



# Interim Report Q1/2020

29 April 2020

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## Atria Group 1 January - 31 March 2020

EUR million	Q1	Q1	2019
	2020	2019	
Net sales	356.7	336.4	1,451.3
EBIT	2.2	-2.8	31.1
EBIT %	0.6 %	-0.8 %	2.1 %

- **Atria Group's** net sales and EBIT increased in an unstable business environment.
- EBIT improved from the previous year - the result level at the beginning of the year is typical for the period.
- Atria Finland's net sales developed positively and EBIT increased. Exports to China developed positively.
- Atria Sweden's sales increased, especially thanks to sales of poultry products. The operating loss was halved.
- Atria Russia's operating loss decreased year-on-year.
- Atria Denmark & Estonia's net sales increased by 20 per cent year-on-year.
- The coronavirus pandemic (COVID-19) affected Atria's business at the end of the review period, but delivery reliability was good and the financial position remained strong.
- The popularity of daily foods sold to retail rose sharply at the end of March due to preparing for exceptional circumstances. Sales volumes to Food Service customers decreased.
- The state of emergency caused by the coronavirus pandemic reduces business predictability.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.42 (EUR 0.40) be paid per share.

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## Atria Finland 1 January - 31 March 2020

EUR million	Q1		2019
	2020	2019	
Net sales	252.6	241.0	1,033.8
EBIT	6.2	3.9	40.0
EBIT %	2.5 %	1.6 %	3.9 %

- **Atria Finland's** increase in net sales for January-March was due to increased sales to retail and to export customers.
- Exports of pork to China developed positively, especially at the end of the review period.
- Sales of Food Service products decreased slightly year-on-year.
- EBIT rose as a result of increased net sales and better overall productivity.
- The effects of the coronavirus pandemic on domestic business were felt at the very end of the review period. Retail sales of daily foods such as minced meat, sausages and consumer-packed chicken increased sharply in the last two weeks of March, while sales of Food Service products slowed down.

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## Atria Finland

- In terms of retail value, the market in the product groups represented by Atria grew by approximately 7 % in the first quarter.
- The market for all product groups represented by Atria increased, but growth was largest in the poultry and cooking product groups.
- Atria's sales grew at the pace of the market, and the supplier share was about 24 % in terms of value. (source: Atria)
- In terms of value, Finland's Food Service market increased just under 3 % in January-February. Of the product groups represented by Atria, convenience food grew strongly: over 10 %. Atria's supplier share in the Food Service market was approximately 21 %. (source: Atria)

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## Atria Sweden 1 January - 31 March 2020

EUR million	Q1	Q1	2019
	2020	2019	
Net sales	71.5	66.6	289.4
EBIT	-2.1	-4.1	-6.1
EBIT %	-2.9 %	-6.2 %	-2.1 %

- **Atria Sweden's** net sales improved by nearly 10 per cent year-on-year in the local currency. Net sales were boosted by strong sales of poultry products.
- Sales of other product groups to retail also increased year-on-year.
- Sales of Food Service products decreased somewhat.
- EBIT brought down by the weakened Swedish krona and higher raw material prices.
- EBIT for the comparable period includes EUR 1.4 million in costs related to employee arrangements.

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## Atria Sweden

- The coronavirus pandemic affected consumer purchasing behaviour at the end of the review period: sales to retail increased, while sales of Food Service products and fast food decreased.
- Of Atria's product selection, sales of daily foods (sausages, liver pates, black pudding and convenience foods) increased in particular.
- In Sweden, schools were not closed due to the pandemic, which has maintained sales to public sector food service customers.
- During the review period, the retail market for product groups represented by Atria developed favourably. Atria's sales increased with the market.
- Atria's producer share in poultry products increased by 2.6 per cent, and in sausages, by 0.7 per cent. In cold cuts, the producer share decreased by 0.9 per cent. (source: AC Nielsen)

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## Atria Denmark & Estonia 1 January - 31 March 2020

EUR million	Q1	Q1	2019
	2020	2019	
Net sales	26.5	21.8	96.6
EBIT	0.3	0.6	4.4
EBIT %	1.2 %	2.8 %	4.5 %

- Atria Denmark & Estonia's net sales increased by over 20 %, which was due to increased sales volumes and higher prices
- In Denmark, sales to retail increased by over 20 per cent, but higher raw material costs brought down EBIT.
- In Estonia, Atria's sales to retail increased by as much as 22 per cent, for example, sales of minced meat doubled year-on-year.
- Increased pork exports from Europe to China have raised Atria Denmark's raw material prices by almost 70 per cent year-on-year. At the end of the review period, Atria implemented price increases and was able to pass on increased raw material costs to sales prices.

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## Atria Denmark & Estonia

- Atria Denmark's cold cuts market remained stable during the review period, and Atria increased its market share in retail.
- Due to the coronavirus pandemic, sales of Atria Denmark's Food Service products decreased at the end of the review period and special production arrangements entailed some additional expenses.
- The effects of the coronavirus pandemic on the Estonian business environment began in early March, when restrictions were set on restaurants and schools were closed by a decision of the Estonian government. As a result, sales to Food Service customers declined significantly and sales to retail temporarily rose to record highs.
- A new minced meat package was successfully launched.

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## Atria Russia 1 January - 31 March 2020

EUR million	Q1		2019
	2020	2019	
Net sales	16.1	15.8	73.8
EBIT	-1.3	-2.2	-4.0
EBIT %	-8.3 %	-13.7 %	-5,5 %

- **Atria Russia's** increase in net sales was due to higher sales of Food Service and Sibylla products year-on-year.
- Year-on-year sales to retail were slightly lower. Sales of Casademont products have remained at a good level throughout the review period. Sales of Pit-Product products also improved at the end of the review period.
- EBIT was brought down by low sales volumes to retail.
- The effects of the coronavirus pandemic on Atria Russia's business environment were minor during the first quarter.
- Atria Russia updated its strategy a year ago. A key goal is the quick revitalisation of business operations in Russia, which means increasing sales and sales margin as well as turning performance positive. As part of the strategy project, Atria is also looking into possibilities of selling Atria Russia's business operations.

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## Financial development

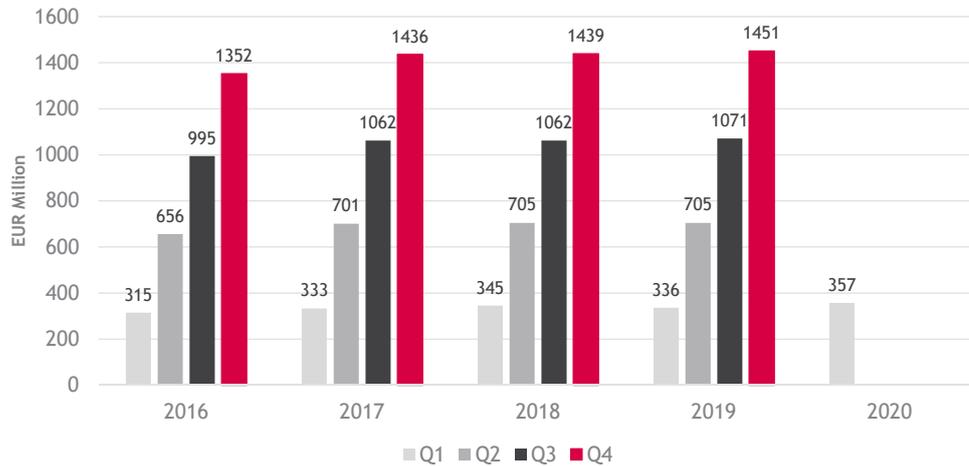
"The impact of the corona pandemic on the overall result is neutral. Net sales did increase, but part of the increase was achieved through extensive overtime work and special arrangements. The transition to the state of emergency took place quickly."

Juha Gröhn, CEO

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## Atria Group Net Sales cumulative, quarterly

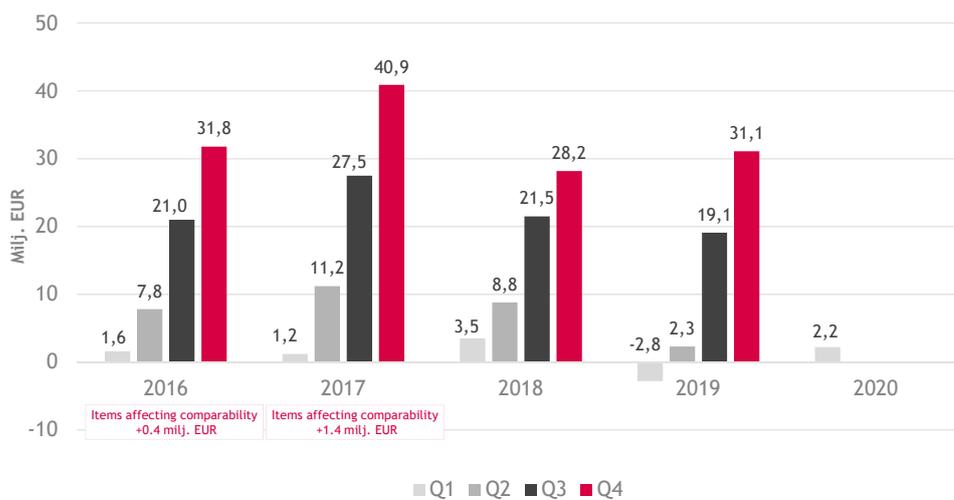


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## Atria Group EBIT cumulative, quarterly



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## Atria Group Financial indicators

1 January - 31 March 2020

EUR million	31.3.2020	31.3.2019	31.12.2019
Shareholder's equity per share, EUR	14.24	14.57	14.85
Interest-bearing liabilities	291.4	278.2	228.3
Equity ratio, %	43.0 %	44.6 %	46.9 %
Net gearing, %	60.9 %	65.3 %	51.6 %
Gross investments	11.9	10.3	40.1
Gross investments, % of net sales	3.3 %	3.1 %	2.8 %
Average number of employees	4,486	4,430	4,454

- The increase in interest-bearing liabilities was due to change in working capital, investments and the company's decision to increase cash funds by approximately EUR 30 million due to financial market instability caused by the coronavirus pandemic.
- During the review period, consolidated free cash flow (operating cash flow - cash flow from investments) was EUR -23.7 million (EUR -15.2 million).
- The total translation differences with the Swedish krona and the Russian rouble recognised in equity reduced equity by EUR 13.3 million (EUR +3.1 million) in January-March.
- On 31 March 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 2 years 7 months (31 December 2019: 3 years 2 months).

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## Atria Group Income statement

EUR million	Q1		
	2020	2019	2019
NET SALES	356.7	336.4	1,451.3
Cost of goods sold	-322.8	-306.1	-1,288.5
GROSS PROFIT	33.9	30.3	162.7
<i>% of Net sales</i>	9.5 %	9.0 %	11.2 %
Other income	1.0	0.6	3.2
Other expenses	-32.6	-33.7	-134.9
EBIT	2.2	-2.8	31.1
<i>% of Net sales</i>	0.6 %	-0.8 %	2.1 %
Financial income and expenses	-1.4	-1.2	-5.6
Income from joint ventures and associates	0.3	0.2	0.6
PROFIT BEFORE TAXES	1.1	-3.7	26.2
Income taxes	-0.4	-0.2	-9.2
<b>PROFIT FOR THE PERIOD</b>	<b>0.7</b>	<b>-4.0</b>	<b>17.0</b>

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## Atria Group Cash flow statement

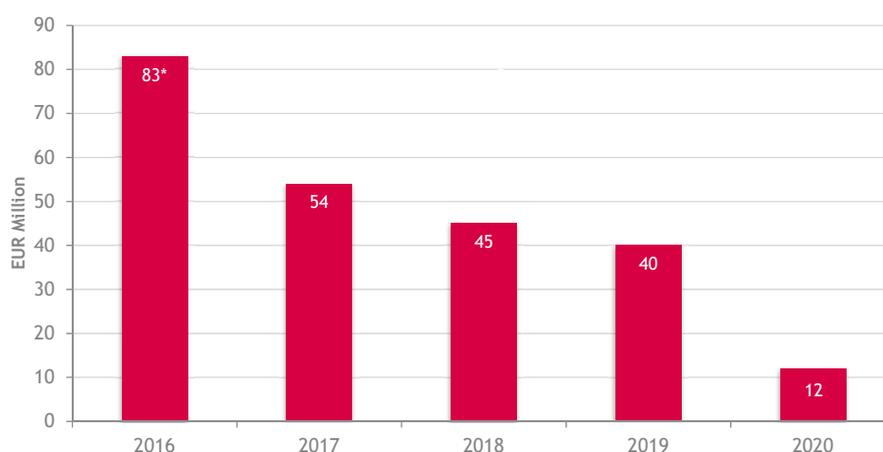
EUR million	Q1		2019
	2020	2019	
Cash flow from operating activities	-10.1	-1.2	102.9
Financial items and taxes	-1.1	-3.9	-14.4
NET CASH FLOW FROM OPERATING ACTIVITIES	-11.2	-5.0	88.5
Investing activities to tangible and intangible assets	-11.8	-10.1	-39.4
Change in non-current receivables	0.1	0.4	2.3
Dividends	0.0	-	0.1
Change in current receivables	-0.8	-0.4	-0.1
NET CASH USED IN INVESTING ACTIVITIES	-12.5	-10.1	-37.1
<b>FREE CASH FLOW</b>	<b>-23.7</b>	<b>-15.2</b>	<b>51.4</b>
Changes in interest-bearing liabilities	54.9	12.0	-39.9
Dividends paid		-0.3	-11.6
NET CASH USED IN FINANCING ACTIVITIES	54.9	11.6	-51.5
CHANGE IN LIQUID FUNDS	31.2	-3.5	-0.1

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## Atria Group Gross investments



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

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## Atria Group Net debts



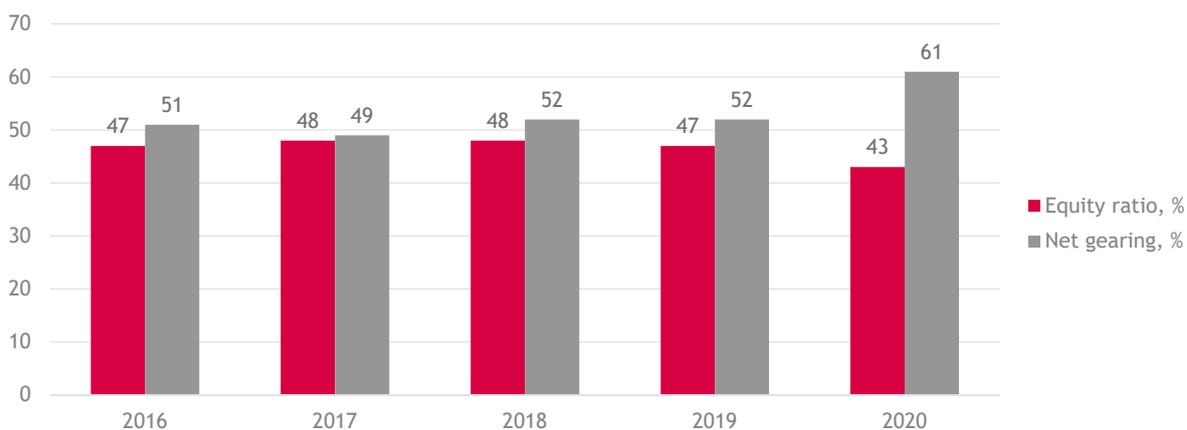
Years 2016-2018 do not include finance lease liabilities according to IFRS 16.

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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 period under review

- Several restrictions imposed by the authorities related to the coronavirus pandemic, which came into force at the end of the review period, continue in the second quarter. In addition, new restrictions and recommendations affecting Atria's business came into force in Atria's market area in April.
- Atria's customers have also introduced various restrictions affecting business in order to prevent the spread of the corona pandemic. For example, the selections of retail stores have been reduced, outlets closed or access restricted. Customers' own restrictions continue after the review period.
- The restrictions and recommendations related to restaurant operations, public food services and retail have an impact on Atria's business, but a more precise assessment of these effects is still difficult.

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## Business risks in the review period and short-term risks 1/2

- The coronavirus outbreak (COVID-19), which expanded into a pandemic in March 2020, and the measures taken to prevent its spread are the most significant risk event for Atria during the review period and also in the following quarter, with a wide impact on Atria's operations, the economies of countries in Atria's operating regions, and the food market.
- During the pandemic, the role of domestic food production and the domestic food industry in safeguarding national security of supply is even more important than usual. The requirement for security of food supply is emphasised. The uninterrupted continuation of operations and maintaining the security of supply of products have been Atria's primary tasks in addition to safeguarding the health and working capacity of personnel. The situation has required agile adaptation to the changed conditions and rapid changes in demand. Eating at home has increased sales to retail stores, while restrictions on restaurant operations as well as remote working practices in public administration have reduced sales to customers in these sectors.
- Atria has taken decisions on issues affecting production and the health and well-being of personnel, such as changes in capacity, the product selection, occupational safety, remote working, occupational health care, electronic communications and the introduction of mobile communications, regional precautions, travel restrictions, and changes in meeting and visitor practices.

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## Business risks in the review period and short-term risks 2/2

- Adapting to rapid changes is also a risk factor. The adjustment measures made in production, increasing capacity, overtime, maintaining occupational safety, wastage, and increased hygiene requirements have increased costs. Procurement has so far managed to purchase raw materials and other materials to ensure production. There have been some challenges in procuring personal protective equipment required in food processing.
- The coronavirus pandemic has also realised other risks previously identified by Atria, such as significant changes in exchange rates and geopolitical decisions. The situation has not excluded other usual risks in Atria's operations, such as a significant animal disease, product quality and safety or various hazard risks. These risks are managed and risk-related precautionary measures are taken at all times, even in the midst of the coronavirus pandemic.
- Growing risks of the pandemic in the near future include, in particular, credit losses of Food Service customers and the effect of consumer purchasing behaviour on sales structure and thus on profitability. Implementation schedules of business investments and various operational development projects also entail risks. The above risks occur in all of Atria's business areas, but their emphasis may vary depending on how sales have previously been targeted at different sales channels and how long and to what extent the restrictions of the coronavirus pandemic will be in force in each country.

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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 to increase, 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 the above strong 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 include national restrictions on restaurant operations and public food services, which reduce sales to Food Service customers. During the coronavirus epidemic, the importance of daily 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 into an unfavourable direction.

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## Proposal for profit distribution

- The Board of Directors proposes that a dividend of EUR 0.42 (EUR 0.40) be paid for each share for the 2019 financial period.

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Thank you!  
Q2/2020 will be published  
on 17 July 2020

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