



# Interim Report 1 January - 30 September 2017

Juha Gröhn, CEO, 26 October 2017

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## Atria Group 1 January - 30 September 2017

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2016
	2017	2016	2017	2016	
Net sales	360.8	339.1	1,061.7	994.9	1,351.8
EBIT	16.2	13.2	27.5	21.0	31.8
EBIT %	4.5 %	3.9 %	2.6 %	2.1 %	2.3 %
Profit before taxes	14.3	11.8	23.3	16.3	26.1
Earnings per share, €	0.37	0.32	0.58	0.42	0.65
Adjusted EBIT	16.2	13.2	27.5	20.6	31.4

- Atria enjoyed a strong quarter - net sales and profitability increased in the third quarter.
- Productivity trends have been good in all business areas.
- Profitability trends in Finland, Russia and the Baltic countries have been favourable. The Scandinavian business has had a difficult year in 2017.
- The increase in EBIT was due to good cost management and productivity improvements.

## Atria Finland 1 January - 30 September 2017

EUR million	Q3		Q1-Q3		2016
	2017	2016	2017	2016	
Net sales	245.0	227.0	725.7	685.7	932.3
EBIT	13.1	8.7	24.9	13.4	24.2
EBIT %	5.4 %	3.8 %	3.4 %	2.0 %	2.6 %
Adjusted EBIT	13.1	8.7	24.9	13.4	24.2

- In the second and third quarters, Atria Finland's net sales were higher than in the previous year in all sales channels. In addition, the consolidation of Well Beef's businesses into Atria at the end of 2016 increased net sales.
- Good cost management and profitable growth in net sales were reflected in increased EBIT.
- Exports of pork meat from Finland to China have begun. It is estimated that Atria will deliver over 3 million kilos of pork meat to China in 2017.
- The pig cutting plant project at the Nurmo production plant will be completed by the end of 2017. The value of the investment is EUR 36 million, and the savings will begin to materialise in early 2018.
- Some of the electrical energy required by the Nurmo plant is generated by the solar power park on the plant site. The first sections of the largest solar power park in Finland were connected to Atria's power grid in July. The project will be complete next autumn.

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## Atria Finland 1/2

- In August, Atria initiated a project to improve the profitability of production and increase productivity at the Jyväskylä production plant. The project identified overlaps in Atria's current operations and the necessary reorganisation measures.
- Negotiations with the personnel were completed on 17 October 2017. The negotiations resulted in the decision to centralise pig slaughtering and cutting at Atria's Nurmo plant. This means 17 redundancies and temporary lay-offs affecting every member of personnel at the Jyväskylä production plant.
- Atria estimates that centralising operations will result in annual savings of approximately EUR 1.2 million, most of which will be realised from June 2018 onwards.
- Beef processing in Jyväskylä will be unaffected.



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## Atria Finland 2/2

- From January to September, the market for the product groups represented by Atria in Finland grew slightly, both in retail and in the Food Service market. The retail market share of Atria's products rose to 25 per cent from July to September. (Source: Atria)
- Atria's new minced meat packaging won the Scanstar award in this year's Nordic packaging competition. In addition, Atria's minced meat packaging won the "First choice" accolade, meaning that it was named the best packaging in the entire competition.
- In August, Atria launched antibiotic-free chicken. The consumer packages bear the marking, "antibiotic-free", which shows that no antibiotics of any kind were used when the chickens were raised. An equivalent concept for pork will be launched at the beginning of 2018.



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## Atria Scandinavia 1 January - 30 September 2017

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2016
	2017	2016	2017	2016	
Net sales	90.7	90.6	265.0	255.1	343.4
EBIT	1.4	3.5	2.7	7.7	8.4
EBIT %	1.5 %	3.9 %	1.0 %	3.0 %	2.4 %
Items affecting comparability					
Sale of real estate company	-	-	-	1.4	1.4
Adjusted EBIT	1.4	3.5	2.7	6.2	7.0



- The decrease in Atria Scandinavia's EBIT was due to reduced demand for poultry in Sweden and the commissioning costs of the revamped poultry plant, as well as higher raw-material prices.
- Consumer demand for poultry in Sweden was reduced by cases of campylobacter, and export restrictions due to avian influenza have disrupted the Swedish poultry market. The prevailing oversupply of poultry has forced prices down.
- The construction of new production premises at the poultry plant has progressed in accordance with the investment programme. The value of the investment is EUR 14 million. The new production plant will be taken into use at the end of 2018.
- Atria's market share in cold cut products has remained steady in both Sweden and Denmark. The market share of Atria's own-brand poultry products has increased in 2017.

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## Atria Russia 1 January - 30 September 2017

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2016
	2017	2016	2017	2016	
Net sales	22.4	19.5	64.0	50.6	71.8
EBIT	1.3	0.5	0.1	-0.1	-0.7
EBIT %	5.7 %	2.4 %	0.1 %	-0.2 %	-0.9 %
Adjusted EBIT	1.3	0.5	0.1	-0.1	-0.7



- In the local currency, **Atria Russia's** net sales for January-September grew by 7.5 per cent.
- The growth in net sales is due to successful sales in all sales channels. Price rises and improved profitability of the product selection contributed to the growth in EBIT.
- Russian retail development began to recover in the third quarter, with the first period of growth since 2014.
- Macroeconomic indicators have continued to develop positively, the national economy has returned to growth and inflation is low.

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## Atria Baltic 1 January - 30 September 2017

EUR million	Q3	Q3	Q1-Q3	Q1-Q3	2016
	2017	2016	2017	2016	
Net sales	9.7	8.7	28.3	25.6	34.4
EBIT	0.8	0.5	2.2	0.1	0.7
EBIT %	7.8 %	6.2 %	7.8 %	0.2 %	2.0 %
Items affecting comparability: Sale of pork farm	-	-	-	-1.0	-1.0
Adjusted EBIT	0.8	0.5	2.2	1.1	1.7



- **Atria Baltic's** sales for July-September grew in terms of volume and value.
- Atria's retail market share strengthened. Sales of new minced meat products have remained good.
- Comparable EBIT for January-September grew thanks to increased net sales, higher sales prices and better productivity than in the previous year.
- Sales were good in the barbecue season. The focal point in the consumption of meat products has switched to products in more expensive price brackets.

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## Financial development

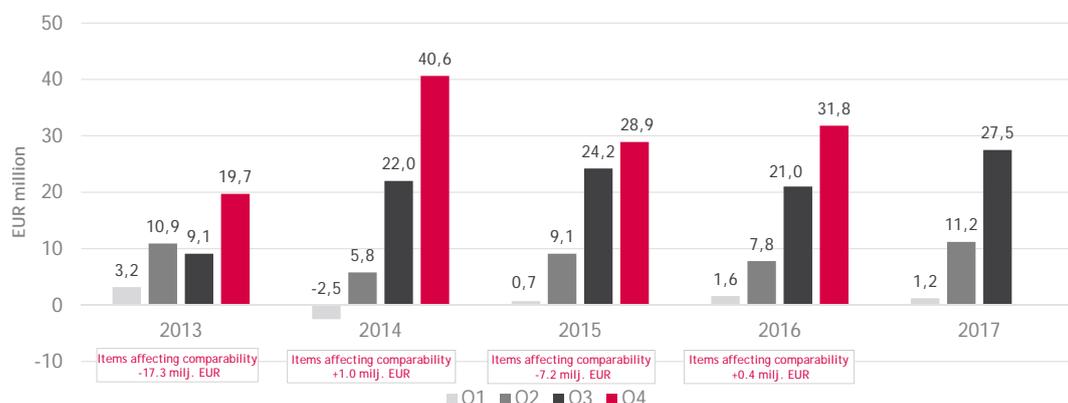
"Atria's net sales have continued to grow throughout the year. The growth is based on a balanced foundation and is a consequence of the acquisitions completed in 2016, as well as organic growth."

- 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 2017

EUR million	30 Sept 2017	30 Sept 2016	2016
Shareholder's equity per share, EUR	14.55	14.28	14.49
Interest-bearing liabilities	244.9	230.2	217.8
Equity ratio, %	46.0 %	46.3 %	46.5 %
Net gearing, %	56.6 %	55.7 %	50.5 %
Gross investments	38.5	54.0	82.9
Gross investments, % of net sales	3.6 %	5.4 %	6.1 %
Average number of employees	4,447	4,291	4,315

- During the period under review, the Group's free cash flow (operating cash flow - cash flow from investments) was EUR -14.8 million (EUR -17.5 million). Operating cash flow was weakened by the financing expenses paid out and higher taxes than in the comparison period.
- The total translation differences with the Russian rouble and the Swedish krona recognised in equity reduced equity by EUR 3.5 million (EUR +1.8 million) in January-September.
- On 30 September 2017, the Group had undrawn committed credit facilities worth EUR 105.0 million (31 December 2016: EUR 105.0 million).
- The average maturity of loans and committed credit facilities at the end of the period under review was 2 years 11 months (31 December 2016: 3 years 9 months).

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## Atria Group Income Statement

EUR million	Q3		Q1-Q3		2016
	2017	2016	2017	2016	
NET SALES	360.8	339.1	1,061.7	994.9	1,351.8
Cost of goods sold	-314,8	-295.3	-934.2	-876.8	-1,187.4
GROSS PROFIT	45.9	43.8	127.6	118.1	164.4
<i>% of Net sales</i>	12.7 %	12.9 %	12.0 %	11.9 %	12.2 %
Other income	0.9	0.7	2.5	3.3	4.6
Other expences	-30.6	-31.4	-102.6	-100.5	-137.2
EBIT	16.2	13.2	27.5	21.0	31.8
<i>% of Net sales</i>	4.5 %	3.9 %	2.6 %	2.1 %	2.3 %
Financial income and expences	-2.1	-1.8	-5.6	-4.7	-6.3
Income from joint-ventures and associates	0.1	0.5	1.4	0.0	0.7
PROFIT BEFORE TAXES	14.3	11.8	23.3	16.3	26.1
Income taxes	-2.9	-2.2	-5.1	-3.5	-6.6
PROFIT FOR THE PERIOD	11.3	9.6	18.2	12.8	19.6
Earnings/share	0.37	0.32	0.58	0.42	0.65

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## Atria Group Cash flow statement

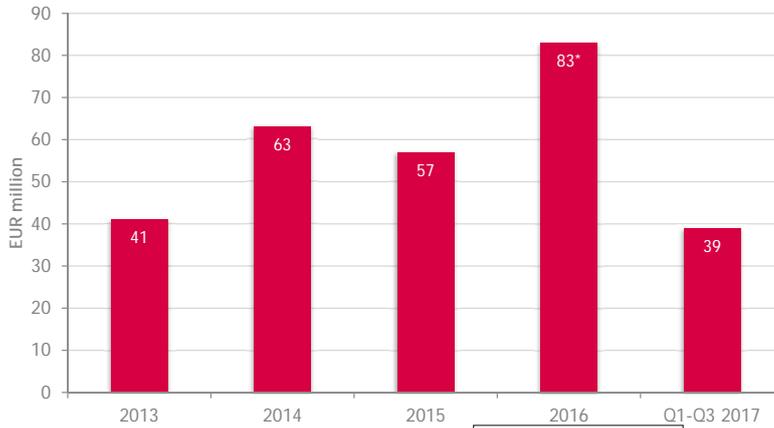
EUR million	Q1-Q3		
	2017	2016	2016
Cash flow from operating activities	36.8	32.8	74.4
Financial items and taxes	-15.2	-8.6	-9.6
NET CASH FLOW FROM OPERATING ACTIVITIES	21.6	24.2	64.8
Investing activities, tangible and intangible assets	-38,8	-31.1	-42.6
Acquired operations	-	-15.9	-30.2
Sold operations	-	5.2	5.2
Change in non-current receivables	1.9	1.0	1.4
Dividends and repayment of capital	0.7	0.1	0.1
Change in other investments	-0.3	-1.1	-1.3
NET CASH USED IN INVESTING ACTIVITIES	-36.4	-41.7	-67.3
FREE CASH FLOW	-14.8	-17.5	-2.5
Changes in interest-bearing liabilities	27.1	27.8	15.4
Dividends paid	-13.1	-11.3	-11.3
NET CASH USED IN FINANCING ACTIVITIES	13.9	16.5	4.1
CHANGE IN LIQUID FUNDS	-0.9	-1.0	1.7

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## Atria Group investment



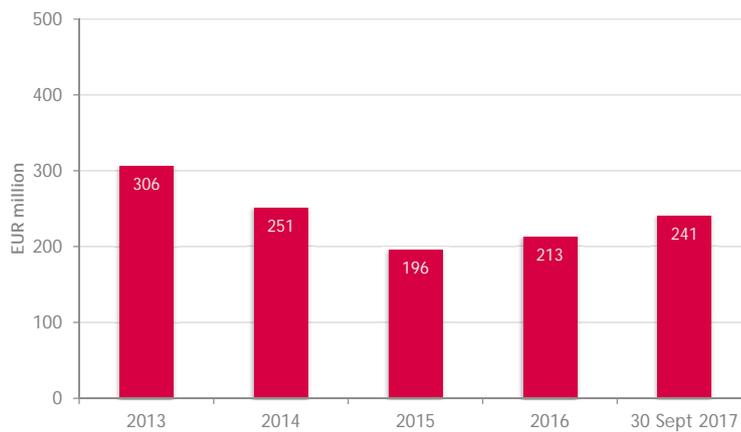
\*In 2016 the acquisitions increased the amount of gross investments by EUR 34.9 million.

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## Atria Group Net debts

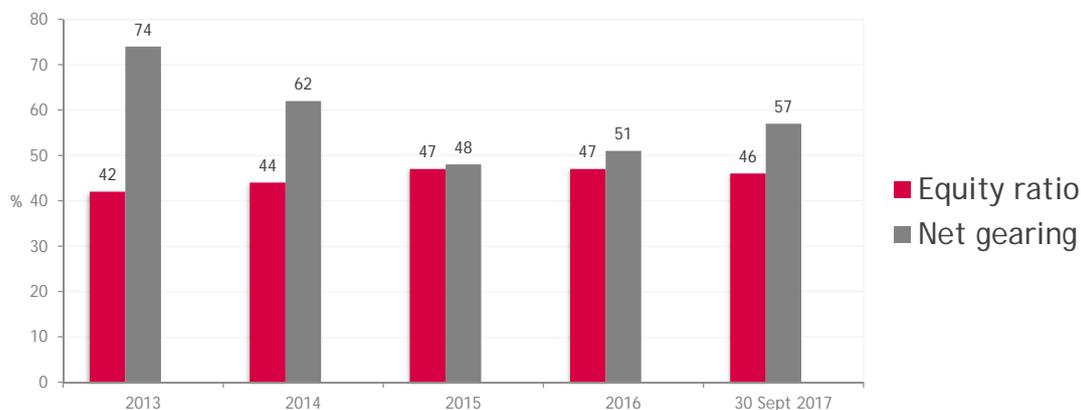


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## Atria Group Equity ratio & Net gearing



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## Events after the period under review

- In August, Atria initiated a project to improve the profitability of production and increase productivity at the Jyväskylä production plant. Negotiations with the personnel were completed on 17 October 2017. The negotiations resulted in the decision to centralise pig slaughtering and cutting at Atria's Nurmo plant. Beef processing in Jyväskylä will be unaffected.
- The restructuring will result in annual savings of approximately EUR 1.2 million, which will be realised from June 2018 onwards. This means 17 redundancies and temporary lay-offs affecting every member of personnel at the Jyväskylä production plant. Every redundant member of personnel has been offered the opportunity to transfer to a different Atria unit.

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## Business risks in the period under review 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 the demand for Atria's products.
- Other potential short-term uncertainties in Atria's operations are related to implementing the strategy, maintaining or improving the financial results of business areas and integrating acquired businesses.
- 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.
- Fluctuations in the value of the rouble influence the Group's euro-denominated net sales and result. A more detailed description of the risks related to the company's operations was provided in the 2016 annual report.

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## Outlook for the future

- Consolidated EBIT was EUR 31.8 million in 2016. In 2017, EBIT is expected to be better than in 2016 and net sales are expected to grow.

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Thank you!

- Q4/2017 will be published on 15 February 2018