

# Atria Plc

## 1 January – 31 March 2011

CEO  
**Juha Gröhn**  
29 April, 2011

## Atria Plc's management group

- **Juha Gröhn** , CEO, joined Atria Group in 1990
- **Juha Ruohola**, Group Vice President & Deputy CEO. Responsibilities: company's strategic development, purchasing and investments, Atria Russia's meat operations and primary production. Joined Atria Group in 1999.
- **Mika Ala-Fossi**, Executive Vice President, Atria Finland, joined Atria Group in 2000.
- **Tomas Back**, Executive Vice President, Atria Scandinavia, joined Atria Group in 2007.
- **Jarmo Lindholm**, Executive Vice President, Atria Russia, joined Atria Group in 2002.
- **Rauno Väisänen**, Executive Vice President, Atria Baltic, joined Atria Group in 1985.
- **Kirsi Matero**, Group Vice President, Human Resources, joined Atria Group in 2010.
- **Heikki Kyntäjä**, CFO, joined Atria Group in 2009.



## Atria Group

### Review Q1/2011

€ Million	Q1 2011	Q1 2010	2010
Net sales	304.0	305.9	1,300.9
EBIT	-4.2	1.0	9.8
EBIT %	-1.4	0.3	0.8
Profit before taxes	-6.6	-1.8	0.3
Earnings per share, €	-0.20	-0.07	-0.18
ROCE, 12 months rolling	0.6	3.3	1.1

- EBIT for the review period showed a loss of EUR -4.2 million (EUR 1.0 million)
- Net sales were at the previous year's level: EUR 304.0 million (EUR 305.9 million)
- Group's equity ratio rose to 41.2 per cent (40.2 per cent)
- Atria Finland's net sales increased by 4.0 per cent but EBIT decreased significantly
- Atria Scandinavia and Atria Baltic improved their results
- Atria Russia's result declined significantly compared to the Q1/2010 period
- Matti Tikkakoski's lump-sum severance payment of EUR 0.8 million, including social expenses, impacted the result for the first quarter

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## Atria Finland

### Review Q1/2011

€ Million	Q1 2011	Q1 2010	2010
Net sales	186.2	179.1	767.8
EBIT	0.6	4.9	30.7
EBIT %	0.3	2.7	4.0
ROCE, 12 months rolling	6.9	9.9	7.9

- **Atria Finland's** Q1 net sales increased year-on-year by four per cent. EBIT for the first quarter of the year was significantly lower compared with Q1/2010
- The decrease of the EBIT was caused by higher meat raw material prices and an unfavourable sales structure
- In January, Atria made a decision to invest approximately EUR 26 million in building and renovating the Kauhajoki bovine slaughterhouse and cutting plant. The annual cost savings are estimated at EUR 6 million
- In March, Atria Finland started employer-employee negotiations at the Nurmo production plant. Atria expects to achieve annual cost savings of approximately EUR 4 million. The cost savings will be fully realised since the beginning of 2012.

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## Atria Finland

- The meat market remained a challenging operating environment in Finland as well as internationally
- The prices of raw materials important for meat production, such as cereals and feed, continued to rise sharply
- It was not possible to transfer the raw material price increases in full to sales prices during the review period
- During Q1/2011, Atria lost some of its market share compared with the same period in the previous year
- Atria brand's market share in the retail trade is approximately 24 per cent (Atria's own estimate)
- The main launch in the review period was the **Atria Kulinaari** range of cold cuts. The sales of Atria Kulinaari exceeded the launch target by more than 40 per cent.



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## Atria Scandinavia

Review Q1/2011

€ Million	Q1 2011	Q1 2010	2010
Net sales	87.9	95.0	391.6
EBIT	2.3	0.6	13.9
EBIT %	2.6	0.6	3.5
ROCE, 12 months rolling	6.0	3.7	5.3

- **Atria Scandinavia's** net sales decreased by 7.5 per cent year-on-year. In the local currency, net sales decreased by 15.9 per cent year-on-year. The decline in the net sales is mainly explained by the discontinuation of consumer-packed meat production in the summer of 2010, as well as by slightly weakened sales volumes
- The EBIT increased to EUR 2.3 million (EUR 0.6 million). The Q1/2010 EBIT includes EUR 2.0 million of non-recurring costs relating to the shutdown of the Årsta plant
- During the review period, Atria Scandinavia invested approximately EUR 2.2 million in new production equipment for the Tranås plant. At the same time, the production is to be transferred from the Saltsjö-Boo plant in Stockholm to Tranås. The efficiency improvement programme is expected to generate annual cost savings of approximately one million euros.

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## Atria Scandinavia

- Atria Scandinavia's strategy is to focus on its own brands and products with a higher degree of processing
- For this reason, some market share has been lost in cooking sausages
- In the review period, Atria launched the new, high-end Lönneberga cold cuts, and their initial sales have been promising
- In cold cuts, Atria's market share in Sweden is about 16 per cent (source: AC Nielsen)
- Small local producers have increased their market share.



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## Atria Russia Review Q1/2011

€ Million	Q1 2011	Q1 2010	2010
Net sales	28.3	28.9	129.2
EBIT	-5.6	-2.3	-27.9
EBIT %	-19.7	-8.0	-21.6
ROCE, 12 months rolling	-18.7	-3.5	-16.9

- **Atria Russia's** net sales decreased in Q1 by 2.1 per cent year-on-year
- The Q1 EBIT was negative, standing at EUR -5.6 million (EUR -2.3 million). However, this was an improvement compared to Q4/2010 (EUR -7.6 million)
- Atria Russia decided at the end of 2010 to move the production of some of its meat products from the Moscow and Sinyavino plants to the new Gorelovo plant. The annual cost savings are estimated at EUR 6 million. The arrangements will be implemented during 2011.

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## Atria Russia

- The market began to decline overall in 2009 due to weakened sales of meat products in the Russian retail trade sector. The uncertainty in the markets continued during the review period
- According to the company's own estimate, Atria is the clear market leader in the St Petersburg retail market with a market share of approximately 20 per cent. In Moscow, Atria's market share is around 2–3 per cent
- Increases in the prices of end products will be implemented during Q2/2011. This may have a negative impact on volumes
- Higher market prices for cereal will weaken Campofarm's performance during the remainder of the year.



Вкусная честная еда

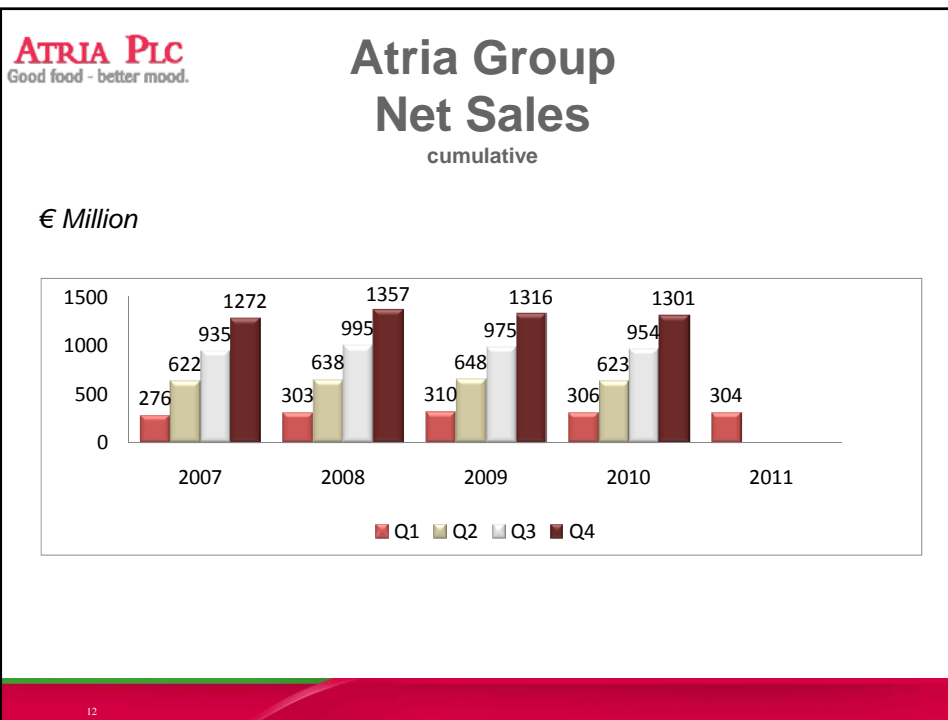
## Atria Baltic

### Review Q1/2011

€ Million	Q1 2011	Q1 2010	2010
Net sales	8.1	7.6	35.0
EBIT	-0.2	-1.2	-3.7
EBIT %	-2.5	-15.8	-10.5
ROCE, 12 months rolling	-7.0	-28.5	-9.6

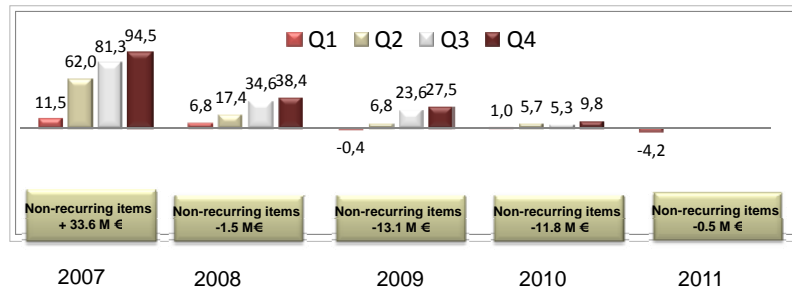
- Atria's year-on-year net sales in Estonia increased by 6.6 per cent
- Compared to the corresponding period last year, the result improved considerably, which was due to improved cost efficiency, a better sales structure and capital gain
- The increase in prices of feed has weakened the profitability of primary production
- Atria's milk farm in Estonia has been sold. Atria Baltic recorded a non-recurring sales gain of EUR 0.3 million during the review period
- In Q1/2011, Atria's market share increased in cooking sausages (+3%), but some market share was lost in cold cuts (-2%) and in consumer-packed meat

## Financial Development



## Atria Group EBIT cumulative

€ Million



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## Atria Group Financial indicators

€ Million	31 March 2011	31 March 2010	31 December 2010
Interest-bearing liabilities, M€	428.8	430.2	429.9
Total assets, M€	1,074.7	1,103.5	1,111.6
Equity ratio, %	41.2	40.2	40.2
Shareholders' equity per share, €	15.54	15.60	15.68
Personnel (average)	5,583	5,853	5,812

- The Group's debt has remained on the level of the turn of the year
- Equity ratio remained on the target level
- Efficiency programmes and the low sales volume in Q1/2011 reduced the average number of employees

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## Atria Group Income Statement

	Q1 2011	Q1 2010	2010
NET SALES	304.0	305.9	1,300.9
Cost of goods sold	-275.8	-271.8	-1,149.1
<b>GROSS PROFIT</b>	<b>28.2</b>	<b>34.1</b>	<b>151.8</b>
<i>% of Net sales</i>	<i>9.3</i>	<i>11.2</i>	<i>11.7</i>
Other income	1.4	0.8	7.7
Other expenses	-33.9	-33.9	-149.7
<b>EBIT</b>	<b>-4.2</b>	<b>1.0</b>	<b>9.8</b>
<i>% of Net sales</i>	<i>-1.4</i>	<i>0.3</i>	<i>0.8</i>
Financial income and expenses	-3.0	-3.4	-11.2
Income from associates	0.6	0.6	1.7
<b>PROFIT BEFORE TAXES</b>	<b>-6.6</b>	<b>-1.8</b>	<b>0.3</b>
Income taxes	1.1	0.0	-4.5
<b>PROFIT FOR THE PERIOD</b>	<b>-5.5</b>	<b>-1.8</b>	<b>-4.2</b>
<i>% of Net sales</i>	<i>-1.8</i>	<i>-0.6</i>	<i>-0.3</i>
Earnings/share,€	-0.20	-0.07	-0.18

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## Atria Group Cash flow statement

€ Million	Q1 2011	Q1 2010	2010
Cash flow from operating activities	-3.1	2.7	85.5
Financial items and taxes	7.0	-6.8	-40.9
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3.9</b>	<b>-4.1</b>	<b>44.6</b>
Investing activities, tangible and intangible assets	-5.2	-12.4	-39.6
Sold subsidiary	2.0		
Investments	0.5	-1.2	-0.6
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-2.7</b>	<b>-13.6</b>	<b>-40.2</b>
<b>FREE CASH FLOW</b>	<b>1.2</b>	<b>-17.7</b>	<b>4.4</b>
Loans drawn down	1.5	2.7	40.8
Loans repaid	-3.1	-3.5	-56.2
Dividends paid			-7.0
<b>CASH FLOW FROM FINANCING, TOTAL</b>	<b>-1.6</b>	<b>-0.8</b>	<b>-22.4</b>
<b>CHANGE IN LIQUID FUNDS</b>	<b>-0.5</b>	<b>-18.5</b>	<b>-18.0</b>

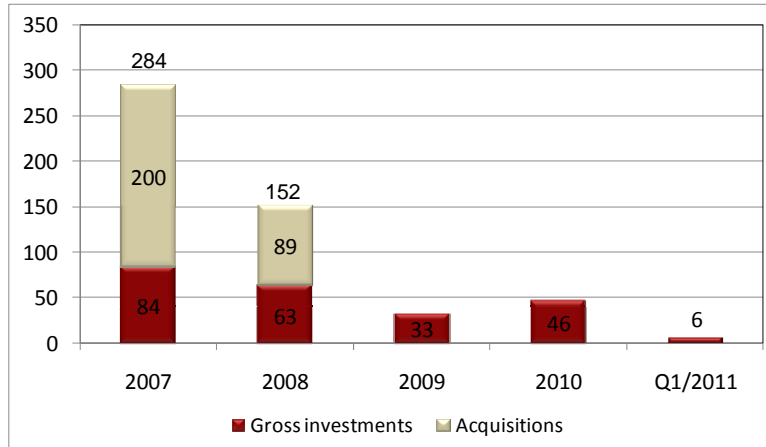
- Free cash flow was positive, EUR 1.2 million (EUR -17.7 million)

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## Atria Group Gross investments

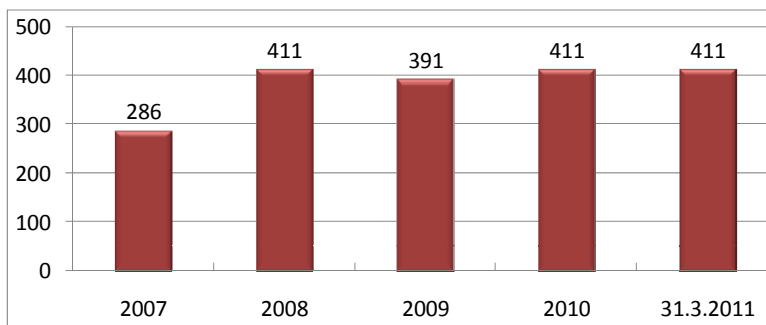
€ Million



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## Atria Group Net debts

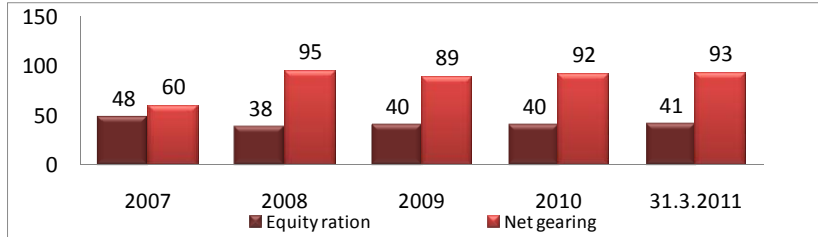
€ Million



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## Atria Group Equity ratio & Net gearing

€ Million

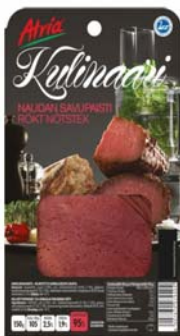


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## Strategy 2010 - 2013

### Vision

The first choice for consumers and customers in fresh food in the Baltic Sea region and European Part of Russia



### Strategy 2010 – 2013

1. Dramatically improve international profitability
2. Strengthen market position and grow organically

### Strategic tools

- |  |   |  |
|--|---|--|
| 1. Achieve sustainable competitive advantage through product leadership (incl. Brands) | 2. Focus on Atria brands and profitability (incl. structure) in Finland                   | 3. Create category and brand strategy and implement the production network optimisation in Scandinavia |
| 4. Drive rapid profitability enhancement in Russia                                     | 5. Revenue enhancement and implementation of comprehensive turn-around program in Estonia | 6. Reduce working capital  |

### Mission

Good food – Better mood

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8.12.2010

Matti Tikkakoski

## Strategy 2010 - 2013

Strategic tools	Actions Q1/2011
<b>1. Achieve sustainable competitive advantage through product leadership (incl. Brands)</b>	<ul style="list-style-type: none"> <li>• Forging of operations models and resource allocation to support product leadership in all the business areas</li> <li>• Main launchings: Atria Kulinaari/ Finland, Lönneberga/ Sweden, 3-Stjernet-light cold cuts/ Denmark</li> </ul>
<b>2. Focus on Atria brands and profitability (incl. structure) in Finland</b>	<ul style="list-style-type: none"> <li>• Focusing of the bovine slaughtering in Kauhajoki</li> <li>• Efficiency programme at the Nurmo plant</li> <li>• Atria Kulinaari</li> <li>• Implementing of the package innovation</li> </ul>
<b>3. Create category and brand strategy and implement the production network optimisation in Scandinavia</b>	<ul style="list-style-type: none"> <li>• New organisation</li> <li>• Implementing of the product group strategies made during Q4/2010</li> <li>• Closing of the Saltsjö-Boo plant</li> </ul>

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## Strategy 2010 - 2013

Strategic tools	Actions Q1/2011
<b>4. Drive rapid profitability enhancement in Russia</b>	<ul style="list-style-type: none"> <li>• Implementing of price increases in customerships</li> <li>• Processing of the efficiency improvement programme according to plan</li> </ul>
<b>5. Revenue enhancement and implementation of comprehensive turn-around program in Estonia</b>	<ul style="list-style-type: none"> <li>• Improving of the sales, marketing and product development organisation</li> <li>• Finishing of the revised strategy work and starting of development measures (i.a. consumer studies, development of the product launch process, and the launch of brand modernisation)</li> <li>• Efficiency improvement programme continues (i.a. outsourcing of logistic deliveries)</li> </ul>
<b>6. Reduce working capital</b>	<ul style="list-style-type: none"> <li>• Reducing of stocks</li> </ul>

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## Outlook for the future

- The meat raw material market should stabilise in 2011, compared with 2010. However, there is still a pressure to increase meat raw material prices due to risen costs. Consequently, the prices of end products can be expected to rise throughout the remainder of the year in all of Atria's business areas. Consumption of food is expected to grow slightly in Finland, Sweden, Denmark and Estonia.
- Product leadership strategy implementation is proceeding according to plan. In 2011 Atria will carry out visible product launches in various business areas.
- In Russia, the increase in the overall demand for food products will be slow during 2011, according to Atria's estimate. The slow recovery of the market for Atria's product groups, along with intensified competition, has made it more difficult to implement price increases in Russia and, therefore, it has not been possible to include the substantially increased raw material prices in the sales prices to a sufficient extent. This year's overall performance is also burdened by the full costs of the new production plant.
- Atria estimates that the Russian food product market will start to grow moderately. The recovery will, however, be slower than previously anticipated.

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## Outlook for the future

- At the end of last year, Atria launched an efficiency improvement programme in Moscow, which is progressing according to schedule. Annual cost savings gained from the efficiency improvement programme are estimated to amount to approximately EUR 6 million. The cost savings will be realised during 2012 and they will be fully realised since the beginning of 2013. With market growth and cost-saving measures, as well as the efficient production capacity of the new plant, Atria Russia's EBIT is expected to be positive in the latter part of 2013.
- Atria Group's net sales are expected to grow somewhat in 2011. Growth in net sales will, however, be weighed down by the difficult market situation in Russia and the discontinuation of the production of consumer-packed meat in Sweden.
- The Group's EBIT excluding non-recurring costs stood at EUR 21.6 million in 2010. In 2011, the Group's EBIT is expected to be higher than this. The key sources for uncertainty in terms of earnings development are the rising prices of cereals, feed and other raw materials, as well as the difficult market situation in Russia.

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Good food - better mood.

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**Good food, better mood.**