

# Atria Plc

## Interim Report

### 1 January – 31 December, 2014

CEO  
Juha Gröhn  
12 February, 2015

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## Atria Group

1 January – 31 December, 2014

EUR million	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Net sales	363.4	360.6	1,426.1	1,411.0
EBIT	18.6	10.6	40.6	19.7
EBIT %	5.1	2.9	2.8	1.4
Profit before taxes	16.3	7.1	34.0	6.9
Earnings per share, €	0.48	0.33	0.93	-0.15
Extraordinary items*	1.6	-2.0	1.0	-17.3

\* Extraordinary items are included in the reported figures.

- **Atria Group's** EBIT and net sales improved
- At the beginning of the year sluggish financial performance – towards the end of the year it improved.
- The fourth quarter EBIT without non-recurring items was EUR 16.9 million (EUR 12.6 million).
- The 2014 EBIT without non-recurring items came to EUR 39.6 million (EUR 37.0 million).
- The Group's interest-bearing net liabilities decreased to EUR 250.7 million (EUR 305.9 million).
- The Board of Directors proposes that a dividend of EUR 0.40 be paid for each share for the financial year 2014.

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## Atria Finland

1 January – 31 December, 2014

EUR million	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Net sales	243.6	226.0	945.5	886.8
EBIT	15.6	9.1	33.6	32.9
EBIT %	6.4	4.0	3.6	3.7
Extraordinary items*	1.2	0.0	0.9	1.1

\*Extraordinary items are included in the reported figures.

- **Atria Finland's** net sales for the fourth quarter grew by EUR 17.6 million year-on-year.
- Comparable EBIT for the fourth quarter amounted to EUR 14.5 million (EUR 9.1 million).
- Net sales for the year increased by EUR 58.7 million.
- This increase was due to the consolidation of the operations acquired from Saarioinen as of the beginning of February and the launch of poultry feed sales at the beginning of the year.
- The increase in comparable EBIT for the year was due to improved cost management and higher average sales prices.

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## Atria Finland

- The sale of Food Service products increased steadily over the course of the year.
- Retail sales fell short of the previous year's figures.
- Raw material prices were lower than in the year before.
- In the fourth quarter, the total market for the product groups represented by Atria perked up compared to the previous quarters. Atria's supplier share in October–December was 25 per cent (Source: Atria).
- At the beginning of December, Atria launched a programme to improve the efficiency of pig slaughtering at the Nurmo production plant. Slaughtering capacity will be adjusted to correspond to the market situation. As a result of negotiations with the personnel for the adjustment of the operations capacity will be reduced over the course of 2015 by means of temporary lay-offs amounting to no more than 25 person-years.

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## Atria Scandinavia

1 January – 31 December, 2014

EUR million	Q4	Q4	Q1-Q4	Q1-Q4
	2014	2013	2014	2013
Net sales	94.9	102.9	371.9	395.0
EBIT	4.7	5.7	14.9	12.2
EBIT %	5.0	5.6	4.0	3.1
Extraordinary items*	0.0	0.0	0.0	-1.0

\*Extraordinary items are included in the reported figures.

- **Atria Scandinavia's** net sales, at comparable exchange rates, fell slightly compared to the previous quarter as well as to the whole year.
- A decline in meat consumption and the strengthening of the market shares of private labels were the key reasons for the decrease in Atria Scandinavia's net sales in 2014.
- EBIT for the fourth quarter was reduced by lower sales volumes.
- The increase of EBIT for the year was the result of improved cost-efficiency in the supply chain and more stable raw material prices.
- In Sweden, Atria concluded an agreement for the sale of the Falbygden's cheese business to Arla Foods AB, with a view to focusing on its core business. On 15 December 2014, the Swedish Competition Authority announced its decision to carry out a phase two proceeding of the transaction.

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## Atria Scandinavia



- The total market for cold cuts and sausages in Swedish retail trade declined by 4 per cent in 2014 (Source: AC Nielsen).
- The share of private labels in the Swedish retail sector has continued to grow.
- In Denmark, Atria's 3-Stjernet brand has improved its market share slightly (Source: AC Nielsen).

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## Atria Russia

1 January – 31 December, 2014

EUR million	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Net sales	22.3	30.6	98.8	121.5
EBIT	-0.9	-1.9	-5.7	-21.0
EBIT %	-4.2	-6.0	-5.8	-17.3
Extraordinary items*	0.5	-2.0	0.5	-17.4

\*Extraordinary items are included in the reported figures.

- **Atria Russia's** net sales for the fourth quarter, at comparable exchange rates, remained stable year-on-year.
- EBIT for the fourth quarter without non-recurring items fell due to a significant increase in raw material prices.
- At a comparable exchange rates, net sales for January–December fell by EUR 3.1 million year-on-year. This decrease in comparable net sales was due to the discontinuation of primary production in late 2013.
- EBIT for the year without non-recurring items amounted to EUR -6.2 million (EUR -3.5 million).
- EBIT was reduced by an increase in raw material prices and the weakening of consumers' purchasing power.
- In late 2013, Atria launched an efficiency improvement programme. As part of the programme, Atria has sold the real estate company in Moscow for EUR 12 million. A positive effect of EUR 0.5 million on earnings was recorded for the sale of the real estate and the reorganisation of operations.

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## Atria Russia



- Production cost-efficiency has improved from the previous year.
- Atria has adjusted its operations in the difficult market conditions by increasing the use of local raw materials and launching more affordable products.



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## Atria Baltic

1 January – 31 December, 2014

EUR million	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
Net sales	8.5	7.9	34.5	32.9
EBIT	0.1	0.1	-0.0	0.1
EBIT %	1.5	1.6	-0.1	0.2
Extraordinary items*	0.0	0.0	-0.4	0.0

\*Extraordinary items are included in the reported figures.

- Atria Baltic's EBIT for the year without non-recurring items was EUR 0.3 million (EUR 0.1 million).
- In June, Atria sold a factory located in Vilnius, Lithuania. The deal resulted in a non-recurring sales loss of EUR 0.4 million.
- Oversupply in the European meat market decreased pork prices towards the end of the year, affecting the ability of primary production to make a profit.
- In the retail sector, Atria brands increased their market share, particularly in consumer-packed meat.
- Particularly towards the end of the year, Atria managed to strengthen the total market share of the product groups it represents by 9 per cent in terms of value, compared to the corresponding period last year (source: AC Nielsen).
- Atria's meat processing volume has grown steadily.
- A project to modernise the cutting department was started at the Valga plant in the fourth quarter.

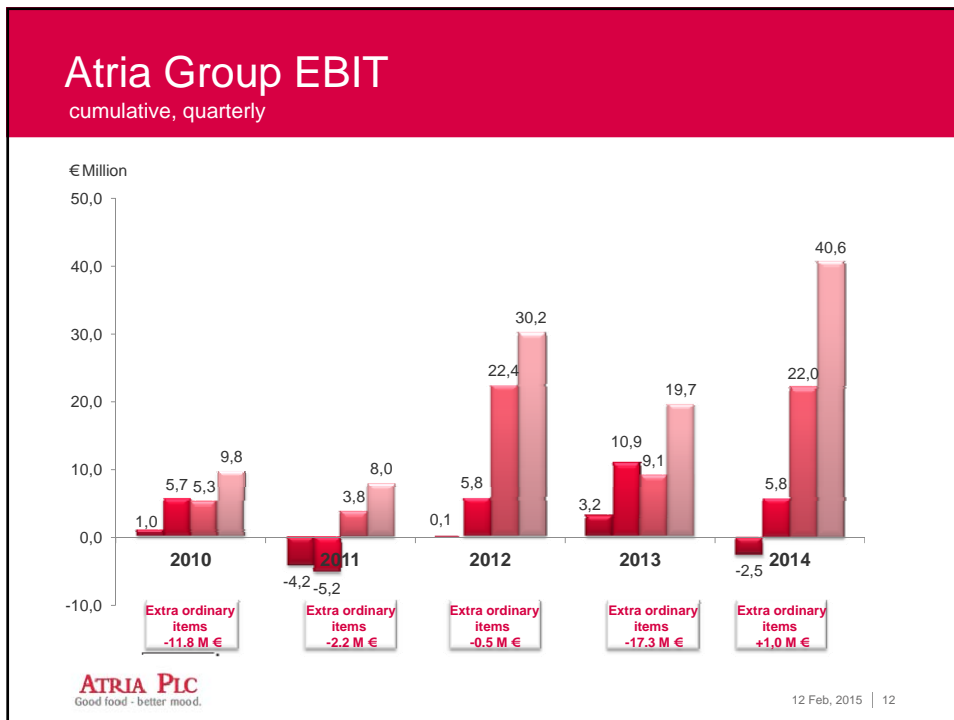
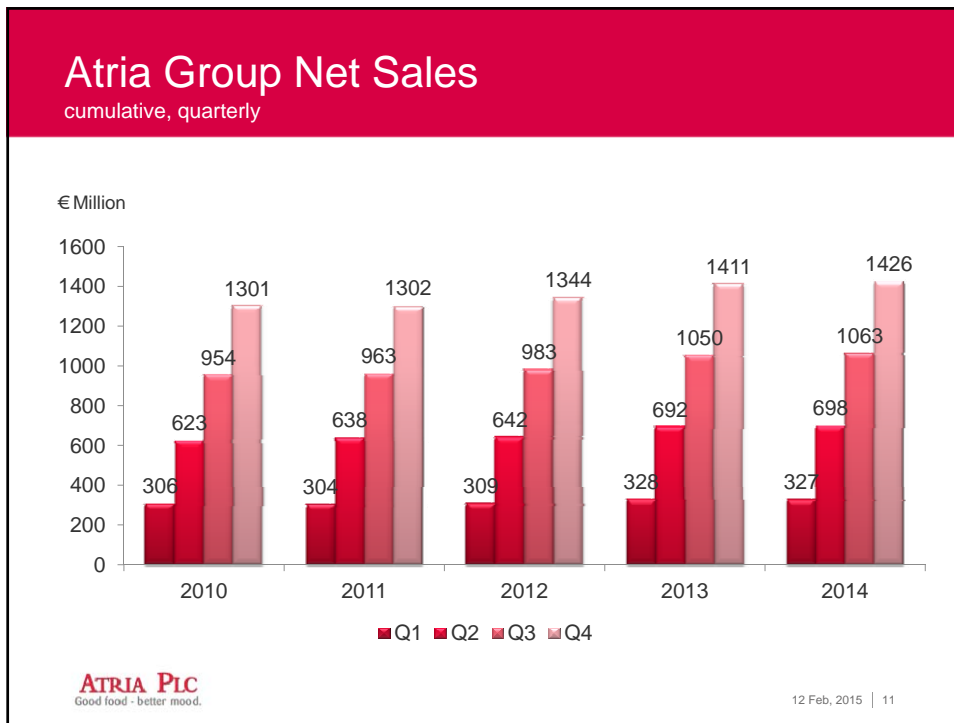
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## Financial Development

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## Atria Group Financial indicators

€ Million	31.12.2014	31.12.2013
Shareholders' equity per share, EUR	14.22	14.45
Interest-bearing liabilities	254.1	334.7
Equity ratio, %	44.0	42.2
Gearing, %	62.6	81.3
Net gearing, %	61.8	74.3
Gross investments in fixed assets	62.7	41.1
Gross investments, % of net sales	4.4	2.9
Average number of employees	4,715	4,669

- During the period under review, the Group's free cash flow (operating cash flow - cash flow from investments) was EUR 44.3 million (EUR 54.1 million).
- In September, Atria discontinued a committed credit facility of EUR 40 million due in September 2017.
- On 31 December 2014, the Group had undrawn committed credit facilities worth EUR 110.6 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 (31 December 2013: 3 years 4 months).

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## Atria Group Income Statement

EUR million	Q4 2014	Q4 2013	Q1-Q4 2014	Q1-Q4 2013
NET SALES	363.4	360.6	1,426.1	1,411.0
Cost of goods sold	-313.3	-316.0	-1,249.3	-1,237.1
GROSS PROFIT	50.1	44.6	176.8	173.9
% of Net sales	13.8	12.4	12.4	12.3
Other income	4.1	3.1	6.7	6.1
Other expenses	-35.6	-37.1	-142.9	-160.3
EBIT	18.6	10.6	40.6	19.7
% of Net sales	5.1	2.9	2.8	1.4
Financial income and expenses	-3.1	-4.0	-12.7	-15.2
Income from joint-ventures and associates	0.8	0.4	6.2	2.3
PROFIT BEFORE TAXES	16.3	7.1	34.0	6.9
Income taxes	-2.7	1.8	-7.2	-11.2
PROFIT FOR THE PERIOD	13.6	8.9	26.8	-4.3
% of Net sales	3.8	2.5	1.9	-0.3
Earnings/share, €	0.48	0.33	0.93	-0.15

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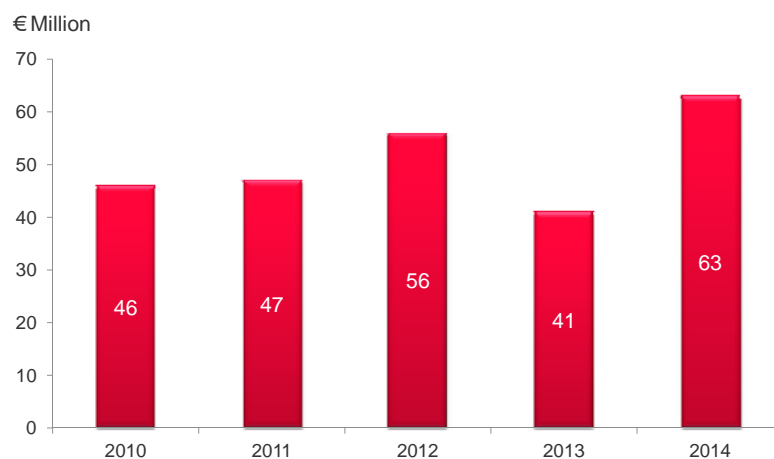
## Atria Group Cash flow statement

Milj. EUR	Q1-Q4	
	2014	2013
Cash flow from operating activities	113.3	110.6
Financial items and taxes	-21.1	-21.7
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>92.2</b>	<b>88.9</b>
Investing activities, tangible and intangible assets	-33.9	-38.7
Acquired operations	-32.5	
Sold subsidiary shares	11.9	
Non-current receivables	-2.8	2.1
Dividends received from investments	8.4	1.2
Change in other investments	1.1	0.6
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-47.8</b>	<b>-34.8</b>
<b>FREE CASH FLOW</b>	<b>44.4</b>	<b>54.1</b>
Changes in interest-bearing liabilities	-63.5	-25.3
Dividends paid	-6.2	-6.2
Net cash used in financing activities	-69.7	-31.5
<b>CHANGE IN LIQUID FUNDS</b>	<b>-25.2</b>	<b>22.6</b>

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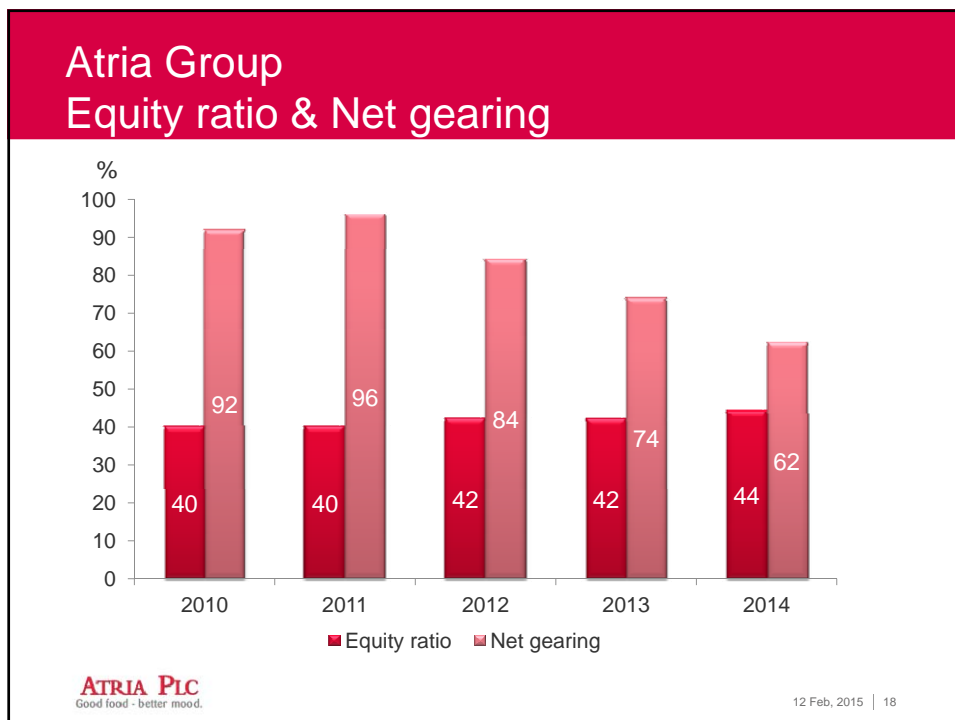
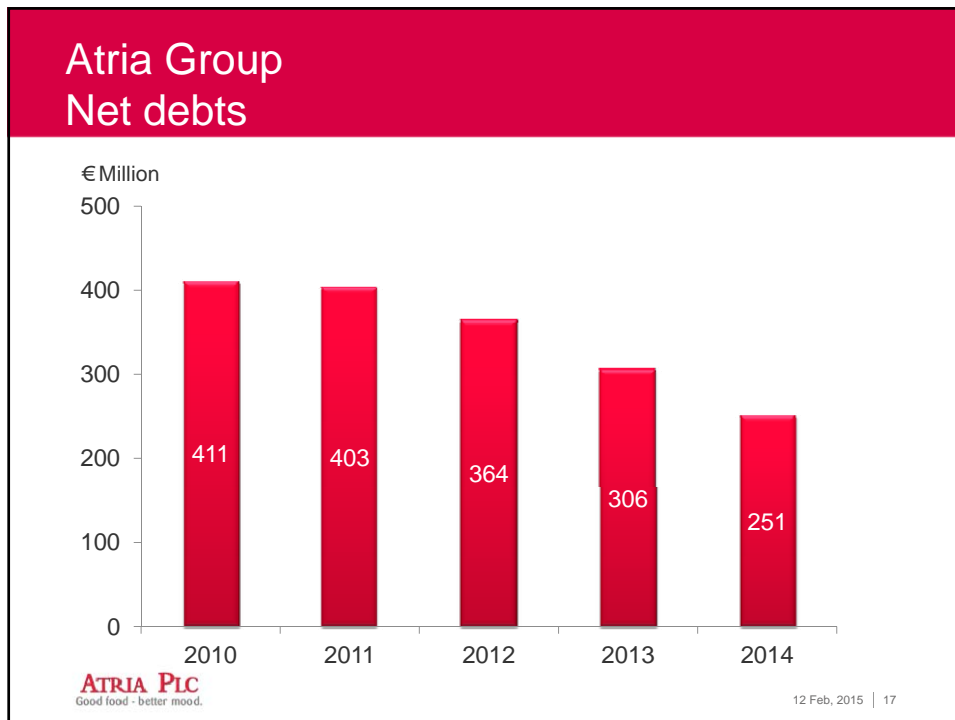
## Atria Group Gross investments



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## Events occurring after the period

- At the beginning of January 2015, Atria decided to invest approximately EUR 36 million in expanding and modernising its pig cutting plant in Nurmo, Finland.
- New production facilities will be built next to the old plant, and the existing production facilities will be renovated and automated using the latest production technology. The new production facilities will measure around 4,500 m<sup>2</sup>.
- The investment will substantially raise the pig cutting plant's productivity and profitability: it is expected to generate annual cost savings of some EUR 8 million in the pig cutting plant's operations.
- Statutory employer-employee negotiations concerning the investment project were initiated immediately. The expected duration of the project is about two years, over the course of which the needs for reducing and relocating personnel will be specified. It is estimated that personnel will need to be reduced by no more than 80 person-years.

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

- In the period under review, Atria was exposed to high volatility in the value of the Russian rouble and to the effects of Russia's import ban on EU meat. The impact was felt in raw material prices and consumer behaviour and, consequently, in Atria Russia's net sales, EBIT and net result. Atria's exposure to these risks will continue in 2015.
- Animal disease risk has increased during the financial year, due to the case of African swine fever detected in a wild boar in Estonia. The disease has not spread to production pig farms.
- The global meat market situation was imbalanced in the period under review, and the market price of pork remained low in Europe.

## Outlook for the future

- In 2014, consolidated EBIT without non-recurring items was EUR 39.6 million. In 2015, EBIT is projected to be at the same level.
- In 2015, net sales are expected to decrease.

## Board of Directors' proposal for profit distribution

- The Board of Directors proposes that a dividend of EUR 0.40 be paid for each share for the financial year 2014.



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