ATRIA

Good food – better mood.

Atria Plc
Half-Year Financial Report

1 January -30 June 2019

19

ATRIA
Good food – better mood.

Half-year financial report, 1 January–30 June 2019
18 July 2019, 8:00 am

Atria's net sales are stable, result brought down by increased raw material costs

April–June 2019

- Consolidated net sales totalled EUR 368.9 million (EUR 359.1 million).
- Consolidated EBIT was EUR 5.1 million (EUR 5.4 million), which is 1.4 per cent (1.5%) of net sales.
- The Easter season in April and the implemented price increases improved net sales.
- Atria Sweden's net sales at comparable exchange rates grew by 6.5 per cent thanks to increased sales of poultry products.
- In Finland, EBIT for the second quarter was weighed down by an unfavourable sales structure.
- African swine fever in China has caused disruptions on the international meat market.
- The goals and development areas for Atria's responsible business operations were updated during the review period.

January–June 2019

- Consolidated net sales totalled EUR 705.3 million (EUR 704.6 million).
- Consolidated EBIT was EUR 2.3 million (EUR 8.8 million), which is 0.3 per cent (1.3%) of net sales.
- The development of the Group's EBIT was brought down by higher raw material prices.
- The growth of Atria Finland's net sales was stable.
- At the beginning of the year, Atria launched development measures to improve profitability in Finland and Sweden.
- Atria Sweden's profit was weakened by the costs of the efficiency improvement programme, EUR 1.4 million.
- Atria Russia seeks profit improvement and is exploring opportunities for divestments.

	Q2	Q2	H1	H1	
EUR million	**2019**	**2018**	**2019**	**2018**	**2018**
Net sales					
Atria Finland	263.7	254.9	504.7	500.5	1,019.2
Atria Sweden	74.4	71.7	141.0	141.3	287.9
Atria Denmark & Estonia	23.5	24.3	45.3	47.4	97.4
Atria Russia	18.5	18.5	34.2	35.8	75.1
Eliminations	-11.2	-10.3	-19.9	-20.4	-41.1
Net sales, total	**368.9**	**359.1**	**705.3**	**704.6**	**1,438.5**
EBIT					
Atria Finland	6.4	6.9	10.3	13.6	36.7
Atria Sweden	-1.5	-1.8	-5.6	-5.0	-7.1
Atria Denmark & Estonia	1.0	1.4	1.6	2.7	5.3
Atria Russia	-0.3	-0.1	-2.5	-0.7	-4.0
Unallocated	-0.5	-1.0	-1.5	-1.7	-2.7
EBIT, total	**5.1**	**5.4**	**2.3**	**8.8**	**28.2**
EBIT%	**1.4 %**	**1.5 %**	**0.3 %**	**1.3 %**	**2.0 %**
Profit before taxes	**3.5**	**3.9**	**-0.3**	**5.1**	**22.3**
Earnings per share, EUR	**0.07**	**0.15**	**-0.08**	**0.16**	**0.58**

Juha Gröhn, CEO

"Atria's net sales remained stable during the first half of the year. Our EBIT of EUR 2.3 million remained weaker than last year. The second quarter EBIT of EUR 5.1 million was on the same level as a year ago. At the beginning of the year, we started efficiency improvement projects at Nurmo pig cutting plant and in Atria Sweden with annual cost savings of EUR 1.5 million in Nurmo and around EUR 3 million in Sweden to improve cost efficiency. The projects have been completed and are expected to improve the Group's profit to some extent towards the end of the year and fully from the beginning of next year.

In Finland, we have sold an exceptionally high amount of frozen meat for export, because at the beginning of the year there was a larger than usual amount of beef and chicken products remaining in the frozen stocks. Due to this, the sales structure was not optimal.

During the first half of the year, the consumption of red meat in Finland has decreased by 4 % and the consumption of chicken has increased by 6 %. It seems that this structural change in meat consumption will continue to shift from red meat to chicken.

For Atria Sweden, the sales of chicken have been very strong compared to the previous year, and we have been able to improve our market position in the growing market of fresh chicken. Russia's operational situation has improved significantly since the end of last year. We have been able to revitalise margin level after the increase in raw material prices. In the Denmark & Estonia business area, our development in Estonia has been good for a longer time. In Denmark, sales have been weaker than predicted, and in addition, the increases in raw material prices has been especially strong in Denmark.

The international meat market is affected by the African swine fever occurring in pigs and the spreading of the disease to China and certain countries in South-East Asia. In this region, the production of pork will decline, and domestic production will at least for the time being remain below the demand. The shortage will be met by imports. During this spring and summer, the increased exports from the EU, especially to China, have increased the prices of the raw materials used for the production of meat products also in Atria."

April–June 2019

Atria Group's net sales for April–June totalled EUR 368.9 million (EUR 359.1 million). EBIT amounted to EUR 5.1 million (EUR 5.4 million). Atria Finland's and Sweden's net sales grew, largely due to the Easter season in April. Atria Sweden's net sales improved considerably, especially thanks to the strong sales of poultry products. Atria's net sales in Denmark & Estonia fell slightly due to the decreased sales to retail in Denmark. In Estonia, sales development was positive. In Russia, net sales were strengthened by increased sales to Food Service customers, but on the other hand, net sales were weakened by decreased sales to retail.

EBIT was weighed down by Atria Finland's unfavourable sales structure, the weakened Swedish krona, and the increased raw material costs in all business areas.

The raw material costs of pork increased significantly during the second quarter, a result of the market disruptions in China, caused by African swine fever, and its effects on the international meat market.

January–June 2019

Atria Group's net sales for January–June totalled EUR 705.3 million (EUR 704.6 million). EBIT amounted to EUR 2.3 million (EUR 8.8 million). Atria's net sales in Finland increased slightly due to price increases, and Sweden's net sales grew in local currency by 3.3 per cent especially thanks to increased sales of poultry products. Atria Russia's and Atria Denmark & Estonia's EBITs were weighed down by reduced sales to retail. The development of the Group's EBIT was brought down by higher raw material prices. Atria Sweden's profit was weakened by the costs of the efficiency improvement programme, EUR 1.4 million, which were recognized for the first quarter.

Atria Russia updated its strategy at the beginning of 2019. 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. At the same time, Atria has investigated the reorganisation of the administrative company structure and the strategic development of the Sibylla fast food operations in all business areas.

In January, Atria Finland launched an efficiency improvement project at the Nurmo pig cutting plant, which aims to improve the profitability and competitiveness of the plant. The collective redundancy negotiations related to the restructuring was completed in February. The restructuring will result in annual savings of approximately EUR 1.5 million, which will be fully realised from the beginning of 2020 onwards. The volume of work at the pig cutting plant was reduced by 51 person-years. The adjustments will be implemented through internal arrangements and the reduction of fixed-term employment relationships.

In March, Atria Sweden launched a project in line with its revised strategy, which aims to enhance business operations and improve competitiveness in the changed business environment. The collective redundancy negotiations related to the plan concerned all salaried employees of Atria Sweden and was finished in June. The efficiency improvement project aims to generate annual personnel cost savings of approximately EUR 3 million. The savings will be partly realised towards the end of 2019 and fully from the beginning of 2020. As a result of the negotiations, Atria laid off 40 salaried employees in Sweden and Norway.

Responsibility: Atria's goal is a carbon-neutral food chain

Responsible Atria is part of Atria Group's strategy and includes four focus areas: product, planet, people, and responsible business operations. The goals and development areas for Atria's responsible business operations were updated during the review period.

The key goal of Responsible Atria is combating climate change and carbon-neutral food production. By 2021, Atria will identify the carbon foot-print of its products, understand the cause of emissions, how the emissions can be decreased and how a carbon-neutral food chain is realized. Especially the reduction of the environmental impact of Atria's industrial operations is a key target of the programme. Besides carbon emissions, Atria will pay attention to water and energy consumption and to developing environmentally friendly packaging solutions.

To increase the recyclability of packaging, in 2019, Atria Finland will give up black plastic in all its plastic packaging aimed for material recycling. Black colour may still occur to some extent in package colouring, but this will not prevent recycling.

Animal welfare and excellent rearing conditions are at the heart of Responsible Atria. One step for improving the health of piglets and sows is the transition to free farrowing. The transition from traditional to free farrowing will be strongly increased in Atria's pork chain during the upcoming years. The change is made possible by technological development, the development of entrepreneurs' skills, and first and foremost the will to meet the message from the consumers. Atria supports this change through investment premiums. Atria Finland's goal is to launch pork products reared through free farrowing in 2019.

In Sweden, Atria joined a project led by the Environmental Protection Authority, the goal of which is to decrease food waste. The project will create a voluntary collaboration model between actors in the food industry, which can be used for intervening in the creation of food waste.

Key indicators

EUR million	30.6.19	30.6.18	31.12.18
Shareholders´ equity per share EUR	14.23	14.35	14.69
Interest-bearing liabilities	274.0	251.4	227.2
Equity ratio, %	43.8 %	45.4 %	47.7 %
Net gearing, %	65.7 %	59.7 %	52.1 %
Gross investments in fixed assets	22.5	24.1	44.5
% of net sales	3.2 %	3.4 %	3.1 %
Average FTE	4,532	4,500	4,460

The principles for calculating the indicators are presented at the end of the report.

The impact of the IFRS 16 standard is described in the accounting principles for the interim report

Business development by area January–June 2019

Atria Finland

	Q2	Q2	H1	H1	
EUR million	**2019**	**2018**	**2019**	**2018**	**2018**
Net sales	263.7	254.9	504.7	500.5	1,019.2
EBIT	6.4	6.9	10.3	13.6	36.7
EBIT, %	2.4 %	2.7 %	2.0 %	2.7 %	3.6 %

Atria Finland's net sales for April–June totalled EUR 263.7 million (EUR 254.9 million). The sales of the Easter season in April improved the net sales of the review period year-on-year. EBIT amounted to EUR 6.4 million (EUR 6.9 million). EBIT was brought down by the higher raw material costs, an unfavourable sales structure and the cost of introducing a new production line for the poultry unit.

Net sales for January–June totalled EUR 504.7 million (EUR 500.5 million). EBIT amounted to EUR 10.3 million (EUR 13.6 million). Price increases and Atria's stable market share improved the net sales of the beginning of the year. Because of last year's dry summer and the resulting poor harvest, raw material costs increased strongly last autumn. Because of this, Atria increased its sales prices at the beginning of the year. The sales structure was weaker than in the corresponding period last year, partly due to the increased export sales volumes of frozen beef. During the review period, the export of pork to China has grown compared to the previous year.

The retail market for the product groups represented by Atria grew by 3 per cent in value in January–May. There was growth in all product groups with the exception of red meat. The largest growth was recorded for the poultry food product group, with about 6 per cent, and the convenience food product group, with about 7.5 per cent. The market of red meat decreased by about 4 per cent during the first half of the year. Atria’s supplier share in retail was about 25 per cent. (Source: Atria)

In terms of value, Finland's Food Service market grew 3.5 percent in January–May. The largest sales growth was recorded for the cookery product group (+4%), the convenience food product group (+4%), and red meat (+3%). Atria’s supplier share in the Food Service market was approximately 22 per cent. (Source: Atria)

In January, Atria Finland launched an efficiency improvement project at the Nurmo pig cutting plant, which aims to improve the profitability and competitiveness of the plant. The collective redundancy negotiations related to the restructuring was completed in February. The restructuring will result in annual savings of approximately EUR 1.5 million, which will be fully realised from the beginning of 2020 onwards. The volume of work at the pig cutting plant was reduced by 51 person-years. The adjustments will be implemented through internal arrangements and the reduction of fixed-term employment relationships.

Atria Sweden

EUR million	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Net sales	74.4	71.7	141.0	141.3	287.9
EBIT	-1.5	-1.8	-5.6	-5.0	-7.1
EBIT, %	-2.0 %	-2.5 %	-4.0 %	-3.6 %	-2.5 %

Atria Sweden's net sales for April–June totalled EUR 74.4 million (EUR 71.7 million). In the local currency, net sales grew by 6,5 per cent. The sales of poultry products increased substantially year-on-year. EBIT was EUR -1.5 million (EUR -1.8 million). EBIT was brought down by the weakened Swedish krona and the increase in raw material prices. The raw material costs of pork increased significantly during the second quarter, a result of the market disruptions in China, caused by African swine fever, and its effects on the international meat market.

Net sales for January–June totalled EUR 141.0 million (EUR 141.3 million). EBIT was EUR -5.6 million (EUR -5.0 million). The result was weakened by the costs of the efficiency improvement programme, EUR 1.4 million. The sale of poultry products has increased markedly. The sales structure of poultry products continues to be challenging, but it has improved compared to the previous year.

The market of the product groups represented by Atria developed favourably during the review period. In cooking sausages, Atria's market share grew by 1.7 percentage points, and in poultry products by 3.0 percentage points. In cold cuts, Atria's supplier share decreased slightly. (Sourca: AC Nielsen)

In the second quarter, Atria launched its renewed #1 brand Lönneberga. Lönneberga's product selection was expanded to cold cuts, cooking sausages as well as poultry products.

In March, Atria Sweden launched a project in line with its revised strategy, which aims to enhance business operations and improve competitiveness in the changed business environment. The collective redundancy negotiations related to the plan concerned all salaried employees of Atria Sweden and was finished in June. The efficiency improvement project aims to generate annual personnel cost savings of approximately EUR 3 million. The savings will be partly realised towards the end of 2019 and fully from the beginning of 2020. As a result of the negotiations, Atria laid off 40 salaried employees in Sweden and Norway.

The development programme launched at production plants to increase the daily efficiency of production continued as planned.

Atria Denmark & Estonia

EUR million	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Net sales	23.5	24.3	45.3	47.4	97.4
EBIT	1.0	1.4	1.6	2.7	5.3
EBIT, %	4.3 %	5.6 %	3.6 %	5.6 %	5.5 %

Atria Denmark & Estonia's net sales for April–June totalled EUR 23.5 million (EUR 24.3 million). EBIT amounted to EUR 1.0 million (EUR 1.4 million). In Denmark, sales have been weakened by the intense competition and the decline in meat consumption. In Estonia, Atria's sales to retail during the review period increased by approximately 11 per cent in terms of value. EBIT was brought down by increased meat raw material costs. The price of meat raw materials increased significantly due to the rapid increase in pork exports from Europe to China.

Net sales for January–June totalled EUR 45.3 million (EUR 47.4 million). EBIT amounted to EUR 1.6 million (EUR 2.7 million). Atria Estonia's sales to retail has remained strong throughout the first half of the year. In Denmark, sales have decreased slightly. EBIT development continued to be disrupted by the increased raw material costs.

In Denmark, the competition in cold cuts has continued intense and the market share of Private Label products has increased. Atria's market share in cold cuts in Denmark has decreased slightly.

In Estonia's retail, Atria's market share grew to 16.9 per cent during the first half of the year. Sales of barbecue season products has been successful.

Atria Russia

EUR million	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Net sales	18.5	18.5	34.2	35.8	75.1
EBIT	-0.3	-0.1	-2.5	-0.7	-4.0
EBIT, %	-1.6 %	-0.3 %	-7.2 %	-1.9 %	-5.3 %

Atria Russia's net sales for April–June totalled EUR 18.5 million (EUR 18.5 million). EBIT was EUR -0.3 million (EUR -0.1 million). Sales to retail were lower than the previous year's figures. Sales to Food Service customers has increased markedly. The sales of Sibylla products have remained stable.

Net sales for January–June totalled EUR 34.2 million (EUR 35.8 million). EBIT was EUR -2.5 million (EUR -0.7 million). Net sales remained at the same level year-on-year and EBIT was slightly weaker year-on-year. EBIT was brought down by continued high meat raw material prices and weakened sales to retail.

Atria Russia updated its strategy at the beginning of 2019. 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.

Personnel by Business Area (FTE)

Personnel by Business Area (FTE)	H1 2019	H1 2018	2018
Atria Finland	2,362	2,337	2,321
Atria Sweden	860	865	847
Atria Denmark & Estonia	432	428	423
Atria Russia	878	870	869
Total	4,532	4,500	4,460

Financial position

During the period under review, the Group's free cash flow (operating cash flow - cash flow from investments) was EUR -0.3 million (EUR -25.5 million). Operating cash flow was EUR +22.3 million (EUR -1.9 million), and the cash flow from investments was EUR -22.6 million (EUR -23.6 million). Operating cash flow improved from last year by EUR 25.2 million, which is largely due to the development of working capital.

The Group's investments in tangible and intangible assets during the review period totalled EUR 22.5 million (EUR 24.1 million).

The equity ratio was 43.8 per cent (31 December 2018: 47,7 %). The equity ratio was lowered by lease liabilities recognised in accordance with IFRS 16, amounting to EUR 36.3 million on 30 June 2019. The total translation differences with the Swedish krona and the Russian rouble recognised in equity increased equity by EUR 3.0 million (EUR -6.8 million) in January–June.

Interest-bearing net liabilities amounted to EUR 272.9 million, which includes the above-mentioned financial liability for leases of EUR 36.3 million (31 December 2018: EUR 223.2 million, excluding lease liabilities under IFRS 16). On 30 June 2019, the Group had undrawn committed credit facilities worth EUR 85.0 million (31 December 2018: EUR 85.0 million). The average maturity of loans and committed credit facilities at the end of the period under review was 2 years 9 months (31 December 2018: 3 years 2 months).

Business risks in the review period and short-term risks

Risks related to the quality, availability, safety and price of raw materials and products are ordinary risks affecting Atria's profitability in the food production chain, from primary production to consumption.

African swine fever, a risk related to animal health, is a significant worldwide risk that belongs to this group. African swine fever has spread to for example Estonia, Russia and China. The consumption of pork in China is the highest in the world, and due to the disease, the country is now unable to meet its demand domestically. China's problems shift the international pork market and impact pork prices as well as grain production and prices. The swine fever can also spread to Finland. Atria has taken several precautionary measures to prevent the disease from spreading into its production facilities. In addition to meat raw material, the availability and prices of crops are a significant risk to Atria as they change the production costs at meat farms.

The general economic climate, geopolitical tensions, significant changes in exchange rates, the development of the meat and consumer product markets, and the competitive environment cause uncertainties in the development of demand. This is reflected in the implementation of Atria's strategy and the maintaining or improving of the financial results of business areas. Changes in the value of the Russian rouble and the Swedish krona are visible in the Group’s euro-denominated net sales, result and equity.

The availability of skilled and motivated personnel is a risk in terms of strategy implementation and goal achievement. Atria invests in the well-being of its personnel and offers plenty of training opportunities. During the review period, the Atria Way of Leading programme and the Safely Home from Atria occupational safety programme were continued.

During the first half of the year, work has been carried out to prevent various risks that may cause damage, contingency plans have been updated, and risk assessments have been completed.

A more detailed description of the risks related to Atria's operations was provided in the annual report.

Outlook for the future

Consolidated EBIT was EUR 28.2 million in 2018. In 2019, EBIT is expected to be better than in 2018. At comparative exchange rates, net sales for 2019 are expected to grow compared to 2018.

Financial calendar 2019

Atria Plc will publish its interim for January–September on 23 October 2019 around 8:00 am. Financial releases can be viewed on the company’s website at www.atria.com immediately after their release.

Atria's Capital Market Day event will be organised 27 November 2019 in Helsinki.

Decisions of Atria Group Plc’s Annual General Meeting 26 April 2019

The General Meeting approved the financial statements and the consolidated financial statements for the financial year from 1 January to 31 December 2018, and discharged the members of the Supervisory Board and the Board of Directors as well as the CEO from liability for the financial year that ended on 31 December 2018.

The General Meeting decided that a dividend of EUR 0.40 will be paid for each share for the financial year that ended on 31 December 2018. Dividends were paid to shareholders who on the record date for the payment of dividends were recorded in the company’s shareholder register, maintained by Euroclear Finland Oy. The record date was 30 April 2019 and the date of payment was 8 May 2019.

Composition and remuneration of the Supervisory Board

The General Meeting decided that the composition of the Supervisory Board will be as follows:

Member	Term ends
Juho Anttikoski	2022
Mika Asunmaa	2022
Lassi-Antti Haarala	2021
Jyrki Halonen	2022
Jussi Hantula	2021
Veli Hyttinen	2020
Pasi Ingalsuo	2020
Jussi Joki-Erkkilä	2021
Marja-Liisa Juuse	2021
Jukka Kaikkonen	2022
Juha Kiviniemi	2020
Ari Lajunen	2021
Juha Nikkola	2022
Mika Niku	2021
Pekka Ojala	2020
Heikki Panula	2022
Risto Sairanen	2020
Ola Sandberg	2021
Timo Tuhkasaari	2020

A total of 19 members

The General Meeting decided that the remuneration of the members of the Supervisory Board would remain the same as in 2018. The remuneration is: compensation for meetings: EUR 250 per meeting; compensation for loss of working time for meeting and proceeding days: EUR 250; fee payable to the Chairman of the Supervisory Board: EUR 1,500 per month; and fee payable to the Deputy Chairman: EUR 750 per month, with compensation for travel expenses in accordance with the company's travel policy.

Composition and remuneration of the Board of Directors

The AGM decided that the number of the members of the Board of Directors will be eight (8). The Supervisory Board re-elected retiring members Nella Ginman-Tjeder, Pasi Korhonen and Jyrki Rantsi.

It was further stated that Jukka Moisio, Seppo Paavola, Kjell-Göran Paxal, Ahti Ritola and Harri Sivula shall continue as members of the Board of Directors. The terms of Seppo Paavola and Jukka Moisio will expire at the closing of the AGM in 2020 and those of Kjell-Göran Paxal, Ahti Ritola and Harri Sivula will expire at the closing of the AGM in 2021.

The General Meeting decided that the remuneration of the members of Board would remain the same as in 2018. The remuneration is: compensation for meetings: EUR 300 per meeting; compensation for loss of working time for meeting and proceeding days; EUR 300; fee payable to the Chairman of the Board of Directors: EUR 4,700 per month; fee payable to the Deputy Chairman: EUR 2,500 per month; and fee payable to members of the Board of Directors: EUR 2,000 per month, with travel expense compensation in accordance with the company's travel policy.

Election and Fees of Auditor

In accordance with the Board of Directors' proposal, the AGM elected audit firm PricewaterhouseCoopers Oy as the company's auditor for a term ending at the closing of the next Annual General Meeting. According to the firm, the auditor in charge is Authorised Public Accountant Samuli Perälä. The Annual General Meeting decided that the auditor's fee will be paid against an invoice approved by the company.

Purchase of treasury shares

The General Meeting decided, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to decide, on one or several occasions, on the acquisition of a maximum of 2,800,000 of the company's own series A shares with funds belonging to the company's unrestricted equity, subject to the provisions of the Limited Liability Companies Act regarding the maximum number of treasury shares to be held by a company. The company's own series A shares may be acquired for use as consideration in any acquisitions or other arrangements relating to the company's business, to finance investments, as part of the company's incentive programme, to develop the company's capital structure, to be otherwise further transferred, to be retained by the company or to be cancelled.

The shares shall be acquired in a proportion other than that of the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the market price at the time of acquisition. The shares shall be acquired and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Board of Directors was authorised to decide on the acquisition of the company's own shares in all other respects.

The authorisation shall supersede the authorisation granted by the Annual General Meeting on 26 April 2018 to the Board of Directors to decide on the acquisition of the company's own shares and be valid until the closing of the next Annual General Meeting or until 30 June 2020, whichever is first.

Share issue and special rights entitling holders to shares

The AGM decided, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to decide, on one or several occasions, on an issue of a maximum of 5,500,000 new series A shares or on the disposal of any series A shares held by the company through a share issue and/or by granting option rights or other special rights entitling holders to shares as referred to in Chapter 10, section 1 of the Limited Liability Companies Act. The authorisation may be exercised to finance or execute any acquisitions or other arrangements or investments related to the company's business, to implement the company's incentive programme or for other purposes at the Board's discretion.

The Board of Directors is also authorised to decide on all terms and conditions of the share issue and of the granting of special rights as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The authorisation thus also includes the right to issue shares in a proportion other than that currently held by the shareholders under the conditions provided by law, the right to issue shares against or without payment and the right to decide on a share issue to the company itself without payment – subject to the provisions of the Limited Liability Companies Act regarding the maximum number of treasury shares to be held by the company.

The authorisation shall supersede the share issue authorisation granted by the Annual General Meeting on 26 April 2018 to the Board of Directors and is valid until the closing of the next Annual General Meeting or until 30 June 2020, whichever is first.

Donations

The General Meeting decided, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to decide on the donation of a maximum of EUR 100,000 to universities or other educational institutions.

Shares

On 18 March 2019, Atria Plc's Board of Directors transferred a total of 2,572 shares held by the company to the Group's key personnel who belong to the share incentive plan's target group. The right to dividend and other shareholder rights began on the day the shares were entered in the key person's book-entry account.

Atria Plc's share capital consists of a total of 28,267,728 shares, divided into 19,063,747 series A shares and 9,203,981 series KII shares. Each series A share entitles its holder to one (1) vote and each series KII share to ten (10) votes at a General Meeting. Therefore, Atria Plc's shareholders are entitled to a total of 111,103,557 votes. The company holds 108,740 series A treasury shares.

Corporate governance principles

Atria's corporate governance principles and deviations from the Finnish Corporate Governance Code are published on the company's website at www.atria.com.

ATRIA GROUP

Consolidated income statement

EUR million	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18
Net sales	**368.9**	**359.1**	**705.3**	**704.6**	**1,438.5**
Costs of goods sold	-330.4	-320.7	-636.5	-630.5	-1,285.7
Gross profit	**38.5**	**38.4**	**68.8**	**74.0**	**152.9**
Sales and marketing expenses	-22.6	-22.2	-42.6	-42.5	-81.9
Administrative expenses	-11.1	-11.0	-22.5	-21.9	-41.4
Other operating income	1.0	1.2	1.6	2.0	3.9
Other operating expenses	-0.7	-1.1	-3.0	-2.8	-5.3
EBIT	**5.1**	**5.4**	**2.3**	**8.8**	**28.2**
Finance income and costs	-1.3	-1.5	-2.5	-3.8	-6.2
Income from joint ventures and associates	-0.3	0.1	-0.1	0.1	0.4
Profit before taxes	**3.5**	**3.9**	**-0.3**	**5.1**	**22.3**
Income taxes	-1.0	0.7	-1.3	0.2	-4.5
Profit for the period	**2.4**	**4.6**	**-1.5**	**5.4**	**17.8**
Profit attributable to:					
Owners of the parent	2.0	4.3	-2.3	4.4	16.4
Non-controlling interests	0.4	0.3	0.8	0.9	1.4
Total	**2.4**	**4.6**	**-1.5**	**5.4**	**17.8**
Basic earnings per share, EUR	0.07	0.15	-0.08	0.16	0.58
Diluted earnings per share, EUR	0.07	0.15	-0.08	0.16	0.58

Consolidated statement of comprehensive income

EUR million	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18
Profit for the period	**2.4**	**4.6**	**-1.5**	**5.4**	**17.8**
Other comprehensive income after tax:					
Items that will not be reclassified to profit or loss					
Actuarial losses from benefit-based pension obligations	-0.2	-	-0.2	-	-0.2
Items reclassified to profit or loss when specific conditions are met					
Cash flow hedges	-0.3	2.2	-2.6	3.3	4.2
Currency translation differences	-0.1	-2.5	3.0	-6.8	-9.6
Total comprehensive income for the period	**1.7**	**4.4**	**-1.4**	**1.9**	**12.1**
Total comprehensive income attributable to:					
Owners of the parent	1.3	4.0	-2.2	0.9	10.7
Non-controlling interests	0.4	0.3	0.8	1.0	1.4
Total	**1.7**	**4.4**	**-1.4**	**1.9**	**12.1**

Consolidated statement of financial position

Assets

EUR million	30.6.19	30.6.18	31.12.18
Non-current assets			
Property, plant and equipment	402.5	405.8	400.5
Biological assets	0.7	0.6	0.6
Right-of-use assets	36.1	-	-
Goodwill	159.8	160.8	162.6
Other intangible assets	83.8	84.8	86.7
Investments in joint ventures and associates	14.3	14.5	14.5
Other financial assets	1.2	1.2	1.2
Loan and other receivables	7.8	10.1	9.8
Deferred tax assets	5.4	5.8	5.1
Total	**711.4**	**683.6**	**681.1**
Current assets			
Inventories	107.7	98.6	105.9
Biological assets	4.3	3.7	3.4
Trade and other receivables	123.9	133.7	105.3
Cash and cash equivalents	1.1	1.9	4.0
Total	**236.9**	**237.8**	**218.5**
Total assets	**948.3**	**921.4**	**899.6**

Equity and liabilities

EUR million	30.6.19	30.6.18	31.12.18
Equity attributable to the shareholders of the parent company	402.2	405.6	415.3
Non-controlling interests	13.3	12.4	12.9
Total equity	**415.5**	**418.0**	**428.2**
Non-current liabilities			
Loans	152.3	155.2	152.1
Finance lease liabilities	27.5	0.6	0.7
Deferred tax liabilities	42.1	45.6	42.7
Pension obligations	6.5	6.0	6.3
Other non-interest-bearing liabilities	7.1	8.0	7.4
Provisions	1.4	-	-
Total	**236.9**	**215.4**	**209.2**
Current liabilities			
Loans	85.4	95.4	74.1
Finance lease liabilities	8.8	0.1	0.4
Trade and other payables	201.7	192.5	187.8
Total	**295.9**	**288.1**	**262.2**
Total liabilities	**532.8**	**503.5**	**471.4**
Total equity and liabilities	**948.3**	**921.4**	**899.6**

Consolidated statement of changes in equity

EUR million	Equity attributable to the shareholders of the parent company							Non-controlling interests	Total equity
	Share capital	Treasury shares	Other funds	Inv. non-rest. equity fund	Translation diff.	Retained earnings	Total		
Equity 1.1.18	**48.1**	**-1.3**	**-0.4**	**249.1**	**-50.8**	**173.9**	**418.6**	**12.1**	**430.7**
Profit for the period						4.4	4.4	0.9	5.4
Other comprehensive income									
Cash flow hedges			3.3				3.3		3.3
Currency translation differences					-6.8		-6.8		-6.8
Share of non-controlling interest related to acquisition of subsidiary						0.0	0.0		0.0
Share-based payments				0.1			0.1		0.1
Dividends						-14.1	-14.1	-0.7	-14.8
Equity 30.6.18	**48.1**	**-1.3**	**2.9**	**249.2**	**-57.6**	**164.3**	**405.6**	**12.4**	**418.0**
Equity 1.1.19	**48.1**	**-1.3**	**3.7**	**249.2**	**-60.4**	**176.0**	**415.3**	**12.9**	**428.2**
Profit for the period						-2.3	-2.3	0.8	-1.5
Other comprehensive income									
Cash flow hedges			-2.6				-2.6		-2.6
Acturial losses from pension liabilities						-0.2	-0.2		-0.2
Currency translation differences					3.0		3.0		3.0
Share of non-controlling interest related to acquisition of subsidiary						0.2	0.2		0.2
Share-based payments				0.1			0.1		0.1
Dividends						-11.3	-11.3	-0.3	-11.6
Equity 30.6.19	**48.1**	**-1.3**	**1.1**	**249.3**	**-57.4**	**162.5**	**402.2**	**13.3**	**415.5**

Consolidated cash flow statement

EUR million	1-6/19	1-6/18	1-12/18
Cash flow from operating activities			
Operating activities before financial items and taxes	29.1	5.3	53.9
Financial items and taxes	-6.7	-7.1	-6.7
Net cash flow from operating activities	**22.3**	**-1.9**	**47.2**
Cash flow from investing activities			
Tangible and intangible assets	-22.9	-24.1	-44.5
Non-current receivables	0.4	-0.7	-0.9
Dividends received	0.1	0.2	0.6
Current receivables	-0.2	1.0	-0.5
Net cash used in investing activities	**-22.6**	**-23.6**	**-45.2**
Cash flow from financing activities			
Proceeds from long-term borrowings	0.2	35.0	35.0
Repayment of long-term borrowings	-1.8	-52.7	-56.3
Changes in short-term borrowings	9.6	54.7	33.9
Dividends paid	-11.6	-14.8	-14.8
Net cash used in financing activities	**-3.6**	**22.3**	**-2.2**
Change in liquid funds	**-3.8**	**-3.1**	**-0.2**
Cash and cash equivalents at beginning of year	4.0	3.1	3.1
Effect of exchange rate changes	0.9	1.9	1.0
Cash and cash equivalents at the end of period	**1.1**	**1.9**	**4.0**

Interim report notes

Interim report accounting principles

This half-year financial report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Atria has applied the same principles in preparing this half-year financial report as in preparing the 2018 annual financial statements. However, as of 1 January 2019, the Group uses the new or revised IFRS standards and IFRIC interpretations published by the IASB, included in the accounting principles of the annual financial statements 2018.

IFRS 16, Leases, was adopted on 1 January 2019. The standard abandons the separation into operating leases and finance leases under IAS 17. According to the standard, lessees should in practice recognize asset items (fixed asset item) and the financial liability related to the lease payment obligation (lease liability) for all their lease agreements. The standard also affects the income statement, because total costs are typically higher during the first half of the term of the lease and lower towards the end. In addition, the rental cost earlier included in operating expenses is replaced by depreciation and interest, which will affect key indicators such as EBITDA.

The right-of-use asset item and the lease liability are recognised at the commencement date of the lease. The lease liability is valued at the present value of the unpaid rents at the valuation date.
Rental costs include fixed rents and variable rents that depend on changes in the index or price level specified in the agreement. Other variable rents or service charges included in the lease are treated as an expense for the period. Rents are discounted at the internal rate of the lease. If the internal rate is not readily determinable, the company's additional credit interest rate is used. Right-of-use asset items are depreciated according to the length of the leases. If the lease is valid for an indefinite period and there are no known changes, the agreement period is assessed case-by-case. Atria utilises the concession on recognition allowed by the standard and will not apply the standard to short-term leases or contracts where the underlying asset is of low value. A simplified approach was applied to the transition, and the comparable figures for the year preceding adoption have not been adjusted. The application of the standard had no impact on retained earnings.

Lease liabilities on 1 January 2019 (EUR million):

Finance lease obligations under IAS 17 on 31 December 2018	**1.1**
Increases:	
Undiscounted off-balance sheet lease obligations on 31 December 2018	20.4
Other changes *)	18.5
Total increases	**38.9**
Lease liabilities on 1 January 2019	**40.0**

*) Includes changes in discounting of the above-mentioned lease obligations, increases arising from the determination of the lease term and the different treatment of options for continuing and terminating leases, as well as other leases that are dealt with in accordance with the new standard.

The adoption of the new standard had an impact on Atria Group's equity ratio and net gearing. The amount of interest-bearing liabilities increased, amounting on 30 June 2019 to EUR 274.0 million (31 December 2018: EUR 227.2 million). Interest-bearing liabilities included EUR 36.3 million of lease liabilities (31 December 2018: EUR 1.1 million). The adoption had no major impact on EBIT or net result. Depreciation for the review period January-June was EUR 4.3 million higher due to the adoption of the standard, but correspondingly, rental costs decreased by EUR 4.5 million. Rental costs are now presented in cash flow from financing, whereby operating cash flow improved by approximately EUR 4 million.

The adoption of IFRS 16 increased the amount of assets to be depreciated in the Group on 1 January 2019 by EUR 38.9 million. Increases by business areas:

Atria Finland	34.6
Atria Sweden	2.8
Atria Denmark & Estonia	0.6
Atria Russia	0.9

The formulae for calculating the indicators are presented at the end of the report. In the company’s view, the indicators presented serve to clarify the view provided by the income statement and balance sheet of the operational result and financial position of operations.

The figures presented in the release are rounded to EUR million, so the combined total of individual figures may differ from the total sum presented. The figures in this interim report are unaudited.

Operating segments

EUR million	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18
Revenue from Consumer goods					
Atria Finland	205.6	198.9	387.7	389.0	787.1
Atria Sweden	74.4	71.7	141.0	141.3	287.9
Atria Denmark & Estonia	23.0	23.7	44.1	46.1	94.8
Atria Russia	18.5	18.5	34.2	35.8	75.1
Eliminations	-11.2	-10.3	-19.9	-20.4	-41.1
Total	**310.3**	**302.5**	**587.3**	**591.8**	**1,203.8**
Revenue from primary products					
Atria Finland	58.1	56.0	116.9	111.5	232.1
Atria Sweden	-	-	-	-	-
Atria Denmark & Estonia	0.5	0.6	1.1	1.2	2.6
Atria Russia	-	-	-	-	-
Total	**58.6**	**56.6**	**118.1**	**112.8**	**234.7**
Total net sales	**368.9**	**359.1**	**705.3**	**704.6**	**1,438.5**
EBIT					
Atria Finland	6.4	6.9	10.3	13.6	36.7
Atria Sweden	-1.5	-1.8	-5.6	-5.0	-7.1
Atria Denmark & Estonia	1.0	1.4	1.6	2.7	5.3
Atria Russia	-0.3	-0.1	-2.5	-0.7	-4.0
Unallocated	-0.5	-1.0	-1.5	-1.7	-2.7
Total	**5.1**	**5.4**	**2.3**	**8.8**	**28.2**
Investments					
Atria Finland	7.1	5.3	12.9	10.9	20.6
Atria Sweden	3.9	4.2	7.2	8.7	15.4
Atria Denmark & Estonia	0.7	1.7	1.5	2.5	4.4
Atria Russia	0.5	0.9	0.9	2.0	4.1
Total	**12.2**	**12.1**	**22.5**	**24.1**	**44.5**
Depreciation and write-offs *					
Atria Finland	8.5	6.8	16.9	13.5	26.9
Atria Sweden	2.8	2.5	5.7	5.0	10.1
Atria Denmark & Estonia	1.1	1.0	2.2	2.0	4.2
Atria Russia	1.2	1.0	2.3	2.1	4.2
Total	**13.5**	**11.4**	**27.1**	**22.7**	**45.4**

* The adoption of IFRS 16 increased depreciation by 4.3 million euro in January – June 2019.

Fair value hierarchy of financial assets and liabilities

EUR milloin

Balance sheet items	30.6.19	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through other comperhensive income	1.2			1.2
Derivative financial instruments	3.4		3.4	
Total	**4.6**	**0.0**	**3.4**	**1.2**
Liabilities				
Derivative financial instruments	2.1		2.1	
Total	**2.1**	**0.0**	**2.1**	**0.0**

Balance sheet items	31.12.18	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through other comperhensive income	1.2			1.2
Derivative financial instruments	6.6		6.6	
Total	**7.8**	**0.0**	**6.6**	**1.2**
Liabilities				
Derivative financial instruments	2.5		2.5	
Total	**2.5**	**0.0**	**2.5**	**0.0**

There were no transfers between Levels 1 and 2 during the period.
Level 1: Prices listed on active markets for identical assets and liabilities.
Level 2: Fair values can be determined either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Fair values are not based on verifiable market prices.
Fair values of financial instruments do not deviate significantly from balance sheet values.

Related party transactions

EUR million

The following transactions were completed with related parties:

	4-6/19	4-6/18	1-6/19	1-6/18	1-12/18
Sales of goods and services	5.0	4.5	9.7	8.8	18.7
Purchases of goods and services	21.6	20.7	43.8	43.1	97.2

	30.6.19	30.6.18	31.12.18
Receivables	1.6	0.8	1.3
Liabilities	14.1	14.2	14.6

Provisions

EUR million	
Provisions 1.1.2019	**0.0**
The cost of Atria Sweden's effiency improvement measures	
- Other operating expenses	1.4
Provisions 30.6.2019	**1.4**

Contingent liabilities

EUR million	30.6.19	30.6.18	31.12.18
Debts with mortgages given as security			
Loans from financial institutions	1.4	1.5	1.5
Pension fund loans	4.2	4.3	4.3
Total	**5.6**	**5.9**	**5.8**
Mortgages given as comprehensive security			
Real estate mortgages	2.4	2.6	2.5
Corporate mortgages	1.0	1.1	1.1
Total	**3.5**	**3.6**	**3.6**
Guarantee engagements not included in the balance sheet			
Guarantees	0.1	0.2	0.1

The main exchange rates

	Income statement			Balance sheet		
	1-6/19	1-6/18	1-12/18	30.6.19	30.6.18	31.12.2018
SEK	10.5187	10.1519	10.2567	10.5633	10.4530	10.2548
DKK	7.4651	7.4476	7.4532	7.4636	7.4525	7.4673
RUB	73.7215	71.9802	74.0551	71.5975	73.1582	79.7153

Principles for calculating financial indicators

Alongside the IFRS figures, Atria publishes certain other widely used alternative financial indicators which can be derived from the income statement and balance sheet.

Adjusted EBIT		In addition to reporting EBIT, the company publishes an adjusted EBIT indicator to describe the actual financial development of the business and to improve comparability between different periods. The adjusted EBIT is determined by adjusting the EBIT recognized in the income statement for items that affect comparability. These may include events that are not part of the ordinary business activities, such as the restructuring of operations, capital gains and losses attributable to the sale of operations, impairment, and the costs of discontinuing significant operations.	
Gross investments		Investments in tangible and intangible assets, including acquired businesses	
FTE	=	$\dfrac{\text{Hours worked during the review period}}{\text{Number of working days during the review period * normal working hours per day}}$	
Return on equity (%)	=	$\dfrac{\text{Profit/loss for the accounting period}}{\text{Equity (average)}}$	* 100
Return on investment (%)	=	$\dfrac{\text{Profit/loss before tax + interest and other financial expenses}}{\text{Equity + interest-bearing financial liabilities (average)}}$	* 100
Equity ratio (%)	=	$\dfrac{\text{Equity}}{\text{Balance sheet total – advance payments received}}$	* 100
Interest-bearing liabilities	=	Loans and finance lease liabilities	
Gearing (%)	=	$\dfrac{\text{Interest-bearing liabilities}}{\text{Equity}}$	* 100
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash and cash equivalents	
Net gearing (%)	=	$\dfrac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}}$	* 100
Earnings/share (basic)	=	$\dfrac{\text{Profit for the period attributable to the owners of the parent company}}{\text{Weighted average of outstanding shares}}$	
Equity/share	=	$\dfrac{\text{Equity attributable to the owners of the parent company}}{\text{Undiluted number of shares on 31 Dec}}$	
Dividend/share	=	$\dfrac{\text{Dividend distribution during the accounting period}}{\text{Undiluted number of shares on 31 Dec}}$	
Dividend/profit (%)	=	$\dfrac{\text{Dividend/share}}{\text{Earnings per share (EPS)}}$	* 100
Effective dividend yield (%)	=	$\dfrac{\text{Dividend/share}}{\text{Closing price at the end of the accounting period}}$	* 100
Price/earnings (P/E)	=	$\dfrac{\text{Closing price at the end of the accounting period}}{\text{Earnings per share}}$	
Average price	=	$\dfrac{\text{Overall share turnover (EUR)}}{\text{Undiluted average number of shares traded during the accounting period}}$	
Market capitalisation	=	Number of shares at the end of the accounting period * closing price on 31 Dec	
Share turnover (%)	=	$\dfrac{\text{Number of shares traded during the accounting period}}{\text{Undiluted average number of shares}}$	* 100

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