Economic Development

- Atria Group’s turnover increased by 9.0% to EUR 833.7 million and its operating profit increased by 25.5% to EUR 38.8 million.
- In Finland business functions showed a very positive trend. Atria Oy’s turnover increased by more than 10%. Liha ja Säilyke Oy’s earnings complied with the target set.
- In Sweden the economic development of all the companies belonging to the Lithells Group was positive. The Group’s operating profit increased by almost 20%.
- In Lithuania UAB Vilniaus Mesa’s profitability dropped and the company’s earnings were low.

Changes in Group Structure

- Atria acquired the Estonian company AS Valga Lihatööstus, which is the country’s second biggest beef and pork processor.
- Lithells Group concluded the merging of Samfood AB’s and Atria Lithells AB’s business functions, and sausage production was concentrated in the production plant in Skollersta.

Foremost Investments

- The enlargement and basic renovation of Atria’s pig slaughterhouse in Nurmo, Finland, got underway in the autumn. This investment of approx. EUR 21 million will result in doubling the slaughterhouse’s capacity. The work will be completed in the spring of 2006.
- Liha ja Säilyke Oy’s new logistics centre in Forssa, Finland, was completed as the year ended. This unit, with a floor area of some 3,000 sq. m., involves overall costs of approx. EUR 6 million.
- Atria expanded its convenience food business: a new Home Meal Replacement (HMR) unit was opened in Karkkila, Finland.
- UAB Vilniaus Mesa’s new processing plant went on-stream in Vilna, Lithuania.
Atria Group

Atria Group plc is a forward-looking food processing company that is going international. Our brands are Atria, Duke’s, Forssan, Lithells, Sibylla, Fyrkanten, Grillköket, Vilniaus Mesa and Maks & Moorits.

The Atria Group is the biggest company in the meat business in Finland and the largest manufacturer of meat products in the Baltic Sea area. The Atria Group’s turnover is in excess of EUR 830 million and employs some 3,700 people. The business enterprises abroad brings in half of the Group’s turnover.

The biggest production companies within the Atria Group are Atria Oy, Lithells AB, Liha and Säilyke Oy, UAB Vilniaus Mesa and AS Valga Lihatööstus.

Listed on the Helsinki Stock Exchange, Atria Group plc’s roots go back to the year 1903, a time when its oldest owner co-operative was founded.

Production companies

Atria Group plc
- Atria Group’s parent company
- Turnover EUR 834 million
- Number of staff 3,640

Atria Oy
- Meat industries, meat product and convenience food industries and poultry industries
- Turnover EUR 487 million
- Number of staff 1,973

Lithells AB
- Meat product and convenience food industries, fast food business and wholesale trade
- Turnover EUR 310 million
- Number of staff 1,217

Liha ja Säilyke Oy
- Salad and convenience food industry
- Turnover EUR 42 million
- Number of staff 230

UAB Vilniaus Mesa
- Meat product and convenience food industries
- Turnover EUR 8 million
- Number of staff 211

AS Valga Lihatööstus
- Meat product and convenience food industries
- Turnover EUR 20 million
- Number of staff 350

Brands

Atria Oy
- Atria
- Duke’s

Lithells AB
- Lithells
- Forssan

Liha ja Säilyke Oy
- Liha ja Säilyke

UAB Vilniaus Mesa
- Vilniaus Mesa

AS Valga Lihatööstus
- Grillköket
- Maks & Moorits

1) The figure is the average for the year.
2) Production began in 5/2004, average figure.
3) in the Group since January 2005.
Group functions

Meat Industries
- Pig
- Bovine
- By-products

Retail-packed meat
- Retail-packed beef and pork
- Marinated products
- Ready-to-cook steaks

Poultry Industries
- Chicken and turkey products

Convenience food
- Pre-made meals
- Cooked minced meat products
- Casseroles and jellies
- Bakery products
- Pancakes and pizzas
- Restaurant and catering products
- Premixed salads
- HMR meals

Meat products
- Sausages
- All-meat products

Atria’s customers
- Retail trade in Finland, Sweden, Lithuania, Latvia and Estonia
- Catering service in Finland and Sweden: public sector, restaurants, wholesalers (cash & carry) and fast food outlets, kiosks
- Industries in Finland and abroad
- Fast food stands and shop-in-shop concept customers in Finland, Sweden, the Baltic countries, and Poland

Local wholesale business
- Svensk Snabbmat för Storkök Ab in Sweden

Business based on fast-food concept
- Sibylla is Inside
- Grab’n Go
- Sibylla, Fyrkanten, Grillköket
The Vision

Atria Group is a strong Finnish meat company with a leading position in meat processing and meal solutions in the Baltic Sea region.

In Finland, Atria Oy’s objective is to further strengthen its position as the market leader in its field.

In Sweden, Lithells AB is striving to attain the leading position with regard to its foremost product groups and business activities.

In the Baltic countries, Atria Group’s aim is to become at least the second biggest enterprise in its field.

Economic objectives

Growth
• Our aim is to maintain steady and profitable growth.
• Primarily, this growth is intended to take place organically; with respect to new markets, business acquisitions will also be implemented.

Profitability
• Our aim is to be the most profitable company in our field in the Baltic Sea region.
• Our aim is to maintain steady profit development.

Return on capital
• Our aim is to offer the best return on invested capital when compared to our main competitors.

Equity ratio
• Our aim is to maintain our equity ratio at over 40 per cent.

Dividend policy
• Our aim is to be the most competitive investment option in our field.
• Supported by steady growth, our aim is to provide congenial circumstances for steady increase in value of Atria shares.
• We implement a dividend policy serving the interests of Atria shareholders. The past six years have seen at least 40 per cent of the profits being distributed as dividends.

Atria Oy’s values

Valuing cost-effective operations.

Valuing networking in operations.
The aim is to develop, on a customer-specific basis, offerings that foster Atria’s competitive superiority.

When overhauling functions, the competitive superiority and cost-effectiveness of the offerings are required, monitored and measured in all work processes and forms of co-operation. Atria challenges its customers, co-operation partners and personnel to come on board the development drive.

Superiority is realised in the co-operation network by guiding business processes to achieve optimal total efficiency, over corporate and function boundaries.

So that the company’s offerings can be competitive, each individual must be able to develop himself or herself and co-operate to tap the expertise of different functions.

Valuing individual and co-operative expertise.
2004 was a year of strong growth and positive earnings development

Atria Group plc’s vision is to be a leading enterprise in meat processing and meal solutions, in both Finland and elsewhere in the Baltic Sea region. The Group made good progress towards this goal in 2004.

In Finland Atria grew profitably in all of its main product areas. In Sweden we were able to retain our strong market position and further improve our profitability. In the Baltic countries the company made progress in Lithuania and also in Estonia, where we acquired AS Valga Lihatööstus, the country’s second-biggest meat processor. Our future goal is to further reinforce our market position, especially in the Baltic countries, and establish operation in the western parts of Russia. The Group’s economic situation provides good preconditions for succeeding in this.

In terms of earnings, 2004 was a good year for the entire Atria Group. The Group’s earnings clearly improved over the previous year and its market position was further reinforced, especially in Finland. The Group’s operations in the Baltic countries do not, as yet, significantly impact on the Group’s earnings, and a lot of reorganising and development efforts will be implemented there in the coming years.

Atria was in the public eye in a positive light as the food-processing industry’s second-biggest enterprise and the biggest in meat processing. These placings, together with the favourable development in the stock prices, promoted the rise in value of Atria shares; their value rose 24% during the year. The value of the company’s shares continued their strong increase into the new year. The positive earning development enables both favourable dividend distribution and an opportunity for personnel to add to their personnel fund.

Development efforts were visible in a positive light in all business areas

During the past two years Atria Group has developed the functioning of its domestic organisation and implemented a large-scale personnel training programme, which is gradually being extended to increasingly larger personnel groups. These actions are reflected in a very positive manner in all business areas in the form of improved delivery performance and reliability, cost development and workplace atmosphere.

Development is a long-term activity and contributes towards the company’s success in the future as well. Indeed, thanks are due to all members of the Group’s personnel for their activeness and highly positive attitude to the entire company’s development, and for being prepared to adapt to changing circumstances.

Progress continues

Atria Group continues to endeavour to make further progress on the markets in Finland, Sweden, the Baltic countries and Russia. A common feature of these regions is that often the retail chains and their partners operating in them are the same as in Finland and Sweden. Our goal in these markets is to be a strong partner for our customers.

Although the markets and products are often country-specific, retailers and the industry operate internationally. I believe that this strategy will create congenial circumstances for Atria Group’s continued profitable growth and, at the same time, enable the Group to retain its strong position in the Finnish marketplace.

In Finland the Atria brand is linked to using domestic raw material. This strategy is supported by both our powerful consumer-orientation and the positive trend in the production of domestic meat raw material. And considering that the Atria Group is currently the biggest producer of meat products in the Baltic Sea region, we have an excellent base for further strengthening our position in the region.

Large-scale cooperation with retailers

The internationalisation of the retail trade and toughening of competition placed the entire industry under pressure to cut prices. Some enterprises found themselves in economic difficulties. Nevertheless, the favourable economic trend was reflected in the positive development of the consumption of meat and associated products.

With regard to its key customers, our company has been successful in establishing close cooperation based on partnership. This has enabled us to cut costs throughout the logistics chain and review mutual functions.

Although our product strategy relies a great deal on the marketing of brand products, we have also engaged in cooperation with retailers in establishing the marketing of the retailer’s own brands. In future, private labels will complement the offering of brand products. Inferior and cheap trademarks and brands are losing this race.

Seppo Paatelainen
Chief Executive Officer
Atria Oy

Atria Oy 2004

- Overall market share in retail trade grew, earnings showed positive development.

- It was decided to modernise the pig slaughterhouse and double its capacity with an investment of EUR 21 million.

- Another decision was to increase the capacity of the company’s meat product and convenience food industries with an investment of over EUR 10 million. This was accompanied by the launching of growth-oriented HMR business.

- The market share of poultry products grew, and functions were improved by means of an extensive development project.

Wilhelm made it to the top of the list

Atria’s Wilhelm Perintieinen (Traditional) attained the status of best-selling barbecue sausage in terms of value at the beginning of the 2004 summer. Despite the rainy and cool summer, Atria’s summer sales figures were better than the overall markets’ average. This was mainly thanks to barbecue sausage sales: Atria’s grade A sausages attained a market share of 40% while traditional sausages accounted for 46%.

Turnover

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (mill. EUR)</th>
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<tbody>
<tr>
<td>2000</td>
<td>300</td>
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<tr>
<td>2001</td>
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<td>400</td>
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<td>2003</td>
<td>450</td>
</tr>
<tr>
<td>2004</td>
<td>500</td>
</tr>
</tbody>
</table>
Customer satisfaction related to Atria Oy’s products and services strengthened further. The company’s market share grew and earnings showed positive development.

Atria’s overall market share in the retail sector grew. The market shares in meat and poultry products grew most of all. Atria’s sales of retail-packed meat increased by close to 40%, which was clearly above the market’s average growth.

Along with the right product and product-group choices, the great customer satisfaction enjoyed by Atria has been especially promoted by the company’s smoothly functioning order-delivery process, the offerings-based operation and the successful strategic partnerships. Atria will continue to develop all of these areas in the near future through both sizeable investments and by deepening the process-like nature of its operation.

The central challenges facing the meat industry are associated with the industry’s possibilities and ability to raise the products’ prices. In 2004 the retail prices of several products were below the 2001 prices, despite significant rises in the prices of raw material in Finland and Europe as a whole. This was accompanied by significant rises in the industry’s other costs.

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The positive development of Atria’s meat industry in the face of tough competition is based, first and foremost, on managing the entire meat production chain: from primary production to the consumer’s plate. The chain gets significant support from the inclusion of A-Farmers Ltd, a company attending to the procurement of the raw material, in the meat industry’s process organisation. The operation is now more cost-effective and the steering of production is more accurate.

Atria’s target is to be Finland’s leading meat processor and supplier. Moreover, the company will be improving its international competitiveness as a meat processor.

In order to achieve these targets, Atria made an investment decision concerning the construction of an international-scale slaughtering unit in Nurmo. The pig slaughterhouse will be modernised, doubling its processing capacity. The value of the investment is EUR 21 million, and the project is due to be completed in the spring of 2006.

In addition to increasing its production capacity, these investments are intended to secure Atria’s product safety through the application of new technology, which is progressive even when viewed against European standards.

Now a meat processor of international standard

Atria’s meat industries developed in a positive direction and the unit reached the targets it had set for itself. In actual fact, the quantitative targets for meat processing were exceeded. Increased demand for pork both in the domestic and export markets in particular boosted the favourable development of the unit. The rate of utilisation of the slaughterhouses was excellent and operations were very cost-effective.

Competition in both procurement and selling of meat remained tough. Imports further added to the competition, especially imports from South America. The effect of the EU’s eastern enlargement of the meat market remained minor. In the short term, the new EU member states represent fresh export opportunities for Atria’s meat industries.

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Atria Oy

- Atria Group plc’s subsidiary, which attends to the Group’s domestic operations.
- The company develops, manufactures and markets, with Finnish meat production as its basis, mainly meat, meat-based products and foods, and the associated services.
- The clientele is composed of retailers, catering enterprises, industry and the export trade.
- The production plants are located in Nurmo, Kuopio, Kauhajoki and Karkkila, Finland.

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Added capacity and new business for the meat product and convenience food industries

The growth of sales in Atria’s meat product and convenience food industries attained the planned level, and earnings development was favourable. The market shares of Atria meat products and convenience foods significantly increased in several product groups. The growth in consumption of meat products targeted products with increasingly high meat content. The growth in the consumption of convenience foods was speeded up by the increasing popularity of microwave meals.

The growth of the overall market for convenience food product group in Finland was about 5%. The other sub-product group alongside microwave meals showing the most powerful growth was that of pre-mixed salads.

Atria’s meat product and convenience food industries have been successful in implementing their development programme. Thanks to this, the unit’s customer-orientation, process-like steering and cost-effectiveness have improved.

As a measure aimed at enabling the realisation of future scenarios and entry into new product areas, Atria decided to significantly increase the capacity of its meat product and convenience food industries. The investment in new technology for the Nurmo production plant amounts to EUR 10.5 million. The new capacity will become available during 2006.

As a means of securing its position in the growing market for pre-made meal solutions, Atria established a new business activity for the production of HMR (Home Meal Replacement) products. The main products of the unit in Karkkila are various pre-made meals, e.g. service-counter products and to-go meals as well as various sandwich products. Their earlier “best before” dates is one example of the differences between products reminiscent of home-made meals and conventional convenience food industry products. These products are suitable for putting on sale in grocery stores as well as in workplace cafeterias and at public events.

Poultry industry improved its cost-effectiveness

Atria’s poultry industries achieved the targets set for its operations and earnings, even though the competitive environment underwent radical changes: the demand for poultry products dropped and imports increased towards the end of the year. The cost-effectiveness of this business was good thanks to investments in chicken production implemented in 2003.

2004 was a turning point in the consumption of poultry products. The demand for chicken and turkey products slowed down in Finland, and imports, especially from Brazil, increased. Despite the changed market and competition situations, Atria was able to slightly improve the market shares of its poultry products.

Internationalisation of the meat industry, reformation in the functioning of the retail and catering sectors, and changes in consumer behaviour have increasingly impacted on the development of Atria’s poultry industry.

One of the most powerful factors influencing the running of the business is the internationalisation of the raw materials trade, production and retailing. The global mobility of raw materials and imports from Brazil, Thailand and China have already altered the competition situation. The role of the cost-effectiveness requirement for the entire supply and production chain is thus further underscored as Atria competes with its EU-based rivals regarding the prices paid for raw material, with non-EU raw materials, and with global supply.

Even if the consumption of poultry products does not significantly grow, Finnish-grown chicken products have established their position in the consumers’ shopping cart. Solid co-operation with the retail trade provides the basis for the further development of a product range founded on domestic raw material. The product development, quality and hygiene associated with Atria’s fresh products are of a high standard and the merchandising of poultry-based products is in a highly advanced stage. Further competitive advantage for Finnish poultry production is provided by the industry’s lack of animal diseases and the ethically sustainable production methods applied.
**PROFITABLE GROWTH**

**Chick 2008: Part of our future success process**

Atria Oy’s poultry industry is implementing a powerful development programme called “Chick 2008”. It is part of Atria’s development plan aimed at pinpointing the factors necessary for achieving future earnings and success through the identification of environmental changes and key factors.

Chick 2008’s vision of the future is being assessed as a process in the international field of competition and as part of the formation of Atria’s entire offerings. The will to succeed in Finland’s increasingly tough competition situation is a strong one. Our poultry production chain functions as an overall chain and the link with primary production via A-Farmers Ltd is a solid part of the chain.

Development programme implemented through practical projects. The projects serve to enable the development of all aspects of the company business, ranging from production to steering and primary production to sales and marketing.

Development work has been set a target, which is the year 2008. It includes the entire personnel of the unit, from management to the shop-floor workers.

We have achieved significant results already, e.g. improvements in steering, reliability of deliveries and in production. The work continues via on-going and new projects. The coming year’s objectives include retaining Atria’s competitiveness, development of the personnel’s know-how in process-like work, and further enhancement of information dissemination.

*Merja Leino*

Director, Poultry Industry
Lithells AB

Lithells AB 2004

- The company’s earnings improved, and profitability in all business functions was good.
- Atria Lithells AB improved the efficiency of its sausage production by centralising it to the Sköllersta plant.
- Atria Concept AB’s position in the export markets for the shop-in-shop concept, particularly in the Baltic countries and Poland, strengthened.
- Svensk Snabbmat AB strengthened its position as a fast food wholesaler close to the customer by opening a new outlet in Linköping.

Sibylla popular with consumers

Sibylla outlets sold over 42 million Sibylla frankfurters to consumers in 2004.
Lithells AB’s earnings improved over the previous year. Market development was low key in Sweden, in both the retail sector as well as in the catering sector. Fast food was the only market sector showing distinct growth. There the growth was based on improved supply and changes in consumer behaviour. The marked and rapid increase in the prices of raw materials during the last quarter impaired the company’s otherwise strong development.

Business areas showed profitable growth

Profitability in all Lithells AB’s business areas was sound.

Atria Lithells AB’s earnings improved over the previous year. The earnings improvement after three quarters was substantial, but the whole year’s figure was impaired by rises in raw material prices in the last quarter. Given the tough competition, it was not possible to offset the rises in raw material prices by increasing the prices of products.

The company’s market shares in the main product groups remained at approximately 25%, despite the rapid increase in retailers’ own brands. Efforts towards further improving customer relations and the Lithells brands were reinforced by merging all marketing and sales functions into a single commercial organisation. This improved both the company’s efficiency and know-how. The company’s productivity developed rapidly and specialisation of the production plants was continued, e.g. significant investments were made in the meat product process at the Sköllersta plant.

Atria Concept AB’s profitability remained at a good level. The company’s shop-in-shop concept “Sibylla is Inside” did particularly well. This concept was further enhanced, which helped to strengthen its position in the export markets in the Baltic countries, Poland and Denmark. The Sibylla chain achieved the best development in the fast food stand business. Public awareness of the Sibylla trademark in Sweden increased to 82%, and it was the most appreciated fast food trademark among Swedish consumers.¹

Svensk Snabbmat AB further improved its profitability and its earnings clearly surpassed the previous year’s figure. The company was able to add to its market share and it retained its leading position as Sweden’s premier fast food wholesaler. Svensk Snabbmat AB strengthened its position as a local wholesaler close to its customers by opening a new outlet in Linköping in November.

Strategic strengths will be focused on in all aspects of business

Atria Lithells AB intends to place significant emphasis on its strengths in the future: the Lithells trademark and its sausage product group. The objective is to double the public’s awareness of the Lithells brand and to expand consumers’ understanding of the product groups associated with the brand. Improvement in productivity and continued cost-cutting are vital success factors in a business such as this with its downward trend in prices.

Atria Concept AB focuses on rapid concept development. The fast food offering

¹) Timo AB’s questionnaire study, spring 2004
is due to undergo rapid expansion, and consequently it is important to maintain the lead that the company has in expertise related to the shop-in-shop concept. The concept in the fast food stand business will be reformulated and modernised to create more interest among consumers.

Svensk Snabbmat AB, with its strategy of being close to customers, will continue to concentrate on expanding its network of outlets. Efficiency in purchasing has a decisive impact on profitability in the wholesale business, and consequently the aim is to reduce the purchase prices by seeking out foreign partners with whom to collaborate in purchasing.

Consumption grows as purchasing power and trust in the future strengthen

The prospects for 2005 are reasonably positive, albeit that the industrial Purchasing Manager Index fell steeply and export prospects weakened during the last quarter of 2004. Private consumption is believed to increase as a result of growing purchasing power and a positive outlook on the future.

It is estimated that Swedish consumers’ purchasing power rose by 1.5% in 2004. A year earlier it had remained unchanged.

²) CCI indicator

This upward trend is expected to continue for the next couple of years: growth of 1.5% is expected to continue during 2005, and in 2006 it could go up to 2.3%. Consumers’ trust in the future ² has been steeply rising since 2003, when it significantly dropped as a result of negative development in purchasing power and increasing unemployment.

The challenges facing profitability are omens of structural changes

The volume in the grocery market trade is expected to slowly grow, 0.5-1.5% per year, whereas the value of the market is expected to decrease as a consequence of falling prices. The catering market is expected to grow slightly, by 1-2% when expressed in the number of servings, and mainly thanks to growth in the fast food sector.

Competition among customers will lead to powerful price focusing, and the prices of groceries are expected to fall further.

Customers’ own brands, i.e. Private Labels, will continue to gain greater shares. All players in the grocery trade sector have stepped up the market share targets for their own brands; on average, the target is 25% of the overall market. On average, the prices of raw materials are expected to remain high, while payroll expenses will rise by approx. 3%. The industry has some major profitability problems, which could lead to structural changes.

Goal is organic, profitable growth

The development of all Lithells AB’s subsidiaries has been favourable, and their position and earnings levels are good. The intention is to develop all the subsidiaries in their segments through organic growth and improved efficiency. The rapidly changing conditions of the industry may also offer opportunities for external growth in the future. All subsidiaries aim to further enhance their profitability.

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**Meat consumption per capita in Sweden**

<table>
<thead>
<tr>
<th>Year</th>
<th>Poultry</th>
<th>Beef</th>
<th>Pork</th>
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<td>16</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>2000</td>
<td>14</td>
<td>13</td>
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</tr>
<tr>
<td>2003</td>
<td>14</td>
<td>13</td>
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</tbody>
</table>

Source: Lithells, 2005

**Meat consumption per capita in Atria’s market area in 2003**

<table>
<thead>
<tr>
<th>Country</th>
<th>Beef</th>
<th>Pork</th>
<th>Poultry</th>
<th>Mutton</th>
<th>Meat, total</th>
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</thead>
<tbody>
<tr>
<td>Finland</td>
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<td>Sweden</td>
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<td>Lithuania</td>
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<td>Latvia</td>
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<td>Estonia</td>
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</table>

Source: Atria and Lithells, 2004
Position in Sweden strengthens through marketing efforts, and improved cost-effectiveness and operation

Atria has, through its company acquisitions, achieved a strong position in the Swedish meat processing market. In so doing, it has become the only foreign meat industry enterprise to have successfully established itself in Sweden.

Extensive and calculated reorganization measures have been implemented in the enterprises acquired. The company has reinforced its market position by making concerted investments in the Lithells brand and strong customer relations. Product-related expenses have been cut by making use of volume advantages in purchases of raw materials and other materials, and by improving productivity. Production has been concentrated in three production plants, with each of them specializing in specific product groups. In so doing, we have also reorganized the cost structure of the various functions through concerted cuts in fixed costs.

Today, under Atria’s ownership, Lithells AB is a powerful Number 2 in the Swedish meat industry market scene. It is the market leader in the fast food market, shop-in-shop roadside chains, fast food stand business, and as a fast food wholesaler.

The investments and operational improvements made give good grounds for expecting continued growth.

Matti Karppinen
Managing Director, Lithells AB
Liha ja Säilyke Oy 2004

- The production plant is located in Forssa, Finland.
- The market share of salads marketed under the Forssa brand increased to 30%.
- A new logistics centre was completed and the enterprise invested in increasing its capacity.

The old familiar Karelian pie evolved into a best-selling product

Liha ja Säilyke Oy refurbished its Karelian pie production with a significant production investment. The new production line turns out over 11,000 pies per hour. Consumers applauded the tasty pies with their “hand-wrinkled” look: their market share grew significantly from the autumn onwards. Karelian pies are among Liha ja Säilyke Oy's 50th Jubilee Year products. The jubilee is in 2005 and the enterprise will be marketing a total of seventeen selected traditional products to mark the year.
Liha ja Säilyke Oy
- Atria Group plc’s subsidiary.
- The enterprise produces salads, oven-baked convenience food, snack products, smoked cold cuts, all-meat cold cuts and various sausages.

The operation of Liha ja Säilyke Oy developed as planned. Its turnover increased to EUR 41.6 million. This was in accordance with the set target.

The company’s strategy of focusing on salads, oven-baked convenience foods and snack pies, and specializing in all-meat products, frankfurters and special grill sausages was successful. The market share of salads marketed under the Forsan brand increased to 30%. The market share in many leading product groups varied between 25-30%. Liha ja Säilyke Oy is also a significant producer of private label products for retail chains.

The enterprise’s product development is based on the new trends occurring and forecast to occur in consumption, and the wishes expressed by customers. An example of this is the refurbished Karelian pie production process. The enterprise also invested in vegetable processing; a new such production line was put into operation in Forsa. Alongside increasing capacity, this investment enables a higher degree of quality and product safety for salads and other food products.

Investments in developing logistics and co-operation within the workplace

Work on Liha ja Säilyke Oy’s new logistics centre, some 3,000 sq. m. in area and 23,000 cub. m. in volume, was finished in the autumn and the installation of process equipment was completed at the end of the year. Thanks to this investment, customer service and despatching take place smoothly with better readiness to react to customers’ changing needs.

The enterprise founded a subsidiary called F-Logistiikka Oy and transferred all its logistical functions to it. The purpose in this is to intensify the transparency and cost-effectiveness of the enterprise’s logistical services following the completion of the new logistical centre.

Liha ja Säilyke Oy launched a workplace development project in production early in the year. The aims are to add to the personnel’s possibilities for interaction, to improve collaboration between the various personnel groups, to develop the production processes, and to improve productivity. The overall purpose is to get the whole of the production personnel involved in developing their own work and work processes, and thereby develop the enterprise as a whole and commit themselves to the enterprise’s long-term objectives.

More volume and profitability

Liha ja Säilyke Oy aims to further add to its business in 2005. The predicted increase in the consumption of salads and convenience food, and of cold cuts, makes the set targets realistic. Alongside growth in volume, the enterprise aims to strengthen its markets shares in these product sectors. In traditional sausage products, the enterprise aims to achieve better profitability through specialization and renewal.

The cost-effectiveness of the supply chain is manifested as competitive advantage

Atria’s order-delivery process’ daily success is based on perseverance and systematic steering.

Management of the logistical chain begins with consumer demand, which needs to have the procurement of raw meat and the production process fine-tuned to it and thereby form a functioning whole. The satisfaction of Atria’s customers and consumers is achieved through product availability and freshness, and the superior cost-effectiveness of the logistical chain.

Atria’s logistical chain is based on an extensive co-operation network. The partners selected to form this network are specialized experts, who complement Atria’s in-house know-how. The supply chain’s overall efficiency determines the breadth and depth of the co-operation. In its best form, steering the supply chain is a matter of open co-operation between the retail trade and industry, with both parties doing their best to ensure that the shelf offering matches consumers’ demand. This steering function becomes automated to a great degree, and Atria’s contribution towards developing and automating the management of the supply chain provides excellent support for the managed growth of the enterprise as a whole. The adoption of Sunday as a shopping day represents a new challenge for Atria’s order-delivery chain, but it is also a new opportunity for strengthening our competitiveness.

Jukka Mäntykivi,
Director, Steering Functions
UAB Vilniaus Mesa

UAB Vilniaus Mesa 2004

- Significant investments were made in production. The new production plant was inaugurated in September.

- Determined development of production, logistics and commercial functions began.

- The market share grew and growth prospects are good.

The award-winning little salami is popular in Lithuania

Last year’s sales were helped by the new product TipTop, little salamis in 55-gram bags. Launched in the spring, TipTop quickly got itself a significant market share as a snack product. This premium product has also won other kinds of success: for example, it was voted the best in its product segment at the international AgroBalt trade fair held in the summer 2004.
The first full calendar year of Atria’s Lithuanian subsidiary UAB Vilniaus Mesa was one of change and construction. The new plant, compliant with EU quality standards, was completed in the spring and inaugurated in September 2004. The plant is designed to meet the local markets’ needs for retail-packed meat, converted meat products and deep-frozen meat. In addition, approx. 10% of the production is exported, mainly to Latvia.

The company got a new managing director towards the end of the year. A focused improvement in production, logistics and commercial functions has been launched under his leadership.

Substantial investments and rearrangements of operations hampered the company’s profitability, and earnings remained poor.

Market share increasing
Vilniaus Mesa has a share of approx. 10% in the market for converted meat products in Lithuania. Along with its main customer, VP-Market, the company has also increased its share in Latvia, where the prospects for growth are good.

The retail trade’s own brand products are undergoing rapid growth in the Baltic countries as well. Vilniaus Mesa is a valued supplier meeting these needs, and its target is to expand into new market areas with force and get new customers.

The restaurant and catering sectors are also growth areas for Vilniaus Mesa.

Comprehensive product range
Vilniaus Mesa’s current production, amounting to approx. 5 million kilos, comprises retail-packed meat, various cooking products and cold cuts. All of these also happen to be Atria Group’s core product groups. In addition, the company produces and markets a local convenience food, ravioli, in deep-frozen format. The products are part of the everyday fare of Lithuanians.

Eyes turn to the Baltic countries
The future prospects of Vilniaus Mesa are good. The company’s aim is to expand its market positions in selected product groups throughout the Baltic countries. It also intends to strengthen its own brand and add to its share in grocery goods in Lithuania.

The demand for convenience food is expected to increase in all Baltic countries. This is a product group that Vilniaus Mesa intends to focus on with the parent company.

In future, more of the company’s production will bear retailers’ own brands. Production will involve co-operation with transnational retail chains within the Baltic Sea region. This co-operation model will form the basis for the company’s partnership activity and contribute towards profitable growth.

Partnership provides sustainable competitive edge
The leading goal in Atria’s vision is that of having the role of a pioneer in developing the industry it is engaged in. Another goal is to implement customer-specific development of the offerings that manifests Atria’s competitive superiority and to organize it into a network-like community with customers and business partners.

Previously, Atria focused mainly on improving the organization’s internal functioning. The new line of thinking implies that the basis for developing the company’s competitiveness is provided by the offerings knowledge obtained from consumers and customers.

In renewing its earnings logic, Atria aims to attach real added value to the product. A concrete example of this is among others customer specific delivery rhythm and product range management. In its more advanced partnership relations, Atria will deepen the common annual planning and implementation process in order to secure profitable growth for both parties.

The objectives in these strategic partnerships are profitable growth in the shared business and superior customer satisfaction. The realisation of these objectives will be determined through customer-satisfaction surveys and turnovers and margins.

Atria has extended the vision span for customer-specific offerings to 2008. Given the renewing market situation, several customer-specific business processes call for a readiness to collaborate with international players as well. Atria will take this into account when renewing its business functions.

Denis Mattsson
Commercial Director
AS Valga Lihatööstus 2004

- The company became part of Atria Group plc in January 2005.
- Sales and marketing were reinforced and re-organized.
- The company has entered into delivery agreements with the Rimi and Citymarket chains in Latvia.

High-quality sausages for microwave-oven meals

AS Valga Lihatööstus’ main products, various high-quality sausages, are also popular in Estonia and Latvia as part of convenience food products. Microwave meals with the Maks & Moorits brand have been well received on the Baltic countries’ convenience food markets. These products are sold by Estonia’s leading retail chains and in Latvia at Rimi and Citymarket stores.

Sales by product group

1. Sausages ........................62%
2. Meat ..............................18%
3. Refrigerated meat products ..........10%
4. Pre-cooked deep-frozen meat products ...........5%
5. Preserves and others ......5%
Atria Group plc acquired the entire share capital of the Estonian company AS Valga Lihatööstus (Valga) in January 2005. The company is Estonia's second-biggest beef and pork processor. Valga's turnover is EUR 20.1 million and it has a staff of approx. 350.

The company's main products are high-quality sausage products, which account for over 60% of its turnover. Valga's brand name is Maks & Moorits. The company's market share of Estonia's meat market is approx. 15%, and its products are sold by the country's leading retail chains. In addition, Valga holds a good position in Latvia.

Founded in 1910, Valga has a production facility in the town of Valga, close to the Latvian border. The company is involved in the entire meat processing chain: running slaughterhouses and meat cutting operations, as well as in processed meat production. During the last three years the company has invested approximately EUR 8 million in production systems and equipment compliant with the requirements of the EN ISO 9001:2000 quality system.

Its new slaughterhouse is among the most modern in the Baltic countries. Moreover, Valga owns Estonia's second-biggest beef cattle farm. As Estonian beef cattle farms are mostly small, Valga is able to ensure the availability of raw material through its own production. Valga produces approx. 30% of the pork and 10% of the beef it processes.

Good growth prospects
AS Valga Lihatööstus helps to further establish Atria's position in the Baltiic region and supports its strategy in this region.

Valga's profitability development since its privatisation in 1994 has been positive and its growth prospects as part of Atria Group are good. The company aims to increase its sales and improve its profitability through internal re-organization measures and the synergy benefits of being part of the Atria Group.

Together with the Lithuanian subsidiary UAB Vilniaus Mesa, Valga strengthens Atria Group's operations and competitiveness in all of the Baltic countries. Growth in business and profitability is supported by growth in the clientele and focusing on the entire Baltiic market region.

Expansion within the Baltic Sea region advances
Atria Group's vision is to become the industry leader in offering meat products and meal solutions in the Baltic Sea region. In order to achieve this position, Atria is implementing a strategy that requires powerful internationalisation in neighbouring countries.

Internationalisation is advancing fastest in the Baltic countries, and there Atria Group is seeking to achieve as great a market share as it has in Finland and Sweden, i.e. approx. 25%. The next region is western Russia, and the Group intends to establish itself there through company acquisitions in the very near future.

Increasing growth and profitability in the current market regions is very slow, despite structural changes in the industry in question. Internationalisation of retailing means internationalisation with regard to Atria Group's customers. Their purchasing regions are large, and they want to co-operate with enterprises whose business and products are internationally competitive.

The Baltic Sea region is a natural substrate for Atria Group's growth. Despite its national and market-related special characteristics, the Baltic Sea region is evolving into a contiguous market region. This provides Atria with opportunities for furthering both its turnover and profitability. At the same time, it poses the company's overall know-how with a challenge, and success in dealing with it will support further success in the traditionally small domestic markets.

Seppo Paatelainen
CEO
Personnel 2004

- Individual and co-operation learning proceeded as planned.
- By the end of 2004, approx. 250 supervisors and over 1,000 other employees had participated in training.

Personnel numbers by company

1. Atria Oy ....................... 1,973
2. Lithells AB ...................... 1,217
3. Liha ja Säilyke Oy ........... 230
4. UAB Vilniaus Mesa ........... 211
5. AS Valga Lihatööstus ....... 350

Atria 2005 Development Programme participants in 2004

| Special Qualification in Leadership (JET) | 50 |
| Coach coaching | 50 |

Tuula Seppä, an employee working as a goods collector at the Logistic Centre.
The logical development of know-how and leadership is one of the pillars supporting Atria Group plc’s profitable growth. The company is implementing significant investments aimed at increasing its know-how capital.

In 2003 the company launched a programme called Atria 2005, an extensive development programme that will continue under the name Atria 2008. The programme is aimed at developing Atria’s overall action mode and culture to make them match the changes taking place in the operating environment. The changes having the most powerful impact on the company’s operation are those related to the advance of internationalisation in the food-processing industry and to the new forms of co-operation in the retail trade and industry.

Large-scale training
The implementation of the Atria 2005 Development Programme has required large-scale training and development investments. By the end of 2004 approx. 250 supervisors and over 1,000 other employees had participated in training. This personnel training has focused on Atria Group’s personnel based in Finland.

When the programme was launched in 2003, the enterprise’s management defined the move over to the new leadership culture as a process involving three levels. Firstly, the management was required to remodel the entire business activity to match the changed operating environment. The second renewal level comprised the necessary organizational changes, especially reformulation of the duties of supervisors. The third level meant linking the entire personnel to the renewal process function- and team-specifically.

This three-tiered renewal work has progressed according to plan. The new business plans have been produced to be function-specific. The renewal of the company’s business practices has been arranged through various projects, with dozens of individual projects being involved. Their implementation will be monitored and measured, and the feedback from them will be made use of. The personnel’s participation in workplace-specific development projects will be stepped up in 2005. The aim is to involve all Atria personnel in putting the development projects into practice.

By renewing its leadership culture and know-how Atria has made significant progress towards securing and reinforcing its competitiveness in the rapidly changing operational environment. At the same time, the company has been able to further review its pioneering role as a profit developer in its field of industry.

### Atria 2005 Development Programme with regard to different personnel groups

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<tr>
<th>Personnel events</th>
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<tr>
<td>JET I and II programmes</td>
<td>In-depth JET programmes</td>
<td>Technical Special Qualification</td>
<td>Implementation of coach coaching projects</td>
<td>Special Qualifications of professional Know-how</td>
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<tr>
<td>- includes approx. 250 people from various business functions</td>
<td>- includes approx. 250 people from various business functions</td>
<td>training objective is to have 100-150 people from various business functions</td>
<td>- includes groups, approx. 250 people from various business functions</td>
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Atria 2005 description and definition of offerings, processes and values

Co-ordination by management and know-how leadership
monthly sessions, JET participation, workplace trainer, skills evaluator

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1) JET = Special Qualification in Leadership Programme
Environment, product safety and hygiene in 2004

• With regard to environmental matters, the focus was on carrying out of the conditions imposed by new environmental permits at the various production plants.

• Monitoring measures were reviewed and new measures were implemented.

• Treatment of waste water was intensified through investments.

• A system of reporting summaries drawn up from laboratory results was introduced.

• Our system of own control of production processes was reformed.

<table>
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<tr>
<th>Realised Objective</th>
<th>Water consumption</th>
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<td>4.6</td>
<td>4.4</td>
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<td>4.4</td>
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1) The reference year for environmental objectives is the year 1999.
Atria Group is engaged in developing the standard of its environmental protection and product safety applying the principle of constant improvement.

The basic premise in the development of environmental protection and environmental systems is that the operation of the Group’s production plants takes place in accordance with valid permits controlled by public authorities.

Atria Oy’s environmental system is based on the certificated ISO 14001 standard, which is in effect at Atria Oy’s Nurmo, Kauhajoki and Kuopio production plants and at Lithells AB’s units in Sköllersta, Malmö and Stockholm. Atria’s other units apply the same standard in attending to environmental matters. The effectiveness of the environmental system is assessed several times a year both externally and internally.

The action principles in use within the Group steer matters such as final treatment of wastewater, the composting of slaughterhouse waste, the use of energy, and recycling.

The final treatment of Atria Oy’s wastewater is carried out in municipal wastewater purification plants. In the case of all locations with slaughterhouse operations, the company has its own pre-treatment plants for wastewater. Waste from slaughterhouses and meat processing is not taken to landfills. It is dealt with by drying or burning in purpose-built offal treatment plants.

Environmental programme steers objectives

The goal of Atria Oy’s environmental policy is that the amount of landfill waste is reduced, air emissions are monitored, efficacy in energy use is improved and that more and more heat is recovered. Atria Oy’s environmental programme contributes towards the reaching of set goals. The purpose of the programme is to minimise the environmental impacts of the company’s production. Concurrently with this, we aim to improve cost efficiency in our production.

Environmental concerns are heeded in the planning of the company’s operations and in its investments, and environmental impact assessment is conducted prior to any new significant operation or project being launched. Similarly, Atria Oy requires that its suppliers and subcontractors carry out their operations with minimum loading on the environment.

The various processes related to environmental matters were developed significantly in 2004: The handling of the wastewaters from the cattle-truck washing plant at the company’s Kuopio production was improved, an investment was made in a new wastewater treatment system in Kauhajoki and work on improving the functioning of the wastewater floatation system in Nurmo was begun.

The company’s own control system and supervision assure product safety

The safety of Atria Group’s products and their microbiological quality are made up of raw materials, production processes and the distribution chain. The high quality of the raw materials, production processes and distribution chain ensures that the products are safe also from a microbiological viewpoint.

In addition to the supervision performed by the authorities, the Group’s production plants have at their disposal the company’s own control system, which in part ensures the quality of the raw materials, the functionality of the production processes, the safety of the products, and the functionality of the logistics system. Thanks to all this, the company’s end products meet the requirements of customers and of the consumers.

Hygiene is maintained throughout the production process at a high level and this also facilitates product safety. The various factors contributing to overall hygiene, such as cleanliness of the production facilities, temperature and personal hygiene are constant concerns in all of the Group’s production plants and delivery chains. An important hygiene factor is to ensure an unbroken cold chain of products all the way from production plant to end users.
Marketing in 2004

- The theme selected for the summer season was “Barbequing in all its different forms” and the season’s sales figures exceed all expectations.

- The successful launching of poultry-based cold cuts reinforced Atria’s position as the market leader in this sub-sector.

- Atria’s house brand was strengthened with considerable investments in media advertising.

- The 10-year-old Atria Mestari concept was reformulated in response to the needs of modern-day consumers.

Consumer awareness of meat industry brands and enterprises in Finland

Atria 100 Young Cooks

Source: Makrotest Oy: House brand survey, 10/2004
Atria Group continued with its policy of making powerful investments towards adding to its sales. In addition to these, the Group carried out significant organisational reforms; e.g., in Sweden, the separate marketing and sales functions were merged to form a single uniform organisation to strengthen the Lithells brand.

The development of Atria Group’s marketing functions is based on in-depth knowledge of the trade and consumer behaviour. Our knowledge of the market, based on basic studies and versatile measurements, steers our varying emphasis in product group strategies.

In addition to correct product group decision, another factor enhancing Atria Group’s profit performance was the company’s successful brand strategy. The Group has methodically cut down on its number of brands and reinforced the position of its leading brands in Finland and Sweden. Lithells AB’s Sibylla was the leading brand in its segment (see page 13).

In Finland, the Atria brand further strengthened its position. Compared to its leading competitors, Atria was clearly superior in terms of consumers’ brand awareness (see adjoining table). In order to further promote the brand, Atria Oy stepped up both its media advertising and other marketing measures. The campaigns were extremely well received by consumers and they relied with success on the themes of what the concept of being Finnish is and the what the time spent in having a meal means for Finns.

One hundred Promising Young People
Atria Oy continued with its Atria 100 Young Cooks training programme which it launched in 2003. Once again one hundred professionals in the 18–25 age bracket were selected for the training programme to benefit from the opportunity offered by Atria to become the trendsetters of the future.

The training programme focuses on the food sector in a fairly broad sense. It includes the latest trends and teaching found in the food sector as well as issues such as guidance related to business opportunities in the field. In addition to its actual content, this programme functions as a networking forum for young people. The instructors are leading names in the food sector.

Atria 100 Young Cooks is a continuation of the programme launched by the company in connection with its centennial and it aims to provide a survey of what the future may hold for Finnish food. In addition to the training programme for young people, the programme includes a Future Seminar for experts and decision-makers active in the food sector. As well as focusing on the future, the programme stresses the domestic principle: the best points about enjoying Finnish food and how to transfer these sentiments to future generations.

The best recipes produced by the first Atria 100 Young Cooks training programme have been compiled in the form of a mega cookery book, which is now a contender for being mentioned in the Guinness Book of Records. Pictured with a copy of the book are (left to right) Mikko Karell, principal of the training programme, Pasi Luostarinen, Atria’s Marketing Director, Aki Wahlman, head of the training course for the year 2004, and Jyrki Sukula, cook and head of the training course for the year 2003.

Atria arranged to date the second Finnish Barbecuing Championship competition in Helsinki on June 12. The winner was Niklas Gerkman from Helsinki (see photo). This event, respectful of the conviviality of cooking food and of time that Finnish families spend together enjoying meals, attracted over 2,000 people to the very centre of Helsinki.
Seppo Paatelainen (60), MSc (Agriculture and Forestry)
CEO
since 1991

Juha Gröhn (41), MSc (Food Sciences)
Vice President and Substitute
Managing Director
Director, Meat Industry
Managing Director, A-Farmers Ltd
Responsible for Atria Oy's HR
1999

Denis Mattsson (51), eMBA
Commercial Director
1999

Merja Leino (44), PhD (Phil.)
Director, Poultry Industries
Responsible for Atria Oy's product safety, strategic product development and quality development
2000

Juha Ruohola (39), MSc (Agriculture and Forestry), eMBA
Director, Meat Product and Convenience Food Industries
Responsible for Atria-Teknikka Oy
Responsible for Atria's purchasing functions
2002

Jukka Mäntykivi (43), MSc (Soc.Sc.)
Director, Steering Functions
Managing Director, A-Logistics Ltd
Responsible for the Group's ITC
since 2003

Erkki Roivas (59), MSc (Econ.)
Chartered Accountant
Financial Director
1991

Matti Karppinen (46), MSc (Econ.)
Managing Director, Lithells AB
2002

Jarmo Aavikko (53), MSc. (Food Sciences)
Managing Director, Liha ja Säilyke Oy
1999

Audrius Skucas (32), Veterinary surgeon, MBA
Managing Director, UAB Vilniaus Mesa
2004

Elmut Paavel (50), Academy of Agriculture in Estonia, Roskilde Meat Trade College
Managing Director, AS Valga Lihatööstus
2005
ATRIA GROUP’S ORGANISATION

Atria Group plc
Annual General Meeting | Supervisory Board | Board of Directors

CEO
Seppo Paatelainen

AS Valga Lihatööstus
Managing Director
Elmut Paavel

Commercial Functions
Commercial Director
Denis Mattsson

UAB Vilniaus Mesa
Managing Director
Audrius Skucas

Meat Industries
Deputy Managing Director
Juha Gröhn

Liha ja Säilyke Oy
Managing Director
Jarmo Aavikko

Poultry Industries
Director
Merja Leino

Lithells AB
Managing Director
Matti Karppinen

Financial Administration
Financial Director
Erkki Roivas

Meat Product and Convenience Food Industries
Director
Juha Ruohola

Steering Functions
Director
Jukka Mäntykivi

Pictured (from left to right):
Seppo Paatelainen, Jarmo Aavikko, Matti Karppinen,
Erkki Roivas, Denis Mattsson, Juha Gröhn,
Jukka Mäntykivi, Merja Leino and Juha Ruohola.
BOARD OF DIRECTORS

Chairman of the Board
Reino Penttilä (64), Agricultural Counsellor since 1991

Vice-Chairman of the Board
Timo Komulainen (51), Agronomist, Farmer since 1996

Member of the Board
Seppo Paatelainen (60), MSc (Agriculture and Forestry), CEO since 1991
Erkki Roivas (59), MSc (Econ.), HTM, Financial Director since 1991
Ilkka Yliluoma (58), Farmer since 2002

The following members of the Board of Directors are due to resign:
Seppo Paatelainen and Reino Penttilä.
ADMINISTRATIVE COUNCIL

Chairman of the Supervisory Board

Ahti-Pekka Vornanen (43), BSc (Econ.), Farmer
Member of the Supervisory Board

Vice-Chairman of the Supervisory Board

Martti Selin (58), Farmer
Member of the Supervisory Board

Members of the Supervisory Board

Juha-Matti Alaranta (39), Farmer
Pentti Annala (60), Farmer
Martti Eronen (60), Farmer
Juhani Herrala (45), Farmer
Henrik Holm (38), Farmer
Pasi Ingalsuo (38), Farmer
Tarmo Joensuu (64), Farmer
Esa Kaarto (45), Farmer
Olavi Kuja-Lipasti (47), MSc (Agric.), Farmer
Kari Köpman (53), Farmer
Markku Laitinen (47), Farmer
Antti Liedes (60), Farmer
Matti Olkkonen (57), Farmer
Pentti Pirhonen (50), Farmer
Juhani Savolainen (55), MSc (Agric.), Farmer
Juho Tervonen (54), Farmer
Timo Tuhkasaari (39), Farmer

The following members of the Supervisory Board of Directors are due to resign:
Juhani Savolainen, Olavi Kuja-Lipasti, Pasi Ingalsuo,
Kari Köpman, Markku Laitinen and Timo Tuhkasaari.

CEO
Seppo Paatelainen (60), MSc (Agriculture and Forestry)

AUDITORS PROPER

Eero Suomela, Authorised Public Accountant
Pekka Loikkanen, Authorised Public Accountant

DEPUTY AUDITORS

PricewaterhouseCoopers Oy, firm of
Chartered Public Accountants
Markku Tynjälä, Authorised Public Accountant

Pictured (from left to right):
Tuomo Heikkilä, Erkki Roivas, Martti Selin,
Ahti-Pekka Vornanen, Reino Penttilä, Seppo Paatelainen,
Timo Komulainen, Runar Lillandt and Ilkka Yliuoma.
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  Fax +358 9 387 2732
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