



# Atria Plc Interim Report

## 1 January - 30 September 2016

Juha Gröhn, CEO, 27 October 2016

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## Atria Group 1 January - 30 September 2016

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2015
	2016	2015	2016	2015	
Net sales	339.1	337.1	994.9	989.2	1,340.1
EBIT	13.2	15.1	21.0	24.2	28.9
EBIT %	3.9 %	4.5 %	2.1 %	2.4 %	2.2 %
Profit before taxes	11.8	13.0	16.3	17.3	20.1
Earnings per share, €	0.32	0.27	0.42	0.38	0.49
Adjusted EBIT	13.2	15.1	20.6	22.3	36.1

- **Acquisitions support Atria's growth strategy**
  - The business operations of the Lagerbergs poultry company were transferred to Atria as of the beginning of May. Annual net sales are expected to grow by about EUR 30 million.
  - Atria acquired a majority stake in Well-Beef Kaunismaa Ltd. The Finnish Competition and Consumer Authority approved the transaction on September and the acquisition was confirmed on 3 October 2016. Annual net sales are expected to grow by about EUR 40 million.
- Atria Finland's new pig cutting plant has entered the start-up phase. The first phase of the cutting plant will be commissioned in 2016, after which the old cutting plant will be modernised. The entire project will be complete in 2017.
- In June, Atria decided to invest EUR 14 million in the poultry business in Sweden.
- Price competition has been unusually fierce for the entire year.
- EBIT growth was slowed by decreased sales prices, the costs of commissioning the new pig cutting plant and the costs incurred in taking over new businesses.

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## Atria Finland 1 January - 30 September 2016

EUR million	Q3		Q1-Q3		2015
	2016	2015	2016	2015	
Net sales	227.0	235.1	685.7	681.0	929.0
EBIT	8.7	9.5	13.4	16.1	29.8
EBIT %	3.8 %	4.0 %	2.0 %	2.4 %	3.2 %
Adjusted EBIT	8.7	9.5	13.4	16.1	29.8

- Increased sales volumes at the beginning of the year enabled net sales to grow.
- In July-September Atria did not take part in the intensified price competition in the retail and Food Service markets.
- A decline in sale prices and the costs of the transitional phase related to commissioning the new pig cutting plant had a negative effect on EBIT.
- Once completed, Atria Finland's new pig cutting plant will be one of Europe's most modern cutting plants. Thanks to the new technology in the pig cutting plant, meat will become traceable all the way back to the farm in even smaller batches. The cutting plant's productivity and competitiveness will increase considerably. Employer-employee negotiations concerning the project have been concluded. The cutting plant's operations will be reorganised and, as a result of these arrangements, staffing will be reduced by 80 person-years by the end of 2016.

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## Atria Finland 1/2

- On 12 September 2016, the Finnish Competition and Consumer Authority unconditionally approved Atria's acquisition of a 70% stake in Well-Beef Kaunismaa Ltd. The agreement between Atria and Well-Beef Kaunismaa to conclude the acquisition was confirmed on 3 October 2016. The purchase price is approximately EUR 16 million.
- Well-Beef Kaunismaa's business focuses on beef processing and wholesaling. The company's customers are mainly fast-food chains and other Food Service customers. Well-Beef Kaunismaa holds a strong position in the Finnish market as a manufacturer of high-quality hamburger patties and kebab products. Well-Beef Kaunismaa's product range complements Atria's selections of beef products. Well-Beef Kaunismaa has a production plant in Turku with approximately 50 employees.



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## Atria Finland 2/2

- The market for the product groups represented by Atria in Finland showed a year-on-year increase in Q3/2016 in the retail and Food Service markets.
  - Market growth was driven by the poultry and convenience food product groups.
  - Atria played a smaller role in grill sausage sales campaigns than in the previous summer, leading to a decrease in market share.
- (Source: Atria)



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## Atria Scandinavia 1 January - 30 September 2016

EUR million	Q3		Q1-Q3		2015
	2016	2015	2016	2015	
Net sales	90.6	81.3	255.1	246.7	330.5
EBIT	3.5	5.2	7.7	9.6	12.8
EBIT %	3.9 %	6.4 %	3.0 %	3.9 %	3.9 %
Items affecting comparability					
Sale of real estate company	-	-	1.4	-	-
Adjusted EBIT	3.5	5.2	6.2	9.6	12.8

- The increase in net sales was mainly due to the Lagerbergs poultry company acquired in April 2016. EBIT was weighed down by increases in raw material prices, the sales structure and the costs incurred in taking over Lagerbergs.
- The takeover of the Lagerbergs business has proceeded as planned. In June, Atria's Board of Directors approved a long-term investment programme worth EUR 14 million for the development of the poultry business. The investments will be devoted to improving the entire production chain, from chicken rearing and industrial production to product marketing. The investments will take place from 2016 to 2018.
- Atria centralised its logistics operations in Sweden by moving them from Gothenburg to the Malmö plant. The logistics centre in Gothenburg was sold for a profit of EUR 1.4 million.

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## Atria Scandinavia

- The total market for sausages among Swedish retailers has grown slightly. The total market for cold cuts has contracted.
- Atria's market share in sausages and cold cuts in terms of value in the Swedish retail trade decreased somewhat. In the Danish retail trade, Atria strengthened its position as the market leader in cold cuts. (Source: AC Nielsen)
- Demand for organic products is increasing in Sweden and Denmark.
- Atria launched new organic cold cuts under the Arbogapastej, Pastejköket and Aalbaek brands.
- Lithells Signature, a new family of additive-free products, was developed for Food Service customers.



## Atria Russia 1 January - 30 September 2016

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2015
	2016	2015	2016	2015	
Net sales	19.5	19.1	50.6	56.5	75.1
EBIT	0.5	0.5	-0.1	0.2	-0.2
EBIT %	2.4 %	2.8 %	-0.2 %	0.4 %	-0.3 %
Items affecting comparability:					
Pig farm sale	-	-	-	1.9	1.9
Adjusted EBIT	0.5	0.5	-0.1	-1.7	-2.1

- The growth in net sales for July-September was accelerated by a revamped product selection, a growth in sales to retailers and good sales of Sibylla products.
- In the local currency, net sales for January-September grew by 2.8%.
- Adjusted EBIT for January-September was boosted by increased sales of Sibylla products, stabilisation of raw material prices and increased sales to retailers.

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## Atria Russia

- The Sibylla concept has continued to show strong growth. The number of Sibylla sales outlets has increased to more than 2,700.
- The launch of the Atria brand in the retail sector has got off to a good start. The product selection contains grill sausages, convenience foods, hot dogs, hamburgers, and additive-free sausages and frankfurters based on Finnish recipes. The aim is to expand the Atria product selection further and develop entirely new products and product segments for the Russian market.



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## Atria Baltic 1 January - 30 September 2016

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2015
	2016	2015	2016	2015	
Net sales	8.7	8.4	25.6	24.9	32.9
EBIT	0.5	0.0	0.1	0.1	-9.0
EBIT %	6.2 %	0.3 %	0.2 %	0.4 %	-27.3 %
Items affecting comparability:					
Pig farm sale	-	-	-1.0	-	-
Goodwill impairment	-	-	-	-	-9.1
Adjusted EBIT	0.5	0.0	1.1	0.1	0.1

- Atria Baltic's sales volumes were good. Sales of the new minced meat products launched at the beginning of the year increased rapidly, while sales of grill sausages were weaker than in the previous year. The price of pork began to rise during the review period, which boosted the profitability of the business.
- Long-term work to increase cost efficiency has led to improved profitability.
- Atria centralised its industrial operations in Estonia at the Valga factory. Production rearrangements were concluded by the end of the second quarter. The measures are expected to generate annual savings of approximately EUR 0.5 million.
- Atria sold the Linnamäe pig farm located in Northern Estonia in April. The sale of the Linnamäe pig farm gave rise to a sales loss of approximately EUR 1 million.

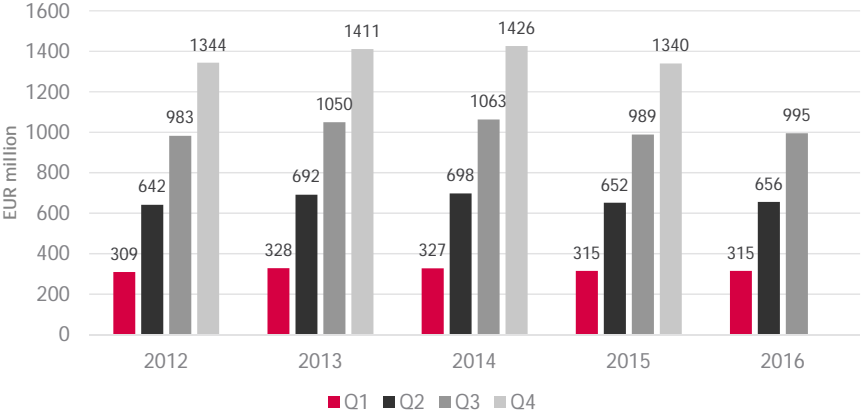
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# Financial development

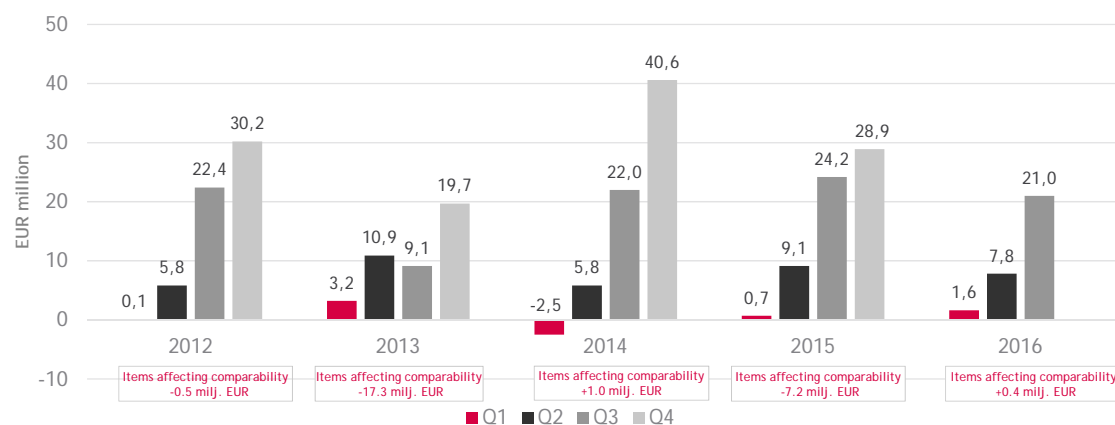
"Actions related to company acquisitions and commissioning the Nurmo pig cutting plant have temporarily increased costs but, in time, these increases will turn into savings, growth and profit."

CEO Juha Gröhn

## Atria Group Net Sales cumulative, quarterly



## Atria Group EBIT cumulative, quarterly



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## Atria Group Financial indicators 1 January - 30 September 2016

EUR million	30 Sept 2016	30 Sept 2015	2015
Shareholder's equity per share, EUR	14.28	14.07	14.16
Interest-bearing liabilities	230.2	225.5	199.6
Equity ratio, %	46.3 %	46.0 %	47.4 %
Net gearing, %	55.7 %	55.8 %	48.3 %
Gross investments	54.0	39.0	56.9
Gross investments, % of net sales	5.4 %	3.9 %	4.2 %
Average number of employees	4,291	4,304	4,271

- During the review period, the Group's free cash flow (operating cash flow - cash flow from investments) was EUR -17.5 million (EUR 37.6 million). Cash flow from investments includes divested businesses worth EUR 5.2 million (EUR 34.1 million) and acquired businesses worth EUR -15.9 million (EUR -5.5 million).
- Netted translation differences with the Russian rouble and the Swedish krona recognised in equity increased equity by EUR +1.8 million (EUR -2.9 million) in the period from January to September.
- On 30 September 2016, the Group had undrawn committed credit facilities worth EUR 105.0 million (31 December 2015: EUR 125.0 million). The average maturity of loans and committed credit facilities at the end of the period under review was 3 years 1 month (31 December 2015: 3 years 1 month).

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## Atria Group Income statement

EUR million	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	2015
NET SALES	339.1	337.1	994.9	989.2	1,340.2
Cost of goods sold	-295.3	-293.6	-876.8	-873.9	-1,176.9
GROSS PROFIT	43.8	43.5	118.1	115.3	163.3
<i>% of Net sales</i>	<i>12.9 %</i>	<i>12.9 %</i>	<i>11.9 %</i>	<i>11.7 %</i>	<i>12.2 %</i>
Other income	0.7	1.5	3.3	4.8	5.5
Other expenses	-31.4	-29.9	-100.5	-95.9	-139.9
EBIT	13.2	15.1	21.0	24.2	28.9
<i>% of Net sales</i>	<i>3.9 %</i>	<i>4.5 %</i>	<i>2.1 %</i>	<i>2.4 %</i>	<i>2.2 %</i>
Financial income and expenses	-1.8	-2.6	-4.7	-7.4	-9.2
Income from joint-ventures and associates	0.5	0.4	0.0	0.5	0.4
PROFIT BEFORE TAXES	11.8	13.0	16.3	17.3	20.1
Income taxes	-2.2	-4.9	-3.5	-6.1	-5.5
PROFIT FOR THE PERIOD	9.6	8.1	12.8	11.2	14.6
<i>% of Net sales</i>	<i>2.8 %</i>	<i>2.4 %</i>	<i>1.3 %</i>	<i>1.1 %</i>	<i>1.1 %</i>
Earnings/share, €	0.32	0.27	0.42	0.38	0.49

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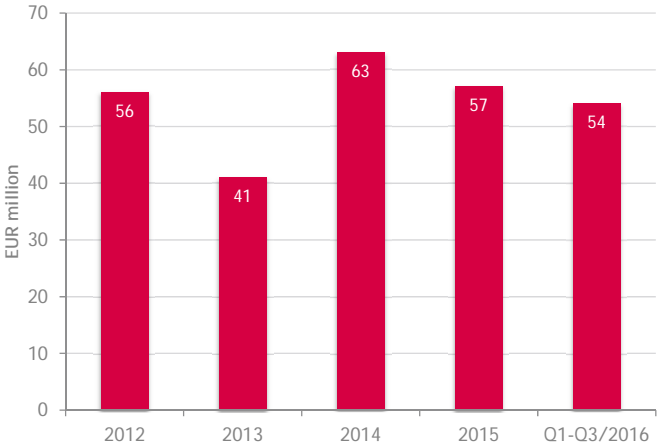
## Atria Group Cash flow statement

EUR million	Q1-Q3 2016	Q1-Q3 2015	2015
Cash flow from operating activities	32.8	46.2	96.4
Financial items and taxes	-8.6	-4.4	-8.2
NET CASH FLOW FROM OPERATING ACTIVITIES	24.2	41.9	88.2
Investing activities, tangible and intangible assets	-31.1	-32.0	-50.2
Acquired operations	-15.9	-5.5	-5.5
Sold operations	5.2	34.1	33.7
Change in non-current receivables	1.0	0.2	0.2
Dividends received from investments	0.1	0.6	0.6
Change in other investments	-1.1	-1.6	-1.1
NET CASH USED IN INVESTING ACTIVITIES	-41.7	-4.2	-22.3
FREE CASH FLOW	-17.5	37.6	65.9
Changes in interest-bearing liabilities	27.8	-28.6	-54.9
Dividends paid	-11.3	-11.3	-11.3
NET CASH USED IN FINANCING ACTIVITIES	16.5	-39.8	-66.2
CHANGE IN LIQUID FUNDS	-1.0	-2.2	-0.3

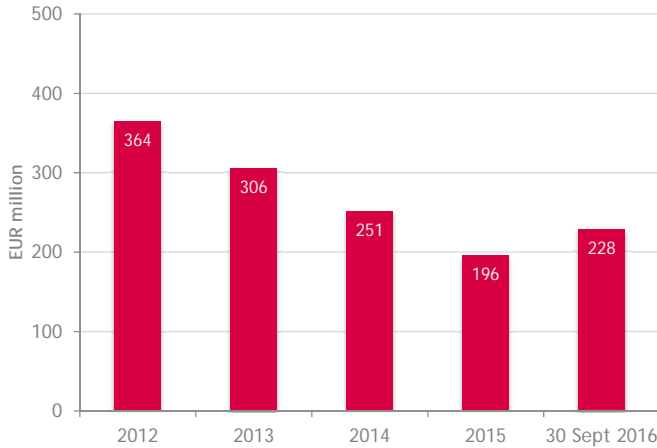
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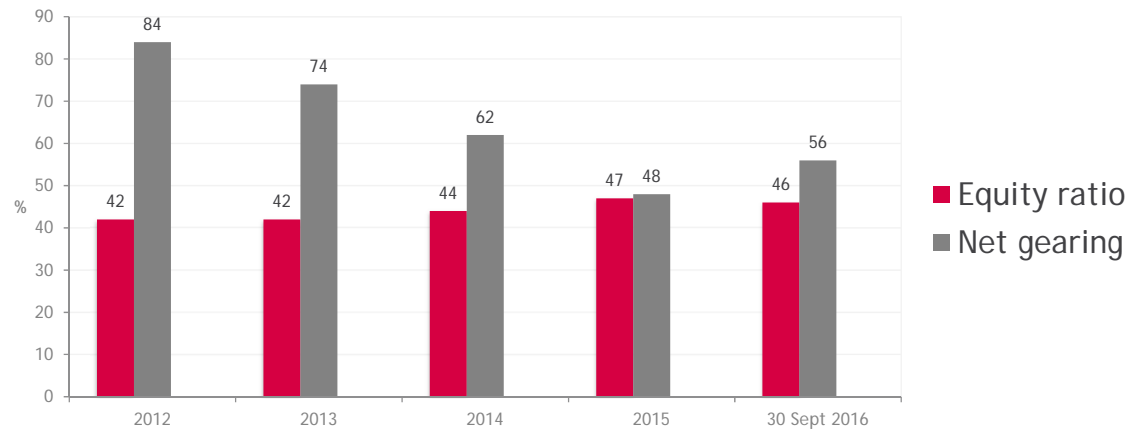
### Atria Group Gross investments



### Atria Group Net debts



## Atria Group Equity ratio & Net gearing



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## Events after the period under review

- In October, Atria Finland Ltd received official confirmation that it had obtained a permit to export pork to China. The Chinese authorities granted a plant-specific permit to Atria Finland's Nurmo production plant to export pork to China. Initiating exports to China is a major step in the development and expansion of Atria's businesses. Efforts will be made to initiate export operations as quickly as possible. The effect on Atria's net sales of exporting to China will become more apparent when commercial operations begin.
- On 12 September 2016, the Finnish Competition and Consumer Authority unconditionally approved Atria's acquisition of a 70% stake in Well-Beef Kaunismaa Ltd. The agreement between Atria and Well-Beef Kaunismaa to conclude the acquisition was confirmed on 3 October 2016.

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

- Unplanned and unforeseen incidents related to the quality and safety of raw materials and products in any part of the chain, from primary production to consumption, constitute a potential risk to Atria's operations. African swine fever continues to cause disruption in Estonia. It has a high risk of spreading. Atria has introduced several precautions in order to prevent the disease from spreading into its production facilities, and is thereby managing the existing risk.
- Shifts in the balance between supply and demand in the global meat market pose a risk to Atria's business. Atria estimates that no significant changes have occurred in the uncertainties of the meat market compared to the situation described in the Annual Report 2015. Atria's exposure to the volatility of the Russian rouble and to the effects of Russia's import ban on EU meat continues. Additionally, weakening consumer purchasing power in Russia represents a risk in terms of net sales and EBIT.

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## Outlook for the future

- Consolidated EBIT was EUR 28.9 million in 2015. In 2016, EBIT is expected to be better than in 2015. In 2016, net sales are expected to grow.

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## Thank you

- Q4/2016 will be published on 14 February 2017