



# Atria Plc Interim Report Q3/2020

1 January — 30 September 2020

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## Atria Group 1 January – 30 September 2020

EUR million	Q3	Q3	Q1 - Q3	Q1 - Q3	2019
	2020	2019	2020	2019	
Net sales	382.4	366.0	1,105.4	1,071.3	1,451.3
EBIT	19.0	16.7	25.4	19.1	31.1
EBIT, %	5.0 %	4.6 %	2.3 %	1.8 %	2.1 %

**Atria had a strong third quarter: the company's net sales and EBIT increased, and profitability was at a good level**

- **In July-September** all business areas posted a positive EBIT.
- Atria Finland's net sales increased, and EBIT was on par with the previous year. Net sales and EBIT were boosted by pork exports to China.
- Both Atria Sweden and Atria Russia improved their EBIT substantially.
- Atria Sweden's earnings were bolstered by improved management of costs, the strengthening of the Swedish krona and continued growth in the sale of poultry products.
- Atria Russia's earnings improved due to good retail sector and fast food sales.
- Atria Denmark & Estonia's profitability remained good. The good earnings are based on strong growth in sales to the retail sector.

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EBIT, %	5.0 %	4.6 %	2.3 %	1.8 %	2.1 %

- **In January-September** the Group's net sales increased by over three per cent owing to good sales to the retail sector and exports to China. Sales to Food Service customers were at a notably lower level than in the previous year.
- Consolidated EBIT was boosted by the growth in net sales and the improved composition of sales, as well as increased pork exports from Finland to China.
- Atria Sweden's net sales increased by almost four per cent, thanks in particular to the strong sale of poultry products. Operating loss decreased substantially.
- Atria Denmark & Estonia posted a net sales growth of nearly 15 per cent owing to strong sales to the retail sector.
- Market disruption caused by the coronavirus pandemic has reduced business predictability.

### After the review period:

- Atria published a new Group strategy: "Atria is a Winning Northern European Food Company".
- Atria will invest EUR 155 million to expand poultry production in Finland.

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## Atria Finland 1 January – 30 September 2020

EUR million	Q3	Q3	Q1 - Q3	Q1 - Q3	2019
	2020	2019	2020	2019	
Net sales	266.1	257.5	781.8	762.2	1,033.8
EBIT	15.2	15.3	28.7	25.6	40.0
EBIT, %	5.7 %	6.0 %	3.7 %	3.4 %	3.9 %

- **In July-September** the increase in net sales was due to increased sales to the retail sector and to export customers. In particular, pork exports to China have grown compared with the previous year, improving profitability.
- Sales of Food Service products fell below the level of the corresponding period a year ago.
- EBIT was strong, reaching the level of the corresponding period last year. The efficiency of industrial operations was at a good level. Moreover, EBIT was bolstered by the excellent sales success in the barbecue season.
- In August, Atria launched a revised Atria brand image, which is delivered to consumers in revamped product packaging and marketing communication. Costs relating to the brand reform were allocated to the review period.
- **In January-September** the increase in net sales was due to increased sales to the retail sector and export customers.
- Food Service product sales began to decline at the end of March, and although they revived somewhat over the summer, they failed to return to their pre-coronavirus levels.
- EBIT rose as a result of increased net sales, improved sales structure and better overall productivity.
- The coronavirus pandemic has incurred some additional expenses, but their effect on profit has been mitigated by the reduction in statutory employment pension contributions.

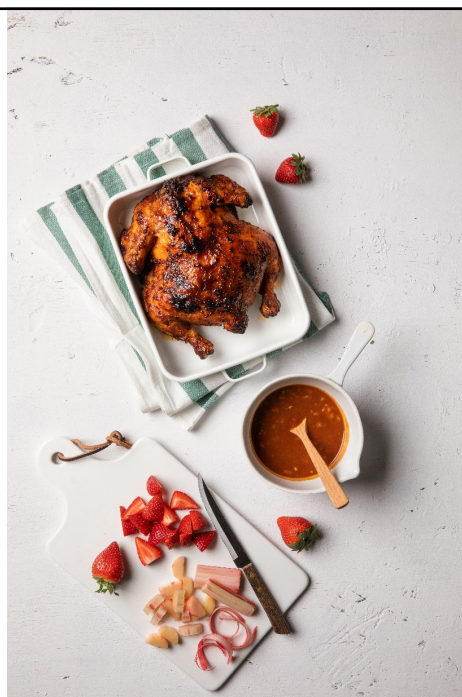
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## Atria Finland

- The retail sales value of the product groups represented by Atria grew by 8.1 per cent in January-August and 8.9 per cent in the summer period (May-August).
- The biggest growth took place in the sales of poultry products (+13%), cooking products (+12%) and red meat (+10%).
- Atria's supplier share in retail trade is around 25%. (Source: Atria market insight)
- The value of the Food Service market has decreased during this year by almost one quarter, -24.6%, and in the summer period by as much as -27.8%. (Source: Atria market insight)
- Summer barbecuing was more extensive than normal, and the value of sales of barbecue products in summer 2020 increased by 9.5% (Source: Nielsen HomeScan).
- Overall consumption of meat in Finland has declined by about one per cent during this year. Consumption of poultry has continued to increase at a rate of about three per cent (Source: Kantar TNS Agri).

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## Atria Sweden 1 January – 30 September 2020

	Q3	Q3	Q1 - Q3	Q1 - Q3	
EUR million	2020	2019	2020	2019	2019
Net sales	79.4	73.8	222.6	214.8	289.4
EBIT	1.4	0.0	-2.8	-5.6	-6.1
EBIT, %	1.7 %	0.0 %	-1.3 %	-2.6 %	-2.1 %

- **In July-September** net sales improved by nearly five per cent year-on-year, in the local currency.
- Sales to the retail sector increased, but sales to fast food and Food Service customers decreased, as a result of a change in the market caused by coronavirus restrictions.
- The improvement in EBIT was due to increased net sales, better management of costs and the strengthening of the Swedish krona.
- **In January-September** net sales grew by 3.6 per cent year-on-year, in the local currency.
- After a good beginning to the year and an unstable second quarter, sales recovered in quarter three. Net sales were boosted by strong sales of poultry products.
- EBIT was burdened by a reduction in sales to fast food and Food Service customers. Furthermore, the coronavirus pandemic caused additional expenses, however effect on profit was mitigated by compensation for sick leave, paid by the government.
- EBIT for the comparable period includes EUR 1.4 million of costs related to employee arrangements.

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## Atria Sweden

- The coronavirus pandemic affected consumer purchasing behaviour from the end of March to September.
- Sales of product groups represented by Atria to the retail sector have grown substantially both in terms of volumes and value of sales, as domestic consumption and sales of convenience foods have increased.
- The sale of both sausages and poultry products has developed favourably.
- Measured in value, the sausage market has grown by 15.8 per cent from the beginning of the year, while the cold cuts and poultry products markets have grown by 7.9 per cent and 18.2 per cent, respectively, over the same period.
- Atria's producer share was 18.8 per cent in sausages, 13.3 per cent in cold cuts and 17.1% in fresh poultry products. (Source: AC Nielsen).



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## Atria Denmark & Estonia 1 January – 30 September 2020

EUR million	Q3	Q3	Q1 - Q3	Q1 - Q3	
	2020	2019	2020	2019	2019
Net sales	26.9	24.7	80.3	70.0	96.6
EBIT	2.1	1.7	3.6	3.3	4.4
EBIT, %	7.9 %	6.9 %	4.4 %	4.8 %	4.5 %

- **In July-September** Atria Denmark & Estonia's profitability remained good. The good earnings are based on strong growth in sales to the retail sector.
- Exports from Denmark fell slightly below the level of the corresponding period last year.
- In Estonia, Atria's sales to the retail sector increased by nearly six per cent.
- Net sales were bolstered by the price increases implemented early in the year.
- **In January-September** the almost 15 per cent increase in net sales was due to increased sales to the retail sector in both Estonia and Denmark.

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## Atria Denmark & Estonia

- The effects of the coronavirus pandemic on the business environment in Estonia began to be felt in early March. The market recovered in the summer period, but the new coronavirus restrictions weakened Food Service sales in the autumn. Sales of minced meat to the retail sector have picked up considerably with the revamped packaging.
- In Denmark, the cold cuts market has remained stable. The sale of private labels has increased slightly.
- The effects of the coronavirus pandemic in Estonia and Denmark have fallen on the Food Service market, where Atria's market share is small in both countries.
- Sales to the retail sector temporarily rose to record numbers in March-April and have remained at a higher level year-on-year for the entire review period.

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## Atria Russia 1 January – 30 September 2020

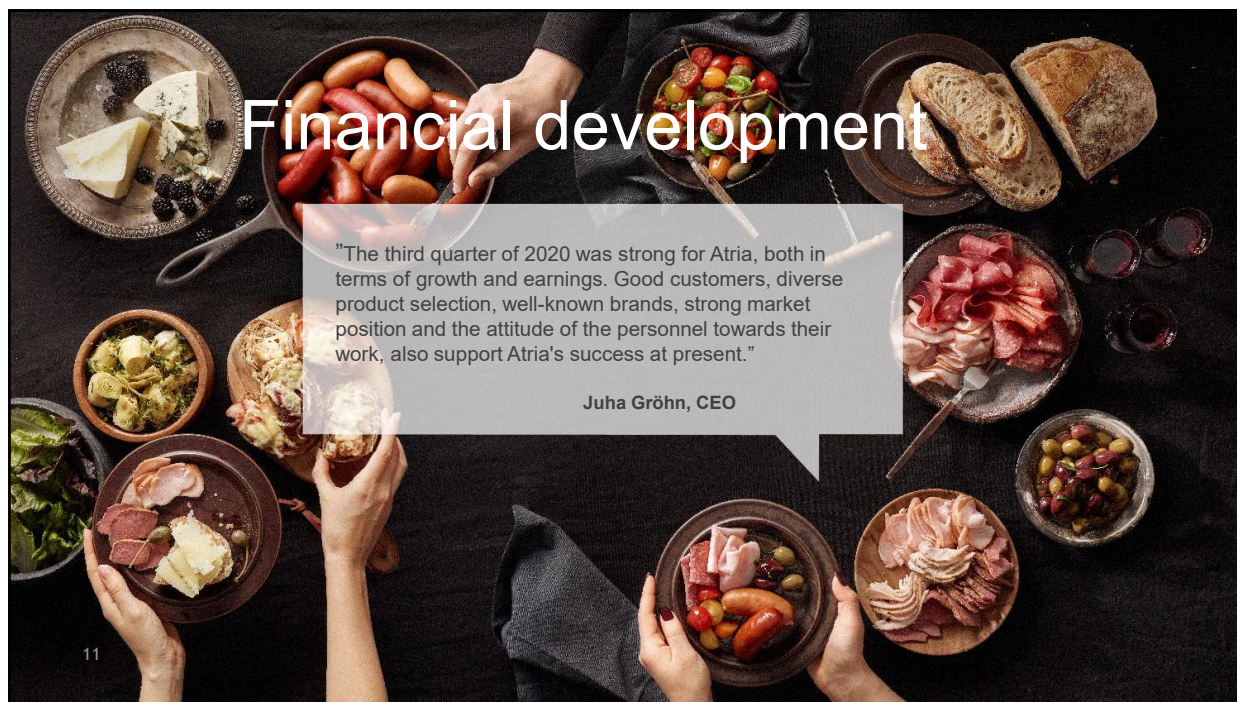
	Q3	Q3	Q1 - Q3	Q1 - Q3	
EUR million	2020	2019	2020	2019	2019
Net sales	19.6	20.7	49.0	54.9	73.8
EBIT	0.9	0.4	-1.8	-2.0	-4.0
EBIT, %	4.7 %	2.1 %	-3.8 %	-3.7 %	-5.5 %

- **In July-September** net sales grew by nearly 12 per cent, in the local currency.
- Sales to the retail sector and fast food customers increased considerably over the previous year's corresponding period. In particular, sales of Casademont products experienced strong growth.
- Sales to Food Service customers began to recover following the lifting of coronavirus restrictions, but nevertheless fell below the previous year's level.
- The measures carried out at production plants to prevent the spreading of coronavirus continued to incur some additional expenses.
- **In January-September** net sales fell by 2.4 per cent, in the local currency.
- Throughout the year, sales to the retail sector have been at a substantially better level than last year.
- The effects of the coronavirus pandemic on Atria Russia's business environment were minor during the first quarter. In April-May, sales volumes fell considerably as a result of the restrictions enacted to control the pandemic. Sales volumes began to recover towards the end of May, but the market disruptions brought about by the pandemic in September again weakened the results.

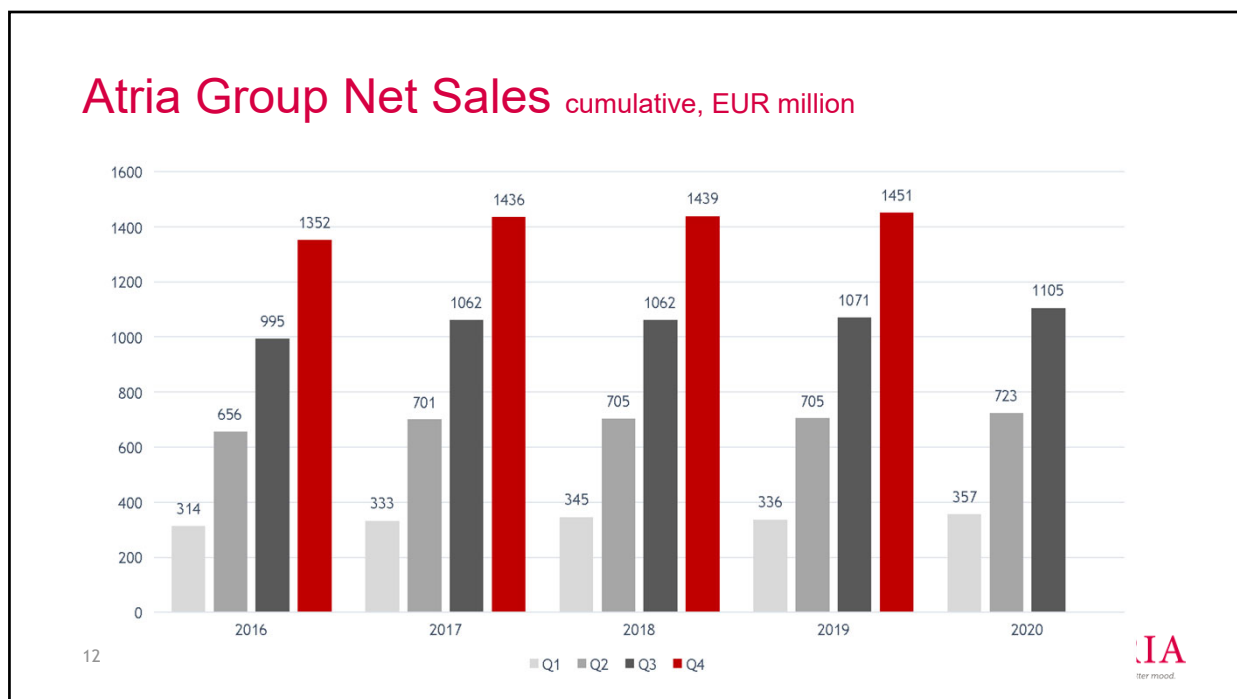
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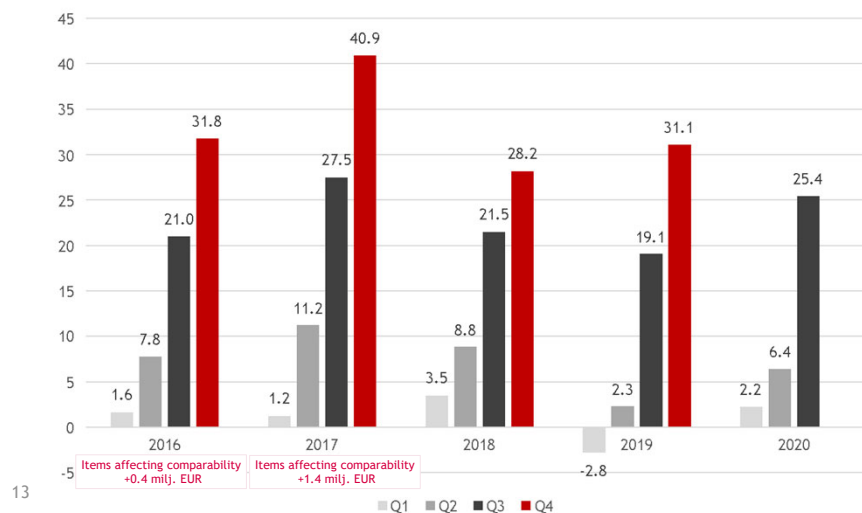


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## Atria Group EBIT cumulative, EUR Million



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## Atria Group Financial indicators

EUR million	30.9.2020	30.9.2019	31.12.2019
Shareholders' equity per share EUR	14.58	14.63	14.85
Interest-bearing liabilities	245.1	263.3	228.3
Equity ratio, %	46.0 %	45.1 %	46.9 %
Net gearing, %	55.7 %	60.9 %	51.6 %
Gross investments	31.2	29.8	40.1
% of net sales	2.8 %	2.8 %	2.8 %
Average FTE	4,453	4,467	4,454

- Consolidated interest-bearing net liabilities at the end of the review period amounted to EUR 238.0 million (31 December 2019: EUR 223.9 million). During the review period, net liabilities increased by EUR 14.0 million, due to a change in working capital, investments and dividends paid.
- During the review period, consolidated free cash flow (operating cash flow - cash flow from investments) was EUR 6.8 million (EUR 11.9 million). The weakening in free cash flow was due to an increase in working capital items caused by normal seasonal variation.
- The total translations differences with the Swedish krona and with the Russian rouble recognized in equity, decreased equity by EUR 10.9 million (EUR +2.7 million) in January-September.
- On 30 September 2020, the Group had undrawn committed credit facilities worth EUR 85.0 million (31 December 2019: EUR 85.0 million). The average maturity of loans and committed credit facilities at the end of the review period was 3 years (31 December 2019: 3 years 2 months).

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## Atria Group Income statement

EUR million	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
NET SALES	382.4	366.0	1,105.4	1,071.3	1,451.3
Costs of goods sold	-335.2	-320.1	-988.3	-956.6	-1,288.5
GROSS PROFIT	47.3	45.9	117.2	114.7	162.7
<i>% of Net sales</i>	12.4 %	12.5 %	10.6 %	10.7 %	11.2 %
Other income	0.8	0.8	2.5	2.4	3.2
Other expenses	-29.1	-29.9	-94.3	-98.0	-134.9
EBIT	19.0	16.7	25.4	19.1	31.1
<i>% of Net sales</i>	5.0 %	4.6 %	2.3 %	1.8 %	2.1 %
Finance income and costs	-1.4	-1.4	-3.7	-3.9	-5.6
Income from joint ventures and associates	0.3	0.4	0.9	0.3	0.6
PROFIT BEFORE TAXES	17.9	15.7	22.6	15.5	26.2
Income taxes	-3.0	-3.0	-4.7	-4.3	-9.2
PROFIT FOR THE PERIOD	14.9	12.7	17.9	11.2	17.0

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## Atria Group Cash flow statement

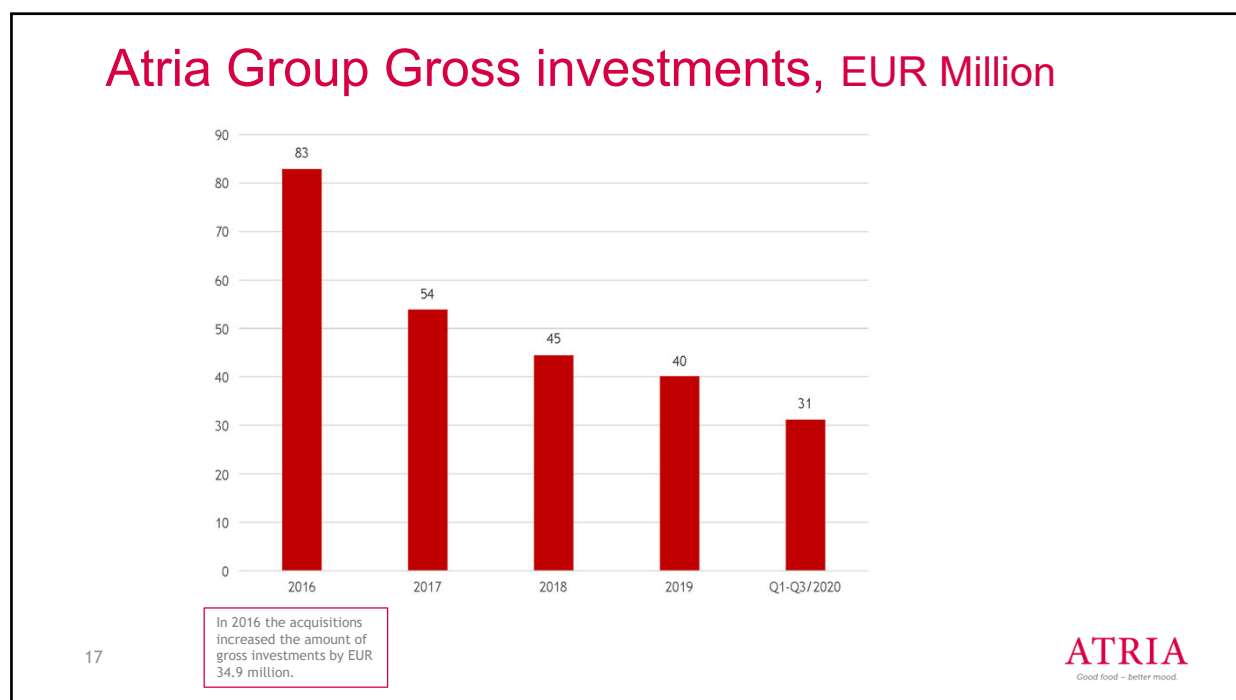
EUR million	1-9/2020	1-9/2019	1-12/2019
Cash flow from operating activities	46.7	52.9	102.9
Financial items and taxes	-9.4	-10.3	-14.4
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>37.3</b>	<b>42.6</b>	<b>88.5</b>
Investments in tangible and intangible assets	-30.7	-30.6	-39.4
Acquired operations	-	-	-
Sold operations	-	-	-
Changes in long-term receivables	0.2	1.0	2.3
Dividends received	0.5	0.1	0.1
Changes in short-term receivables	-0.5	-1.2	-0.1
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-30.5</b>	<b>-30.7</b>	<b>-37.1</b>
FREE CASH FLOW	6.8	11.9	51.4
Changes in interest-bearing liabilities	7.8	-2.6	-39.9
Dividends paid	-11.9	-11.6	-11.6
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-4.2</b>	<b>-14.2</b>	<b>-51.5</b>
CHANGE IN LIQUID FUNDS	2.6	-2.3	-0.1

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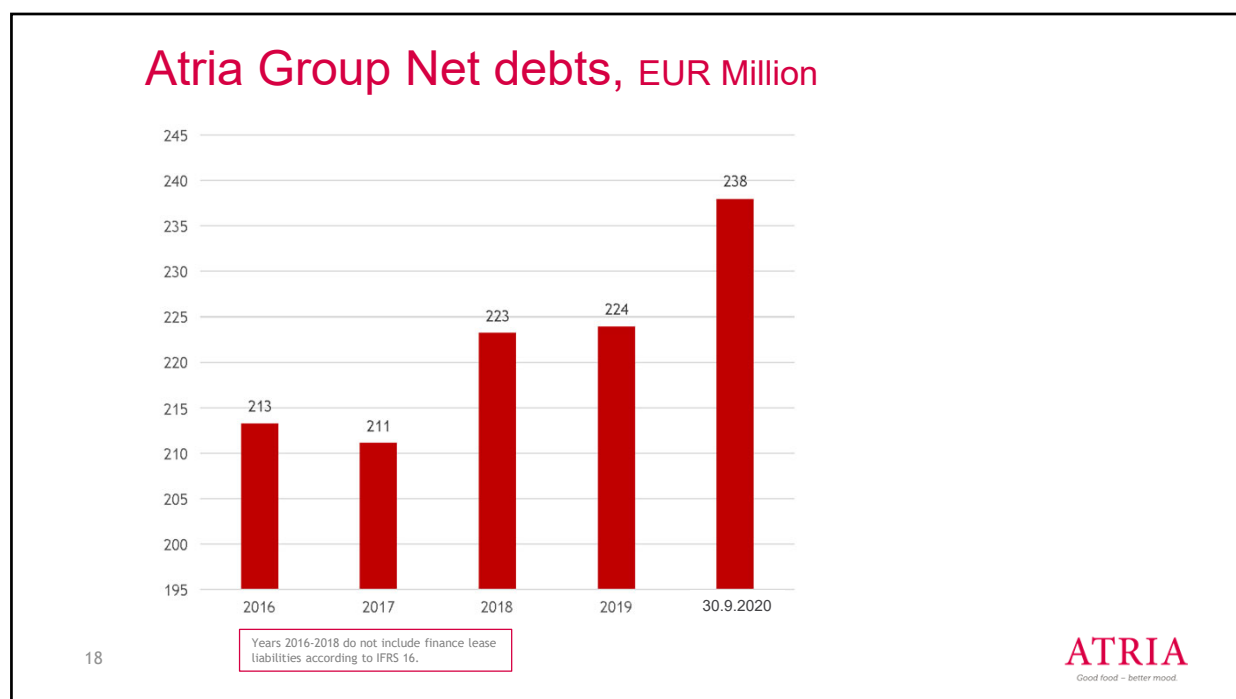
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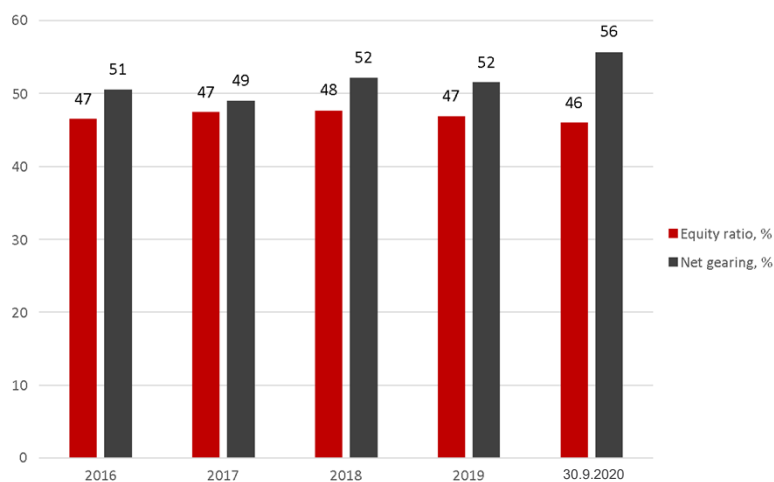


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## Atria Group Equity ratio & Net gearing, %



Years 2016-2018 do not include finance lease liabilities according to IFRS 16.

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## Events after the review period

- Atria published a new Group strategy: "Atria is a Winning Northern European Food Company".
- After the review period, Atria made the decision to invest in expanding its poultry production. The investment has a value of EUR 155 million and it involves the construction of new slaughtering, cutting and packaging lines at the company's production plant in Nurmo.
- Atria Finland Ltd acquired the entire stock of Domretor Oy, a contract manufacturer in the food business, located in Kauhava, Finland. Ownership and holding of the company were transferred to Atria as from 1 October 2020. Domretor Oy has been an associated company of Atria since 2013, when Atria acquired a 24.9 per cent share. Domretor Oy's 2019 net sales were EUR 8.8 million.

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## The market is changing

<b>Proteins</b>	Demand shift from red meat to poultry & plant-based
<b>Categories</b>	Trend towards convenience, ready-meals, snacking
<b>Consumers</b>	Increased consciousness: healthy lifestyle, sustainability and animal welfare
<b>Channels</b>	Growth and new opportunities in Food Service over time Increased role of digital channels & private label
<b>Macro-economics</b>	Increasing volatility, uncertainty, protectionism and demand for local products





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## Strategic targets

Preferred partner for the customer 

Most desired brands 

Strong financial performance 

Committed people 

Leader in sustainability 

Best partner for owner-producers 

Our vision

Winning Northern European Food Company



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## Atria makes the largest investment in its history: €155 million to expand poultry production



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## Expansion of poultry production at the production plant in Nurmo

- Atria has made a decision to invest in expanding its poultry production capacity on the existing site in Nurmo.
- It is the largest single investment in Atria's history. The company is investing approximately € 155 million to construct a new processing plant. The investment includes new slaughtering, cutting and packaging lines.
- This investment will increase Atria Finland's poultry production capacity by approximately 40%.
- The new processing plant will help the company to meet growing consumer demand, and it will strengthen Atria's position as market leader for poultry products in Finland.
- The new plant and increased capacity will enable Atria to increase its exports of poultry products. The investment will enable the development of a product portfolio for further processed products.
- Construction work on the new plant will begin as soon as possible and is expected to be fully completed by 2024 at the earliest.

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## Benefits of new technology

- More and more products will be labeled with the origin all the way to the farm.
- The new production technology will be more environmentally friendly.
- Food waste caused by the production process will reduce.
- The new technology will also significantly reduce energy and water consumption.
- It will allow to improve health and safety in the workplace.



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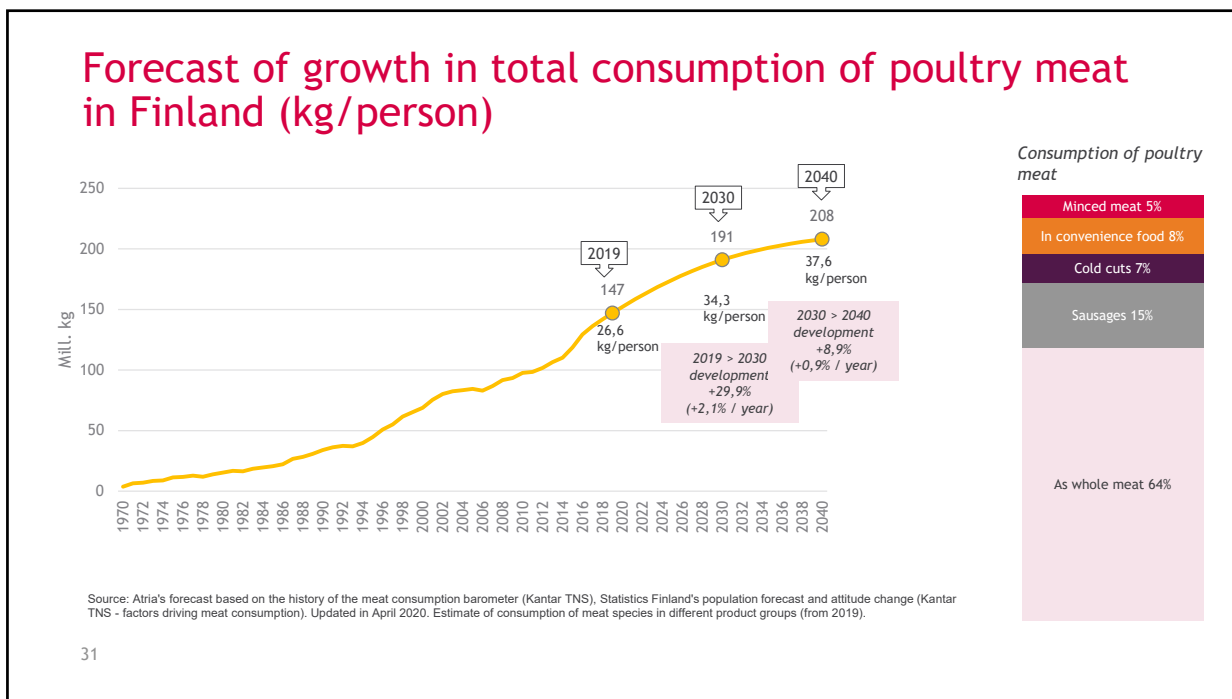
## Poultry consumption increases rapidly

- Poultry consumption has been increasing rapidly in Finland for several years. The growth was almost 4% per year between 2010 and 2019.
- Global poultry production and consumption have almost doubled over the past 15 years.
- The consumption of both poultry and processed meats and convenience food that contain poultry is forecast to increase over the next few years.  
(Source: Kantar TNS's meat consumption barometer)

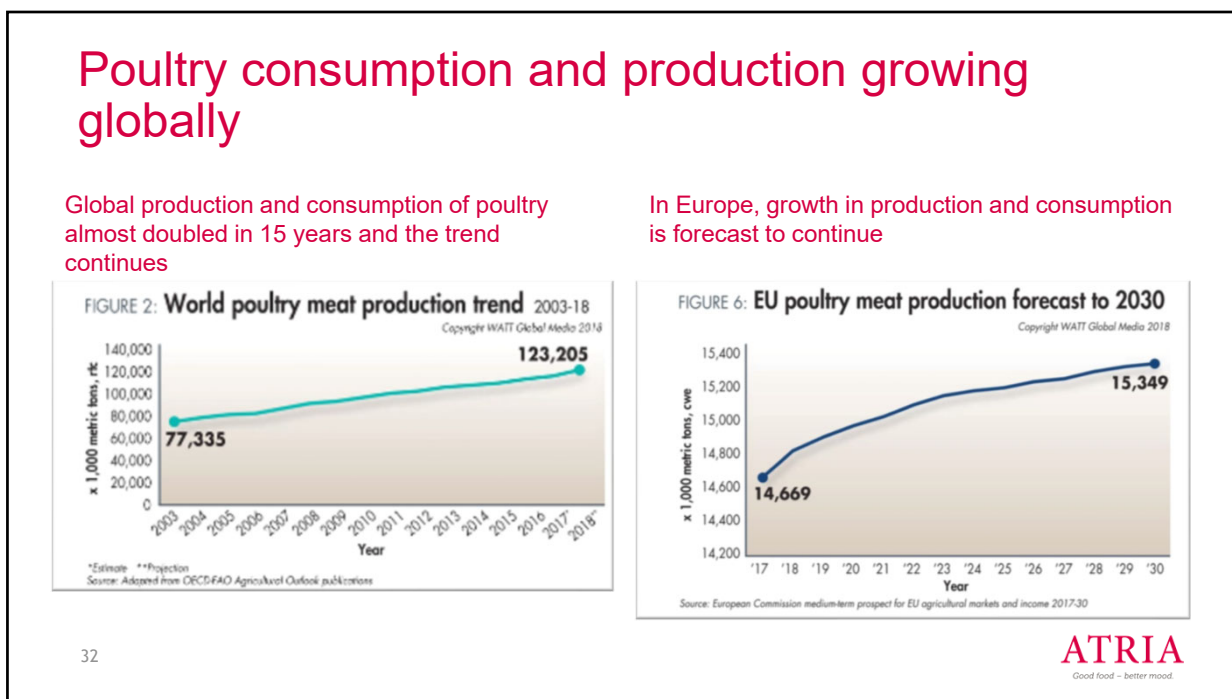
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## Business risks in the review period and short-term risks

- Coronavirus (COVID-19) and its effects on the health of Atria personnel, as well as on the company's sales, earnings and cash flow, were Atria's most significant risks in the third quarter. During the review period, the company's operations have been flexibly adjusted to the changing situations, and measures to safeguard the health and working capacity of personnel, and maintain the reliability of product deliveries have continued. Atria has incurred some additional expenses owing to the hygiene requirements and adjustment of operations. The financial position and cash flow remained good in the review period.
- The sustained duration of the coronavirus pandemic and the effects of the pandemic on the demand for food products, national economy and financial markets are factors that increase uncertainty both in the short and long term. It is difficult to forecast their effects, because the weighting of the uncertainties may also vary from one business area to another. As the speed of the virus spread gains momentum, the risk of production disturbances increases.
- Atria's ordinary food production risks are associated with the quality, availability, safety and price of ingredients and preparations. During the review period, African swine fever infections of wild boar in Germany affected the price, demand and supply of pork around the world. African swine fever is also found in China and Russia, and also in several European countries. Considering the risk of African swine fever spreading to Finland, Atria employs prevention measures at its own production plants and contract production farms.

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## Outlook for the future

- In 2020, Atria Group's EBIT is estimated to be higher than in 2019 (EUR 31.1 million).
- Atria operates mainly in the retail and Food Service markets in Finland and Sweden. The strong and rapid changes in the global meat market will have a greater impact on the company's development and reduce predictability. Consumption of poultry meat is expected to continue increasing, while consumption of red meat is expected to decline slightly. Atria has increased its meat exports, and pork exports to China, for example, are expected to increase during 2020.
- The coronavirus pandemic that began in early 2020 has caused considerable and rapid changes in the business environment in the food industry. This has further hindered the predictability of the company's development. Immediate effects related to Atria's business have included national restrictions on restaurant operations and public food services, resulting in reduced sales to Food Service customers. During the coronavirus pandemic, the importance of everyday food is expected to strengthen. The possible weakening of consumer purchasing power will also affect food purchases and may shift the sales structure of Atria's products in an unfavourable direction.

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