Other financial assets | 1.2 | 1.2 | 1.2 |
| Loans and other receivables | 9.3 | 9.0 | 9.2 |
| Deferred tax assets | 5.4 | 6.0 | 6.0 |
| **Total** | **681.8** | **697.8** | **696.3** |
| **Current assets** | | | |
| Inventories | 108.4 | 95.8 | 93.0 |
| Biological assets | 3.5 | 3.1 | 3.1 |
| Trade and other receivables | 135.5 | 124.9 | 114.2 |
| Cash and cash equivalents | 1.1 | 4.1 | 3.1 |
| **Total** | **248.5** | **227.9** | **213.5** |
| **Total assets** | **930.3** | **925.7** | **909.8** |

| Equity and liabilities<br>EUR million | 30.9.18 | 30.9.17 | 31.12.17 |
|---|---|---|---|
| Equity attributable to the shareholders of the parent company | 413.1 | 411.3 | 418.6 |
| Non-controlling interests | 12.7 | 14.0 | 12.1 |
| **Total equity** | **425.8** | **425.3** | **430.7** |
| **Non-current liabilities** | | | |
| Interest-bearing financial liabilities | 156.1 | 124.5 | 122.4 |
| Deferred tax liabilities | 45.4 | 48.3 | 47.2 |
| Pension obligations | 6.1 | 7.0 | 6.3 |
| Other non-interest-bearing liabilities | 7.8 | 8.2 | 8.1 |
| **Total** | **215.4** | **188.0** | **184.0** |
| **Current liabilities** | | | |
| Interest-bearing financial liabilities | 99.1 | 120.4 | 91.9 |
| Trade and other payables | 190.0 | 192.0 | 203.2 |
| **Total** | **289.1** | **312.4** | **295.1** |
| **Total liabilities** | **504.5** | **500.4** | **479.1** |
| **Total equity and liabilities** | **930.3** | **925.7** | **909.8** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| **EUR million** | **Equity attributable to the shareholders of the parent company** | | | | | | | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Other funds | Inv. non-rest. equity fund | Translation diff. | Retained earnings | Total | | |
| **Equity 1.1.17** | **48.1** | **-1.3** | **-2.5** | **249.1** | **-44.7** | **161.2** | **409.7** | **12.4** | **422.2** |
| Profit for the period | | | | | | 16.5 | 16.5 | 1.8 | 18.2 |
| Other comprehensive income | | | | | | | | | |
| Cash flow hedges | | | 1.5 | | | | 1.5 | | 1.5 |
| Currency translation differences | | | | | -3.4 | | -3.4 | 0.0 | -3.5 |
| Share of non-controlling interest related to acquisition of subsidiary | | | | | | -0.1 | -0.1 | | -0.1 |
| Dividends | | | | | | -13.0 | -13.0 | -0.2 | -13.1 |
| **Equity 30.9.17** | **48.1** | **-1.3** | **-1.0** | **249.1** | **-48.2** | **164.6** | **411.3** | **14.0** | **425.3** |
| **Equity 1.1.18** | **48.1** | **-1.3** | **-0.4** | **249.1** | **-50.8** | **173.9** | **418.6** | **12.1** | **430.7** |
| Profit for the period | | | | | | 12.9 | 12.9 | 1.2 | 14.1 |
| Other comprehensive income | | | | | | | | | |
| Cash flow hedges | | | 2.8 | | | | 2.8 | | 2.8 |
| Currency translation differences | | | | | -7.3 | | -7.3 | | -7.3 |
| Share of non-controlling interest related to acquisition of subsidiary | | | | | | 0.0 | 0.0 | | 0.0 |
| Share-based payments | | | | 0.2 | | | 0.2 | | 0.2 |
| Dividends | | | | | | -14.1 | -14.1 | -0.7 | -14.8 |
| **Equity 30.9.18** | **48.1** | **-1.3** | **2.4** | **249.3** | **-58.1** | **172.8** | **413.1** | **12.7** | **425.8** |

## CONSOLIDATED CASH FLOW STATEMENT

| EUR million | 1-9/18 | 1-9/17 | 1-12/17 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating activities before financial items and taxes | 9.8 | 36.8 | 82.3 |
| Financial items and taxes | -6.0 | -15.2 | -17.8 |
| **Net cash flow from operating activities** | **3.8** | **21.6** | **64.5** |
| **Cash flow from investing activities** | | | |
| Tangible and intangible assets | -32.8 | -38.8 | -53.1 |
| Sold operations | - | - | 4.0 |
| Non-current receivables | -0.8 | 1.9 | 2.3 |
| Dividends received | 0.2 | 0.7 | 0.8 |
| Current receivables | 0.4 | -0.3 | 0.7 |
| **Net cash used in investing activities** | **-33.0** | **-36.4** | **-45.3** |
| **Cash flow from financing activities** | | | |
| Proceeds from long-term borrowings | 35.0 | 0.1 | - |
| Repayment of long-term borrowings | -53.6 | -3.7 | -5.5 |
| Changes in short-term borrowings | 59.2 | 30.7 | 2.0 |
| Dividends paid | -14.8 | -13.1 | -13.1 |
| **Net cash used in financing activities** | **25.9** | **13.9** | **-16.6** |
| **Change in liquid funds** | **-3.3** | **-0.9** | **2.6** |
| Cash and cash equivalents at beginning of year | 3.1 | 4.6 | 4.6 |
| Effect of exchange rate changes | 1.2 | 0.3 | -4.0 |
| **Cash and cash equivalents at the end of period** | **1.1** | **4.1** | **3.1** |

## INTERIM REPORT NOTES

### INTERIM REPORT ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Atria has applied the same principles in preparing this interim report as in preparing the 2017 annual financial statements. However, as of 1 January 2018, the Group uses new or revised standards and IFRIC interpretations published by the IASB, included in the accounting principles of the annual financial statements 2017.

Atria has applied the following new standards since the beginning of 2018:

- IFRS 15, Revenue from Contracts with Customers
- IFRS 9, Financial Instruments

### IFRS 15

The entry into force of the new IFRS 15 standard has not required changes in Atria's revenue recognition practices. As such, it has no effect on Atria Group's income statement, balance sheet or cash flow.

Atria sells food products, feed, animals and services. The sales are based on written or oral customer contracts where performance obligations, prices, payment terms and the rights of the parties have been specified. As a rule, Atria delivers the sold products to the customer within 24 hours, the performance obligation is satisfied at a point in time, and the transfer of control and invoicing occur at the time of delivery. Sales discounts and rebates are recognised for the delivery month.

As part of segment information, Atria presents sales divided into consumer product sales and revenue from primary production, the latter of which includes sales of traded animals and feed. Atria sees these two net sales flows are the most fundamental for understanding the nature of the revenues and cash flows from customer contracts.

Consumer product customers are primarily large central organisations. The number of expected credit losses is small. In primary production, credit loss provision is calculated for each company based on past, general and customer-specific forecasts.

### IFRS 9

IFRS 9, Financial Instruments, defines the classification and measurement of financial assets and liabilities, the determination of impairments on such instruments, and the principles applied to hedge accounting.

The new standard did not bring about changes in Atria's opening balance for 2018. The majority of the Group's financial assets are trade receivables, loan receivables and other types of receivable. They are measured at amortised cost. In accordance with the business model, these investments are held until their due date, and the cash flows based on the contract accrue from principal payments and interest. The profit or loss realised on the sale of financial assets valued at fair value through other items of comprehensive income is no longer recognised through profit and loss at the time of sale. Changes in fair value are transferred to retained earnings through comprehensive income. In line with the new impairment model, an impairment is recognised for foreseeable credit losses. In recent years, the number of realised credit losses sustained by the Group has been insubstantial, and the amount of foreseeable credit losses is presumed to remain insubstantial, so no major changes to the amount recognised as a credit loss provision were made. The accounting treatment of financial liabilities was not changed.

The effects of the standard for Atria Group apply mainly to hedge accounting. The new hedge accounting rules brought hedge accounting closer to the Group's risk management practices. The system-priced risk and regional price difference risk for electricity hedge accounting can be treated separately in hedge accounting.

**IFRS 16**

Atria initiated a project in 2017 to study the adoption of the standard. The Group's leases have been identified and the implementation of the system required to manage leases is ongoing.

At the end of 2017, the Group had approximately EUR 30 million of non-cancellable lease obligations based on operating leases. The majority of these will be entered into the balance sheet in accordance with IFRS 16. Calculation of the adjustment arising from the definition of a lease period and the different treatment of lease extension and termination options is still underway. For this reason, the fixed asset items, lease liabilities and effect on results to be recognised when the new standard is adopted are still being calculated.

The standard will be adopted for the financial period beginning 1 January 2019. Atria will utilise the concession on recognition allowed by the standard, and will not apply the standard to short-term leases or contracts where the underlying asset is of low value. The aim is to apply a simplified approach to the transition, and the comparable figures for the year preceding adoption will not be adjusted.

**REPORTING SEGMENTS**

As of the beginning of 2018, Atria Group's operational structure and financial reporting were altered. Atria Scandinavia's organisation was simplified and a separate segment was created for the operations in Sweden. The businesses in Denmark and Estonia now constitute a single business area and reporting segment. The name of the new business area is Atria Denmark & Estonia. Atria Finland and Atria Russia business areas will continue to be reported as independent segments.

Atria Group’s reporting segments as of 1 January 2018 are as follows:
- Atria Finland
- Atria Sweden
- Atria Denmark & Estonia
- Atria Russia

Comparative figures for 2017 of the renewed segments are presented in the Q1/2018 interim report.

The formulae for calculating indicators are presented at the end of the report. In the company’s view, the indicators presented serve to clarify the view provided by the income statement and balance sheet of the operational result and financial position of the business.

The figures presented in the release are rounded to EUR million, so the combined total of individual figures may differ from the total sum presented. The figures in this interim report are unaudited.

## OPERATING SEGMENTS

| EUR million | 7-9/18 | 7-9/17 | 1-9/18 | 1-9/17 | 1-12/17 |
|---|---|---|---|---|---|
| **Revenue from consumer goods** | | | | | |
| Atria Finland | 193.1 | 191.2 | 582.1 | 565.5 | 767.0 |
| Atria Sweden | 72.5 | 78.6 | 213.8 | 229.5 | 307.2 |
| Atria Denmark & Estonia | 24.0 | 24.1 | 70.1 | 71.0 | 95.6 |
| Atria Russia | 19.4 | 22.4 | 55.2 | 64.0 | 85.7 |
| Eliminations | -9.6 | -10.2 | -30.0 | -31.0 | -42.0 |
| **Total** | **299.3** | **306.0** | **891.1** | **899.0** | **1,213.5** |
| | | | | | |
| **Revenue from primary products** | | | | | |
| Atria Finland | 57.1 | 53.8 | 168.6 | 160.2 | 219.4 |
| Atria Sweden | - | - | - | - | - |
| Atria Denmark & Estonia | 0.7 | 0.9 | 1.9 | 2.6 | 3.3 |
| Atria Russia | - | - | - | - | - |
| **Total** | **57.8** | **54.7** | **170.5** | **162.8** | **222.7** |
| | | | | | |
| **Total net sales** | **357.1** | **360.8** | **1 061.6** | **1 061.7** | **1 436.2** |
| | | | | | |
| **EBIT** | | | | | |
| Atria Finland | 13.6 | 13.1 | 27.2 | 24.9 | 36.3 |
| Atria Sweden | -1.0 | 0.7 | -6.0 | 1.0 | 2.4 |
| Atria Denmark & Estonia | 1.6 | 1.4 | 4.3 | 3.9 | 5.2 |
| Atria Russia | -0.8 | 1.3 | -1.4 | 0.1 | 0.8 |
| Unallocated | -0.8 | -0.3 | -2.5 | -2.3 | -3.7 |
| **Total** | **12.7** | **16.2** | **21.5** | **27.5** | **40.9** |
| | | | | | |
| **Investments** | | | | | |
| Atria Finland | 4.0 | 5.3 | 14.9 | 17.2 | 23.4 |
| Atria Sweden | 2.6 | 6.3 | 11.2 | 15.6 | 22.8 |
| Atria Denmark & Estonia | 0.8 | 1.3 | 3.3 | 3.9 | 4.8 |
| Atria Russia | 1.5 | 0.5 | 3.6 | 1.6 | 2.9 |
| **Total** | **9.0** | **13.5** | **33.1** | **38.4** | **53.9** |
| | | | | | |
| **Depreciation and write-offs** | | | | | |
| Atria Finland | 6.5 | 6.5 | 20.1 | 19.9 | 26.5 |
| Atria Sweden | 2.5 | 2.7 | 7.6 | 7.9 | 10.5 |
| Atria Denmark & Estonia | 1.0 | 1.0 | 3.1 | 3.1 | 4.4 |
| Atria Russia | 1.0 | 1.1 | 3.1 | 3.6 | 4.7 |
| **Total** | **11.1** | **11.2** | **33.8** | **34.5** | **46.1** |

## FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

**EUR milloin**

| **Balance sheet items** | **30.9.18** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through other comperhensive income | 1.2 | | | 1.2 |
| Derivative financial instruments | 4.3 | | 4.3 | |
| **Total** | **5.5** | **0.0** | **4.3** | **1.2** |
| **Liabilities** | | | | |
| Derivative financial instruments | 2.7 | | 2.7 | |
| **Total** | **2.7** | **0.0** | **2.7** | **0.0** |

| **Balance sheet items** | **31.12.17** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through other comperhensive income | 1.2 | | | 1.2 |
| Derivative financial instruments | 2.9 | | 2.9 | |
| **Total** | **4.1** | **0.0** | **2.9** | **1.2** |
| **Liabilities** | | | | |
| Bonds | 50.0 | | 50.0 | |
| Derivative financial instruments | 1.9 | | 1.9 | |
| **Total** | **51.9** | **0.0** | **51.9** | **0.0** |

There were no transfers between Levels 1 and 2 during the period.

Level 1: Prices listed on active markets for identical assets and liabilities.
Level 2: Fair values can be determined either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Fair values are not based on verifiable market prices.

Fair values of financial instruments do not deviate significantly from balance sheet values.

## RELATED PARTY TRANSACTIONS

**EUR million**

| **The following transactions were completed with related parties:** | **7-9/18** | **7-9/17** | **1-9/18** | **1-9/17** | **1-12/17** |
|---|---|---|---|---|---|
| Sales of goods and services | 4.8 | 2.6 | 13.6 | 7.6 | 15.1 |
| Purchases of goods and services | 23.3 | 20.7 | 66.4 | 60.4 | 87.2 |

| | **30.9.18** | **30.9.17** | **31.12.17** |
|---|---|---|---|
| Receivables | 1.5 | 0.7 | 0.9 |
| Liabilities | 14,3 | 4,2 | 6,6 |

## CONTINGENT LIABILITIES

| EUR million | 30.9.18 | 30.9.17 | 31.12.17 |
|---|---|---|---|
| **Debts with mortgages given as security** | | | |
| Loans from financial institutions | 1.5 | 1.6 | 1.6 |
| Pension fund loans | 4.3 | 5.1 | 4.4 |
| **Total** | **5.8** | **6.8** | **6.0** |
| **Mortgages given as comprehensive security** | | | |
| Real estate mortgages | 2.5 | 2.7 | 2.7 |
| Corporate mortgages | 1.1 | 1.1 | 1.1 |
| **Total** | **3.6** | **3.9** | **3.8** |
| **Guarantee engagements not included in the balance sheet** | | | |
| Guarantees | 0.2 | 0.3 | 0.2 |

## THE MAIN EXCHANGE RATES

| | Income statement | | | Balance sheet | | |
|---|---|---|---|---|---|---|
| | 1-9/18 | 1-9/17 | 1-12/17 | 30.9.2018 | 30.9.2017 | 31.12.2017 |
| SEK | 10.2365 | 9.5826 | 9.6369 | 10.3090 | 9.6490 | 9.8438 |
| DKK | 7.4502 | 7.4373 | 7.4387 | 7.4564 | 7.4423 | 7.4449 |
| RUB | 73.4244 | 64.9077 | 65.8877 | 76.1422 | 68.2519 | 69.3920 |

## PRINCIPLES FOR CALCULATING FINANCIAL INDICATORS

| | | | |
|---|---|---|---|
| Adjusted EBIT | | In addition to reporting EBIT, the company publishes an adjusted EBIT indicator to describe the actual financial development of the business and to improve comparability between different periods. The adjusted EBIT is determined by adjusting the EBIT recognized in the income statement for items that affect comparability. These may include events that are not part of the ordinary business activities, such as the restructuring of operations, capital gains and losses attributable to the sale of operations, impairment, and the costs of discontinuing significant operations. | |
| Gross investments | | Investments in tangible and intangible assets, including acquired businesses | |
| FTE | = | $\frac{\text{Hours worked during the review period}}{\text{Number of working days during the review period * normal working hours per day}}$ | |
| Return on equity (%) | = | $\frac{\text{Profit/loss for the accounting period}}{\text{Equity (average)}}$ | * 100 |
| Return on investment (%) | = | $\frac{\text{Profit/loss before tax + interest and other financial expenses}}{\text{Equity + interest-bearing financial liabilities (average)}}$ | * 100 |
| Equity ratio (%) | = | $\frac{\text{Equity}}{\text{Balance sheet total – advance payments received}}$ | * 100 |
| Gearing (%) | = | $\frac{\text{Interest-bearing financial liabilities}}{\text{Equity}}$ | * 100 |
| Net interest-bearing liabilities | = | Interest-bearing financial liabilities – cash and cash equivalents | |
| Net gearing (%) | = | $\frac{\text{Interest-bearing financial liabilities – cash and cash equivalents}}{\text{Equity}}$ | * 100 |
| Earnings/share (basic) | = | $\frac{\text{Profit for the period attributable to the owners of the parent company}}{\text{Weighted average of outstanding shares}}$ | |
| Equity/share | = | $\frac{\text{Equity attributable to the owners of the parent company}}{\text{Undiluted number of shares on 31 Dec}}$ | |
| Dividend/share | = | $\frac{\text{Dividend distribution during the accounting period}}{\text{Undiluted number of shares on 31 Dec}}$ | |
| Dividend/profit (%) | = | $\frac{\text{Dividend/share}}{\text{Earnings per share (EPS)}}$ | * 100 |
| Effective dividend yield (%) | = | $\frac{\text{Dividend/share}}{\text{Closing price at the end of the accounting period}}$ | * 100 |
| Price/earnings (P/E) | = | $\frac{\text{Closing price at the end of the accounting period}}{\text{Earnings per share}}$ | |
| Average price | = | $\frac{\text{Overall share turnover (EUR)}}{\text{Undiluted average number of shares traded during the accounting period}}$ | |
| Market capitalisation | = | Number of shares at the end of the accounting period * closing price on 31 Dec | |
| Share turnover (%) | = | $\frac{\text{Number of shares traded during the accounting period}}{\text{Undiluted average number of shares}}$ | * 100 |

**ATRIA PLC**
**Board of Directors**

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