Annual Report 2013

Sanitec
Home of the Bathroom

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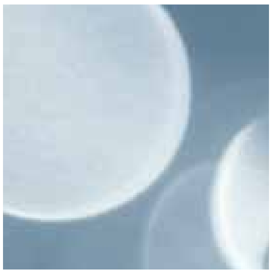
Sanitec in short



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Our brand portfolio

Signs of recovery in the European economy and increased sales quarter by quarter

- Net sales for 2013 amounted to EUR 701.8 million (752.8). Comparable net sales for the year were 3.9% lower than prior year. Signs of recovery in the European economy and increased net sales quarter by quarter during the year.
- The lower sales was explained by lower volumes due to the still challenging macroeconomic conditions in key markets, offset by better product mix and increased average sales prices, especially in the product area Bathroom Ceramics.
- Operating profit in 2013 adjusted for items affecting comparability amounted to EUR 74.4 million (77.9), 10.6% (10.4) of net sales.
- Profit for the period amounted to EUR 42.5 million (71.7).
- Earnings per share, basic and diluted, were EUR 0.42 (0.72).
- Cash flow from operating activities amounted to EUR 74.7 million (87.9).
- The Board proposes a distribution through a refund of capital of EUR 0.22 per share from the reserve for invested unrestricted equity.
- Launch of the complete bathroom series "it!", the functional "Comfort" bathtub and the "Universal" pre-wall element, as well as the "Traffic" bathroom ceramics collection and "Technic GT" pre-wall line in Eastern Europe.
- In May Sanitec refinanced its existing debt facilities and made, as a part of the refunding, a return of capital from the reserve for invested unrestricted equity.
- On 10 December the shares in Sanitec (SNTC) were listed on NASDAQ OMX Stockholm.

Key figures for the Group

(All amounts in EUR millions)

	2013	2012	2011
Net sales	701.8	752.8	770.8
Operating profit	67.9	73.0	67.1
Operating profit, adjusted	74.4	77.9	75.9
Operating margin, %, adjusted	10.6	10.4	9.9
EBITDA, adjusted	102.7	107.7	105.6
EBITDA margin, %, adjusted	14.6	14.3	13.7
Profit before taxes	48.2	67.0	51.2
Profit for the period	42.5	71.7	47.7
Cash flow from operating activities	74.7	87.9	54.5
Net debt	150.6	-42.9	32.7
Net debt / EBITDA, adjusted	1.5	-0.4	0.3
Return on capital employed (ROCE), %, rolling 12 months	19.4	19.3	19.3
Cash conversion, %	82	88	78
Average number of employees	6,516	7,004	7,391

Sanitec - Home of the Bathroom

Sanitec is the clear market leader in bathroom ceramics in Europe. We have a unique portfolio of some of the most well-known brands with deep roots in the European bathroom fixtures markets, strategically positioned to address local geographic markets.

We are the market leader in bathroom ceramics and a leading supplier of bathroom fixtures in our core markets in Europe. We provide products in two product areas:

- Bathroom Ceramics, which includes the product groups toilets, washbasins/sinks, pedestals, tanks, bidets, urinals, and ceramic shower trays.
- Ceramics Complementary Products (CCP), which includes the product groups bathroom furniture, pre-wall systems, bathtubs, taps and mixers, shower solutions, shower trays and similar products based on solid-surface materials.

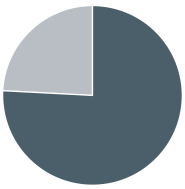
In 2013 the Group generated EUR 702 million in net sales, of which the product area Bathroom Ceramics represented 76%. Our production network includes 18 production facilities throughout Europe and we are about 6,200 employees.

Mature and consolidated industry

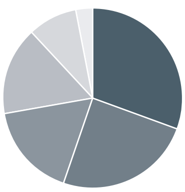
The bathroom ceramics industry is highly consolidated and market shares tend to be stable over time, driven by strong barriers to entry that result from:

- The need for strong local brand recognition, providing significant competitive advantages for our well-established brands in the local markets in which we operate.
- The need for strong relationships with stakeholders in the value chain who influence end consumers' ultimate purchasing decision, including wholesalers, retailers and installers.
- The specialist know-how and experience required in ceramics manufacturing, design and development.
- The substantial investments required in production facilities.

Net sales per product area and per region 2013

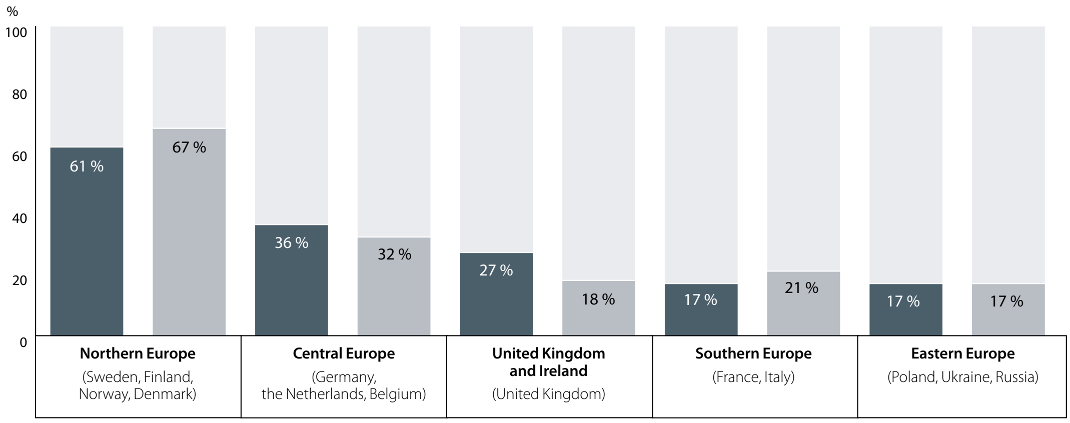


Bathroom Ceramics	76 %
Ceramics Complementary Products	24 %



Central Europe	31%
North Europe	25%
United Kingdom and Ireland	17%
South Europe	16%
East Europe	9%
Rest of the World	3%

Stable market positions within bathroom ceramics for more than ten years because of well known brands and solid customer relationships (2000-2012)



Sanitec's market positions measured in value.
Source: Company's evaluation based on market data from BRG Building Solutions, a specialised research consultancy serving the global building technologies and construction products industries.

Unique brand strength

Being the largest provider of bathroom ceramics in Europe, we benefit from economies of scale in research, product development and sales and marketing. Most of our brands are trusted "household" brands in our core markets with a reputation for quality, innovation, design and value for money. We believe that our unique brand strength facilitates the introduction of new products and fosters loyalty and trust amongst our customers, our network of installers and end consumers. This allows us to build stable relationships with all stakeholders in the value chain, as evidenced by our ability to maintain the leading market positions of our strategic brands over the past decade.

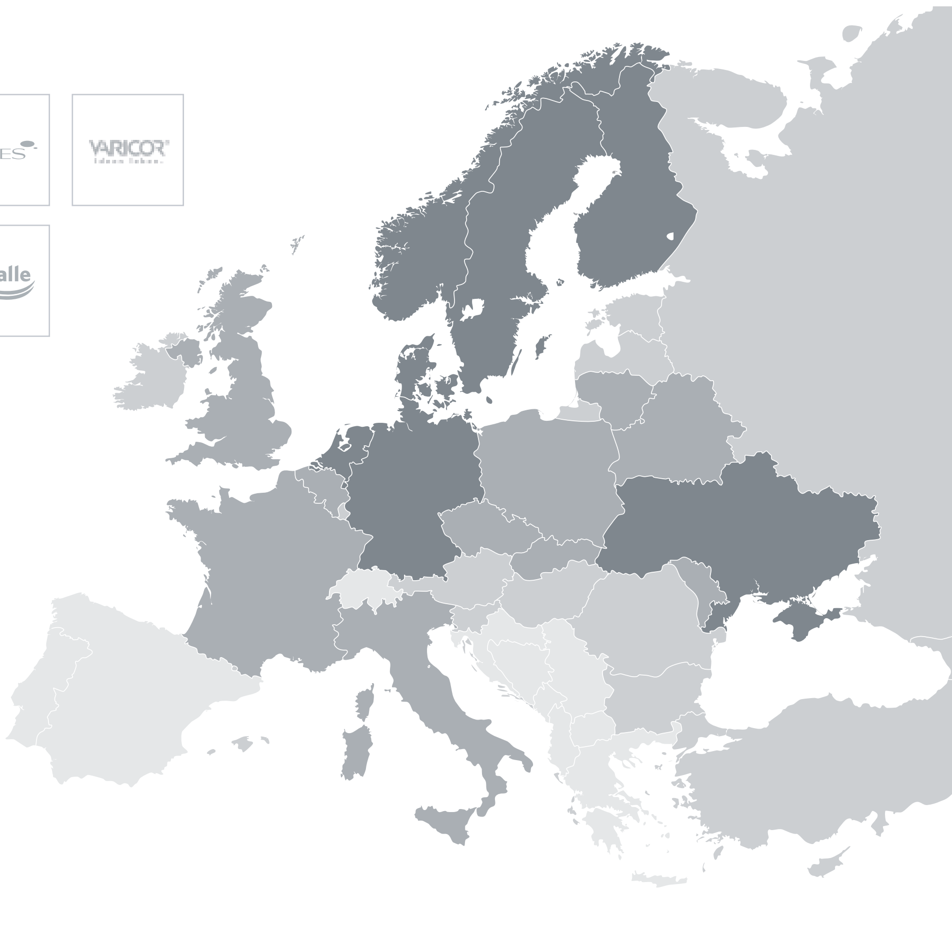
Loyalty of installers

In addition, we benefit from our emphasis on installer responsiveness. Installers seek to provide their customers with reliable products from well-known brands and play an influential role in the ultimate purchasing decision. By, amongst other things, manufacturing high-quality and innovative products, simplifying installation through product design, easy availability of products and spare parts, as well as providing local service and product support, we maintain the loyalty of installers.

Most of our strategic brands have over 100 years of history in their respective local markets and command leading market positions.

Sanitec's brands and market positions

KERAMAG DESIGN | Ifö | KOLO | SELLES | VARICOR
KERAMAG | ALLIA | colombo | Koralle
Sphinx | POZZI-GINORI | PORSGRUND
IDO | Twyford



■ Clear number 1 ■ Number 1 or 2
■ Number 3 ■ Number 4 or lower

Sanitec's market position in bathroom ceramics, measured in volume, in 2012

Sanitec's President & CEO, Peter Nilsson.

Well positioned to capitalise on a market upturn in Europe

Like the industry in general, we have experienced an extremely challenging market climate and declining volumes in recent years. During this period, we have focused on areas that are within our control, establishing and integrating ourselves into a major European group and prioritising profit over sales volume. These efforts have resulted in a significant improvement in profit generation and further strengthening of our competitiveness. We are now well positioned to capitalise on the recovery in volume as the macroeconomic conditions in Europe improve.

”One Sanitec”

Since 2010, we have focused on implementing our ”One Sanitec” strategy, aimed at transforming a group of leading local companies into a successful, integrated European group – a group that is able to successfully compete in local markets with local brands, whilst at the same time utilising the economies of scale found throughout our production, development, sales, support functions and processes. Amongst other developments and investments, this has resulted in a reduction in our workforce from nearly 8,000 employees to just over 6,000 and a reduction in the number of our bathroom ceramics plants from 18 to 11. Despite these changes, our production capacity has essentially remained the same.

Halfway through our journey

Our efforts have been successful and enabled us to nearly double our EBITDA since 2009, despite an extremely challenging market climate and declining volumes. I believe we have reached the halfway mark in our journey and that there is still significant potential to be realised under the ”One Sanitec” strategy. We must continue developing and optimising our processes and functions and thereby further strengthening our margins.

Innovation and design

When it comes to innovation, we focus on four different segments – comfort and design, hygiene and easy clean, installation friendly and environmentally friendly. Our focus on professional installers facilitates our work and strengthens our relationships with more than 50,000 plumbers and installers with whom we collaborate throughout Europe. Over the past few years, we have made significant investments in our production platform as well as in innovation and design. A good example of our achievements is the successful introduction of our prize-winning Rimfree® toilet – a toilet featuring a hygienic design and function that makes it easy to clean and reduces the risk of infection, which has resulted in high demand from the healthcare, education and social care sectors as well as modern households.

Growth in the fourth quarter

Sales in the fourth quarter increased 1.4% compared with the previous year period, adjusted for changes in currency rates and calculated with a comparable group structure. While sales for the full year declined 3.9%, a significant improvement was noted from one quarter to the next. However, the most important is that Sanitec continues to defend or strengthen its market positions in all key markets and in our main product categories.

Successful IPO

Finally, I would like to welcome all our new shareholders to Sanitec. We hold a leading market position in Europe, with strong, well-established brands, a healthy geographic spread and a modern, efficient and flexible production network. Together, this will provide us with a strong foundation to be able to capitalise on the recovery in volume when the macroeconomic conditions improve.

Thank you for your support!

Peter Nilsson
President & CEO

”One Sanitec” delivers

Since 2008, the stress and disruptions experienced by global financial markets have increasingly affected several sectors of the economy, in particular the construction industry, adversely affecting the overall results of our industry. Despite demanding and challenging economic conditions, Sanitec has been able to sustain strong financial performance. Moreover, as a result of the strong efforts made over the past few years as part of the ”One Sanitec” strategy, we benefit from strong cash flow generation and foreseeable steady capital expenditure needs.

The Board of Directors has adopted the following long term financial targets:

Growth above market

Sanitec’s target is to keep achieving annual organic growth that is on average 2 p.p. higher than its core market growth. Additionally, Sanitec aims opportunistically at growth through complementary acquisitions to enter new growth markets and/or to add complementary products in existing markets.

Operating margin

Sanitec’s target is to achieve an adjusted operating margin (EBIT) at or above 12% over a business cycle.

Cash conversion

Sanitec’s target is to achieve an annual cash conversion above 70% over a business cycle. Cash conversion is the ratio of operating cash flow defined as adjusted EBITDA less paid investments in intangible assets and property, plant and equipment, to adjusted EBITDA.

Net debt / EBITDA

Sanitec’s target is to have a net debt in relation to adjusted EBITDA below 2.5. The capital structure should enable flexibility and allow the company to capture strategic opportunities while maintaining a sound financial position even when the market conditions are less favourable.

Dividend and distribution policy

Sanitec’s Board of Directors has adopted a dividend and distribution policy according to which the Board seeks to propose to the Annual General Meeting of shareholders that circa 50% of Sanitec’s audited profit for the period shall be paid in dividends or other means of distribution of equity over a business cycle. The company’s capital structure, liquidity and other applicable restrictions set out by the law or contractual obligations of the company shall be taken into consideration by the Board of Directors when deciding on the proposal regarding equity distributions. Furthermore, the proposal shall take into account factors including the company’s future profit levels, investment needs and development opportunities.

Well set for growth

Our vision is to be the leading bathroom ceramics specialist and the customer's first choice; we want to be seen as "Sanitec – Home of the Bathroom". We aspire to set the industry benchmark in terms of performance, to lead the industry in terms of innovation and product design, and to secure at least a top three position in all our markets.

"Did you know that Sanitec is number one or two in 17 European countries?

Business strategy

Our business strategy is founded on profitable, organic growth and incremental efficiency improvement, based on four closely interlinked cornerstones.

Drive value through innovation and product leadership in Bathroom Ceramics

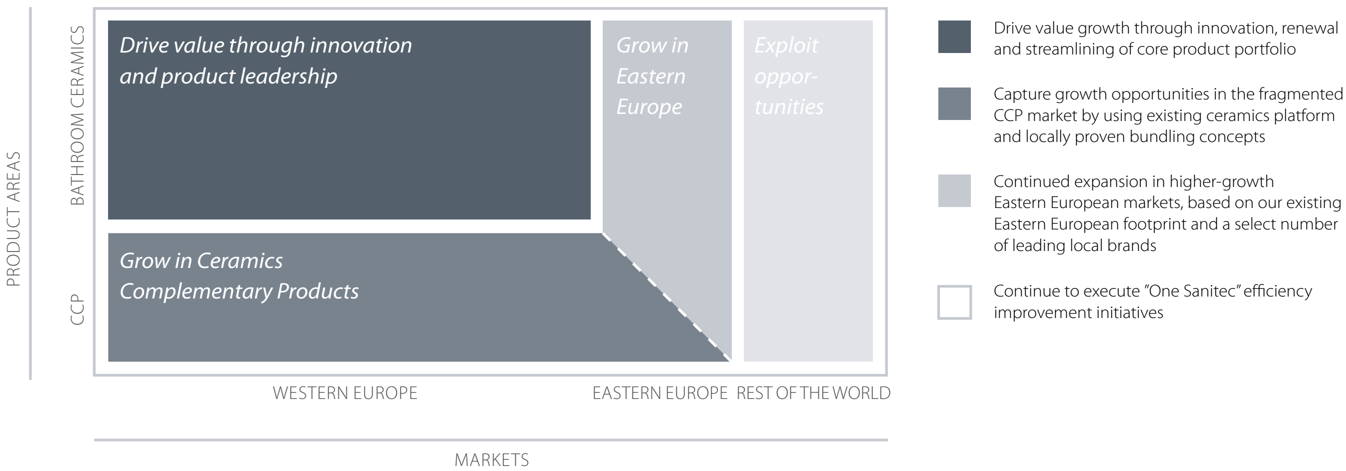
Bathroom Ceramics is our core product area and we already have leading market positions in our Western European core markets. We will continue optimising our ceramics product portfolio to drive value growth through product innovation, wider range and freshness of the portfolio and enhancement of our product mix. We will continue investing in our brands in order to further cement their leading positions and strengthen our position in the premium segment – for example by launching Keramag Design as a premium brand.

We also intend to continue to streamline our product series and to further develop our pan-European product platform by reducing complexity across the Group whilst improving our local offering. Finally, we plan to continue enhancing our product offering by the increased bundling of our Bathroom Ceramics products with our Ceramics Complementary Products.

Grow in Ceramics Complementary Products

Ceramics Complementary Products (CCP) represented 24% of our net sales in 2013. Capitalising on our strong platform within Bathroom Ceramics and knowledge of bundling concepts with locally proven success, we intend to continue to expand within the ceramics complementary products market and accelerate sales growth of this product area. Customers increasingly look for comprehensive bathroom solutions with integrated furniture, bathtubs, showers, taps and mixers, and ceramics products. On the other hand the increasingly popular wall-mounted toilets require the matching pre-wall element. Ceramics Complementary

Sanitec's strategy



Bathroom Ceramics is our core product area and where we already have leading market positions in our key markets.

24%

In 2013 Ceramics Complementary Products represented 24% of our net sales.

Products typically have a shorter product lifecycle entailing more frequent product replacements. We see a significant opportunity to increase sales of our Ceramics Complementary Products as well as of our Bathroom Ceramics by improving combined sales for both product areas. By leveraging our Bathroom Ceramics platform and our knowledge of local best practice, we intend to capitalise on this market opportunity through, amongst other things, the following steps:

- Training and incentivising our sales force, providing them with clear sales targets for bundled offerings.
- Conducting installer training and educating them on specific innovations and product design characteristics.
- Improving showroom and shop-in-shop infrastructure to highlight bundled offerings.
- Coordinating product development between our Bathroom Ceramics and Ceramics Complementary Products teams to ensure an integrated offering of innovative products.

Grow in East Europe

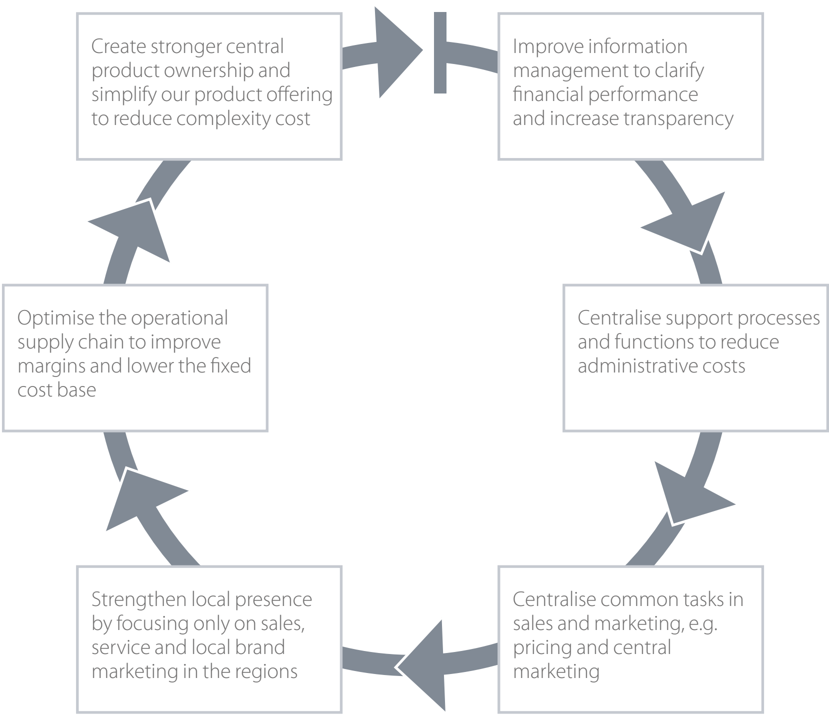
East Europe region represented 16% of our net sales in 2013, and we already have leading market positions in several markets including Poland, Ukraine and Kazakhstan, as well as a strong position in Russia. We expect growth rates for bathroom products in this region to be higher than in the more mature Western European markets in the short and medium term. We intend to increase our market share in East Europe region by using our local, advanced, low-cost manufacturing capacity and taking advantage of our industry knowledge and strong portfolio of local brands, as well as our selected, well-known Western European brands.

Continue implementing "One Sanitec" efficiency improvement initiatives

In order to increase margins and cash flows, we will continue implementing the "One Sanitec" initiatives in the following key areas:

- Portfolio optimisation: We continue to enhance the breadth, innovativeness and freshness of our product portfolio in order to improve our offering, reduce duplication and increase the share of pan-European series. This will enable us to continue to reduce production costs, lower inventory levels, enhance our purchasing power and reduce complexity of our Group throughout the value chain.
- Efficiency improvement in sourcing: We will continue consolidating our supplier base and focus on sourcing from low-cost countries. We have identified numerous additional savings in sourcing in areas throughout the value chain, from raw materials to indirect costs.
- Organisational improvement: Although we have made advances since 2009, we are continuing to consolidate Group processes and activities in order to continue to reap the benefits of scale and reduce costs.
- Efficiency in production network: We now have an integrated, flexible network that balances low-cost manufacturing focusing on high volume products with other facilities focusing on high-complexity products, enabling us to serve the varying demands of the different markets in which we operate. We will continue to optimise productivity through reducing product complexity and emphasising the performance culture and best practice sharing throughout our operations. In addition, we will aim to continuously improve our production footprint, evaluating opportunities to better allocate production, increase flexibility and improve overall operational efficiency.

Current operational priorities



Long and stable relationships

The needs of the end user are the primary source of inspiration for us. In turn, we present a product offering that inspires its users and is a source of positive emotions. Our products stand for guaranteed quality, innovation and attractive design, and our leadership positions across Europe as well as our loyal customer base tell the story of well known, trusted brands.

Inspiration, emotion and innovation

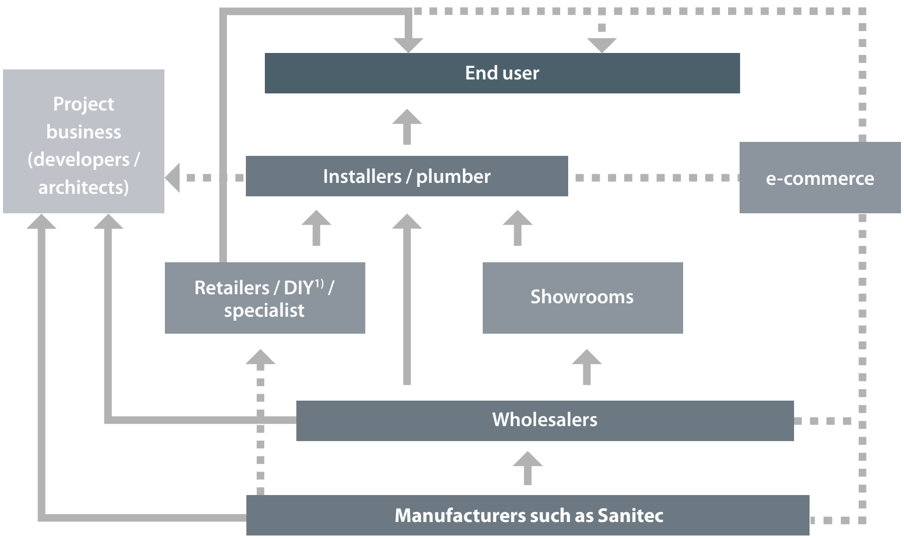
We care passionately about people's needs and wishes when it comes to bathrooms. The role of the bathroom in a household has changed over past years into being a space for inspiration and relaxation. We want to provide the total bathroom concept to suit every need and context, finding the perfect bathroom solutions together.

We are committed to continue building on our strong, local brand reputation by continuously working for the optimal product offering: a wider range of alternatives, more new product launches, more innovative features, and more attractive and versatile design.

The preferred choice for our customers and end users

Our brands are the face of Sanitec towards the end users, and different distribution channels make our products available for them. We aim to be the first and preferred choice for both the end user and for our direct customers, who are part of the value chain. In Europe this consists mainly of wholesalers who sell to installers and/or retailers and on to end users. Most of the market actors in the value chain work mainly at a local level. Even for large international customers, business is done locally and relationships are stable over time. This means that manufacturers, such as Sanitec, must have a strong, local presence

Value chain for bathroom products



[1)] Do-it-yourself

In Europe, bathroom fixtures are primarily distributed in a three-step value chain, in which wholesalers sell to installers and/or retailers, who then sell to consumers. While the majority of volumes – about 75% – flow through wholesalers, consumers' actual purchasing decisions are to a large extent influenced by installers, specifiers, architects and/or retailers.

in order to create and build on strong, long lasting relationships. This is what has made Sanitec the trusted partner we are today.

Majority through wholesalers

The majority of the volume in the value chain goes through wholesalers and large international distributors for construction materials, who constitute an important customer group for us. Having well-recognised and trusted brands for professional customers and households, local account managers, a wide product offering and high quality customer service has made us the prioritised choice for them.

The purchasing decisions of end users are largely influenced by specifiers, such as architects or retail representatives, and/or specialists, such as installers and contractors. We work together with our professional customers by providing them with appropriate go-to-market tools, both web-based and hands-on to suit their needs. These tools include training and mobile academies addressing technical knowledge, new development ideas through workshops and training on new products. We also provide comprehensive support to the do-it-yourself (DIY) business and retailers to market and showcase our products in showrooms across Europe. We support them, for example, by providing exhibition material and helping with stand assembly.

High quality service

We are proud to have high quality customer service that extends even after the sales transaction. We have a wide spare part range and long product guarantee periods that make us the comfortable partner for installers as well as for end users.

Online presence is increasingly important

We believe that, in line with the global trend, the purchasing decision for bathroom products starts more and more often online. This is where end users as well as professional customers get their first impressions and inspiration when deciding on a bathroom renovation project or on the bathroom fittings for a new build project. It is important to have easy access to information on the web, have the possibility to compare what is available and even to complete the actual purchase online.

We see e-business as a substantial opportunity for us as a way to complement the traditional distribution channels. Our aim is to make life easier for the end user and for our professional customers and online presence is an important way to do it. We place a lot of emphasis on our brand websites and have put considerable effort into this field during the last year. We consider ourselves to be well set to accommodate the new purchase behaviour and have built on our online presence by providing for example, virtual showrooms. In addition, YouTube with 24-hour "customer installation" service and online demonstrations on installation, as well as smartphone applications provide easy and quick product information and help for installers. For us after sales service is an important part of the purchase transaction, which is why spare parts are also made available online.

Even though we have a highly local approach when it comes to sales and marketing, we are able to capture economies of scale with integrated back-end functions. By effectively utilising a joint marketing and sales platform we create value for our customers. We manage complexity by standardising marketing activities, for example when it comes to printed material or website platforms.

> "Our brands and products stand for a high level of innovation, attractive and advanced design and top quality. We aim to provide best value to our customers and consumers, and by displaying solid business acumen, work with all areas of the industry to develop sustainable bathroom solutions.

We want to provide the total bathroom concept to suit every need and context, finding the perfect bathroom solutions together.

Consolidated and stable markets

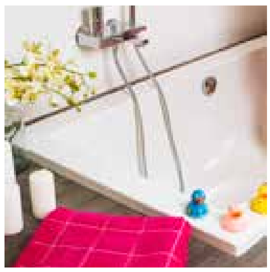
In terms of volume, the ceramics sanitaryware market in our core markets grew by over 2% per annum in the ten years preceding the outbreak of the global financial crisis in 2008. Since the peak year 2007, the ceramics sanitaryware market has declined by about 20% in volume and the market still remains approximately 25% below the pre-crisis trend in terms of volume. As current industry volumes have yet to recover from historic lows, we believe that the bathroom ceramics market provides for significant cyclical upside as new-build activities increase.

Historically, the European bathroom fixtures market has experienced relatively stable, long term growth, primarily driven by growth in gross domestic product (GDP) and activity in the construction industry. The construction industry comprises two sectors; the new-build sector and the renovation, maintenance and improvement sector (RMI). The RMI sector has proven to be relatively resilient to the general macroeconomic conditions, thus contributing to stability in the total construction industry over time, whereas the new-build sector is characterised by cyclicality, primarily related to the general GDP development. We estimate that approximately 60-70% of our demand is driven by the more stable RMI sector, with the remaining 30-40% pertaining to the cyclical new-build sector.

As a result of the global economic downturn that began in 2008, the construction industry in our core markets declined by an average of almost 5% annually from 2007 to 2009, with the new-build sector being impacted more than the larger RMI sector.

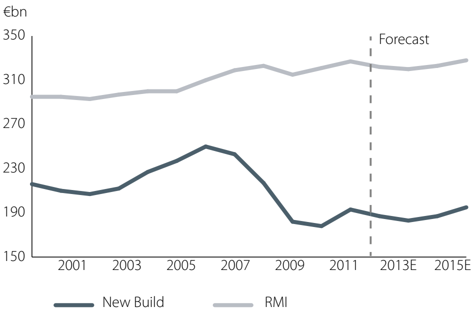
According to Euroconstruct[1)], market conditions began to stabilise in 2010 with a more moderate decline in new-build sector and a stable activity in the RMI sector. In light of positive macroeconomic forecasts in our core markets, the outlook through to 2015 is more favourable. Measured in value, Euroconstruct foresees annual growth in construction levels in our core markets by an average of 1.4% between 2013 and 2015 as depicted in the graphs below.

[1)] Euroconstruct is a leading European construction business research group.

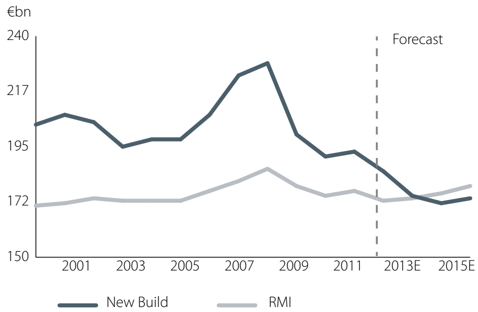


From 2007 to 2009, residential and non-residential new-build construction declined significantly across our core markets, falling by 24.9% and 10.5% over the period, respectively. Over the same period, the residential and non-residential RMI activity was more resilient and only declined by 1.0% and 1.4% over the period, respectively.

Residential construction (EUR billion)

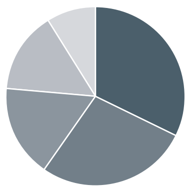


Non-residential construction (EUR billion)



European bathroom fixtures market by product and by region

Taps and mixers	30 %
Bathroom furniture	20 %
Ceramics sanitaryware	20 %
Shower solutions	17 %
Baths	8 %
Pre-wall systems	5 %



Central Europe	33 %
South Europe	28 %
East Europe	17 %
United Kingdom & Ireland	15 %
North Europe	9 %

Source: BRG Building Solutions

Market growth

In addition to a cyclical upturn, we believe that the following fundamental trends will contribute to long term growth in the European bathroom fixtures market:

- Increasing number of households: Euromonitor[1] estimates that the number of households in Western and Eastern Europe will increase by approximately 6.5% and 2.7%, respectively, from 2012 to 2020. In addition, we believe that consumers place increasingly more value on bathrooms also in secondary homes.
- Rising disposable income: According to Euromonitor, disposable income levels in Western Europe and Eastern Europe are expected to grow 11.5% and 39.6%, respectively, from 2012 to 2020 (assuming constant 2012 prices and exchange rates), allowing for an increase in the number of bathrooms per household, as well as for increased focus on high-quality bathroom solutions.
- Lifestyle shifts and bathrooms gaining importance: Over the past few decades, the size of household bathrooms has increased as consumers put more focus on bathroom solutions. In addition, we believe that comfort features, such as a second washbasin and a separate bathtub have come to play an increasingly important role in renovation and new-build activities.

Moreover, we believe there are a number of other specific market trends and other factors that will influence future demand for our products.

- Increased consumer focus on bathroom solutions: As consumers' disposable income has risen over time, we have seen increasing value allocated to integrated bathroom solutions. Consumers are demanding new features and more options from their bathroom solutions, driving the trend towards more aesthetically pleasing and more exclusive products.
- Innovation in product functionality and design: We believe that continuous product innovation in the design, style and functionality of bathroom solutions encourages consumers to replace or renew their existing bathrooms and encourages the purchase of a broader complementary product mix.

[1] Euromonitor is a global information publisher providing market research reports, statistics and online information systems on industries, countries and consumers.

European ceramics sanitaryware market

In 2012, the overall bathroom fixtures market in the 13 countries in which we generate the majority of our net sales and refer to as our core markets – Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Russia, Sweden, Ukraine, and the United Kingdom – was worth approximately EUR 8.1 billion. Our main product market, the ceramics sanitaryware market, was worth approximately EUR 1.6 billion in our core markets.

The aggregate market value of the individual ceramics complementary products markets in our core markets was estimated at EUR 6.5 billion, of which bathroom furniture accounted for EUR 1.6 billion, pre-wall systems EUR 0.4 billion, baths EUR 0.6 billion, taps and mixers EUR 2.5 billion, and shower solutions EUR 1.4 billion. The following table outlines the historical and expected growth in sales volumes within the European ceramics sanitaryware market from 2005 to 2015 by region as published by BRG Building Solutions.

Region	2005-07 CAGR (vol)	2007-13 CAGR (vol)	2013-15 CAGR (vol)	2012 Volumes (m)
North Europe	1.5%	(3.5)%	2.8%	2.4
Central Europe	0.4%	(1.4)%	0.7%	8.8
United Kingdom and Ireland	(1.5)%	(8.2)%	3.4%	5.7
South Europe	1.9%	(7.8)%	0.9%	13.0
East Europe	7.6%	0.8%	1.7%	20.4

Source: BRG Building Solutions, a specialised research consultancy serving the global building technologies and construction products industries.

- Focus on the environment: We see a growing market for environmentally friendly bathroom solutions that conserve water and energy, driven by a growing awareness of climate change and water scarcity, as well as increasing utility costs. We believe that this is likely to drive consumers to upgrade their existing bathrooms with newer, more water-efficient bathroom solutions, an area where our innovative solutions are well placed.
- Focus on hygiene: We see a trend in both the residential and the non-residential construction industry, particularly in the public sector, towards bathroom solutions that are more hygienic, effectively increasing demand for products that are easier and less time-consuming to clean, such as Rimfree® toilets.

Generally, volumes in the European bathroom fixtures market are forecast by BRG Building Solutions to grow by about 2% annually from 2013 to 2015. Volume growth is expected to be driven by ceramics complementary products, which is forecast to grow at an average of 2.1% per year from 2013 to 2015.

The highest growth forecasts are for Eastern Europe, Northern Europe and United Kingdom and Ireland, growing at over 3% CAGR. Furthermore, such market growth includes a moderate but favourable shift in product mix towards premium products.

In the ceramics sanitaryware market, Eastern Europe has shown higher volume growth when compared to other regions, due to relatively higher growth in GDP following the 2008 financial crisis. All our other regions, except South Europe region, are expected to return to a positive growth rate by 2015.

Well established and known brands

Sanitec's brand portfolio includes some of the most well established and well known national brands in the European bathroom products market, strategically positioned to meet the demand of the local markets. Most of our strategic brands have existed in their respective local markets for a century or more and have a leading market position. In the following pages we describe our ten strategic brands - Keramag Design, Keramag, Sphinx, Twyford, Ido, Ifö, Allia, Pozzi-Ginori, Kolo and Colombo - their characteristics and history.

Sanitec's brand portfolio includes ten strategic brands and four tactical brands to meet the varying local market demands.

Sanitec has also tactical brands that complement, protect and support our strategic brands.

Sanitec's tactical brands include the Bathroom Ceramics brands Selles and Porsgrund, in France and Norway respectively, as well as the solid surface brand Varicor and Koralle, the leading brand for shower enclosures, acrylic bathtubs and shower trays.

The bathroom ceramics market is largely consolidated and the three leading players typically have a combined total market share of over 50% in the respective national market.

ALLIA PARIS

IDO

Ifö

KERAMAG

colombo

Twyford

POZZI-GINORI

KOLO

Sphinx MAASTRICHT

KERAMAG DESIGN

VARICOR® Ideen leben.

PORSGRUND

Koralle

SELLES

Keramag Design
bathrooms out of the ordinary

Keramag Design supplies our most exclusive bathroom ceramics and fixtures. All of our products are the work of well known designers. Keramag Design targets consumers who want something out of the ordinary.

Keramag Design was launched by Sanitec Group in 2012 as the global brand with which we meet the highest requirements of the premium market segments. The brand represents excellent aesthetics, personality and quality, as well as timeless design that goes beyond short-lived fashion trends.

Our exclusive range has been developed to satisfy our most demanding consumers, who have a passion for beautiful design and value refined details. Keramag Design uses high-quality raw materials, consummate finesse and refined comfort.

Sales throughout Central Europe

Currently Keramag Design products are sold throughout Central Europe, meaning Germany, the Netherlands, Belgium, Austria and Switzerland, as well as in France and the United Kingdom. The rollout across Europe continues.

Keramag Design's most prestigious product series are:

- ”Citterio”, designed by Antonio Citterio: sinks, washbasins, toilets and wall-mounted toilets, bidets for walls and floors, bathroom fixtures, mirrors with lighting and mirrored cabinets with lighting.
- ”Xeno^2”, designed by Robin Platt, currently being launched: sinks, washbasins, Rimfree® wall-mounted toilets, wall-mounted bidets, bathroom cabinets, mirrors with lighting.

How we add value

As a quality conscious brand, a large amount of energy is invested in offering good information and service for our distributors and installers, architects and designers.

We arrange training courses and produce instruction films. For our distributors, we have specially designed sales and marketing material. We also help in the planning of new showrooms and displays. All our information is available at www.keramagdesign.com.

Key activities 2013 and 2014

At the ISH 2013 trade fair in Frankfurt, we launched three new leading products:

- ”Universal” pre-wall element; modern and elegant wall elements on which to attach wall-mounted toilets or bidets.
- ”Opale” geometric and generous shower trays with space to shower and dry.
- ”Mattis” freestanding bathtubs which are compatible with all of our bathroom ceramics and fixtures series.

During spring 2014, we will launch our new bathroom series ”Xeno^2” designed by Robin Platt.

Preserving enduring values

Keramag Design embodies values such as:

- Design for people
- Innovations make life easier
- Quality provides security
- Sustainability for a better world

Keramag
innovation and quality

Keramag is sustainability in every respect. We develop tomorrow's solutions already today and design long-lasting products. Our top-seller "Renova Nr. 1" is one of the world's most successful bathroom series.

Keramag represents innovation, quality and design that reaches far. For Keramag this also means taking consideration of the environment by offering eco-friendly solutions. We are also members of the German Sustainable Building Council.

Keramag's home markets are Germany, Austria and Switzerland. Our products can be found everywhere in homes and offices as well as in airports, hotels, sports arenas, theatres, industrial facilities, preschools and schools.

Keramag's top-selling product series are:

- "Renova No. 1": sinks and washbasins, floor and wall-mounted toilets and bidets, Rimfree® toilets, urinals, fixtures, mirrors with lighting, bathtubs and shower trays. "Renova" also comes in a version for small sanitary areas, such as guest toilets.
- "Icon": washbasins, floor and wall-mounted toilets, Rimfree® toilets, wall-mounted bidets, fixtures, mirrors with lighting, bathtubs and shower trays.

Information and service

Keramag commands a large amount of confidence from architects and construction companies, as well as from installers. We nurture this confidence by providing clear and up-to-date information and efficient service.

We do this by, for example, arranging training courses, workshops and study visits, helping to build showrooms and other exhibitions and producing product and installation films. Our website www.pro.keramag.com is also popular.

Key activities 2013 and 2014

During 2013, we launched several different product series, including "Renova No. 1 Comprimo" for smaller bathrooms, the complete bathroom range "it!", and "4Bambini". The latter is our new child-friendly bathroom series for preschools and schools, which was presented with the "Zentralverband Sanitär, Heizung, Klima - ZVSHK" product award in the "Bathroom Comfort for Generations" class.

We also conducted a successful marketing campaign for Sanitec's award-winning Rimfree® toilet.

During 2014 we will launch new versions of "Renova No. 1".

Steady flow of success

Keramag was established in 1903 and has been part of Sanitec since 1991. Keramag was the first bathroom ceramics manufacturer in Europe to be certified according to the international quality standard DIN EN ISO 9001.

1969	Keramag launches "Preciosa", a design classic
1987	6-litre flush system for toilets introduced
2001	Dirt-resistant "Keratect" glaze is launched
2003	"Centaurus" low-flush urinal is introduced and wins design award the following year
2012	Keramag launches the "Icon" Rimfree® toilet, which gains a lot of attention and is praised for its innovativeness, high quality, attractive design and functionality.

Sphinx
the bathroom in Benelux

In Belgium, the Netherlands and Luxembourg, Sphinx is synonymous with bathroom ceramics and fixtures – regardless of whether the preference is for a simple and functional bathroom or a slightly more expensive and harmonious one. For Sphinx "my bathroom is my domain".

Sphinx offers innovative energy and water-efficient products that can be reused and recycled in a smart manner.

The range comprises about ten different bathroom series. Some of Sphinx's main product series are:

- "Sphinx 300": basic range of washbasins, toilets and wall-mounted toilets, Rimfree® toilets, urinals, mixers and bathtubs.
- "Sphinx 345": a more varied and personal choice of washbasins, toilets, wall-mounted toilets and bidets, Rimfree® toilets, bathroom fixtures and mirrors and bathtubs.
- "Sphinx 420 New": toilets, wall-mounted toilets and bidets, Rimfree® toilets, bathroom fixtures and mirrors and bathtubs.

Added value for distributors and other partners

Sphinx has a rich range of services to help its professional partners to choose and offer the right products. We supply them with technical information via our website and technical manual, The Bathroom Book.

We also arrange regular workshops and training courses, help to design displays in stores and produce product and installation films for the launch of new products.

Key activities 2013 and 2014

During 2013, we launched a number of new product series, including "Sphinx 365", "Sphinx 320 xs", "Sphinx Systems" and the Rimfree® toilet.

We also developed a new programme to highlight our best distributors, the Sphinx Top Dealer Retail plan, which will be implemented in 2014.

In 2014, we will launch the bathroom series "Sphinx 335", "Sphinx 420 New", "Sphinx 280" and "Sphinx 310".

Sphinx has 180 years' experience

Sphinx has existed since 1834 and has been part of Sanitec since 1999.

2006 The famous fly in the urinal nominated for the Best Dutch Design Award. The urinal was designed in cooperation between royal Sphinx and Schiphol Airport and where the illustration of a fly the urinal helps users aim their beam better, resulting in reduced cleaning costs.

2009 Sphinx celebrates its 175th anniversary

2013 Sphinx wins the Batibouw Design award for the Rimfree® toilet

Twyford
bathrooms for life

Twyford is one of the leading bathroom ceramics brands in the United Kingdom and has been leading the way in bathroom innovation for over 160 years. Twyford supplies all sectors of the market in United Kingdom and Ireland, as well as former British commonwealth countries in Africa and the Middle East, and is proud to be the only bathroom brand worldwide to hold the Royal Warrant.

Twyford has a solid reputation as an innovator, defined most recently by intelligent installation solutions and water saving products such as low volume flushing toilets. In addition, Twyford was the first to launch Sanitec's innovative, ultra-hygienic Rimfree® toilet.

A name you can trust

Twyford's main product series are:

- "Refresh": Twyford's best seller, an extensive range of bathroom ceramics.
- "Galerie": another vast range of bathroom ceramics used across both commercial and domestic sectors.
- "Moda": a wide range of bathroom ceramics that features the first ever domestic version of the innovative Rimfree® toilet.
- "3D": a stylish range of bathroom ceramics and furniture.

The main target groups are wholesalers, installers, architects and property developers, as well as bathroom showrooms. At all stages Twyford is committed to maintaining the highest standards of specification and design.

Well-developed customer support

Innovative products, availability of product training, online services such as the SpecMaster specification tool, a fully trained sales and technical support service including on-site engineers; all of these things give Twyford customers the support they need.

Key activities 2013 and 2014

In 2013 the "All" product range was presented, which is an innovative range of bathtubs, washbasins and matching furniture designed for all of the family - with great looks and special features to make life easier and more comfortable.

The year 2014 will be significant for the Twyford brand with the launch of the "Energy" collection consisting of three bathroom ceramics and furniture ranges and two ranges of shower enclosures initially. The collection will be extended throughout the year for example with Rimfree® toilets.

History dates back to 1849

Twyford has more than 160 years' experience of bathroom products. The business really took off in 1883 when Thomas William Twyford invented "Unitas", the first freestanding toilet. Twyford has been part of the Sanitec Group since 2001.

1930 Twyford invents the double u-bend
1980 Twyford leads the way by introducing coloured products into the bathroom
1999 Twyford awarded the Royal Warrant
2001 Twyford presents an installation concept, Total Install, making life quicker and easier for installers
2007 Twyford launches the lowest ever flushing toilet, "Galerie flushwise", flushing on 4/2.6 litres

Ifö
classic and timeless quality

When you select an Ifö product, you know that you get high quality as well as timeless and classic Scandinavian design. Ifö is market leader in Sweden, Norway and Denmark, and has substantial market shares in the Baltic states and Russia.

For many, Ifö is synonymous with high quality. To us, it also signifies sustainable design and sustainable solutions. Our products are robust and can withstand the tough demands made on a bathroom.

Ifö, like other Sanitec brands, puts a lot of emphasis on new product development and wants to be first to launch new solutions in its markets – product innovations at the right price that attract a large target group. For example, Ifö was first in the world to sell low-flush toilets. We work constantly on improvements – big or small.

Ifö makes also an active effort to adapt its products to the environment and reduce its environmental impact. This is a must in order to be able to sell to Scandinavian consumers. Professionals such as planners and designers in the construction industry also appreciate the Ifö's environmental efforts.

Ifö's top-selling products

Some of our top-selling products are:

- ”Ifö Sign”: toilets, wall-mounted toilets, bidets, toilet seats, sensor flushing, washbasins.
- ”Ifö Sense”: flexible furniture series with upper, lower and high cabinets that can be combined in many different ways and compact cabinets for the small bathroom.
- ”Ifö Space”: shower cubicles, shower enclosures and bathtub shower enclosures.

Good support and easy to install

Our distributors, installers and architects appreciate that our products maintain their high quality, are easy to install and that we offer good technical support and a large range of spare parts. They also value the help and advice we give them through our exhibitions, catalogues, video films and three-dimensional planning library.

Favourable, long term relations with our partners are characteristic of Ifö, as for Sanitec as a whole. We conduct a continuous dialogue with them when developing new products.

Key activities 2013 and 2014

In 2013, ”Ifö Sense” was launched – our most flexible series of furniture ever. We also upgraded our exhibition and our trade fair package. In the Baltic states, we received the “Home of the Year Award” for best bathroom against competition from 200 other nominations.

During 2014, we will conduct a campaign for ”Ifö Sense” in line with Sanitec's strategy to grow in Ceramics Complementary Products. We will also launch ”Ifö Icon Rimfree®”, Sanitec's ultra-hygienic and award-winning toilet, and ”Speed Sanitec”, a more flexible and smart system of wall-mounted toilets.

At the forefront of the industry

Ifö's history dates from 1887. Ifö has been part of Sanitec already before 1990 when Sanitec was part of Wärtsilä.

1936	First Ifö products are manufactured
1996	Ifö introduces the water-saving 2/4 litre flush
2011	The ”Ifö Sign Art” toilet, designed by Knud Holscher, receives the coveted Red Dot award for outstanding design
2011	”Ifö Sign” and ”Ifö Sign Art” are first to apply ”Ifö Clean”, a new glazing technique for easier cleaning
2012	Ifö is first on the market with sensor double flush for floor-standing toilets

Ido
smart and inspiring

Ido offers aesthetic and smart solutions, which have an inspiring design and ease the everyday lives of consumers. Ido is the market leader in Finland and has a strong position in Sweden, Russia and the Baltic states.

The design of Ido's products, like other Sanitec brands, cares for the environment and the user, and meets the many shifting demands of the market. The products are smart, exciting, inspiring, flexible, functional and a hallmark of Nordic design. We want to contribute to sustainable development through both our products and our way of working.

Main products

Some of Ido's top-selling product series are:

- ”Ido Seven D”: toilets, washbasins, bathtubs and bathroom furniture that fit all kinds of Nordic bathrooms.
- ”Ido Showerama”: shower cubicles, shower corners, screens and niche showers that fit both large and small bathrooms.
- ”Ido Trend”: bathroom furniture for slightly larger bathrooms with clean Nordic lines and influences of Italian minimalism.

Favourable long term relations

Favourable, long-term relations with distributors, installers and architects are one of our greatest success factors and also so for Ido. Our partners appreciate the help and advice they receive from Ido's exhibitions, catalogues, video films and website.

Ido's three-dimensional planning library and the training material we provide, such as web-based e-learning, are particularly popular. Our partners also value the fact that our products maintain their high quality, are easy to install and that we offer effective technical support and a large range of spare parts. It is also important that we conduct a constant dialogue with our professional customers when developing new products.

Key activities 2013 and 2014

During 2013 we continued with the implementation of the Ido Smart concept, launched in 2012, by introducing YouTube videos presenting different smart solutions such as the ”Ido Smart Sensor Flush” and the ”Ido Smart Fresh WC”. We also had our showers safety-labelled by the renowned Norwegian certification body, Sintef.

Ido also launched the ”We Do”-retail concept in Sweden in line with Sanitec's Ceramics Complementary Products strategy. The concept involves training selected retailers to provide specialist advice and information for consumers visiting a showroom.

During 2014, we will launch a complete collection of our ”Showerama” showers and a whole new e-training tool for retail and installers of all our products.

140 years' experience

Ido is a Nordic company with 140 years' experience. The Arabia ceramics plant in Finland was founded in 1874 and its range was soon expanded to include toilets and washbasins. For several decades, the plant was the only Nordic producer of bathroom ceramics. Ido has been part of Sanitec already before 1990 when Sanitec was part of Wärtsilä.

1955 Ido first to offer dual-flush toilets

1996 ”Showerama” pentagonal shower cubicle 6-5 is launched and becomes a success due to innovations in installation and its pentagonal shape, which saves space in small Nordic bathrooms

2012 Ido Smart concept, for easier cleaning and better functionality, is launched

Allia
the natural choice for the installer

Allia and our innovative products have been well-known in France since 1974. But the brand's history stretches back more than a hundred years and our products have long been the natural choice of supplier to French installers.

Allia, like other Sanitec brands, attaches great importance to the installation business and its representatives as a target group. We have developed a large number of tools, primarily comprising technical information as support for the installers' day-to-day operations.

The ceramic shower tray, a principal product

In addition to bathroom ceramics, Allia's top-selling products are:

- Washbasins, urinals, mixers and other products for hospitals, offices and public premises.
- "Latitude": ceramic shower trays.

Allia is the market leader for shower trays in France and we continuously launch innovations in this area in terms of size, material thickness, colour and design. Allia also has a strong position for other products through our long experience, our know-how and our broad product offering.

On location in central Paris

A key success factor is our showroom in central Paris. This is home to a team of specialists, who welcome all those with an interest in well-conceived bathrooms of high quality, including consumers, installers and architects. In the exhibition, special attention is given to the importance of good design and the added value that a skilled designer brings to a product.

Key activities 2013 and 2014

In 2013, we presented a whole new generation of shower trays by the name of "Embruns" which boast extra flatness and are available in large sizes. "Embruns" made a strong contribution to Allia's success in the French market in the past year.

2014 will be an eventful year for Allia. A strong development is expected after the successful launch of the Rimfree® toilet in 2013 as four new models will expand the current offering. In addition, the new floor-standing toilet "Prima 6", with two patents pending, is introduced in this spring. During the whole year a full program of sales promotion has been planned for both these products.

Cooperation with recognised designers

Functional and attractive design comprise the core values of Allia's business. Accordingly, in cooperation with the Group, Allia has had long-standing partnerships with renowned designers such as André Courrèges, during the 1980s, and Matteo Thun, in the 1990s. Allia has been a member of the Sanitec Group since 1991.

1892 La Compagnie des Cornues et Produits Ceramique is formed in Lyon, laying the foundation for today's Allia
1921 The first bathroom ceramics products are delivered
1974 The Allia brand is born
2013 Allia presents a 3D configurator for professionals and end users to plan and conceptualise the ideal bathroom

Pozzi-Ginori
bearer of Italian culture

In Italy, Pozzi-Ginori and bathrooms are synonymous. Our products are trendsetters in the Italian bathroom market. Pozzi-Ginori's know-how in bathroom ceramics makes for satisfied customers.

Pozzi-Ginori's products are aimed at a broad target group, mainly in the intermediate to upper segments. Pozzi-Ginori's main market is Italy, but its products are also sold for example in Morocco, Greece, Serbia, Lebanon and China.

Design and sustainability

Well-conceived design, quality and sustainability are central to Pozzi-Ginori's product approach. An example of ecological sustainability is that we have reduced flushing to four litres in all new Pozzi-Ginori toilets.

Pozzi-Ginori's best-selling product series are:

- "Citterio": bathroom series with washbasins, toilets, bidets, fixtures and mirrors.
- "Easy.02": bathroom series with washbasins, toilets, bidets, fixtures and accessories.
- "500": bathroom series with washbasins, toilets, bidets, fixtures and accessories.

Our contact with the market occurs in various ways with respect to Pozzi-Ginori's broad target group. Key channels for the specialist market, including installers and contractors, comprise courses on different products, showroom exhibitions, catalogues and other printed material, as well as the Pozzi-Ginori website.

We also reach out to consumers through magazines. The successful sales argument is Pozzi-Ginori's large range of bathroom products in various designs and price classes, plus that we have solutions for all types of bathrooms and budgets.

Key activities 2013 and 2014

In 2013 we introduced the new Rimfree® toilet with the "Mago" series, the new European series "fast" and the "Arem" showertrays range. Several initiatives have been undertaken with our main customers across Italy to support the Rimfree® launch and linked to new series launches.

An intensive programme is foreseen for 2014 with other important product launches, such as "Metrica" and "Ydra 2".

Successful cooperation with Citterio

Pozzi-Ginori has a long tradition of design. Through the years, we have partnered with many internationally renowned designers: Gio Ponti, Guido Andlovitz, Giovanni Gariboldi, Antonia Campi, Susini e Picciani, Paolo Tilche, Studio Marco Piva, Matteo Thun, Makio Hasuike and Antonio Citterio. Pozzi-Ginori has been part of Sanitec since 1993.

1735 Marquis Carlo starts ceramics production

2000 Pozzi-Ginori launches the highly successful cooperation with the designer Antonio Citterio, which results in seven new bathroom series in eight years. The products have tangibly strengthened the Pozzi-Ginori brand and contributed to increased sales.

2010 Pozzi-Ginori is awarded for its long history by Confindustria, the main organisation representing Italian manufacturing and services companies, and for its water-saving efforts by the Italian Minister of Environment

Kolo
bathroom elegance for all

Kolo gives everyone the chance to create their own dream bathroom. With our broad product offering in a variety of price classes, even those on a limited budget and with a small amount of floor space can create a bathroom that exudes modernity, style and elegance.

Kolo's products are mainly sold in Poland, the Czech Republic, Slovakia, Ukraine and Romania, both in specialist stores and on the DIY market. Primary target groups are households but also hotels, offices and hospitals.

Design for all bathrooms

Kolo's best selling product series are:

- "Style": bathroom ceramics and fixtures, specially designed for small bathrooms.
- "Ego/Ovum": washbasins, toilets and fixtures designed by Antonio Citterio.
- "Idol": a limited edition ceramics series, our "door opener" in the market.
- "Technic" pre-wall elements: module systems for wall-mounted toilets and other bathroom ceramics.

Mobile showrooms

Kolo stands for innovation, design and sustainability. The brand and what it stands for are communicated to target groups through, for example, mobile showrooms (trucks), catalogues, architects' competitions and various events for architects and specialists.

Key activities 2013 and 2014

During 2013, several new products were launched: "Technic GT" (module for wall-mounted ceramics), "Traffic" (toilet for the same module), "Rekord" and "Modo" (built-in washbasins and baths) as well as the "Comfort Plus" bathtub series.

In addition, the traditional product catalogue was made more accessible online by the addition of a tablet version. The DIY market was also developed, for example, in cooperation with Hansgrohe. Kolo was also awarded the "Superbrands Prize" in 2013.

2014 will see several new product launches, including the "Nova" and "Nova Top" product series as well as new shower cubicles. The DIY offering will be further developed, as will the programme for distributors and the exhibition material used to highlight Kolo's products.

First Polish company with ISO certification

Kolo's first plant was opened in 1962 and in 2012, the company celebrated its 50th anniversary. Sanitec acquired the company in 1993.

2001 Kolo becomes the first Polish company in the bathroom industry to receive ISO certification.
2009 Kolo opens a showroom in Krakow
2011 Kolo brand identity is renewed
2013 The Kolo Promo Truck, a mobile product exhibition and information centre, tours across Europe, visiting 16 major cities, fairs and trade events

Colombo
listening to the customers' needs

Colombo offers bathroom solutions for Eastern Europe, mainly targeting the private domestic sector. Colombo's main markets are Ukraine, Belarus, Russia, Moldavia and Kazakhstan.

The generally positive but shifting economic development in Colombo's market areas requires keen perception of consumers' demands and wishes. One of the aspects to which this applies is price level and accordingly, Colombo's products are found in the broader market segment.

Main products

Colombo's most popular product series are:

- "Accent": a range of washbasins, toilets, bathtubs and bathroom furniture.
- "Lotus": a range of washbasins, toilets and bathroom furniture.
- "Fortuna": a series consisting of bathtubs.

Key activities 2013 and 2014

During 2013 Colombo launched a number of new products, such as "Vector" (a series of washbasins and toilets), "Polissia Plus" (toilet) and "Sniper" (urinal).

In 2014, we will continue to renew and strengthen the Colombo brand through new product launches and various information activities such as an updated brand identity and catalogues.

New technical platform

The Colombo brand was introduced in 2003 and has been part of the Sanitec Group since 2006.

2011 Colombo awarded the "Option year" prize
2012 The Colombo product offering is expanded with new products
2013 Colombo launches a new website, www.colombo.ua.

Over hundred years of innovation

55

new market introductions were rolled out in 2013.

Our brands and products stand for high level of innovation, attractive design and top quality. We believe in meeting our consumers' needs by creating total bathroom concepts that combine ceramics as the centrepiece of the bathroom, with natural complementary products such as furniture, mirrors, bathtubs and showers. Our pre-wall systems are specially developed to match the concealed cistern and flushing technology of our wall-hung toilets. This gives an important performance advantage for both installers and end-users. We make it our priority to ensure that individual products integrate perfectly with each other in terms of functionality and design to provide a contemporary and coherent solution.

" In 2013 we launched three complete new series and rolled out 55 new market introductions. These included seven new innovative features. Last year, our products and brands received five awards and recognitions for innovation and design, in addition to awards for supplier service.

Impact by universal trends

We take pride in being at the innovative edge of bathroom design. From the invention of the first all ceramics, free standing, pedestal closet, "Unitas", by Thomas W. Twyford in 1883 and the water-saving dual flushing technology, to dirt-repelling "Keratect" ceramics glaze and the recent ultra-hygienic Rimfree® toilet. Sanitec brands and products have played a key role in the development of the bathroom into what we know it today.

Universal trends that have strong impact on today's bathroom space are very much connected with three major topics: nature and the environment, eco-friendliness, natural materials, surfaces and shapes; customisation and adaptability of products to meet customers' own needs and requirements; comfort and cosiness making the bathroom a place to enjoy and relax in. All with the added benefit of hygienic and easy to clean surfaces. These are the guidelines for us when prioritising our work in innovation and design.

Innovation through market insight

Being close to consumers and having long-standing, stable relationships with them through our centralised organisation, gives us the competitive advantage of having an insight into their market needs. Professional market research – in the form of market mapping, focus groups and contextual enquiries – as well as close cooperation with customers and installers, are instrumental in our new product development process. We consider this interaction a critical success factor for new market introductions. It gives us in-depth understanding of the relevant market requirements, underlying market trends and the opportunity to ensure that our new product concepts match them perfectly.

Innovation is, in our minds, one of the key elements for maintaining and further strengthening our leadership position in the industry. We think of innovation in four primary areas: comfort and design, hygiene and easy clean, installation friendly and environmentally friendly. Our aim is to elaborate real sustainable product concepts which enable end users to experience implicit and relevant comfort and hygiene.

Comprehensive bathroom concept design

To ensure we are continuously at the top of our game, our Design and Innovation team work closely together and when appropriate, with renowned external designers. We maintain an ongoing analysis of current market trends through attendance at all relevant fairs and the production of regular fair and trend reports – ensuring our products are always relevant and on-trend. These trends can clearly be seen for example, in the product offering in our Keramag Design brand. We are increasingly focusing on comprehensive bathroom concepts instead of "just" products. Our inspiration is to make life easier for consumers and installers; especially in the mid-premium segments and the project business, it is increasingly important that individual products form appropriate, versatile and well thought-through ensembles. Our two product areas, Bathroom Ceramics and Ceramics Complementary Products, form a continuous loop where one always leads to and supports the other.

In line with the "One Sanitec" philosophy, we have a strong central organisation for Product Management & Design where sharing ideas, knowledge and resources benefit Sanitec as a whole. Whilst we are able to make larger, focused investments, streamline our internal processes for increased efficiency and minimised complexity, our customers and consumers experience a substantially enhanced local product offering.

Dedicated teams for Technical Product Development as well as a global and local Product Management ensure competitiveness and expertise for creating extraordinary designs and innovative functionalities, with the relevant local adaptations. At the same time, the requirements put on the product and its design across the value chain, from production to point of sales, are taken into consideration.

We have a strong central Product Management & Design team where around 200 people (FTE's) work with over a hundred projects per year.

9.6

EUR million was our investment in R&D in 2013.

Four areas of innovation

Comfort and design

The "Comfort" bathtub

The design of the "Comfort" bathtub is strongly focused on functionality that meets the highest standards of a family bath. A wider edge at one side of the tub makes it easier going in and coming out; you might well choose to have a steady sit before stepping in. The ingoing side along the floor line allows for example, parents bathing their children to come closer without having to lean in awkward positions. The separate seat can be used as support or as a tray. Versatile and comfortable!

Hygiene and easy clean

The "Opale" shower tray

This elegantly slim, low profile shower tray is made of anti-bacterial Varicor® solid surface material. The technology of the patented built-in siphon and its fully integrated cover ensures easy access for maintenance and cleaning, at the same time as it provides exceptional water evacuation performance at class-leading low installation heights. Available in eight different sizes, "Opale" is truly adaptable for all bathroom needs.

Installation friendly

"Universal" pre-wall flushing system

The "Universal" pre-wall flushing element is another recently launched success story where elegant design, advanced flushing technology and ease of installation are combined to produce a fully compatible solution.

Environmentally friendly

Low and dual flushing

We seek to reduce water consumption dramatically, with no compromise in style and design. Ifö was the first brand in the world to devise a low-flush toilet, something that is today already an established standard all over the world. Since then we have also developed our 4 and 2.6 litre dual flush technology, which uses up to 60% less water than a standard toilet.

Flexible production network and efficient operations

The "One Sanitec" concept brings concrete benefits of scale when it comes to operations; not only in the efficiency and flexibility of the manufacturing itself, but also in relation to internal processes.

Ceramics – essentially earth and clay – is a material that has been around ever since ancient times. Although other materials regularly find their way in to the bathroom space of today, it continues to be an integral part of it. As a material ceramics is perfect to create products with diverse functionality and design, destined for the bathroom. At the same time, manufacturing these products - either in the traditional, more labour-intensive way or in the modern, highly automated way - can be quite impressive for the unaccustomed eye. Be it for the amount of manual craftsmanship required when creating complex ceramics pieces, or for the delicate moves of a sophisticated robot in action, or because of the pure size and scale of the facilities and kilns required for the process.

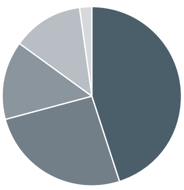
Ceramics manufacturing is a seemingly simple yet ultimately complex process that requires unique skills. Over the hundreds of years of history across Sanitec, we have gained solid manufacturing know-how that enables us to be at the forefront in innovation, design and quality of bathroom products.

Flexible and efficient manufacturing

We are open-minded, eager to share ideas and to achieve best practice. At Sanitec we have created an integrated production network for Bathroom Ceramics which enables us to share know-how internally as well as serve all aspects of our markets. In line with the "One Sanitec" philosophy, our production network gives us a flexible and highly efficient basis to adjust our offering to the needs and trends in our markets. The network is balanced between low-cost facilities with focus on volume products, high-complexity facilities with focus on products with advanced technological or design features and highly automated facilities that meet the needs of specific markets.

Recently we have reinforced our network by upgrading our production facilities in order to master the product complexity that comes with new product development. This means for example, investment in new casting lines and kilns as well as increased capacity for certain high demand products, such as the Rimfree® toilet.

Share of full time employees per region 2013



East Europe	45%
Central Europe	26%
South Europe	14%
North Europe	13%
United Kingdom and Ireland	2%
Rest of the World	<0%

Producing bathroom ceramics

In essence, the manufacturing process for bathroom ceramics consists of three main steps: casting, glazing and firing.

The raw material, or slip, is first prepared from a mixture of ball clay, water, kaolin, quartz, feldspar, zircon and other inorganic ingredients. It is a recipe that takes a lot of experience and know-how to master. The slip is injected, either manually into a gypsum mould, known as bench casting, or automatically at high pressure into a plastic mould, known as high pressure casting, which shapes the slip into a ceramic piece.

After drying and clay inspection, the ceramic piece is glazed either by spraying or dipping, which can be done both manually and automatically.

Firing is the final step and involves passing the ceramic piece through a tunnel kiln. As a result you have a ceramics piece that can last forever.

When it comes to non-ceramic items, i.e. Ceramics Complementary Products, the manufacturing process is largely focused on assembly. We have a selective portfolio of non-ceramic production facilities and a high share of our Ceramics Complementary Products is sourced externally, both as finished goods as well as components.

Efficient internal processes

The "One Sanitec" concept brings concrete benefits of scale when it comes to operations; not only in the efficiency and flexibility of the manufacturing itself, but also in relation to internal processes. In Global Purchasing optimising specifications and creating group-wide standards has enabled a more resourceful spend by concentrating volumes and managing demand. Recently we have increasingly focused on improving our internal planning within Supply Chain Management with the purpose of improving inventory levels of components and finished goods, as well as service level when it comes to delivery "on time/in full". The group-wide Sanitec Production System (SPS), on the other hand, helps implement continuous improvements in performance and quality through standardised and optimised processes.

> "Did you know that the histories of some of the Sanitec brands and companies intertwined already before being part of the Sanitec Group? It was for example, the British Thomas W. Twyford who was among the founders of the Wesel factory, at the time a Keramag plant.

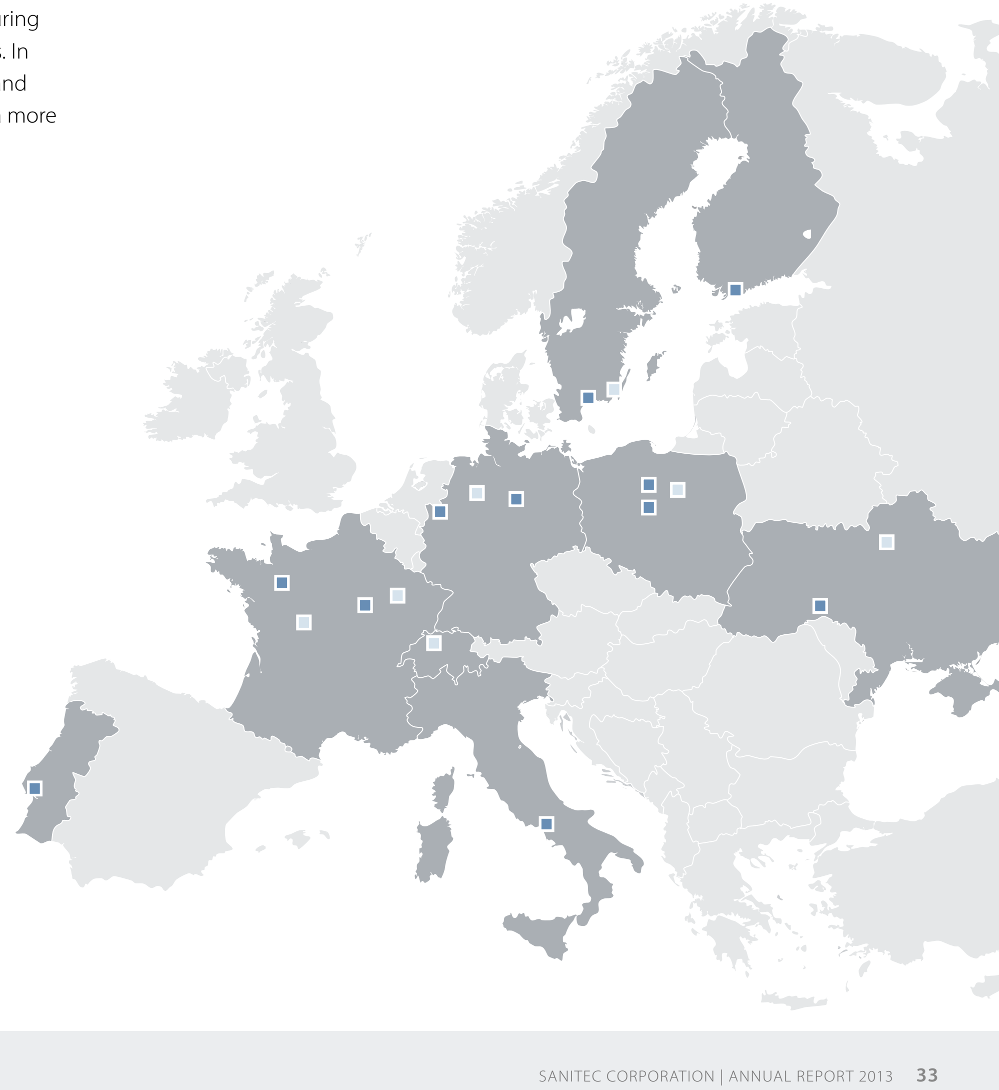
Sanitec operates 18 production facilities in Europe

■ Bathroom Ceramics (11)

Finland	Tammisaari/Ekenäs
France	Digoin
	La Villeneuve au Chêne
Germany	Haldensleben
	Wesel
Italy	Gaeta
Poland	Kolo
	Wloclawek
Portugal	Carregado
Sweden	Bromölla
Ukraine	Slavuta

■ Other (7)

France	Limoges (Kaliceram)
	Wishes (Varicor)
Germany	Vlotho (Koralle)
Poland	Ozorków
Sweden	Mörrum (Contura Steel)
Switzerland	Dagmersellen (Koralle)
Ukraine	Dymer



Creating and delivering on "One Sanitec"

Sanitec is home of the bathroom. Influenced and driven by its employees, it is employees who will create and deliver "One Sanitec". With a clear vision and strong values it is an organisation built on firm foundations.

Since the early 1990s Sanitec has expanded its presence in Europe and through acquisition has created a diverse mix of cultures, experience and knowledge. Harnessing that power creates a formidable force in delivering our vision to be the leading European bathroom ceramics specialist and the customer's first choice.

Influenced and driven by its employees, it is employees who will create and deliver "One Sanitec", working together across functions and regions, breaking down the barriers of background and culture and sharing their knowledge, experience and expertise in pursuit of a common goal.

A major change programme in the last few years has seen the emergence of Sanitec pride both in what we do and how we do it. Projects and initiatives designed to deliver a faster, simpler and better result abound across the organisation, driven by teams whose knowledge, skills and experience may vary but when brought together deliver a stronger result.

Working with our employees

Committed to establishing a performance driven culture, where high performance is recognised, developed and rewarded, Sanitec encourages and values innovation, working together, sharing knowledge and creativity, in an environment where all employees are treated as equal and where safeguarding the health and safety of our personnel is of primary importance.

Performance management is about focusing on people and how they are managed. It is about how individuals and teams work together and support each other in Sanitec to achieve shared aims and improve business performance. The development of a common performance review tool has enabled a standard procedure for performance evaluation. This enables Sanitec "talent" to be easily identified, nurtured and developed.

Embracing the "One Sanitec" concept the Human Resources (HR) team has actively pursued the unification of policies and procedures as well as fair and transparent recognition and reward systems, creating consistency across the organisation. Supporting this, a new, group-wide HR Competence Centre was created in 2013.

People make change

Spanning 18 European sites alongside a head office in Finland and other commercial locations, Sanitec is a far reaching organisation that embraces a diverse mix of nationalities and cultures, from amongst others, Austria, Belgium, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Portugal, Russia, Switzerland, Sweden, Ukraine and United Kingdom.

Building Sanitec - Home of the Bathroom

Sanitec has a truly unique history with deep roots in the European bathroom business that go long back to the 18th century. Unlike anyone else in the industry, ours is a strong portfolio of numerous leading local brands that in the majority of cases have over hundreds of years of presence in the markets.

Sanitec Group is the combined result of organic growth and a series of strategic acquisitions of strong, well-known brands with long histories in their local markets. Ever since the first steps towards a modern bathroom were taken, we at Sanitec have, through our local brands been at the forefront shaping this private space. Today we use the strength we have as a Group to maintain and further strengthen our leadership position.

Key milestones

1990 The Finnish Wärtsilä Corporation merged its bathroom operations (Ido, Ifö and Porsgrund) to form Sanitec

1991 Acquisition of Allia in France

Acquisition of Keramag in Germany

1993 Acquisition of Pozzi-Ginori in Italy

Acquisition of Kolo in Poland

Acquisition of FAS in France

1995 Acquisition of Varicor in France

Acquisition of Laminex in Poland

1997 Acquisition of 50% in joint venture Lecico in Egypt

1998 Acquisition of Domino in Italy

1999 Acquisition of Sphinx in the Netherlands

Acquisition of Sanitec Johnson Suisse in Malaysia

Sanitec's shares are listed on the Helsinki Stock Exchange

Michal Sych, SVP Global Sourcing

”One Sanitec” means working together across boundaries and across functions to deliver sustained improvement. The “One Sanitec” approach is evident in our purchasing organisation; we have a new common purchasing process for the whole Group, we have data visibility and transparency and we are working more cross-functionally than we did before. Across the business we are sharing knowledge more widely and are more open-minded to change. Nowadays there is a real desire to implement best practices, wherever they are coming from, to improve our competitiveness. That can only be healthy for Sanitec as a whole and makes me very optimistic about the future.

Stefan Paczos, Showers and Acrylic Plants Director

Continuous improvement is the principle for showers manufacturing at Ozorków plant. At the heart of the changes are the people; fully engaged, open to change, flexible, adaptive and delivering valuable ideas, the ambitious plans for the plant have a good basis for execution.

Patrice Mazars, Global Launch Director

Sanitec’s group wide Media Library for digital assets such as images, presentations, technical drawings and videos continues to evolve. I am absolutely convinced this tool is a positive answer to the common need for sharing communications materials. Now we should let teams use it, discover all its functionality and its potential to make life easier! It is a very positive development and a great example of how we share best practice when teams are working together.

Pauline van Gulik, Trade Marketing Manager Central Europe

Over the last 12-18 months there has been a big change in how we work together. Previously there was no real platform to find out what was happening in other regions. It was possible we were inventing the same solutions for the same problems without realising! Now we share local market needs at a group level and we know what is happening within the regions, which makes it easier to see synergies and to learn from best practices.

Paula Hall, Manager Information Management (IM) Services

Over the last couple of years, Sanitec IM has been a truly international function. Whilst our team members are based throughout the Sanitec family we all belong to and work for Sanitec IM; ”One IM”’as part of ”One Sanitec”. Since then our focus has been on introducing common systems and solutions which benefit the whole organisation as well as adopting common processes internally within IM.

Huub Frissen, Business Controller

I have worked in this company for over 30 years and have seen lots of changes. When looking at Sanitec compared to 1-2 years ago I see a more centrally organised company where teams with members from across the Group are working together on projects rather than every local business unit working on a stand-alone basis.

2001 Acquisition of Twyford in the UK

BC Partners acquires Sanitec

2004 Divestment of Evac Environmental Solutions

2005 EQT acquires Sanitec

2006 Acquisition of 51% in Slavuta in Ukraine (Colombo)

2007 Acquisition of 60% in joint venture NSF in Russia (Della)

2008 Divestment of Sanitec Johnson Suisse

Divestment of joint venture Lecico

2010 Divestment of Domino

Divestment of joint venture NSF

2011 Acquisition of minority shareholding 49% in Slavuta in Ukraine

2012 Divestment of Leda

2013 Sanitec’s shares are listed on NASDAQ OMX Stockholm

Sustainable operation for Sanitec's stakeholders

It is our goal to act as a responsible corporate citizen and encourage positive impact through sustainable operations and financial performance.

A Compliance Committee was established in 2010 with the responsibility for compliance matters and general policies of the Group, including a Code of Conduct to be followed by all employees in their everyday roles and functions.

Sanitec Group has in place a Corporate Responsibility & Code of Conduct policy to which senior management, with assistance of the Compliance Committee commits to and reviews annually.

The purpose of this policy is to state our priorities in regards to corporate responsibility and code of conduct and the standards of behaviour required from all employees. This policy defines our responsibilities towards the community, our business partners, customers, the environment and our co-workers.

Performance

We strive to set the industry benchmark in terms of performance and pursue adding value to customers and consumers, as well as to Sanitec's shareholders. We believe that key to success is a performance driven and motivated personnel, in addition to solid relationships with Sanitec's suppliers and business partners.

Sanitec applies principles of good corporate governance and transparent financial reporting. The Top Management Team with support from Group Finance monitors and reports on financial performance on at least a monthly basis in the form of business and functional reviews.

Employees

Sanitec is committed to establishing a performance driven culture, where high performance is recognised, utilised, developed and rewarded. All employees shall be treated as equal and we commit to equal opportunity in all fields of employment. We are also dedicated to safeguard the health and safety of Sanitec's personnel at work. Sanitec Human Resources is responsible for monitoring, evaluating and adapting policies and strategies related to Sanitec's personnel.

As of 31 December 2013, Sanitec had 6,211 employees in 18 countries, of which almost 50% were located in Eastern Europe (Ukraine, Poland and Russia). More than 70% of all employees are employed at Sanitec's production facilities.

European Works Council

Generally, all units that are engaged in production, as well as a few additional entities, have entered into and comply with applicable collective bargaining agreements. Sanitec takes a pride in nurturing close and trustful relations with employees and their unions. Union relations are primarily handled at the local level. In addition, Sanitec set up its European Works Council (EWC) in 1996. The EWC keeps an open dialogue with the management based on a written agreement and yearly meetings. The contract is regularly updated according to European legislation and topics of the meetings are business related affairs as well as social issues.

In 2013, the EWC held its annual two-day meeting in May as well as two EWC Select Committee meetings.

Environment

Sanitec is committed to operating all its business activities in an environmentally responsible manner with due care to our neighbours, employees, customers and the communities in which we operate. Environmental protection and management is therefore an integral part of our activities.

Our environmental policy objectives are:

- Be an environmentally responsible neighbour in the communities where we operate. Communicate openly with our employees, customers and neighbours about our operations and products and their impact on the environment.
- Meet all legal and regulatory requirements and act promptly and responsibly to correct incidents or conditions that endanger the environment.
- Conserve natural resources by actively promoting the recycling of process materials, waste streams, and packaging materials, and purchasing recycled materials.
- Reduce carbon emissions by ensuring the efficient use of energy throughout the company and by encouraging suppliers of raw materials, services and products to minimise their carbon emissions.
- Develop, manufacture and market products that are efficient in their use of energy and water, protective of the environment, and that can be reused, recycled or disposed of safely.
- Integrate environmental protection into all our activities by striving to implement and maintain environmental management systems compatible with the International Standard ISO 14001 in our core businesses.
- Strive to continuously improve our performance by setting and delivering rigorous environmental improvement targets and objectives across all our business activities.
- Regularly audit our processes and monitor our performance to ensure high environmental standards are consistently maintained across our businesses.

Sanitec Group companies are devoted to take the environment into consideration in all our activities according to the principle of sustainable development.

Community

Our brands and companies have strong roots and are well established in their respective local communities. When it comes to charity, education or community relations in general our support is mainly of a local character. Sanitec does not support or donate to political organisations on any level, regional, national or international.

Ethics and corporate values

The Corporate Responsibility & Code of Conduct policy sets out the fundamental standards and principles to be followed by our employees, with the purpose of enhancing and fostering the best ethics and business practices throughout our organisation. These are strongly based on our Group core values: customer first, working together as well as meet and exceed expectations.

"Efficient use of energy and water is important for us at Sanitec. Did you know that Sanitec was first in the world to offer both low and dual flush toilets with our Ifö and Ido brands?

Corporate governance

General

Sanitec Corporation is the parent company of Sanitec Group of companies, a European leading bathroom ceramics manufacturer.

The duties of the various governing bodies within Sanitec are determined by the laws of Finland, the company's Articles of Association and Governance Guidelines complying with the Finnish Companies Act and the Finnish Securities Market Act. The rules and recommendations of the NASDAQ OMX Helsinki and Stockholm stock exchanges are also followed, where applicable.

Additionally, as from 10 December 2013 Sanitec applies the Swedish Corporate Governance Code as applicable to Sanitec as a foreign company listed in Stockholm.

Shares and share capital

Sanitec Corporation's paid and registered share capital on 31 December 2013 was EUR 2.8 million and the number of issued and registered shares totaled 100,000,000. The company has one series of shares. Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.03.

All 100,000,000 shares in Sanitec are listed on NASDAQ OMX Stockholm with an identification code (ticker) "SNTC" since 10 December 2013.

Shareholders' meeting

Pursuant to the Finnish Companies Act, the responsibility for our control and management is divided between the general meeting of shareholders, the Board of Directors and the President & CEO. The Board and the President & CEO are responsible for the management of the Company, assisted by other governance bodies reporting to the Board and the President & CEO. The shareholders exercise their ownership rights through the shareholders' meetings. The general meeting of shareholders shall be convened and held when necessary but at least once a year to review and decide the matters pursuant to the Finnish Companies Act and the company's Articles of Association.

Sanitec's Annual General Meeting (AGM) was held on 4 April 2013 in Helsinki, Finland. At the date of the AGM, the company had one shareholder and accordingly all shares were represented at the meeting. In addition to the AGM, seven additional resolutions of the sole shareholder of the company were adopted in 2013.

Board of Directors

The Board has general authority in all matters where neither law nor the company's Articles of Association stipulate that a matter should be decided or performed by any other corporate organisation. The Board is responsible for the company's administration and the appropriate organisation of the company's operations and supervision of control of the company's accounts and finances.

Board committees

The Board has established two permanent committees, namely Audit Committee and Remuneration Committee, from amongst its members, to support its work and prepare decisions to be taken by the Board. The committees have no independent decision-making power. Each committee's chairman and members are appointed by the Board annually. The committees report on their work to the entire Board of Directors on a regular basis.

No nomination committee was established for Sanitec in 2013, because the listing of the company's shares took place on 10 December 2013. The Board will approach major shareholders before AGM 2014 to prepare a proposal of future members of the Board (including Chairman) and composition of nomination committee or a proposal how the members of the nomination committee should be appointed. The proposal shall be presented to the shareholders of the company as part of the notice to the AGM and the members of the Board and nomination committee shall be elected by the AGM.

Sanitec's Annual General Meeting 2014 will be held in Stockholm on 13 May 2014.

Remuneration of the Board of Directors

The remuneration payable to the Board of Directors for their services is determined and approved by the Annual General Meeting of shareholders. Pursuant to the decision of the Annual General Meeting of shareholders held on 4 April 2013, the Chairman of the Board receives annual remuneration of EUR 50,000 and Board members EUR 25,000 with the exception that members employed by EQT are not entitled to remuneration. The aggregate remuneration for the Board of Directors of Sanitec Corporation for 2013 amounted to EUR 129,167.

President & CEO

The President & CEO is elected by the Board and has the primary responsibility for the company's industrial and commercial operations. The President & CEO shall be in charge of the day-to-day management of operations of the company and shall be responsible for and carry out all necessary tasks and activities and make all respective decisions related thereto, except where such measures are unusual or extensive in view of the scope and nature of the activities of the company and as such generally require authorisation by the Board. It is the duty of the CEO to ensure that the company's accounting principles comply with the law and that financial matters are arranged in a reliable manner.

The President & CEO appoints the members and leads the work of the top management team of Sanitec Corporation.

Auditor

The AGM annually elects one auditor for Sanitec. The auditor shall be an authorised public accounting firm, which appoints the auditor in charge.

At the 2013 Annual General Meeting KPMG Oy Ab with Authorised Public Accountant Virpi Halonen as the auditor in charge, was re-elected as auditor for a term of office expiring at the end of the Annual General Meeting in 2014.

In 2013 the Board of Directors convened 15 times and had the following members during the year:

Name	Position with the Board of Directors	Term 2013	Independent of the company and its management	Independent of the major shareholders[1]	Member of Audit Committee	Member of Remuneration Committee	Number of meetings participated
Fredrik Cappelen	Member and Chairman	1.1.-31.12.	Yes	No	No	Yes, chairman	14
Adrian Barden	Member	1.1.-31.12.	Yes	Yes	Yes	No	15
Johan Bygge	Member	27.9.-31.12.	Yes	No	Yes, chairman	No	7
Caspar Callerström	Member	1.1.-31.12.	Yes	No	No	Yes	15
Margareta Lehmann	Member	29.10.-31.12.	Yes	Yes	No	No	4
Pekka Lettijeff	Member	1.1.-31.12.	Yes	Yes	Yes	No	15
Ulf Mattsson	Member	1.1.-31.12.	Yes	No	No	Yes	15

[1] Independence is evaluated in accordance with the Swedish Corporate Governance Code, according to which a major shareholder is a shareholder who directly or indirectly controls at least 10% of the shares or votes in the company.

Share ownership

Board of Directors, share ownership in Sanitec	31 December 2013	31 December 2012
Fredrik Cappelen (Chairman)[1]	50,820	–
Adrian Barden	18,033	–
Caspar Callerström	–	–
Pekka Lettijeff	13,115	–
Ulf Mattsson [1]	32,787	–
Johan Bygge	8,197	–
Margareta Lehmann	–	–
Total	**122,952**	**–**

Top Management Team, share ownership in Sanitec	31 December 2013	31 December 2012
Peter Nilsson [1]	163,934	-
Krister Boëthius	10,000	-
Miguel Definti	-	-
Gun Nilsson	49,180	-
Anders Spetz	1,000	-
Magnus Terrvik [1]	98,360	-
Harald Treml	-	-
Total	**322,474**	**-**

[1] Shares held via a related party and / or endowment insurance

Additionally, the following members of the Board and the management of the Group are indirect shareholders of Sanitec via their participation in Sofia LP, an English limited partnership that in turn is an indirect shareholder of Sofia IV S.a r.l. holding 40% of shares in Sanitec Corporation as at 31 December 2013 (i.e. Sofia LP Investors): Fredrik Cappelen, Adrian Barden, Johan Bygge, Pekka Lettijeff, Ulf Mattsson, Peter Nilsson, Miguel Definti, Gun Nilsson, Anders Spetz, Magnus Terrvik, Harald Treml and Krister Boëthius.

The total indirect participation of Sofia LP Investors in Sanitec Corporation equals to 0.44% ownership in Sanitec Corporation as at 31 December 2013.

For further information regarding the corporate governance of Sanitec, reference is made to the Corporate Governance Report 2013 available at www.sanitec.com under the ”Investors” section.

Board of Directors and auditors

Sanitec's Board of Directors (left to right): Pekka Lettijeff, Fredrik Cappelen, Adrian Barden, Margareta Lehmann, Caspar Callerström, Johan Bygge and Ulf Mattson.

Members of the Board of Directors for Sanitec Corporation are as follows:

Fredrik Cappelen

Born 1957
Chairman of the Board since 2010
Other main assignments: Chairman of the Board; Byggmax Group AB, Dustin AB, Dometic Group AB, Eterna Invest AB and Terveystalo Oy. Board member; Securitas AB and Munksjö Oyj.
Professional experience: President and Group Chief Executive of Nobia, Marketing Director of Stora Finepaper, President of Kaukomarkkinat International Sweden and Norway, and Managing Director of Kaukomarkkinat GmbH, Germany.
Education: Business Administration
Shareholding: 50,820 shares
Independent of the company and its management.

Adrian Barden

Born 1954
Member of the Board since 2008
Other main assignments: Managing Director at Blue Burgee Ltd. Board member; Volution Holdings Ltd.
Professional experience: CEO Wolseley UK, Chief Business Development Officer Wolseley PLC, Consultant/Advisor Construction Industry.
Education: Business and General Management
Shareholding: 18,033 shares
Independent of the company, its management and major shareholders.

Caspar Callerström

Born 1973
Member of the Board since 2009
Other main assignments: Board member; Scandic Hotels AB and Kramerica Industries AB. Partner of EQT Equity Stockholm at EQT Partners AB.
Education: Financial Economics, International Business
Shareholding: 0 shares
Independent of the company and its management.

Johan Bygge

Born 1956
Member of the Board since 2013
Other main assignments: Chief Operating Officer, EQT Holdings AB. Chairman of the Board; Novare Human Capital AB and Samsari Act Group AB. Member of the Board; Anticimex International AB and Getinge AB.
Professional experience: Chief Financial Officer and member of the Management Group within Investor AB, CEO Electrolux Major Appliance Europe and Asia Pacific, various other positions within Electrolux and Ericsson.
Education: Economics and Business Administration
Shareholding: 8,197 shares
Independent of the company and its management.

Margareta Lehmann

Born 1958
Member of the Board since 2013
Other main assignments: President for SCA Incontinence Care Europe since 2012. Board member; SCA Hygiene Products AB. Member of the supervisory board; UCM BV.
Professional experience: Positions in different areas within SCA and Mölnlycke.
Education: Economics and Business Management
Shareholding: 0 shares
Independent of the company, its management and major shareholders.

Pekka Lettijeff

Born 1961
Member of the Board since 2011
Other main assignments: Chairman of the Board; Lettijeff Consulting AB.
Professional experience: Chief Supply Chain Officer Konecranes Plc, Head of Global Purchasing Nokia Siemens Networks, VP Supply Network Management and VP Sourcing Nokia Networks, VP Global Supply and Purchasing Astra Zeneca.
Education: Business Administration
Shareholding: 13,115 shares
Independent of the company, its management and major shareholders.

Ulf Mattsson

Born 1964
Member of the Board since 2009
Other main assignments: Chairman of the Board; AcadeMedia AB, Mackmyra Svensk Whisky AB, Itslearning AS and Crem International Holding AB. Board member; Bactiguard Holding AB and AddTech AB.
Professional experience: CEO Gambro AB, President and CEO of Capio AB (publ.), CEO of Mölnlycke Health Care AB, President and CEO of Domco Tarkett Inc (publ.)
Education: Business Administration
Shareholdings: 32,787 shares
Independent of the company and its management.

Auditor

Virpi Halonen
Partner, Authorised Public Accountant
KPMG Audit, Helsinki, Finland

Top Management Team

Peter Nilsson

Anders Spetz

Gun Nilsson

Harald Treml

Krister Boëthius

Magnus Terrvik

Miguel Definti

Liselotte Bergmark joins Sanitec's Top Management Team as of September 2014.

Members of Sanitec's Top Management Team are as follows:

Peter Nilsson

Born 1962
President and CEO since 2010
Employed since 2010, Chairman of the Sanitec Board of Directors from September 2008 until March 2010.

Education: Business Administration and Economics
Professional experience: CEO at Duni AB, Senior Vice President Group Business Development at Swedish Match Group.
Shareholding: 163,934 shares

Anders Spetz

Born 1969
Executive Vice President and Chief Commercial Officer (CCO) since 2013
Employed since 2013

Education: Master of Science in Chemical Engineering with Industrial Economy
Professional experience: Managing Director and Chairman of group companies within the Trioplast group.
Shareholding: 1,000 shares

Gun Nilsson

Born 1955
Executive Vice President and Chief Financial Officer (CFO) since 2010
Employed since 2010

Education: Master of Science, Business Administration and Economics
Professional experience: CFO at Nobia AB, CFO at Duni AB and CEO Gambro Holding AB.
Shareholding: 49,180 shares

Harald Treml

Born 1962
Executive Vice President and Chief Operating Officer (COO) since 2010
Employed since 2008, previous positions include Senior Vice President Supply Chain & Logistics.

Education: Degree in Business Informatics
Professional experience: Vice President Logistics Europe at Electrolux.
Shareholding: 0 shares

Krister Boëthius

Born 1977
Corporate Vice President, Global Business Development & Change Management since 2013
Employed since 2010

Education: Master of Science, Industrial Engineering and Management, Bachelor in Economics
Professional experience: Engagement Manager at McKinsey & Company.
Shareholding: 10,000 shares

Magnus Terrvik

Born 1964
Executive Vice President, Global Business Development & Change Management since 2010
Employed since 2010

Education: Master of Science, Industrial Engineering and Management
Professional experience: Partner at McKinsey & Company.
Shareholding: 98,360 shares

Miguel Definti

Born 1974
Executive Vice President and Product Management & Design since 2012
Employed since 2012

Education: Degree in Business Administration, Engineer in Building Services, technical education in Plumbing & Installation
Professional experience: Head of Product Management at Georg Fischer Building Technology
Shareholding: 0 shares

Liselotte Bergmark
(as of September 2014)

Born 1966
Executive Vice President, Human Resources

Education: Master of Science in Human Resources
Professional experience: Vice President Talent & Leadership Development, Group HR at TeliaSonera AB, Vice President Management & Organisational Development at SCA Group, HR Director at DHL Sweden.
Shareholding: 0 shares

Review of the Board of Directors

2013 IN BRIEF

Net sales for 2013 amounted to EUR 701.8 million (752.8). The decline was mainly related to lower volumes due to continued challenging economic environment in key markets resulting in moderate development of new construction, renovation and rebuilding. The lower volumes were offset by better product and country mix as well as increased average sales prices, especially for Bathroom Ceramics. Net sales decreased also due to the disposal of Sanitec's former shower business in France in October 2012. Comparable net sales for the year were 3.9% lower than prior year – calculated in comparable structure and constant currency, i.e. organic change.

Operating profit amounted to EUR 67.9 million (73.0). Operating profit for 2013 adjusted for items affecting comparability amounted to EUR 74.4 million (77.9), 10.6% (10.4) of net sales. More efficient sourcing, lower costs due to previously implemented actions to adjust the organisation to present market conditions and well managed manufacturing efficiency during the period supported the improvement in adjusted operating margin.

Earnings per share, basic and diluted, were EUR 0.42 (0.72).

Cash flow from operating activities in 2013 amounted to EUR 74.7 million (87.9). Cash conversion ratio at the end of 2013 was 82% (88), which is another year of meeting the long-term financial target. Cash and cash equivalents amounted to EUR 99.4 million (215.7) at the end of the year. In addition, Sanitec has an unused committed revolving credit facility of EUR 50 million.

In May 2013 Sanitec refinanced its existing debt facilities by issuing EUR 250 million senior secured floating rate notes falling due in 2018. At the same time, Sanitec also put in place a EUR 50 million super senior revolving credit facility. As part of the refinancing Sanitec paid EUR 238.3 million as a refund of capital from the reserve for invested unrestricted equity and prepaid its EUR 148.4 million related party loan.

On 10 December 2013, Sanitec's share was listed in NASDAQ OMX Stockholm. The share is traded in Swedish krona (SEK). On 31 December 2013, the market capitalisation of the company's registered shares was EUR 761.9 million.

INDUSTRY DEVELOPMENT

Historically, the European bathroom fixtures market has experienced relatively stable long-term growth, primarily driven by growth in GDP and activity in the construction industry. The construction industry comprises two sectors, the new-build sector and the renovation, maintenance and improvement ("RMI") sector.

The RMI sector has proven to be relatively resilient to the general macro-economic conditions, thus contributing to stability in the total construction industry over time, whereas the new-build sector is characterised by cyclicality primarily related to the general GDP development. Sanitec estimates that approximately 60-70% of the demand is driven by the more stable RMI sector, with the remaining 30-40% pertaining to the cyclical new-build sector.

In terms of volume, the bathroom ceramics market in Sanitec´s core markets grew by 2.2% CAGR in the ten years preceding the outbreak of the global financial crisis in 2008. Since the peak year 2007, bathroom ceramics market has declined by 18% in volume, and in terms of volume the market still remains approximately 25% below the pre-crisis trend (1997-2007).

In addition to cyclical upturn, Sanitec believes that the following fundamental trends will contribute to long-term growth in the European bathroom fixtures market:

- Increasing number of households
- Rising disposable income
- Lifestyle shifts; bathroom gaining importance
- Increased consumer focus on bathroom solutions
- Innovation in product functionality and design
- Focus on the environment
- Focus on hygiene

Also in 2013, the RMI sector of the construction industry remained relatively stable. Poor market conditions in several of our core European markets, however, led to continued decline in the new-build sector. In total, the decline in construction activity also resulted in a continued decrease in the total European bathroom ceramics market during 2013.

NET SALES

Net sales for 2013 amounted to EUR 701.8 million (752.8). The decline was mainly related to lower volumes due to continued challenging economic environment resulting in moderate development of new construction, renovation and rebuilding. Net sales were also reduced due to the disposal of Sanitec's former shower business in France in October 2012. Average sales prices improved during the year following an improved product and country mix and effects of price increases. The impact of net foreign exchange rates on net sales for 2013 was EUR 5.0 million negative or -0.7% compared with prior year.

Net sales for Bathroom Ceramics product area for the full year amounted to EUR 532.1 million (556.4). In certain markets the renewal of the product assortment that started in 2012 continued with new product introductions and discontinuation of sales of non-profitable products.

Net sales for Ceramics Complementary Products product area for 2013 amounted to EUR 169.7 million (196.4). From the decline of 14% compared with prior year the majority is explained by the disposal of the French shower business Leda in October 2012.

Net sales by product area

EUR million	2013	2012	2011
Bathroom Ceramics	532.1	556.4	561.9
Ceramics Complementary Products	169.7	196.4	209.0
Total	**701.8**	**752.8**	**770.8**

Net sales for year 2013 for Central Europe amounted to EUR 217.9 million (215.2). Strong sales in Germany, following increased new housing permissions and improved activity in the sanitary fittings wholesale sector, offset the reduction in sales in the Benelux countries.

The development in the North Europe region followed different trends during the year. Norway had a good start of the year but demand slowed down with the general economic development during the second half. Finland showed a relative strong performance during the year. The Danish market started to recover after summer and showed positive development during the fourth quarter. Net sales for North Europe for 2013 amounted to EUR 178.2 million (186.2). The decline versus prior year was mainly related to continued lower activity in Sweden after a strong second quarter.

Net sales for East Europe for the full year amounted to EUR 113.9 million (128.7), a decline with 12%. In East Europe the decline was mainly due to continued challenging economic environment and political turbulence in the Ukrainian market impacting building and renovation activities.

Net sales for the full year for South Europe amounted to EUR 117.7 million (145.5). The decrease is mainly explained by continued weak markets in Italy and France. A substantial part of the decline in sales is explained by the disposal of Leda S.A.S in October 2012. Excluding the effects of the divestment the decline in net sales was -7.0%.

After a challenging first half of the year, due to weak market conditions, the second half showed signs of recovery and increased activity with renewed optimism for the construction sector in the United Kingdom. Net sales for UK & Ireland for 2013 were EUR 51.6 million (54.4), with a strong development during the fourth quarter that resulted in a 14% growth in the last quarter versus prior year.

Net sales by region

EUR million	2013	2012	2011
Central Europe	217.9	215.2	219.2
North Europe	178.2	186.2	180.0
South Europe	117.7	145.5	163.4
East Europe	113.9	128.7	126.0
UK & Ireland	51.6	54.4	58.1
Rest of the World	22.5	22.9	24.1
Total	**701.8**	**752.8**	**770.8**

OPERATING PROFIT

Operating profit for the full year amounted to EUR 67.9 million (73.0). Operating profit adjusted with items affecting comparability amounted to EUR 74.4 million (77.9). Adjusted operating margin for the period amounted to 10.6% (10.4). The impact for 2013 of net foreign exchange rates was EUR 0.4 million negative compared with prior year. More efficient sourcing, lower costs due to previously implemented actions to adjust the organisation to present market conditions and well managed manufacturing efficiency during the period supported the improvement in adjusted operating margin.

The operating profit includes the reduction of the EU cartel fine, EUR 7.1 million, which has been recognised as other operating income and included in items affecting comparability.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

The net financial income and expenses amounted to EUR -19.8 million for the full year (-6.0) of which EUR -11.5 million was interest expenses on borrowings (-8.5). This increase in interest expenses was due to the refinancing which took place in May 2013. Other net financial income and expenses amounted to EUR -8.2 million (2.5). The majority of this was due to that there were net foreign exchange gains of EUR 3.2 million in 2012, while there were net foreign exchange losses of EUR 3.8 million in 2013.

Profit before taxes was EUR 48.2 million (67.0) for the period.

The change in income taxes compared with the previous year was EUR -10.4 million. The change was primarily due to increase in income taxes for the financial period by EUR -4.0 million from 2012, which related mainly to increased income taxes in Germany compared to 2012. In addition, 2012 income taxes for prior periods included an exceptional positive item (EUR 4.1 million) which was a reversal of tax provision related to German tax audit.

Profit for the period was EUR 42.5 million (71.7). Earnings per share, basic and diluted, were EUR 0.42 (0.72).

	2013	2012	2011
Earnings per share, EUR, basic and diluted	0.42	0.72	0.48

CASH FLOW

Cash flow from operating activities for the full year 2013 amounted to EUR 74.7 million versus 87.9 million in the previous year. The decrease in cash flow from operating activities was mainly due to lower cash flow from working capital, EUR -1.0 million (7.5). During a financial year the business normally ties up cash in working capital during the first half year and releases cash during the second half. This trend was confirmed again in 2013 and Sanitec generated the same amount of cash during the second half of 2013 as in 2012. Cash conversion ratio at year-end 2013 was 82% (88), which is another year of meeting the long-term financial target.

Cash flow from investing activities for the full year 2013 amounted to EUR -18.9 million (-11.4), which is primarily customary maintenance investments of property, plant and equipment in the ceramic production.

Cash flow from financing activities during the year 2013 was EUR -171.6 million (-21.8). The negative cash flow from financing activities in 2013 was mainly related to the refinancing which took place in the second quarter and repayment of external Ukrainian loans in the third quarter. The cash flow from financing activities included also a refund of capital from reserve for invested unrestricted equity amounting to EUR 238.3 million. The refund was part of the refinancing activities.

GROSS CAPITAL EXPENDITURE AND DEPRECIATION, AMORTISATION AND IMPAIRMENT

The gross capital expenditure for the full year 2013 amounted to EUR 19.3 million (13.1). The increase was primarily related to higher ceramic production investments which were customary maintenance investments to maintain and improve the manufacturing footprint.

All capital expenditure during the year was financed by cash flow from operations. Capital expenditure corresponded in 2013 to 2.8% (1.7) of net sales. Depreciation, amortisation and impairment losses amounted 2013 to EUR -28.9 million (-29.7) corresponding to 4.1% of net sales (3.9).

EUR million	2013	2012	2011
Investments in property, plant and equipment and intangible assets	19.3	13.1	23.0
Investments in shares in subsidiaries	0.0	0.0	13.1
Total gross capital expenditure	19.3	13.1	36.1
Gross capital expenditure as percentage of net sales, %	2.8	1.7	4.7

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents amounted to EUR 99.4 million (215.7) at the end of the year. In addition, Sanitec has an unused committed revolving credit facility of EUR 50 million.

Sanitec's primary source of external funding is EUR 250 million senior secured floating rate notes, which were issued in May 2013. At the same time, a EUR 50 million super senior revolving credit facility was put in place. The floating rate notes bear an interest of 4.75% over three months euribor and they are due in 2018.

Net debt, calculated from the nominal value of the loans, amounted to EUR 150.6 million (-42.9). Net debt to adjusted EBITDA was 1.5 (-0.4) at the end of the year, which gives comfortable headroom to maximum leverage long-term financial target of 2.5. The increase in net debt compared to beginning of the year, EUR 193.5 million, was mainly due to return of capital from the reserve of invested unrestricted equity which was done as part of the refinancing activities in May 2013.

At the end of the year 2013 total equity amounted to EUR 44.4 million (243.7). The equity ratio decreased during 2013 to 8.4% (37.1), which is explained by the refinancing arrangements in May 2013.

KEY RATIOS FOR THE GROUP

EUR million	2013	2012	2011
Net sales	701.8	752.8	770.8
Operating profit	67.9	73.0	67.1
Operating margin, %	9.7	9.7	8.7
Items affecting comparability	-6.5	-4.9	-8.9
Operating profit, adjusted	74.4	77.9	75.9
Operating margin, %, adjusted	10.6	10.4	9.9
EBITDA, adjusted	102.7	107.7	105.6
EBITDA margin, %, adjusted	14.6	14.3	13.7
Profit before taxes	48.2	67.0	51.2
Profit for the period	42.5	71.7	47.7
As percentage of net sales, %	6.9	9.5	6.2
Cash flow from operating activities	74.7	87.9	54.5
Total assets	531.0	657.8	630.2
Total equity	44.4	243.7	167.9
Net debt	150.6	-42.9	32.7
Net debt / EBITDA, adjusted	1.5	-0.4	0.3
Equity ratio, %	8.4	37.1	26.6
Net gearing, %	339.7	-17.6	19.5
Return on capital employed (ROCE), %, rolling 12 months	19.4	19.3	19.3
Return on equity, %, rolling 12 months	35.7	34.5	29.3
Cash conversion	82	88	78

RESEARCH AND DEVELOPMENT

Sanitec's research and development activities focus mainly on certain areas: environment, ease of installation, integrated and appealing design as well as the development of new products.

In 2012, Sanitec consolidated its innovation, design and technical product development efforts by coordinating these activities on Group level. As of 31 December 2013, approximately 181 (160) of the employees (FTEs) were directly involved in this function.

Direct research and development expenses amounted in 2013 to EUR -4.5 million (-4.0). In addition, Sanitec incurs expenses in product enhancement and improvements to support the product life cycle. Total costs in product development in all stages in the product lifecycle amounted to EUR -9.6 million (-8.3), representing 1.4% of net sales (1.1). Capitalised development expenses amounted to EUR 3.3 million (2.9).

EUR million	2013	2012	2011
Direct R&D expenses	-4.5	-4.0	-3.6
Total R&D expenses	-9.6	-8.3	-8.7
As percentage of net sales, %	1.4	1.1	1.1
Capitalised development expenses	3.3	2.9	4.0

ENVIRONMENT

Sanitec is committed to operating all its business activities in an environmentally responsible manner with due care to our neighbours, employees, customers and the communities in which we operate.

Activities of Sanitec Group companies shall meet and exceed the requirements laid down in applicable environmental regulations and standards. The Group companies are encouraged to continuously improve their environmental performance by taking into consideration, and foreseeing, the technical development and the expectations of customers, society and the personnel. Our operations require us to maintain certain environmental permits for the production of bathroom ceramics as well as bath and shower products. In addition, the production units have generally been certified according to the ISO 9001 quality management standards and the ISO 14001 environmental management standards.

Our compliance matters are handled centrally through the adoption of guidelines and establishment of standards and principles, and locally by each respective Group company responsible for implementation, follow up and handling of day-to-day matters. We also supervise and monitor environmental matters at the site level, with regular maintenance and environmental remediation to remove pollution and contaminants, as well as with ongoing discussions and actions to improve performance and to ensure compliance with applicable regulations and permits.

PERSONNEL

The number of employees was 6,211 (6,688) at the end of the year. The reduction was due to continuous efficiency improvements in the manufacturing footprint, mainly related to the East Europe region, and additional effects from activities in line with the "One Sanitec" concept.

	2013	2012	2011
Number of personnel, end of period	6,211	6,688	7,096
Number of personnel, average	6,516	7,004	7,391
Total wages and salaries during the financial year, EUR million	-157.6	-167.2	-181.9

LONG-TERM FINANCIAL TARGETS

New long-term financial targets were set by the Board of Directors during the fourth quarter of 2013.

Growth above market

Sanitec's target is to keep achieving annual organic growth that is on average 2 p.p. higher than its core market growth. Additionally Sanitec aims opportunistically at growth through complementary acquisitions to enter new growth markets and/or to add complementary products in existing markets.

Operating margin

Sanitec's target is to achieve an adjusted operating margin (EBIT) at or above 12% over a business cycle.

Cash conversion

Sanitec's target is to achieve an annual cash conversion above 70% over a business cycle. Cash conversion is the ratio of operating cash flow defined as adjusted EBITDA less paid investments in intangible and tangible assets to adjusted EBITDA.

Net debt / EBITDA

Sanitec's target is to have a net debt in relation to adjusted EBITDA below 2.5. The capital structure should enable flexibility and allow the company to capture strategic opportunities while maintaining a sound financial position even when the market conditions are less favourable.

SHARES, SHARE PRICE AND SHARE CAPITAL

Sanitec Corporation's paid and registered share capital on 31 December 2013 was EUR 2.8 million and the number of issued and registered shares totalled 100,000,000. The number of issued shares was increased from 1,000,000 to 100,000,000 shares on 22 November 2013 by issuance of 99,000,000 new shares without consideration.

The company has one series of shares. Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of Shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.03.

Sanitec's share was listed on NASDAQ OMX Stockholm, Mid Cap segment, on 10 December 2013. The share is traded in Swedish krona (SEK).

On 31 December 2013 the market capitalisation of the company's registered shares was EUR 761.9 million (SEK 6,750.0 million). During 2013, approximately 19.7 million of the company's shares were traded, i.e. around 19.7% of the average number of registered shares. The lowest price paid for a share was EUR 7.00 (SEK 62.00) and the highest price EUR 7.62 (SEK 67.50). The volume-weighted average price of shares traded during the period the share was traded was EUR 7.41 (SEK 64.10). The closing price on 31 December 2013 was EUR 7.62 (SEK 67.50). The share issue-adjusted equity per share attributable to owners of the parent was EUR 0.44 per share (EUR 2.44 on 31 December 2012). The share prices have been converted to euros using the closing rate of the period, with the exception of the volume-weighted average price, which has been converted to euros using the average rate of the period. The total number of shareholders at the end of the period was 2,319.

	2013	2012	2011
Number of shares, end of period, share issue adjusted	100,000,000	100,000,000	100,000,000
Number of shares, average, share issue adjusted	100,000,000	100,000,000	100,000,000
Share price, end of period, SEK	67.50	–	–
Share price, end of period, EUR [1]	7.62	–	–
Share price, year high, SEK	67.50	–	–
Share price, year high, EUR [1]	7.62	–	–
Share price, year low, SEK	62.00	–	–
Share price, year low, EUR [1]	7.00	–	–
Share price, volume-weighted average, SEK	64.10	–	–
Share price, volume-weighted average, EUR [2]	7.41	–	–
Market capitalisation, SEK million	6,750.0	–	–
Market capitalisation, EUR million [1]	761.9	–	–
Number of shares traded during the period, million shares	19.7	–	–
Share turnover, %	19.7	–	–
Equity attributable to owners of the parent per share, EUR	0.44	2.44	1.68
Dividend / distribution per share, EUR [3]	0.22	2.38	–
Dividend / distribution payout ratio, %	51.8	332.3	–
Dividend / distribution yield, %	2.9	–	–
Price / earnings per share (P/E)	17.9	–	–
Price / equity per share	17.2	–	–

[1] Converted to EUR with closing rate of the period

[2] Converted to EUR with average rate of the period

[3] 2013 distribution is a refund of capital and the proposal of the Board of Directors. 2012 distribution was a refund of capital from reserve for invested unrestricted equity paid in May 2013.

NOTIFICATIONS AS PER SECTION 5 OF CHAPTER 9 OF THE FINNISH SECURITIES MARKET ACT

On 11 December 2013, Zeres Capital AB informed Sanitec Corporation that it had purchased Sanitec shares on 10 December 2013 and owned one twentieth (1/20) of Sanitec's shares and votes. Following the transaction Zeres Capital AB owns 5,000,000 shares, or 5.00%, of Sanitec Corporation's share capital and total voting rights.

AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of Sanitec Corporation has no authorisations to issue shares or options or other forms of potential shares.

BOARD OF DIRECTORS AND TOP MANAGEMENT TEAM

Board of Directors

During the 2013, the members of the Board of the Directors were:

Fredrik Cappelen, Chairman

Adrian Barden, member

Caspar Callerström, member

Johan Bygge, member as from 27 September 2013

Margareta Lehmann, member as from 29 October 2013

Pekka Lettijeff, member

Ulf Mattsson, member

Jussi Nyrölä, deputy member until 15 April 2013

Top Management Team

During 2013, the members of the Top Management Team were:

Peter Nilsson, President & CEO

Anders Spetz, Executive Vice President and Chief Commercial Officer, as from 1 October 2013

Gun Nilsson, Executive Vice President and Chief Financial Officer

Harald Treml, Executive Vice President and Chief Operating Officer

Krister Boëthius, Corporate Vice President of Global Business Development & Change Management

Magnus Terrvik, Executive Vice President, Global Business Development & Change Management

Michael Hellmund, Executive Vice President Human Resources, until 31 December 2013

Miguel Definti, Executive Vice President for Product Management & Design

CHANGES IN GROUP STRUCTURE

Sanitec Group consists of all direct and indirect subsidiaries of Sanitec Corporation, a Finnish public limited company with business identity code 1955115-2. At year end the Group consisted of 46 subsidiaries of Sanitec Corporation. Sanitec Group had no investments in associated companies or joint ventures except a 20% ownership in Balsac Inc Oü, Estonia and 1.5% ownership in Max Sibbern A/S, Denmark.

On 11 February 2013, Ifö Sanitär Ab sold 80% of its shares in Ifö Sanitär Eesti A/S, Estonia to the local management of the company and the name of the company was changed to Balsac Inc Oü.

On 14 February 2013, Sanitec Corporation acquired, by way of intra-group transaction the shares in Sanitec UK Ltd.

On 24 April 2013, company form of Sanitec Corporation was changed from a limited liability company to a public limited liability company in connection with contemplated refinancing and issuance of floating rate notes.

On 22 November 2013, the number of registered shares in Sanitec Corporation was increased from 1,000,000 to 100,000,000 shares by issuance of 99,000,000 new shares without consideration.

On 10 December 2013, the shares in Sanitec Corporation were listed in NASDAQ OMX Stockholm. In connection with the listing, Sofia IV S.à r.l., then current sole shareholder of Sanitec Corporation, sold 52,173,914 shares (52.2%) in Sanitec Corporation with the settlement date of 13 December 2013.

On 19 December 2013, Sofia IV S.à r.l., pursuant to the exercised over-allotment option, sold additional 7,826,086 shares in Sanitec Corporation as a result of which the total holding of Sofia IV S.à r.l. in Sanitec Corporation amounted to 40,000,000 shares (40%) as of 31 December 2013.

The parent company of Sanitec Corporation prior to 13 December 2013, the settlement date of the listing, was Sofia IV S.à r.l., a company registered in Luxembourg which, in turn, was fully owned by Sofia III S.à r.l. The parent company of Sofia III S.à r.l. was Sofia II S.à r.l., a company registered in Luxembourg and the ultimate parent company of the Group prior to the settlement date was Sofia I S.à r.l., a company registered in Luxembourg. Sofia I S.à r.l. was indirectly owned by private equity fund EQT IV and management of the Group (in total 77.5%, of which management owns a minority share) and the senior and second lien lenders of the previous financing structure of the Group (22.5%).

RISKS, RISK MANAGEMENT AND BUSINESS UNCERTAINTIES

As a group operating on an international field, Sanitec is exposed to different business and financial risks. The business risks can be described as market, operational and legal risks. The financial risks are related to changes in currency rates, interest rates, liquidity and funding capability. Risk management actions in Sanitec are focused on identifying the controllable risks and reducing risks related to the business. The basis for the management of risks is focusing on evaluating the probability for risks to occur and the potential impact on the Group. Compared to what was reported in the Annual Report for 2012, there has not been any material changes in risks facing Sanitec Group, except for the development in Ukraine.

Operational and market risks

Most of the operational and market risks are related to production and relations with suppliers and customers. Sanitec's business related risks are balanced by our broad product and brand portfolio, geographically spread production network and our presence in all main European markets (except Spain).

General market risk

Our business is affected by fluctuations in the economic conditions of the markets in which we sell our products, which in turn, are materially affected by general global economic conditions and trends. Changes in our financial performance often result from factors beyond our control, such as the degree to invest in new buildings, the willingness by consumers and customers to renovate or invest in replacement products, price developments on individual housing markets, etc. Additionally, we are exposed to varying level of country risk in each country of our operations, including Ukraine and Russia.

Supplier risk

Although prices for the majority of our key raw materials have remained relatively stable in recent years, we are exposed to fluctuations in price and availability of our raw materials, including those we source from third party suppliers. A disruption in the supply chain could affect our business adversely, for example in relation to quantity, quality or delivery times.

Production risk

Our performance is dependent on production and delivery of good quality products to our customers. While we manufacture most of our products within the Sanitec production network and operate it ourselves, we cannot guarantee that no business interruption takes place within the network and that all products manufactured are defect-free and delivered in time to customers. Because a significant part of our production costs are fixed, our profitability may be adversely affected by a decline in net sales and lower production volumes.

Customer risk
While we believe we have established long-standing and stable relationships with our customers and continuously invest in these relationships, commercial and business relationships are managed at a local market level and the potential loss of any one of the major customers could have a significant effect on our business compared with other businesses whose customer bases are less concentrated.

Competition and pricing
The bathroom products market is competitive and we compete with both large-scale global manufacturers and numerous local and specialised competitors. Some of our competitors may be able to adapt more quickly to new technologies and changes in customer preferences, offer products which we do not provide, or reduce prices on products similar to our products below prices that we cannot profitably offer.

Financial risks
Our main financial risks are liquidity, credit, interest rate, currency and commodity risks. The financial risks and financial risk management are described in detail in Note 18 of the Consolidated Financial Statements.

Human capital risks
The success of our business is dependent on the leadership of our key management personnel and on our ability to attract, motivate and retain highly skilled and qualified personnel.

Reorganisation, divestment and acquisition risks
In the past, we have grown in part through acquisitions. Any possible acquisition, divestment and reorganisation may affect our capitalisation and the results of our operations. There is also a risk that expected integration and/or implementation actions may be more costly or time consuming than estimated and expected synergies do not materialise to the extent expected.

Legal and tax risks
Sanitec is involved in and exposed to various legal actions or claims and other legal and administrative, including tax and environmental, investigations and proceedings that arise out of or are incidental to the ordinary course of business. It is Sanitec's policy recognise a provision of the amounts related to the proceedings if liability is probable and amount thereof can be estimated with a reasonable certainty.

The Group is subject to local, partially unharmonised legal regimes, laws and regulations and varying interpretations and court practices in every jurisdiction of its operations. Differences and changes in EU or local legislations including trading, construction and cross border trading regulations and court practices and other regulation and administrative orders and practices applicable to Sanitec's legal units may affect on the Group's ability to manage and perform its operations in accordance with the past practice.

Risk management
Our risk management actions are focused on identifying and reducing risks related to the Group's business and operating environment. Each business function, namely Operations, Product Management & Design and Sales & Marketing has responsibility to monitor, analyse and evaluate and manage risks related directly or indirectly to the business and operational environment of each individual function. Each geographical region has responsibility to perform similar risk management operations independently within their own legal and business environment and capture risks that may not be visible for the Group's functional organisations. In addition to the functional and geographical risk management measures, the Group's support functions, namely finance, human resources, information management and legal services support both functional organisations and all regions in their risk management processes and perform their own risk management operations.

Further details and information regarding risks and risk management of Sanitec are presented in the separate Corporate Governance Report of 2013, available in the company's website www.sanitec.com.

SIGNIFICANT ON-GOING LEGAL AND REGULATORY PROCEEDINGS

The European Commission announced in June 2010 its decision to impose a fine of EUR 57.7 million on Sanitec for the alleged participation, between the years 1994 and 2004, in a price fixing cartel and anticompetitive practices by 17 European bathroom fittings and fixtures manufacturers. The company appealed the decision to the General Court of European Union in Luxembourg in 2010 who issued its decision on the appeal in September 2013, in which the General Court partially annulled the Commission's decision in respect of findings regarding France and Italy and reduced the fine by EUR 7.1 million. The reimbursed amount was paid to Sanitec at the end of October 2013. In the beginning of December 2013, Sanitec was notified that the Commission has appealed against the judgment of the General Court to the Court of Justice of the European Union. In case the Commission is successful with its appeal, Sanitec may be obligated to repay the EUR 7.1 million amount received in October 2013. Sanitec filed its defense in the beginning of February 2014 together with a cross appeal.

84 cases initiated in 2011 by former employees of Produit Céramiques de Touraine S.A. ("PCT") disputing their termination compensation were ruled against the company by the French labor court of first instance in December 2013. According to the decisions, additional compensation of approximately EUR 6.5 million in total is then to be paid to the former employees. No immediate payment was ordered and PCT filed appeals against all 84 individual decisions before the year end 2013. No provision is recorded in the consolidated accounts as the evidence available to the company does not support any material change in its original view. The risk of further negative outcome cannot however be excluded.

Sanitec is subject to local tax audits, re-assessment and related proceedings and litigations from time to time.

Further information on legal and regulatory proceedings is available in Note 28 of the Consolidated Financial Statements.

DECISIONS OF THE ANNUAL GENERAL MEETINGS

At the Sanitec Corporation Annual General Meeting held on 4 April 2013, the following resolutions were approved:

Adoption of the annual accounts and resolution on use of the profit for the review period

The Annual General Meeting (AGM) approved Sanitec Corporation's financial statements for 2012. The AGM resolved to transfer the profit for the period of 1 January to 31 December 2012 to retained earnings. The AGM granted the members of the Board of Directors and company's President and CEO, Peter Nilsson, a discharge from liability for the financial year 2012.

Resolution on the number of the members of the Board of Directors and election of the members of the Board of Directors
The AGM confirmed that the number of members of the Board of Directors is five (5) and elected Mr Fredrik Cappelen as the Chairman of the Board of Directors, Mr Ulf Mattsson, Mr Adrian Barden, Mr Caspar Callerström and Mr Pekka Lettijeff as the ordinary members of the Board of Directors and Mr Jussi Nyrölä as a vice member of the Board of Directors. The Board of Directors' term of service will run until the close of the 2014 Annual General Meeting.

Resolution on the remuneration of the members of the Board of Directors
It was approved that the annual remuneration payable to the Board of Directors be as follows:

- Chairman EUR 50,000
- Each member EUR 25,000

It was also decided, that the members employed by EQT are not entitled to any remuneration.

Number of auditors, election of auditor and remuneration of the auditor
The AGM decided that the company shall have one auditor, and elected KPMG Oy Ab as the auditor of the company. According to KPMG Oy Ab, the auditor in charge shall be Mrs Virpi Halonen, Authorised Public Accountant. The AGM decided that the auditor's fee will be paid as invoiced.

CORPORATE GOVERNANCE REPORT

Sanitec's Corporate Governance Report is issued separately in the company's website www.sanitec.com.

INFORMATION PURSUANT TO THE FINNISH MINISTRY OF FINANCE ORDINANCE 1020/2012

Sanitec Corporation is not a party to arrangements by which financial rights connected with shares or the management of the shares are separated from each other.

According to the Articles of Association of Sanitec Corporation, a General Meeting of Shareholders elects the Board of Directors and the chairman of the Board of Directors. The term of office of Members of the Board of Directors expires at the end of the next Annual General Meeting that follows their election. The Board of Directors appoints and dismisses the CEO. The Board of Directors or the CEO have no special agreements with the company relating to compensation when the Board of Directors or the CEO resign or are dismissed or their function otherwise terminates as a result of a public tender offer.

The Articles of Association of Sanitec Corporation contain no special provisions on the amendment of the Articles of Association.

Sanitec Corporation has clauses in its loan agreements, according to which the lenders have the option to demand prepayment of the loan if control in Sanitec changes. Please see Note 18 Financial risk management of the Consolidated Financial Statements for further details.

According to the information available to the Sanitec Corporation, Sofia IV S.à r.l., the owner of 40% of the shares in Sanitec, has agreed, for a period from 10 December 2013 to and including the date falling 180 days after such date, without the prior written consent of Nordea Bank AB (publ) and UBS Limited, acting as the joint global coordinators in connection with the listing of Sanitec's shares on NASDAQ OMX Stockholm, not to offer, pledge, sell, contract to sell, or otherwise dispose of, directly or indirectly, any of shares in Sanitec, or any security convertible into or exchangeable for the shares.

Shares held by Sofia IV S.à r.l. in Sanitec Corporation are pledged by Sofia IV S.à r.l. in favour of senior and super-senior lenders of Sanitec Corporation.

EVENTS AFTER THE REPORTING DATE

Sanitec received an offer in October 2013 from HLD Group to acquire 100% of the shares in the French ceramic kitchen sinks business Alliages Céramiques S.A.S. After evaluation of the offer in 2014, the transaction was not finalised.

Sanitec Corporation incorporated a new subsidiary Sanitec SSC s.p. z o.o., in Poland on 3 January 2014.

On 15 January 2014, company form and name of the German subsidiary Keramag Keramische Werke AG was changed to Keramag Keramische Werke GmbH.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

The separate financial statements of Sanitec Corporation have been prepared in accordance with the Finnish Accounting Act, the Accounting Ordinance and other laws and regulations relating to financial statements of a Finnish public limited liability company. The consolidated financial statements of Sanitec Group have been prepared in compliance with the International Financial Reporting Standards (IFRS). Sanitec Corporation's net sales in the financial period were EUR 17.8 million (16.3) and the operating result was a loss of EUR 5.1 million (4.6 loss). Net financial items were EUR 76.2 million (30.5), of which EUR 70.7 million (15.8) consisted of reversals of impairment losses on loan receivables from group companies. The result for the financial year was a profit of EUR 71.1 million (25.9).

The parent company had an average 3 (4) employees in the financial period and 4 (4) employees at the end of the year.

The parent company has no branches. The company has not granted any other related party loans than loans to group companies.

Parent company information

EUR million	2013	2012	2011
Net sales	17.8	16.3	15.9
Operating result	-5.1	-4.6	-2.4
Result before taxes and appropriations	71.1	25.9	4.0
Income taxes for the financial year	–	–	–
Result for the financial year	71.1	25.9	4.0
Balance sheet total	680.3	594.3	584.4
Shareholders' equity	420.5	587.8	562.0
Wages and salaries	1.1	1.4	1.2
Average number of employees	3	4	4

DIVIDEND AND DISTRIBUTION POLICY

Sanitec Corporation's Board of Directors has adopted a dividend and distribution policy according to which the Board of Directors seeks to propose to the annual general meeting of shareholders that circa 50% of Sanitec's audited profit for the period shall be paid in dividends or in other forms of repatriation of capital to its shareholders over a business cycle. When proposing a dividend or other equity distribution, the Board of Directors shall take into account Sanitec's capital structure, liquidity and other applicable restrictions set out by the law or contractual obligations. In addition, such proposals shall take into account factors such as our financial targets, investment needs and development possibilities.

BOARD OF DIRECTORS' PROPOSAL ON THE DISTRIBUTION OF FUNDS

The distributable funds of Sanitec Corporation, the parent of Sanitec Group, total to EUR 374,024,004.24, of which the profit for the review period is EUR 71,053,369.95. The funds available for dividend distribution are EUR 26,907,519.53, and the funds available for equity repayment are EUR 347,116,484.71.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed from the result for the year nor from retained earnings, and that EUR 22,000,000, i.e. EUR 0.22 per share, is paid as refund of capital from the reserve for invested unrestricted equity. EUR 352,024,004.24 will be left in distributable funds.

OUTLOOK FOR 2014

Since the second quarter of 2013 there have been a stabilisation and signs of recovery in the European economy, and this trend enhanced slightly in the fourth quarter.

Sanitec expects the macroeconomics and general market conditions to remain relative stable in the Nordic countries, the UK and Central Europe through 2014 and the moderate positive trend experienced during the second half of 2013 to continue. In South Europe market conditions are expected to remain challenging in the short term and Sanitec will continue to focus on efficiency improvements and implementation of the "profit over volumes" strategy throughout the region in 2014.

The unstable political situation in Ukraine can as such have adverse effect on local Ukrainian market and neighbouring markets during 2014. The political turmoil and unrest is not, however, expected to have adverse effect directly on operations of the Ukrainian production facilities.

Sanitec expects that the construction and renovation markets will continue to follow the main macroeconomic trends and allow Sanitec to benefit eventually, if materialised, from moderate increase in demand in public and private sectors and to continue to defend or improve its market positions with the support of modern, efficient and flexible production network and new products launched in 2013 and 2014.

Consolidated Statement of Profit or Loss

(All amounts in EUR millions)

	Note	1 January– 31 December 2013	1 January – 31 December 2012
NET SALES	4	**701.8**	**752.8**
Other operating income	5	11.7	5.4
Materials and services	6	-312.0	-344.4
Employee benefits	7	-208.1	-209.3
Production for own use		1.8	1.3
Other operating expenses	8	-98.5	-103.0
Depreciation, amortisation and impairment losses	9	-28.9	-29.7
OPERATING PROFIT		**67.9**	**73.0**
Financial income and expenses	10	-19.8	-6.0
PROFIT BEFORE TAXES		**48.2**	**67.0**
Income taxes	11	-5.7	4.7
PROFIT FOR THE PERIOD		**42.5**	**71.7**
Net profit for the period attributable to:			
Owners of the parent		42.4	71.7
Non-controlling interest		0.0	0.0
Total		**42.5**	**71.7**
Earnings per share, basic and diluted, EUR		**0.42**	**0.72**

Consolidated Statement of Other Comprehensive Income

(All amounts in EUR millions)

	Note	1 January– 31 December 2013	1 January– 31 December 2012
Profit for the period		**42.5**	**71.7**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		-1.5	-0.9
Income tax relating to items that will not be reclassified		0.1	0.1
Other restatements		0.0	0.0
Total		**-1.3**	**-0.8**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		-0.1	0.3
Exchange rate differences		-2.0	4.7
Income tax relating to items that may be reclassified		0.0	0.0
Total		**-2.1**	**5.0**
Total comprehensive income	16	**39.0**	**75.9**
Comprehensive income for the period attributable to:			
Owners of the parent		39.0	75.9
Non-controlling interest		0.0	0.0
Total		**39.0**	**75.9**

Consolidated Statement of Financial Position

(All amounts in EUR millions)

	Note	31 December 2013	31 December 2012 restated	1 January 2012 restated
ASSETS				
Non-current assets				
Intangible assets	12	5.6	7.2	8.4
Property, plant and equipment	12	173.3	185.0	195.0
Long-term investments	20	0.0	0.0	0.0
Deferred tax assets	11	26.2	25.2	19.1
Interest-bearing receivables	14, 20	4.2	3.8	4.2
Defined benefit assets	22	1.1	2.1	0.4
Total non-current assets		**210.6**	**223.2**	**227.2**
Current assets				
Inventories	13	93.2	102.0	106.3
Other current receivables	14, 20	118.3	110.4	129.6
Assets for current tax	11	9.5	6.4	5.8
Cash and cash equivalents	15, 20	99.4	215.7	161.3
Total current assets		**320.5**	**434.6**	**403.0**
TOTAL ASSETS		**531.0**	**657.8**	**630.2**
EQUITY AND LIABILITIES				
Equity				
Share capital		2.8	2.8	2.8
Share premium		43.7	43.7	43.7
Fair value reserve	19	0.1	0.3	0.0
Reserve for invested unrestricted equity		347.1	585.2	585.2
Exchange differences		-11.2	-9.3	-14.3
Retained earnings		-338.4	-379.1	-449.8
Total equity attributable to owners of the parent		44.2	243.6	167.7
Non-controlling interests		0.1	0.2	0.2
Total equity		**44.4**	**243.7**	**167.9**
Non-current liabilities				
Deferred tax liabilities	11	5.8	8.1	7.8
Defined benefit obligations	22	31.0	30.2	28.6
Provisions	21	8.1	9.8	25.4
Interest-bearing liabilities	17, 20	241.5	148.5	168.1
Total non-current liabilities		**286.5**	**196.7**	**229.8**
Current liabilities				
Interest-bearing liabilities	17, 20	0.0	24.3	26.0
Provisions	21	3.7	4.4	6.9
Other current liabilities	23, 20	188.3	184.3	195.1
Liabilities for current tax	11	8.1	4.4	4.4
Total current liabilities		**200.1**	**217.4**	**232.4**
TOTAL EQUITY AND LIABILITIES		**531.0**	**657.8**	**630.2**

Consolidated Statement of Changes in Equity

(All amounts in EUR millions)

	Note	Share capital	Share premium	Fair value reserve	Reserve for invested unrestric-ted equity	Exchange differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2012		**2.8**	**43.7**	**–**	**585.2**	**-14.3**	**-449.7**	**167.7**	**0.2**	**167.9**
Exchange differences		–	–	–	–	5.0	-0.3	4.7	0.0	4.7
Cash flow hedges, net of tax		–	–	0.3	–	–	-0.1	0.2	–	0.2
Defined benefit plans, remeasurement, net of tax		–	–	–	–	–	-0.8	-0.8	–	-0.8
Total other comprehensive income		–	–	0.3	–	5.0	-1.2	4.1	0.0	4.2
Profit for the period		–	–	–	–	–	71.7	71.7	0.0	71.7
Total comprehensive income	16	**–**	**–**	**0.3**	**–**	**5.0**	**70.5**	**75.9**	**0.1**	**75.9**
Change in non-controlling interest		–	–	–	–	–	0.1	0.1	-0.1	0.0
Equity at 31 December 2012		**2.8**	**43.7**	**0.3**	**585.2**	**-9.3**	**-379.1**	**243.6**	**0.2**	**243.7**
Exchange differences		–	–	–	–	-2.0	–	-2.0	0.0	-2.0
Cash flow hedges, net of tax		–	–	-0.1	–	–	–	-0.1	–	-0.1
Defined benefit plans, remeasurement, net of tax		–	–	–	–	–	-1.3	-1.3	–	-1.3
Total other comprehensive income		–	–	-0.1	–	-2.0	-1.3	-3.5	0.0	-3.4
Profit for the period		–	–	–	–	–	42.4	42.4	0.0	42.5
Total comprehensive income	16	**–**	**–**	**-0.1**	**–**	**-2.0**	**41.1**	**39.0**	**0.0**	**39.0**
Change in non-controlling interest		–	–	–	–	–	0.0	0.0	0.0	0.0
Reclassification		–	–	–	0.3	0.1	-0.3	0.0	–	0.0
Refund of capital from reserve for invested unrestricted equity		–	–	–	-238.3	–	–	-238.3	-0.1	-238.4
Equity at 31 December 2013		**2.8**	**43.7**	**0.1**	**347.1**	**-11.2**	**-338.4**	**44.2**	**0.1**	**44.4**

	31 December 2013
Distributable funds of Sanitec Corporation, the parent of Sanitec Group	
(EUR thousands)	
Reserve for invested unrestricted equity	347,116
Fair value reserve	-1
Retained earnings	-44,145
Net profit for the period	71,053
Total	**374,024**
Available for dividend distribution	26,908
Available for distribution from reserve for invested unrestricted equity	347,116
Total	**374,024**

Consolidated Statement of Cash Flows

(All amounts in EUR millions)

	1 January– 31 December 2013	1 January – 31 December 2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before income taxes for the period	**48.2**	**67.0**
Adjustments:		
Depreciation, amortisation and impairment losses	28.9	29.7
Unrealised foreign exchange gains and losses	3.6	-2.1
Other non-cash income and expenses	1.0	-1.0
Financial income and expenses	16.2	8.1
Cash flow before working capital changes	**97.7**	**101.7**
Change in working capital:		
Change in interest-free receivables	-9.7	20.1
Change in inventories	6.3	6.4
Change in interest-free liabilities	2.4	-19.0
Cash flow from change in working capital	**-1.0**	**7.5**
Interest expenses paid and other financial items paid (-) / received (+)	-16.2	-10.0
Interest income received	2.9	2.4
Income taxes paid (-) / received (+)	-8.8	-13.8
CASH FLOW FROM OPERATING ACTIVITIES	**74.7**	**87.9**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible assets and property, plant and equipment	-19.0	-13.0
Investments in subsidiaries	0.0	0.0
Proceeds from disposal of intangible assets and property, plant and equipment	0.0	1.1
Proceeds from disposal of subsidiaries	0.0	0.5
CASH FLOW FROM INVESTING ACTIVITIES	**-18.9**	**-11.4**
CASH FLOW FROM FINANCING ACTIVITIES:		
Refund of capital from reserve for invested unrestricted equity	-238.3	–
Increase (-) / decrease (+) in interest-bearing receivables	-1.1	1.1
Draw down (+) / repayment (-) of current interest-bearing liabilities	-24.2	–
Draw down (+) of non-current interest-bearing liabilities	240.4	–
Repayment (-) of non-current interest-bearing liabilities	-148.4	-22.8
CASH FLOW FROM FINANCING ACTIVITIES	**-171.6**	**-21.8**
CHANGE IN CASH AND CASH EQUIVALENTS	**-115.8**	**54.7**
Cash and cash equivalents at the beginning of the period	215.7	161.3
Effect of exchange rate differences on cash and cash equivalents	-0.5	-0.3
Change in cash and cash equivalents	-115.8	54.7
Cash and cash equivalents at the end of the period	99.4	215.7

Notes to the Consolidated Financial Statements

(All amounts in EUR millions)

Note 1 Summary of significant accounting policies

BASIC INFORMATION

Sanitec Corporation is a public limited company domiciled in Helsinki, Finland and organised under the laws of the Republic of Finland. Sanitec Corporation is the parent of Sanitec Group and its registered address is Kaupintie 2, 00440 Helsinki, Finland. Since 10 December 2013, Sanitec's share has been listed on NASDAQ OMX Stockholm in Sweden.

Sanitec is the market leader in bathroom ceramics and a leading supplier of bathroom fixtures in its core markets (Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Poland, Russia, Sweden, Ukraine, and the United Kingdom). Sanitec has leading positions (number one or two based on volume) in bathroom ceramics in 12 of its 13 core markets and command a strong position in growth markets, including Russia. Sanitec's unique brand portfolio includes many of the longest-established and most well-known brands on the European bathroom fixtures market, including the "national jewels": Ifö (Sweden and Denmark), Ido (Finland and Sweden), Keramag (Germany), Sphinx (the Netherlands), Twyford (United Kingdom), Allia (France), Pozzi-Ginori (Italy), Kolo (Poland) and Colombo (Ukraine). Sanitec provides products in two primary product areas: Bathroom Ceramics and Ceramics Complementary Products.

The Board of Directors of Sanitec Corporation has in its meeting on 18 February 2014 authorised these financial statements to be issued. According to the Finnish Companies' Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the issuance of the financial statements.

BASIS OF PRESENTATION

The consolidated financial statements of Sanitec Group are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the IFRS Interpretations Committee (SIC and IFRIC). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies' Act.

The consolidated financial statements are prepared under historical cost convention except as disclosed in the accounting policies below.

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the parent's functional currency. The presentation of the Consolidated Financial Statements is in millions of euro. As a result of rounding differences, the figures presented in the tables may not add up to the total.

NEW AND AMENDED ACCOUNTING STANDARDS

Sanitec Group has applied the following new, revised or amended standards and interpretations as from 1 January 2013:

- Amendments to IAS 1 Presentation of Financial Statements. The amendments require entities to classify items presented in other comprehensive income (OCI) on the basis of whether or not they might be reclassified subsequently to profit or loss. The amendment affected only the presentation of items in other comprehensive income.
- IAS 19 Employee Benefits (revised). The revised standard eliminated the corridor approach for recognising actuarial gains and losses. In addition, expected returns of plan assets are no longer recognised in profit or loss; they are replaced by recording net interest amount in profit or loss. Interest income is calculated using the discount rate used to measure the defined benefit obligation. The revised standard also introduced new disclosure requirements. The Group had not applied the corridor approach so the amendments affected only the calculation of interest of defined benefit plan assets as well as disclosure information.
- Other new, revised or amended standards or interpretations had no material effect on Sanitec's consolidated financial statements save for some new disclosure information.

Sanitec Group will apply the following new, revised or amended standards and interpretations as from 1 January 2014:

- IFRS 10 Consolidated Financial Statements. The new standard is effective in the European Union for financial years beginning on or after 1 January, 2014. The standard revises and clarifies definition of control. The new standard has no material effect on Sanitec.
- IFRS 12 Disclosure of Interests in Other Entities. The new standard is effective in the European Union for financial years beginning on or after 1 January, 2014. The standard increases disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and structured entities that are not controlled by the entity. The new standard increases the disclosure information in consolidated financial statements of Sanitec.
- Amendments to IAS 32 Financial Instruments: Presentation. The amended standard is effective for financial years beginning on or after 1 January 2014. Amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amended standard has no material effect on Sanitec.
- Amendment to IAS 36 Impairment of Assets. The amendment is effective for financial years beginning on or after 1 January 2014. The amendment clarifies the disclosure requirements in respect of the recoverable amount based on fair value less costs of disposal. The amended standard has no material effect on Sanitec.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement. The amendment is effective for financial years beginning on or after 1 January 2014. The amendment provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in the counterparty to a

hedging instrument in order to achieve clearing for that instrument. The amended standard has no material effect on Sanitec.

- IFRIC 21 Levies. The new interpretation is effective for financial years beginning on or after 1 January 2014. The interpretation is applicable to all levies other than outflows that are in scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies the recognition of levies in the statement of financial position. The application of the new interpretation does not change the recognition of levies in Sanitec.
- Other new, revised or amended standards or interpretations have either no effect or no material effect on Sanitec's consolidated financial statements.

The Group has not yet adopted the following new and amended standards already issued by the IASB. The Group will adopt them as of the effective date or, if that date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 9 Financial Instruments including improvements to the standard. The IASB has deferred the mandatory effective date of the standard. This standard is a part of a wider project to replace IAS 39 and the completion of the standard is not finished yet. The application of IFRS 9 will have an impact of classification and measurement of financial assets as it retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The guidance in IAS 39 on impairment of financial assets continues to apply. IFRS 9 will also change the guidance for hedge accounting. The mandatory application of the standard is deferred and a new mandatory effective date will be determined when IFRS 9 is closer to completion.
- Amendment to IAS 19 Employee Benefits: Employee Contributions. The amendment is effective for financial years beginning on or after 1 July 2014. The amended standard has no material effect on Sanitec.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the parent and its subsidiaries. Subsidiaries are companies in which the parent has, based on its holding, more than half of the voting rights directly or via its subsidiaries or over which it otherwise has control. Divested subsidiaries are included in the consolidated financial statements until the control is lost, and subsidiaries acquired or established during the reporting period are included in the consolidated financial statements from the date when the control has been transferred to Sanitec.

Subsidiaries are accounted for using the acquisition method, according to which the identifiable assets and liabilities of the acquired companies are valued at fair value at the date of acquisition. If the control is achieved in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gains or losses arising from such remeasurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the purchase consideration is lower than the net of identifiable assets acquired and liabilities assumed, the excess is recognised as a gain in profit or loss. The transaction costs relating to an acquisition are expensed as incurred.

Associates are companies in which Sanitec generally has voting rights between 20% and 50% and in which it has significant influence but not control. Associates are consolidated by using the equity method. Currently Sanitec has no associates.

Other shares, i.e. shares in companies in which Sanitec owns less than 20% of voting rights, are classified as available-for-sale financial assets and presented in the statement of financial position at fair value, or if the fair value cannot be measured reliably, at cost, and dividends received from those companies are recognised in profit or loss.

All intra-group transactions, receivables, liabilities, unrealised gains between Group companies and distribution of profits within the Group are eliminated as part of the consolidation process. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Non-controlling interests are presented separately in arriving at the net profit or loss attributable to owners of the parent. They are also shown separately within equity. If the Group has a contractual obligation to redeem the share of the non-controlling interest with cash or cash equivalents, non-controlling interest is classified as a financial liability. Changes in the Group's ownership interest in a subsidiary that do not result in losing control in the subsidiary are equity transactions. These transactions do not result in goodwill or gains or losses. If the control is lost, any remaining ownership share is measured at fair value and the resulting gain or loss is recognised in profit or loss. Total comprehensive income is attributed also to non-controlling interest even if this will result in the non-controlling interest having a deficit balance.

FOREIGN SUBSIDIARIES

In the consolidated financial statements, the statements of profit or loss, statements of comprehensive income and statements of cash flows of foreign subsidiaries have been translated into euros using the average exchange rates of the reporting period and the statements of financial positions have been translated using the closing exchange rates at the end of the reporting period.

The exchange difference arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position using the different exchange rates is recognised as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries in non-euro-area are also recognised in other comprehensive income and included in equity as cumulative exchange difference.

On the disposal of all or part of a foreign subsidiary, the cumulative amount or proportionate share of the exchange difference is reclassified from equity to profit or loss in the same period in which the gain or loss on disposal is recognised.

TRANSACTIONS IN FOREIGN CURRENCY

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting or functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, the unsettled balances of foreign currency transactions are measured at the exchange rates prevailing at the end of the reporting period. Exchange gains and losses arising from the transactions in foreign currencies and translation of monetary items are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses arising from trade receivables are entered as adjustments of net sales and foreign exchange gains and losses arising from trade payables are recorded as adjustments of purchases. Foreign exchange gains and losses arising from financial items are recorded as financial income and expenses.

SEGMENT INFORMATION

Sanitec has one reporting segment. The financial performance of Sanitec as a whole is followed by the chief operating decision maker. Sanitec follows the sales performance of its product areas (Bathroom Ceramics and Ceramics Complementary Products) as well as sales performance of geographical regions, distribution channels and main brands. No managers are appointed responsible for operating profit of the product areas. The responsible functional managers have responsibilities throughout the whole Sanitec (Operations, Product Management & Design, Sales and Marketing). The support functions are responsible for service to the whole Sanitec Group.

REVENUE RECOGNITION

Sanitec recognises revenue from product sales when the significant risks and rewards of ownership of the goods have been transferred to the customer. Normally revenue recognition takes place at the date of the delivery in accordance with the delivery terms. Net sales consist of the gross sales revenues less sales taxes and sales discounts. Based on agreements and experience, the Group estimates and recognises accruals for cash discounts, quantity rebates, sales returns and other customer compensations in the same period the revenue is recognised. Revenues from rendering of maintenance services and repairs are recognised in profit or loss when the services have been rendered or the work has been carried out.

Foreign exchange differences arising from trade receivables as well as the effect of currency derivative contracts related to sales transactions are recognised as sales adjustments.

OPERATING PROFIT (EBIT)

IFRS allows the use of additional line items and subtotals in the statement of profit or loss. Sanitec has defined operating profit to be a relevant subtotal in understanding the Group's financial performance. Sanitec has defined operating profit (EBIT) as follows: operating profit is the revenue added with other operating income less materials and services, employee benefits, production for own use, other operating expenses and depreciation, amortisation and impairment losses.

Operating profit includes those exchange rate gains and losses that are related to the operative activities of the Group. Financing related exchange rate gains and losses are reported as financial income and expenses.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the related conditions. Government grants are related mainly to the investments in property, plant and equipment. These grants are recognised as deferred income and recognised in profit or loss on a systematic basis over the useful life of the asset as other operating income. The government grants received to compensate expenses are recognised in profit or loss on a systematic basis over the periods in which the expenses are recognised.

OTHER OPERATING INCOME AND EXPENSES

Other operating income includes income from activities outside the ordinary business of Sanitec, such as rental income and gains from the disposal of property, plant and equipment and intangible assets and other non-current assets. Other operating expenses include expenses not recognised as materials and services or employee benefits, such as expenses for marketing efforts, research and development, if not capitalised, and other expenses related to general administration. Additionally, losses from the disposals of property, plant and equipment and intangible assets and other non-current assets are included within other operating expenses.

GOODWILL AND OTHER INTANGIBLE ASSETS

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Currently Sanitec has no goodwill in its statement of financial position.

Other intangible assets consist of patents and copyrights, trademarks and licenses and software having a finite useful life. An intangible asset is recognised in the statement of financial position only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the value of the asset can be measured reliably. Intangible assets are stated at historical cost less accumulated amortisation and impairment loss, if any. Borrowing costs are capitalised as part of the cost of intangible assets if the intangible assets are qualifying assets as defined in IAS 23 Borrowing Costs.

Amortisation on intangible assets is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Software	3–5 years
Patents and trademarks	3–10 years
Other intangible rights	3–5 years
Development expenses	3–5 years
Other capitalised expenditure	3–5 years

Research and development costs are normally expensed as other operating expenses for the reporting period in which they are incurred. If the criteria for commercial and technical feasibility have been met, development costs are capitalised and amortised during the expected useful life of the underlying technology. The expected useful life is based on commercial and technological feasibility.

Intangible assets with an indefinite useful life such as trademarks or brand names acquired in business combinations are not amortised but they are tested at least annually for impairment. At the end of the reporting period Sanitec did not have any intangible assets with indefinite useful life.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may also include reclassification from equity of any gain or losses on qualifying cash flow hedges related to foreign currency purchases of property, plant and equipment. Borrowing costs are capitalised as part of the cost of property, plant and equipment if the asset is a qualifying asset as defined in IAS 23 Borrowing Costs

Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets according to plan as follows:

Buildings	20–40 years
Heavy production machinery and equipment	10–20 years
Light production machinery and and equipment	8–10 years
Other machinery and equipment	3–5 years
Other tangible assets	3–5 years
Land and water areas	No depreciation

Residual values and expected useful life of each asset category are reviewed at the end of each reporting period and if they differ significantly from previous estimates, they are adjusted to reflect changes in the expected future economic benefits.

Subsequent improvement costs related to an asset are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs. Regular maintenance costs are expensed as incurred.

Gains on the disposals of property, plant and equipment are included in other operating income and losses in operating expenses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

All property, plant and equipment and intangible assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not yet ready for use as well as goodwill, if any, are tested for impairment annually, irrespective of whether there is any indication that they may be impaired.

If there are indications of impairment, the asset's recoverable amount is estimated, based on the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by reference to discounted future cash flows expected to be generated by the asset or cash generating unit. Cash flow projections have been calculated on the basis of reasonable and supportable assumptions. They are based on the most recent financial plans and forecasts that have been approved by management. Estimated cash flows are used for a maximum of five years. Cash flow projections beyond the period covered by the most recent plans and forecasts are estimated by extrapolating the projections. The discount rate is the weighted average cost of capital for Sanitec. It is a pre-tax rate and reflects current market assessments of the time value of money at the time of review and the risks related to the assets.

Impairment losses are recognised in profit or loss. An impairment loss recognised in respect of cash-generating units is first allocated to reduce the carrying amount of goodwill, if any, allocated to cash-generating units and then to reduce the carrying amount of other assets on pro rata basis. If subsequently a positive change has occurred in the estimates of the recoverable amount, the impairment loss made in prior years is reversed no more than up to the carrying amount which would have been determined for the asset, net of amortisation or depreciation, had not impairment loss been recognised in prior years. An impairment loss relating to goodwill is never reversed.

LEASE AGREEMENTS

Lease agreements are classified either as operating leases or finance leases. Leases of property, plant and equipment, where significant portion of the risks and rewards of ownership have been transferred to Sanitec are classified as finance leases. Finance leases are recognised as assets and financial liabilities in the statement of financial position at the commencement of the lease term at lower of the fair value of the leased asset and the present value of the minimum lease payments. Minimum lease payments under finance leases are apportioned between finance charge and reduction of the outstanding liability.

Property, plant and equipment under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter. At the end of the reporting period Sanitec did not have leases that should be classified as finance leases.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Rental payments under operating leases are recognised as expenses when incurred.

IFRIC 4 Determining whether an Arrangement Contains a Lease is applied to such agreements, which are not lease agreements in legal form, but which in substance convey the right to use an asset for an agreed period of time in return for a payment. If an arrangement or part of it is determined to be a lease agreement, the arrangement or part of it is classified as finance or operating lease and accounted for under the guidance in IAS 17 Leases.

NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or disposal groups are classified as held for sale and presented separately in the statement of financial position if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. In order to be classified as held for sale the asset or disposal group must be available for immediate sale in its present condition and the sale must be highly probable. In addition, the sale should qualify for recognition of a complete sale within one year from the date of the classification.

An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and it is no longer depreciated or amortised. Also liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a part of the entity that has been divested or classified as being held for sale and represents a separate core business area or geographic operation area. The profit or loss for the period attributable to discontinued operations is presented separately in the consolidated statement of profit or loss. Also post-tax gains and losses recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups are presented in the statement of profit or loss as result of discontinued operations.

Sanitec's financial statements as at 31 December 2013 do not include any material assets held for sale or any discontinued operations.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method or average cost method for finished goods and the average cost method for raw materials. Cost includes direct manufacturing, labor and materials costs, variable overheads and allocable portion of production overheads.

Costs associated with assets produced for internal use are capitalised as property, plant and equipment and depreciated over their estimated useful lives.

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of Sanitec have been classified as financial assets and liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and financial liabilities measured at amortised cost. Sanitec had no held-to-maturity investments during the reporting period.

A financial asset is derecognised from the statement of financial position when Sanitec's contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to an external party and the transfer fulfills the asset derecognition criteria. A financial liability or a part of a financial liability is removed from the statement of financial position when the liability is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss include derivative instruments that do not fulfill hedge accounting criteria.

Loans and receivables
Loans and receivables arise when cash, goods or services are delivered to a debtor. They are not quoted in an active market and related payments are either fixed or determinable. Loans and receivables granted by the Group are measured at cost or amortised cost.

Loans and receivables include loan receivables, trade receivables, other receivables and cash and cash equivalents. They are included in current or non-current financial assets in accordance with their maturity. Loan and trade receivables falling due after 12 months of the end of the reporting period are discounted, if no interest is charged separately, and the increase in the receivable which reflects the passage of time is recognised as interest income in financial income.

Trade receivables are carried at the original invoice amount less the share of any discounted interest and an estimate made for doubtful receivables. Provision made for doubtful receivables is based on a periodic review of all outstanding amounts. For example payment defaults or late payments may be considered as indications of impairment of the receivable. Impairment losses of trade receivables are recorded in a separate allowance account for credit losses within trade receivables, and the impairment losses are recognised in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognised from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognised in profit or loss as a deduction of other operating expenses. If no impairment loss has been recognised in allowance account and the impairment loss of the trade receivable is found to be final, impairment loss is recognised directly as deduction of trade receivables.

Loan receivables are carried at the original amount less a provision made for doubtful receivables. The provision for doubtful receivables is based on a review of all outstanding amounts at the end of the reporting period. For example payment defaults or late payments may be considered as indications of impairment of the receivable. Impairment losses of loan receivables are recognised in profit or loss as financial expenses. If a payment is later received from the impaired receivable, the received amount is recognised in profit or loss in financial items.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value or at cost less impairment, if any, if their fair values cannot be measured reliably. Changes in the fair value of the assets are recognised in other comprehensive income net of tax until the assets are disposed of, at which time the cumulative gain or loss is reclassified from equity in profit or loss as a reclassification adjustment. If the available-for-sale asset is impaired, impairment loss is recognised immediately in profit or loss.

Available-for-sale assets are included in non-current assets in the statement of financial position.

Cash and cash equivalents
Cash and cash equivalents includes cash and other equivalent financial assets. Other financial assets are highly liquid investments with remaining maturities at the date of acquisition of three months or less. Bank overdrafts are included in current interest-bearing financial liabilities.

Derivative instruments and hedge accounting
When Sanitec enters into derivative contracts, it designates them as either hedges of the exposure to changes in fair value of recognised assets or liabilities (fair value hedges), hedges of the exposure to variability in cash flows of forecast transactions or firm commitments (cash flow hedges), hedges of net investments in foreign operations or as derivative financial instruments not meeting the hedge accounting criteria.

Derivatives are recorded in the statement of financial position at their fair values. Fair values of derivatives are determined by using market prices and generally available valuation models. The data and assumptions used in valuation models are based on verifiable market prices.

Derivative instruments are included in current financial assets or liabilities in the statement of financial position. Trade date accounting is used in recognising purchases and sales of derivative instruments.

Derivatives, which do not meet hedge accounting criteria, are financial assets and liabilities at fair value through profit or loss, and changes in the fair values of these derivative instruments are recognised immediately in profit or loss.

Fair value changes of derivatives designated and qualifying as fair value hedges, and which are highly effective, are recognised in profit or loss at the same time as the fair value changes of the hedged item are recognised in profit or loss.

Fair value changes of derivatives designated and qualifying as cash flow hedges, and which effectively hedge the underlying future cash flows, are recognised in other comprehensive income net of tax, and included in fair value reserve in equity. The cumulative gain or loss of a derivative recognised in other comprehensive income is reclassified from equity in profit or loss as a reclassification adjustment in the same period during which the hedged forecast cash flows affect profit or loss.

When a hedging instrument designated as cash flow hedge expires or is sold, terminated or exercised or no long qualifies for hedge accounting, the cumulative gain or loss remains separately in equity until the forecast transaction occurs. When the transaction occurs, the cumulative gain or loss of a derivative recognised in other comprehensive income is reclassified from equity in profit or loss as a reclassification adjustment. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is immediately reclassified from equity to profit or loss.

Changes in the fair value of foreign currency derivatives designated as hedges of net investment in foreign operations, and which are effective hedges, are recognised in other comprehensive income net of tax, and included in the equity in cumulative exchange differences. Ineffective part of the hedge is recognised immediately in profit or loss. The cumulative gain or loss of a derivative recognised in other comprehensive income is reclassified from equity in profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation. Sanitec had no net investment hedges in foreign entities in 2013 or 2012.

Financial liabilities measured at amortised cost
On initial recognition financial liabilities are measured at their fair values that are based on the consideration received. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method. Transaction costs are included in the cost.

Financial liabilities measured at amortised cost include senior secured floating rate notes, loans from financial institutions, finance lease liabilities, if any, other interest-bearing liabilities, trade payables and advances received. They are included in current or non-current liabilities in accordance with their maturity.

Interest expenses are accrued for and mainly recognised in profit or loss for each reporting period. If an asset is a qualifying asset as defined in IAS 23 Borrowing Costs, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. The capitalisation mainly applies to property, plant and equipment and intangible assets, if they meet the qualification criteria.

PENSIONS AND OTHER POST-EMPLOYMENT OBLIGATIONS

Pension benefits

The Group has several pension plans in accordance with local conditions and practices where it operates. The plans are generally funded through premium payments to insurance companies.

Pension plans are classified as defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate. The Group has no legal or constructive obligation to pay further contributions, if the pension fund has not adequate assets to pay the employees the benefits in question. A defined benefit pension plan is a pension plan that is not a defined contribution plan.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The defined benefit liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of defined benefit obligations at end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation.

Re-measurements, including actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

For the defined benefit plans, costs are assessed using the projected unit credit method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees. Service costs are charged to profit or loss as employee benefits, and comprise of current service cost, past service costs, gains and losses on curtailments and non-routine settlements. Past service costs are recognised as an expense the earlier of the date of the plan amendment or curtailment and the date the Group recognises related restructuring costs.

Net interest on the net defined benefit liability or asset is the change during the period in the liability or asset that arises from the passage of time. Net interest income or expenses are recognised in financial items in the statement of profit or loss.

Other defined benefit plans

Some Group companies provide also other defined benefit plans than defined benefit pension plans. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

SHARE-BASED PAYMENTS

Sanitec had no share-based payments as defined in IFRS 2 during the financial years reported in these consolidated financial statements.

PROVISIONS

A provision is recognised in the statement of financial position if the Group has a present legal or constructive obligation as a result of a past event, and that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are classified as non-current or current depending on the timing of the estimated outflow of economic benefits. If the time value of money is material, provisions are discounted.

Provisions are related e.g. to restructuring activities, environmental obligations, tax risks, legal proceedings or onerous contracts. Provisions are based on the past experience and best estimates available at the end of the reporting period.

A restructuring provision is recognised only when a detailed and fully compliant plan has been prepared for it and implementation of the plan has been started or notification of it has been made known to those whom the restructuring activities concern. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

CURRENT AND DEFERRED INCOME TAXES

The income tax expense for the period consists of current and deferred taxes. Income taxes are mainly recognised in the statement of profit or loss. If the income tax relates to items recognised in other comprehensive income or directly in equity, also the income tax is recognised in other comprehensive income or directly in equity, respectively. Current tax on taxable income for the period is determined using the tax rates at the end of the reporting period in the countries where the Group operates and generates taxable income.

The management establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are recognised on temporary differences arising from investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are not, however, recognised if they arise from the initial recognition of goodwill. Deferred tax liabilities or deferred tax assets are not recognised if they arise from initial recognition of an asset or liability that at the time of the transaction affects neither accounting profit nor taxable profit, and the transaction is not a business combination.

Deferred taxes are measured based on the tax rates enacted or substantively enacted at the end of the reporting period and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The amount and probability of the utilisation of deferred tax assets are reviewed at the end of each reporting period. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences or carry-forward tax losses can be utilised.

Deferred tax assets and liabilities are offset against each other only when the entity has a legally enforceable right to set off the recognised amounts, and the deferred tax asset and tax liability relate to income taxes levied by the same tax authority.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect carrying amounts of assets and liabilities at the end of the reporting period, the disclosure of contingent liabilities and the recognised amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and other justified assumptions that are believed to be reasonable under the circumstances at the end of the reporting period. Development of general economic situation and markets in which the Group operates may affect the variables underlying the estimates and assumptions. Actual results could therefore differ significantly from those estimates.

Significant items subject to estimates and assumptions include the useful lives and carrying amounts of intangible assets and property, plant and equipment; measurement of inventories and trade receivables; recognition and measurement of deferred taxes and provisions for tax; estimates of the amount and probability of restructuring provisions; valuation of derivative instruments; assets and obligations related to employee benefits and outcome of legal proceedings.

ITEMS AFFECTING COMPARABILITY

Sanitec includes in items affecting comparability mainly items arising from restructuring and structural changes, such as losses and gains on divestments of businesses, costs for executive management dismissals, costs related to the EU cartel fine as well as other costs considered to be non-recurring. Items arising from restructuring can include expenses arising from personnel reduction, impairment of property, plant and equipment and intangible assets and changes in production structure. In addition, exceptionally large gains or losses from disposals of property, plant and equipment and intangible assets are included in items affecting comparability.

If an expense affecting comparability is reversed for example due to changes in circumstances, the reversal is also included in items affecting comparability.

Items affecting comparability are recognised in profit or loss in the income or expense category where they belong by their nature and they are included in operating profit. In its key ratios Sanitec presents also operating profit excluding items affecting comparability.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net result attributable to owners of the parent by the weighted share-issue adjusted average number of shares outstanding during the period, excluding shares acquired by the Group and held as treasury shares, if any. At the end of the reporting period Sanitec held no treasury shares.

When calculating diluted earnings per share, the net result attributable to owners of the parent is adjusted with the effect on profit or loss of the potential shares. The weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

DIVIDENDS AND OTHER EQUITY DISTRIBUTION

Dividends or other equity distribution proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

AUDIT

Interim reports are not audited.

Note 2 Critical accounting estimates and judgements

Set forth below are areas requiring significant judgement and estimation that may have an impact on reported results and financial position.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Useful lives of intangible assets and property, plant and equipment are based on management's best estimate of the period the asset is expected to be available for use by Sanitec. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual depreciation or amortisation of the asset or in recording of an impairment loss.

INVENTORIES AND TRADE RECEIVABLES

Measurement of inventories and trade receivables includes some management estimates. Inventories are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of amount expected to be realised from their sale or use. If management estimates that carrying amount of a trade receivable exceeds its fair value, an impairment loss is recognised. For example payment defaults or late payments may be considered as indications of impairment of the receivable.

DEFERRED TAXES AND PROVISIONS FOR TAX

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially for deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognised for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax losses and deductible temporary differences can be utilised. Recognition therefore involves judgement with regard to future financial performance of a particular legal entity or tax group in which the deferred tax asset has been recognised. In addition, structural changes in the Group or changes in tax legislation in the jurisdictions where the Group operates can affect management's judgements.

The Group also makes provisions for income or other taxes. Tax provisions are recognised based on estimates and assumptions when, despite of management's belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. Furthermore, the Group has ongoing tax audits in certain jurisdictions. If the final outcome of these matters differs from the amounts initially recorded, differences may impact the income tax expense in the period in which such determination is made.

All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognised in profit or loss.

RESTRUCTURING AND OTHER PROVISIONS

The Group provides for the estimated future cost related to restructuring programs. The provision made for restructuring is based on management's best estimate. Changes in estimates of timing or amounts of costs to be incurred may become necessary as the restructuring program is implemented.

In addition, changes in environmental legislation in the jurisdictions where the Group operates can affect management's judgements of estimations of environmental provisions.

FAIR VALUE OF DERIVATIVE INSTRUMENTS

Sanitec recognises derivative instruments at their fair values. Fair values of derivatives are determined by using market prices and generally available valuation models. The data and assumptions used in valuation models are based on verifiable market prices. The Group uses judgement to select an appropriate valuation methodology as well as underlying assumptions based on existing market practice and conditions. Changes in these assumptions may cause the Group to recognise impairment losses or losses in future periods. In addition, the decision of whether to use derivative instruments in order to hedge the Group's financial position or future cash flows requires significant judgement and estimation from the management.

EMPLOYEE BENEFITS

The determination of defined benefit obligations and expenses for defined benefit plans is dependent on the selection of certain assumptions in calculating the amounts. Those assumptions include, among others, the discount rate and annual rate of increase in future compensation levels. Changes in assumptions may materially affect the defined benefit obligations and future employee benefit expenses. As defined benefit obligations cover a long period in the future, uncertainty of the assumptions used is inherent.

LEGAL CONTINGENCIES

Sanitec has pending or threatening legal proceedings in various jurisdictions related to matters in various areas of interest. Provisions are recognised for pending litigation when it is determined that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Note 3 Share information

SHARES AND VOTING RIGHTS

Sanitec Corporation's paid and registered share capital on 31 December 2013 was EUR 2.8 million and the number of issued and registered shares totaled 100,000,000. The number of issued shares was increased from 1,000,000 to 100,000,000 shares on 22 November 2013 by issuance of 99,000,000 new shares without consideration.

The company has one series of shares. Every share that the company does not hold itself entitles its owner to one vote at a General Meeting of Shareholders. The share has no nominal value. The counter book value of each registered share is EUR 0.03.

Sanites's shares are registered in the book-entry securities systems either in Euroclear Finland Ltd or Euroclear Sweden Ltd. The shares can be owned directly or via a nominee.

SHARE TRADING

Sanitec's share was listed on NASDAQ OMX Stockholm on 10 December 2013. The share is traded in Swedish krona (SEK). On 31 December 2013, the market capitalisation of the company's registered shares was EUR 761.9 million (SEK 6,750.0 million). During 2013 approximately 19.7 million of the company's shares were traded, i.e. around 19.7% of the average number of registered shares. The lowest price paid for a share was EUR 7.00 (SEK 62.00) and the highest price EUR 7.62 (SEK 67.50). The volume-weighted average price of shares traded during the period the share was traded was EUR 7.41 (SEK 64.10). The closing price on 31 December 2013 was EUR 7.62 (SEK 67.50). The share issue-adjusted equity per share attributable to owners of the parent was EUR 0.44 per share (EUR 2.44 on 31 December 2012). The share prices have been converted to euros using the closing rate of the period, with the exception of the volume-weighted average price, which has been converted to euros using the average rate of the period.

NOTIFICATIONS AS PER SECTION 5 OF CHAPTER 9 OF THE SECURITIES MARKET ACT

On 11 December 2013, Zeres Capital AB informed Sanitec Corporation that it had purchased Sanitec shares on 10 December 2013 and owned one twentieth (1/20) of Sanitec's shares and votes. Following the transaction Zeres Capital AB owns 5,000,000 shares, or 5.00%, of Sanitec Corporation's share capital and total voting rights.

RESTRICTIONS ON PAYMENTS OF DIVIDENDS OR OTHER DISTRIBUTION OF EQUITY

The terms of Sanitec's senior floating rate notes ("Notes") and the revolving credit facility impose certain limitations on Sanitec's ability to declare and pay dividends and make other equity distributions. As defined in the terms of the Notes, Sanitec may declare and distribute a dividend or other equity distribution not exceeding in any fiscal year an amount equal to 6% of the market capitalisation of Sanitec. In addition, Sanitec may declare dividends and make certain other distributions up to a total aggregate amount of EUR 25 million (when aggregated with all dividends and other distributions made since the issue of the Notes in 2013). Further, the terms of the Notes include certain other conditions to dividend payments or to other equity distributions.

DIVIDEND AND DISTRIBUTION POLICY

Sanitec's Board of Directors has adopted a dividend and distribution policy according to which the Board of Directors seeks to propose to the annual general meeting of shareholders that circa 50% of Sanitec's audited profit for the period shall be paid in dividends or in other forms of repatriation of capital to its shareholders over a business cycle. When proposing a dividend or other equity distribution, the Board of Directors shall take into account Sanitec's capital structure, liquidity and other applicable restrictions set out by the law or contractual obligations. In addition, such proposals shall take into account factors such as our financial targets, investment needs and development possibilities.

AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of Sanitec Corporation has no authorisations to issue shares or options or other forms of potential shares.

Number of shares	2013	2012
Number of shares 1 January	1,000,000	1,000,000
Share issue without consideration	99,000,000	–
Number of shares 31 December	100,000,000	1,000,000
Average share-issue adjusted number of shares 31 December	100,000,000	100,000,000

Equity attributable to owners of the parent per share	2013	2012
Equity attributable to owners of the parent, EUR million	44.2	243.6
Share-issue adjusted number of shares	100,000,000	100,000,000
Equity attributable to owners of the parent per share, EUR	0.44	2.44

DIVIDEND AND OTHER EQUITY DISTRIBUTIONS

	2013	2012
Dividend / distribution per share	0.22	2.38

2013 distribution is the proposal of the Board of Directors as a refund of capital from reserve for invested unrestricted equity. 2012 distribution was a refund of capital from reserve for invested unrestricted equity paid in May 2013.

Largest shareholders 31 December 2013

	Shareholder	Ownership registration	Registration type	Number of shares	% of shares and votes
1	Sofia IV S.à r.l.	Finland	DIR	40,000,000	40.00%
2	Zeres Public Market Fund	Sweden	NOM	5,000,000	5.00%
3	UBS AG LDN Branch A/C Client, IPB	Sweden	NOM	2,822,738	2.82%
4	Handelsbanken Fonder AB RE JPMEL	Sweden	NOM	2,340,714	2.34%
5	JPMORGAN CHASE N.A	Sweden	NOM	2,039,466	2.04%
6	Ilmarinen Mutual Pension Insurance Company	Finland	DIR	2,000,000	2.00%
7	BNYM SA NV /, W8IMY	Sweden	NOM	1,977,298	1.98%
8	JP MORGAN CHASE BK, W9	Sweden	NOM	1,897,979	1.90%
9	State Street Bank & Trust COM., Boston	Sweden	NOM	1,782,012	1.78%
10	MSIL IPB Client Account	Sweden	NOM	1,589,062	1.59%
11	DUB-Non-resident Domestic Rates	Sweden	NOM	1,459,222	1.46%
12	JPM CHASE NA	Sweden	NOM	1,262,792	1.26%
13	Fonden Zenit	Sweden	NOM	1,250,000	1.25%
14	JPM CHASE NA	Sweden	NOM	1,094,541	1.09%
15	Gamla Livförsäkringsaktiebolag	Sweden	NOM	1,032,000	1.03%
16	CBLDN-Kuwait Invesment Authority	Sweden	NOM	1,030,378	1.03%
17	Carnegie Sverige Select	Sweden	NOM	1,000,000	1.00%
18	BP2S LUX/Henderson HHF SICAV	Sweden	NOM	920,751	0.92%
19	Goldman Sachs International LTD, W8IMY	Sweden	NOM	908,231	0.91%
20	Morgan Stanley & CO INTL PLC, W-8BEN	Sweden	NOM	787,215	0.79%
21	Caceis Bank Luxembourg, CAIS BANK, W8IMY	Sweden	NOM	781,872	0.78%
22	Morgan Stanley and CO LLC, W9	Sweden	NOM	769,918	0.77%
23	Caceis Bank France	Sweden	NOM	751,784	0.75%
24	Credit Suisse Securities (USA)	Sweden	NOM	701,506	0.70%
25	JPM CHASE NA	Sweden	NOM	700,000	0.70%
	Total 25 largest shareholders			**75,899,479**	**75.90%**
	Other shareholders			**24,100,521**	**24.10%**
	Total			**100,000,000**	**100.00%**

The list of largest shareholders is a combination of shareholders owning the shares via Euroclear Finland or Euroclear Sweden. The shares can be owned directly (DIR) or via a nominee (NOM).

As Sanitec's shareholders own their shares both via Euroclear Finland and Euroclear Sweden, it is not possible to present share ownership by category or share ownership by size as required by Decree 1020/2012 of the Finnish Ministry of Finance.

The total number of shareholders at the end of the period was 2,319.

Note 4 Segment information

Sanitec has one segment. Entity-wide disclosures are presented below.

Net sales by destination by geographical region	1 January–31 December 2013	1 January–31 December 2012
Central Europe	217.9	215.2
North Europe [1]	178.2	186.2
South Europe	117.7	145.5
East Europe	113.9	128.7
United Kingdom and Ireland	51.6	54.4
Rest of the World	22.5	22.9
Total	**701.8**	**752.8**
[1] of which Finland	40.0	38.8

Net sales by product area		
Bathroom Ceramics	532.1	556.4
Ceramics Complementary Products	169.7	196.4
Total	**701.8**	**752.8**

Property, plant and equipment and intangible assets by geographical region		
Central Europe	33.8	33.2
North Europe [1]	44.0	52.2
South Europe	29.4	27.0
East Europe	71.5	79.5
United Kingdom and Ireland	0.2	0.2
Rest of the World	0.0	0.1
Total	**178.9**	**192.2**
[1] of which Finland	15.7	20.3

Net sales of approximately EUR 102 million (EUR 116 million) are derived from a single external customer.

Note 5 Other operating income

Other operating income	1 January–31 December 2013	1 January–31 December 2012
Gain on disposal of property, plant and equipment	0.1	1.0
Sale of scrap	0.3	0.4
Rental income	1.0	0.4
Subsidies received	0.2	0.2
Other income	10.1	3.3
Total	**11.7**	**5.4**

Other income includes EUR 7.1 million income from reduction of the EU fine, which was initially imposed on Sanitec in 2010.

Note 6 Materials and services

Materials and services	1 January–31 December 2013	1 January–31 December 2012
Materials and supplies		
Purchases during the reporting period	-261.5	-293.7
Change in inventories	-1.5	-2.6
Change in inventories of work in process and finished goods	-5.6	-0.4
External services	-43.4	-47.8
Total	**-312.0**	**-344.4**

Note 7 Employee benefits

Employee benefits	1 January–31 December 2013	1 January–31 December 2012
Salaries and wages	-157.6	-167.2
Defined contribution pension plans	-10.6	-10.5
Defined benefit plans	-0.6	1.3
Other personnel expenses	-39.2	-32.9
Total	**-208.1**	**-209.3**

Defined benefit plans are described in more detail in Note 22.

Net interest income or expenses on defined benefit plans are recognised in financial items in the statement of profit or loss.

Average number of employees by geographical region	1 January–31 December 2013	1 January–31 December 2012
Central Europe	1,113	1,115
North Europe	781	832
South Europe	1,415	1,566
East Europe	3,032	3,307
United Kingdom and Ireland	154	165
Rest of the World	21	19
Total	**6,516**	**7,004**
Number of employees at the end of period	6,211	6,688
Number of employees at the end of period in Finland	243	261

Note 8 Other operating expenses

Other operating expenses	1 January–31 December 2013	1 January–31 December 2012
Sales and marketing costs	-19.9	-22.3
Leases	-14.2	-14.3
Travelling costs	-8.5	-10.4
Information technology costs	-7.5	-7.8
Agency commissions	-6.8	-6.8
Other commissions and fees	-5.7	-4.9
Credit losses, net	-0.7	-1.1
Other operating costs	-35.2	-35.5
Total	**-98.5**	**-103.0**

Credit losses are described in Note 14.

Fees paid to principal auditor		
Audit fees	-0.8	-0.7
Tax consultation fees	-0.4	-0.3
Official statements	0.0	0.0
Other consultation fees	-0.3	-0.1
Total	**-1.5**	**-1.1**

The Group's principal auditor was KMPG Finland and other member firms of KPMG network. The majority of other consultation fees in 2013 consist of services provided in connection of Sanitec's listing on NASDAQ OMX Stockholm.

Research and development costs, total	-9.6	-8.3
As percentage of net sales, %	1.4	1.1

Direct research and development expenses amounted in 2013 to EUR -4.5 million (-4.0). In addition to direct research and development costs, which are costs related to research and development stages of new products, Sanitec incurs expenses in product enhancement and improvements. Total research and development costs include costs incurred in product development in all stages in the product lifecycle.

Items affecting comparability

Sanitec includes in items affecting comparability mainly items arising from restructuring and structural changes, such as losses and gains on divestments of businesses, costs for executive management dismissals, costs related to the EU cartel fine as well as other costs considered to be non-recurring, such as costs for listing on NASDAQ OMX Stockholm.

Items affecting comparability	1 January–31 December 2013	1 January–31 December 2012
Other non-recurring costs	-2.9	–
Divested businesses	-0.6	-1.1
Restructuring costs	-8.8	-3.1
EC fine and related legal fees	5.8	-0.7
Total	**-6.5**	**-4.9**

Items affecting comparability include in 2013 impairment losses and reversals of impairment losses of property, plant and equipment and intangible assets totalling to EUR -0.5 million.

Items affecting comparability are recognised in profit or loss in the income or expense category where they belong by their nature and they are included in operating profit.

Note 9 Depreciation, amortisation and impairment losses

Depreciation and amortisation	1 January–31 December 2013	1 January–31 December 2012
Intangible rights	-1.6	-1.8
Other capitalised expenditure	-0.6	-0.4
Buildings	-4.3	-4.4
Machinery and equipment	-21.6	-22.9
Other tangible assets	-0.2	-0.2
Total	**-28.3**	**-29.7**
Impairment losses and reversals of impairment losses, net		
Intangible rights	-0.1	0.0
Other capitalised expenditure	-0.4	–
Intangible assets under construction	-0.2	–
Land	0.8	–
Buildings	-0.3	–
Machinery and equipment	-0.4	–
Other tangible assets	–	0.0
Total	**-0.5**	**0.0**
Total depreciation, amortisation and impairment losses	**-28.9**	**-29.7**

Note 10 Financial income and expenses

Financial income	**1 January–31 December 2013**	**1 January–31 December 2012**
Interest income from		
Loans and receivables	0.3	1.2
Derivatives used for hedging	1.3	0.1
Non-financial items	2.1	1.4
Total interest income	3.7	2.7
Other financial income	0.0	0.1
Total other financial income	0.0	0.1
Total	**3.7**	**2.8**
Financial expenses		
Interest expenses from		
Financial liabilities measured at amortised cost	-11.6	-8.5
Other liabilities	-0.1	0.0
Derivatives used for hedging	-0.9	-0.1
Non-financial items	-5.0	-2.4
Total interest expenses	-17.5	-11.0
Other financial expenses from		
Financial liabilities measured at amortised cost	-1.1	0.0
Bank fees and other financial expenses	-1.0	-0.9
Total other financial expenses	-2.1	-0.9
Total	**-19.6**	**-12.0**
Foreign exchange differences, net		
Financial liabilities measured at amortised cost	-2.5	2.3
Loans and receivables	-1.6	1.2
Derivatives	0.2	-0.1
Other foreign exchange differences	0.0	-0.2
Total	**-3.8**	**3.2**
Total financial income and expenses	**-19.8**	**-6.0**

Interest income and expenses from defined benefit plans are presented in Note 22.

Exchange differences recognised in operating profit		
Net sales	-0.4	-0.3
Materials and services	-0.5	0.3
Other operating expenses	0.0	0.0
Total	**-0.9**	**0.0**

Derivatives recognised in profit or loss	**1 January–31 December 2013**	**1 January–31 December 2012**
Net sales	0.2	-0.1
Materials and services	0.5	0.1
Other operating expenses	0.0	0.0
Total	**0.7**	**-0.1**
Derivatives recognised in other comprehensive income		
Fair value of currency derivatives in other comprehensive income	-0.1	0.3

Sanitec uses currency derivative instruments as cash flow and fair value hedges. Interest component of currency derivative instruments is recognised as interest income and expenses.

Note 11 Income taxes

Income tax charge in profit or loss	**1 January–31 December 2013**	**1 January–31 December 2012**
Current income taxes for the reporting period	-9.6	-5.6
Adjustments in respect of current income tax of previous years	0.7	5.1
Other direct income taxes	-0.2	0.0
Change in deferred taxes	3.4	5.2
Total	**-5.7**	**4.7**
Income tax charge in other comprehensive income		
Deferred taxes		
Remeasurements of defined benefit plans	0.1	0.1
Cash flow hedges	0.0	0.0
Total	**0.1**	**0.1**

During 2012 income taxes for prior periods included reversal of tax provision related to German tax assessment.

The Group's tax loss carry forwards were EUR 450.6 million as of 31 December 2013 (EUR 503.0 million). Of the total amount, EUR 209.5 million (EUR 260.0 million) were attributable to the Finnish companies Sanitec Europe Corporation and Sanitec Corporation as of 31 December 2013. Tax losses of EUR 118.0 million expire in 2014, EUR 78.7 million in 2015, EUR 36.7 million in 2016, EUR 16.7 million in 2017 and EUR 74.6 million after 2018 while EUR 125.9 million has no expiry date.

The Group's tax losses carried forward as of 31 December 2013 include EUR 109.0 million losses that belong to the Dutch subsidiary B.V. de Sphinx Maastricht. Due to the changes in the Group in the previous years it may be possible that the losses of B.V. de Sphinx Maastricht cannot be used. This issue is currently under investigation and will be decided by the Dutch tax authorities.

The Group has recognised deferred tax assets for its tax loss carry forwards and temporary differences to the extent that it is probable that future taxable profit will be available against which the tax losses or temporary differences can be utilised. The determination is based upon what is probable in each tax jurisdiction.

As of 31 December 2013, retained earnings in subsidiaries consisted mainly of subsidiaries within European Union countries, Switzerland and Norway. As Sanitec is able to repatriate such retained earnings tax free, no deferred tax liability on the undistributed retained earnings in subsidiaries is recognised.

Tax assets and tax liabilities	**1 January–31 December 2013**	**1 January–31 December 2012**
Deferred tax assets	26.2	25.2
Assets for current tax	9.5	6.4
Deferred tax liabilities	5.8	8.1
Income tax provisions	4.5	4.6
Liabilities for current tax	8.1	4.4

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in profit or loss

	2013	**2012**
Profit before taxes	48.2	67.0
Tax at the tax rate applicable to the parent [1)]	**-11.8**	**-16.4**
Difference due to different tax rates of foreign subsidiaries	1.1	-1.7
Adjustments in respect of current income tax of previous years	0.7	5.1
Other direct taxes	-0.2	–
Previously unrecognised deferred tax assets from tax losses carried forward	12.4	11.4
Reversals of previously recognised deferred taxes	-0.1	–
Effect of changes in tax rates and tax laws on deferred taxes	0.5	-1.0
Use of tax losses, where no deferred tax asset was recognised	2.2	12.0
Loss for the period for which no deferred tax asset has been recognised	-6.2	–
Tax exempt income	16.7	3.3
Non-deductible expenses	-21.0	-8.0
	6.1	21.1
Total income taxes recognised in profit or loss	**-5.7**	**4.7**
Effective tax rate, %	11.9	-7.0

1) Corporate income tax rate in Finland was in 2013 and 2012 24.5% and from 1 January 2014 20.0%.

Deferred tax assets	**Tax losses carried forward**	**Property, plant and equipment**	**Defined benefit plans**	**Provisions**	**Other temporary differences**	**Total**
1 January 2012	**12.3**	**1.2**	**1.3**	**1.4**	**2.9**	**19.1**
Recognised in profit or loss	5.3	2.1	-0.3	-0.3	-1.6	5.2
Exchange difference	0.1	0.1	–	0.1	0.2	0.5
Reclassification	–	–	–	–	–	–
Recognised in other comprehensive income	–	–	0.4	–	–	0.4
31 December 2012	**17.7**	**3.4**	**1.4**	**1.2**	**1.5**	**25.2**
Recognised in profit or loss	1.6	-0.6	0.3	-0.5	0.8	1.6
Exchange difference	-0.2	-0.1	0.0	0.0	0.0	-0.3
Reclassification	0.0	0.0	0.3	-0.3	0.0	0.0
Recognised in other comprehensive income	–	–	-0.2	–	–	-0.2
31 December 2013	**19.1**	**2.8**	**1.7**	**0.4**	**2.3**	**26.2**

In 2013 the deferred tax asset for the carry forward tax losses of the Finnish entities was increased by EUR 12.4 million due to the foreseen increase of taxable profits in 2014 and onwards. The major decreases in deferred tax assets were due to use of carry forward tax losses (of which deferred tax assets had been recognised in previous years) mainly in the UK by EUR 1.2 million and Sweden by EUR 2.0 million. The total gross potential deferred tax asset calculated on the total tax losses carried forward amounted to EUR 97.7 million as at 31 December 2013 (the total tax losses carried forward, for which no deferred tax asset has been recognised, amounted to EUR 421.4 million as at 31 December 2013).

In 2012 a deferred tax asset of EUR 6.4 million was recognised on the basis of carry forward tax losses of the Finnish subsidiary Sanitec Europe Oy. Other changes in deferred tax assets on tax losses carried forward recognised in profit or loss were related to other group companies. The total tax losses carried forward, for which no deferred tax asset was recognised, amounted to EUR 439.5 million as at 31 December 2012.

Deferred tax liabilities	Property, plant and equipment	Other temporary differences	Total
1 January 2012	**7.3**	**0.5**	**7.8**
Recognised in profit or loss	–	–	–
Exchange difference	–	–	–
Reclassification	–	–	–
Recognised in other comprehensive income	–	0.3	0.3
31 December 2012	**7.3**	**0.8**	**8.1**
Recognised in profit or loss	-1.8	-0.1	-1.8
Exchange difference	-0.2	0.0	-0.3
Reclassification	0.0	0.1	0.1
Recognised in other comprehensive income	–	-0.3	-0.3
31 December 2013	**5.4**	**0.5**	**5.8**

Note 12 Intangible assets and property, plant and equipment

Intangible assets	Intangible rights	Other capitalised expenditure	Assets under construction	Total
Acquisition cost 1 January 2013	**8.6**	**1.5**	**0.7**	**10.8**
Exchange differences	-0.2	0.0	0.0	-0.2
Additions	0.3	0.0	0.8	1.1
Disposals	-1.5	-0.4	–	-1.9
Reclassification between items	-1.7	2.7	-0.9	0.2
Acquisition cost 31 December 2013	**5.6**	**3.8**	**0.6**	**10.0**
Accumulated amortisation and impairment losses 1 January 2013	**-3.0**	**-0.6**	**–**	**-3.6**
Exchange differences	0.1	0.0	0.0	0.2
Amortisation for the period	-1.6	-0.6	–	-2.2
Impairment losses for the period	-0.1	-0.4	-0.2	-0.6
Disposals	1.5	0.4	–	1.9
Reclassification between items	1.9	-1.9	0.0	0.0
Accumulated amortisation and impairment losses 31 December 2013	**-1.1**	**-3.1**	**-0.2**	**-4.4**
Carrying amount 31 December 2013	**4.5**	**0.7**	**0.4**	**5.6**
Acquisition cost 1 January 2012	**6.5**	**0.6**	**3.0**	**10.1**
Exchange differences	0.3	-0.1	–	0.2
Additions	0.3	–	0.2	0.5
Disposals	-1.0	1.0	–	0.0
Reclassification between items	2.5	–	-2.5	0.0
Acquisition cost 31 December 2012	**8.6**	**1.5**	**0.7**	**10.8**
Accumulated amortisation and impairment losses 1 January	**-1.4**	**-0.2**	**–**	**-1.6**
Exchange differences	0.1	–	–	0.1
Amortisation for the period	-1.8	-0.4	–	-2.2
Impairment losses for the period	–	–	–	–
Disposals	0.1	–	–	0.1
Reclassification between items	–	–	–	–
Accumulated amortisation and impairment losses 31 December 2012	**-3.0**	**-0.6**	**–**	**-3.6**
Carrying amount 31 December 2012	**5.6**	**0.9**	**0.7**	**7.2**

Property, plant and equipment	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments	Assets under construction	Total
Acquisition cost 1 January 2013	**17.3**	**106.2**	**177.3**	**7.6**	**0.3**	**5.5**	**314.2**
Exchange differences	0.0	-1.9	-8.0	-0.1	0.0	-0.1	-10.2
Additions	0.0	2.2	7.9	0.2	0.0	7.8	18.2
Disposals	–	0.0	-12.0	0.0	–	-0.1	-12.1
Reclassification between items	0.1	0.9	6.4	-0.2	-0.3	-7.0	-0.1
Acquisition cost 31 December 2013	**17.4**	**107.3**	**171.6**	**7.5**	**0.0**	**6.1**	**310.0**
Accumulated depreciation and impairment losses 1 January 2013	**–**	**-37.4**	**-85.5**	**-6.3**	**–**	**–**	**-129.2**
Exchange differences	0.0	0.7	5.8	0.0	–	0.0	6.5
Depreciation for the period	–	-4.3	-21.6	-0.2	–	0.0	-26.1
Impairment losses for the period	-0.1	-0.3	-1.5	–	–	0.0	-1.8
Reversals of impairment losses for the period	0.8	–	1.1	–	–	–	1.9
Disposals	–	0.0	11.9	0.1	–	0.0	12.0
Reclassification between items	–	0.0	–0.2	0.2	–	0.0	0.0
Accumulated depreciation and impairment losses 31 December 2013	**0.8**	**-41.3**	**-90.0**	**-6.2**	**0.0**	**0.0**	**-136.7**
Carrying amount 31 December 2013	**18.2**	**66.1**	**81.6**	**1.3**	**0.0**	**6.1**	**173.3**

Acquisition cost 1 January 2012	**17.2**	**103.2**	**171.3**	**7.3**	**0.3**	**2.6**	**301.9**
Exchange differences	–	3.8	11.8	–	–	0.1	15.7
Additions	–	0.7	11.6	0.3	–	–	12.6
Disposals	0.1	-1.7	-14.3	–	–	-0.1	-16.0
Reclassification between items	–	0.2	-3.1	–	–	2.9	0.0
Acquisition cost 31 December 2012	**17.3**	**106.2**	**177.3**	**7.6**	**0.3**	**5.5**	**314.2**
Accumulated depreciation and impairment losses 1 January 2012	**–**	**-33.2**	**-67.6**	**-6.1**	**–**	**–**	**-106.9**
Exchange differences	–	-1.3	-9.1	–	–	–	-10.4
Depreciation for the period	–	-4.4	-22.9	-0.2	–	–	-27.5
Disposals	–	1.5	14.1	–	–	–	15.6
Accumulated depreciation and impairment losses 31 December 2012	**–**	**-37.4**	**-85.5**	**-6.3**	**–**	**–**	**-129.2**
Carrying amount 31 December 2012	**17.3**	**68.8**	**91.8**	**1.3**	**0.3**	**5.5**	**185.0**

	2013	2012
The carrying amount of machinery and equipment used in production	74.9	79.5

Note 13 Inventories

Inventories	31 December 2013	31 December 2012
Materials and supplies	21.7	23.4
Work in process	9.5	10.5
Finished goods	62.0	67.8
Other inventories	0.0	0.4
Total	**93.2**	**102.0**
Impairment losses of inventory during the period	-1.6	-0.4
Reversals of impairment losses of inventory during the period	0.8	0.7

Note 14 Receivables

	31 December 2013	31 December 2012
Non-current receivables		
Interest-bearing receivables	4.2	3.8
Other current receivables		
Trade receivables	88.0	88.7
Other receivables [1]	18.6	13.2
Current interest-bearing receivables	0.4	0.3
Supplier bonuses and supplier related accruals	2.3	1.8
Personnel accruals	1.8	1.1
Rental accruals	0.9	0.8
Other tax accruals	0.8	0.7
Insurance accruals	0.5	0.5
Other financial accruals	0.0	0.1
Interest accruals	0.1	0.1
Other prepaid expenses and accrued income	4.1	2.5
Derivative assets	0.7	0.4
Total	**118.3**	**110.4**

[1] Other receivables include assets held for sale of EUR 2.0 thousands consisting of Sanitec's remaining share in a former subsidiary (Ifö Sanitär Eesti AS). Sanitec has a binding agreement to sell the remaining holding in the company. The remaining share ownership has no material value.

Ageing analysis of trade receivables, after deduction of allowance account for credit losses

	31 December 2013	31 December 2012
Not overdue	82.5	77.0
Overdue 1–30 days	3.5	8.8
Overdue 31–60 days	0.5	1.5
Overdue 61–90 days	0.6	0.0
Overdue > 90 days	0.8	1.4
Total	88.0	88.7
Credit losses during the period, net	-0.7	-1.1

Currency analysis of loan receivables and trade and other receivables

	31 December 2013	31 December 2012
EUR	58.0	50.8
GBP	12.8	10.1
SEK	11.1	13.0
NOK	7.1	9.0
PLN	6.9	6.9
UAH	4.2	4.8
Other	10.8	11.2
Total	**110.9**	**105.8**

Credit quality of other receivables is based on the debtors' payment history. Other receivables are not past due nor impaired.

Allowance account of trade receivables is used when an estimate of impairment losses arising from trade receivables is recognised. These impairment losses are recognised in profit or loss. If the impairment loss recognised in the allowance account becomes final, trade receivables are decreased with the amount of the impairment loss and allowance account is adjusted respectively.

The counterparties of trade receivables normally have an external credit valuation or credit rating. The credit quality of customers who do not have credit valuations or credit rating is assessed based on internal information including payment history of the customers. In addition, the Group uses credit insurances to secure the trade receivables.

If the counterparty of a trade receivable is insolvent, the trade receivable is individually determined to be impaired even though the trade receivable were not past due. Otherwise the trade receivables not past due are not determined to be impaired.

Note 15 Cash and cash equivalents

Cash and cash equivalents	31 December 2013	31 December 2012
Cash and bank	99.4	209.9
Short-term deposits	–	5.8
Total	**99.4**	**215.7**

Money market investments included in cash and cash equivalents are certificates of deposits and commercial papers issued by banks and companies with a remaining maturity less than three months.

Note 16 Total comprehensive income included in equity

	Fair value reserve	Exchange differences	Retained earnings	Non-controlling interests	Total
Total other comprehensive income 2013					
Exchange differences	–	-2.0	–	0.0	-2.0
Cash flow hedges, recognised in other comprehensive income	0.5	–	–	–	0.5
Cash flow hedges, recognised in other comprehensive income, income tax	0.1	–	–	–	0.1
Cash flow hedges, reclassified to profit or loss	-0.6	–	–	–	-0.6
Cash flow hedges, reclassified to profit or loss, income tax	-0.1	–	–	–	-0.1
Defined benefit plans, remeasurement	–	–	-1.5	–	-1.5
Defined benefit plans, remeasurement, income tax	–	–	0.1	–	0.1
Total other comprehensive income	**-0.1**	**-2.0**	**-1.3**	**0.0**	**-3.4**
Profit for the period	–	–	42.4	0.0	42.5
Total comprehensive income 2013	**-0.1**	**-2.0**	**41.1**	**0.0**	**39.0**
Total other comprehensive income 2012					
Exchange differences	–	5.0	-0.3	0.0	4.7
Cash flow hedges, recognised in other comprehensive income	0.1	–	–	–	0.1
Cash flow hedges, recognised in other comprehensive income, income tax	0.0	–	0.0	–	0.0
Cash flow hedges, reclassified to profit or loss	0.1	–	–	–	0.1
Cash flow hedges, reclassified to profit or loss, income tax	0.0	–	0.0	–	0.0
Defined benefit plans, remeasurement	–	–	-0.9	–	-0.9
Defined benefit plans, remeasurement, income tax	–	–	0.1	–	0.1
Total other comprehensive income	**0.3**	**5.0**	**-1.2**	**0.0**	**4.2**
Profit for the period	–	–	71.7	0.0	71.7
Total comprehensive income 2012	**0.3**	**5.0**	**70.5**	**0.1**	**75.9**

Note 17 Interest-bearing liabilities

	31 December 2013	31 December 2012
Non-current interest-bearing liabilities		
Senior secured floating rate notes	241.5	–
Other interest-bearing liabilities	0.0	0.1
Related party loans	–	148.4
Total	**241.5**	**148.5**
Current interest-bearing liabilities		
Loans from financial institutions	–	24.3
Other interest-bearing liabilities	0.0	0.0
Related party loans	–	0.0
Total	**0.0**	**24.3**
Total interest-bearing liabilities	**241.6**	**172.9**

Senior secured floating rate notes, with nominal value of EUR 250 million and maturity date in May 2018, were issued in May 2013. The notes bear an interest margin of 4.75% over 3-month euribor. Their carrying amount in the statement of financial position has been adjusted with the transaction costs related to the issuance of the notes. The costs are amortised over the loan period with effective interest method. The floating rate notes are listed in the Luxembourg Stock Exchange and traded on the Euro MTF Market.

Related party loans, taken from Sanitec Corporation's parent company Sofia IV S.à r.l. (parent company before listing in December 2013), were prepaid in connection with the refinancing in May 2013. The refinancing also led to the prepayment of all of the senior facility loans and cancellation of the EUR 50 million revolving facility agreement of Sofia III S.à r.l., which is the parent company of Sofia IV S.à r.l.. The senior facility agreement and revolving credit facility agreement were contractually tied to the related party loans imposing certain restrictions to Sanitec Group, including but not limited to, financial covenants. Following the prepayment and cancellation of the loans of Sofia III S.à r.l. those contractual ties and restrictions no longer exist, and similarly also there is no longer access by Sanitec Group to that revolving credit facility.

In connection with the refinancing in May 2013 a new committed super senior revolving credit facility agreement of EUR 50 million, with maturity date in January 2018, was concluded by Sanitec. This facility was undrawn as of 31 December 2013. The facility includes a financial covenant on maximum leverage.

At the end of 2013, the other interest-bearing liabilities consisted of minor local loans. Previously the loans from financial institutions included the loans taken by the Ukrainian subsidiary PJSC Slavuta Plant "Budfarfor". These loans were prepaid during the third quarter of 2013. These Ukrainian loans were classified as current liabilities at year end 2012 as some financial covenants of those loans were not met and the waiver on the covenant breaches was received only in the second quarter of 2013. An overdraft facility of EUR 0.5 million of PJSC Slavuta Plant "Budfarfor" was terminated during the fourth quarter of 2013.

	31 December 2013	31 December 2012
Maturity of interest-bearing liabilities		
Due in less than one year	0.0	24.3
Due between 1–3 years	0.0	0.1
Due between 3–5 years	241.5	148.4
Due after 5 years	–	–
Total	**241.6**	**172.9**
Interest-bearing liabilities by currency [1)]		
EUR	250.0	170.8
USD	–	1.9
UAH	0.0	0.2
Other	–	0.0
Total	**250.0**	**172.9**

[1)] At nominal value

Average interest rates for interest-bearing loans was 4.97% (4.11) at 31 December 2013.

Note 18 Financial risk management

Sanitec Group's financial risk management is conducted in accordance with the Treasury Policy, which is approved by the Board of Directors, and also in accordance with other relevant risk management guidelines, e.g. the Group's credit policy. The objective of the Group's Treasury function is to secure sufficient funding for operational needs, to provide financial services to Group companies, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational treasury risks) and to provide to the management relevant information on the financial position and financial risk exposures of Sanitec. The Group companies are responsible for hedging their financial risks in accordance with the Treasury Policy, instructions from the Group Treasury, and other relevant risk management guidelines.

LIQUIDITY RISK

Sanitec aims to maintain an optimal amount of liquidity to fund the business operations of the Group at all times while minimising interest costs. Liquidity is considered to be the sum of cash and cash equivalents and available committed credit facilities. As of the end of 2013, cash and cash equivalents amounted to EUR 99.4 million (EUR 215.7 million) and the unutilised credit facilities were EUR 50.0 million (EUR 0.3 million). Further information on credit facilities is presented in Note 17 Interest-bearing liabilities.

Under certain circumstances, Sanitec may be required to do a mandatory prepayment, i.e. to offer to purchase the senior secured floating rate notes (at 101% of their nominal amount, plus accrued and unpaid interest) prior to the maturity date, and/or prepay the amounts outstanding (and in certain circumstances, cancel the commitments) under the revolving credit facility in full or in part. This may take place e.g. if certain assets are sold (e.g. if substantially all of Sanitec assets or certain material subsidiaries are sold) or certain change of control events occurs (e.g. if some other party than EQT becomes the beneficial owner of more than 50% of the total voting power of Sanitec's voting stock). Further, the revolving credit facility requires that if more than 50% of the original aggregate principal amount of the senior secured floating rate notes is repurchased, the revolving credit facility will be repaid and cancelled in the same proportion as that by which the senior secured floating rate notes are reduced by such repurchase. These mandatory prepayment conditions are defined in more detail in the terms of the senior secured floating rate notes and in the revolving credit facility agreement.

			Maturing in			
31 December 2013	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**Between 1–3 years**	**Between 3–5 years**	**After 5 years**
Contractual maturity of financial liabilities						
Senior secured floating rate notes [1]	243.2	306.6	12.7	25.2	268.8	–
Super senior revolving credit facility [2]	–	1.6	0.4	0.8	0.4	–
Other interest-bearing liabilities	–	0.0	0.0	–	–	–
Derivatives settled as gross amounts, inflows [3]	–	61.1	-61.1	–	–	–
Derivatives settled as gross amounts, outflows [3]	–	60.7	60.7	–	–	–
Other commitments [4]	–	2.6	–	–	2.6	–
Trade payables	64.7	64.7	64.7	–	–	–
Other liabilities	9.3	9.3	9.3	–	–	–
Total	**317.1**	**384.5**	**86.7**	**26.0**	**271.9**	**–**

[1] Includes both capital and interest
[2] Commitment fee
[3] Both legs of each forward contract are shown separately as gross inflow and gross outflow. Please see Note 19 Derivative instruments for details.
[4] "Other commitments" is a contractual commitment in Ukraine. Detailed information is presented in Note 24 Contingent liabilities.

			Maturing in			
31 December 2012	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**Between 1–3 years**	**Between 3–5 years**	**After 5 years**
Contractual maturity of financial liabilities						
Related party loans[1]	148.5	167.5	5.4	10.9	151.2	–
Loans from financial institutions[1]	24.6	24.7	24.7	–	–	–
Other interest-bearing liabilities	0.1	0.1	0.1	–	–	–
Derivatives settled as gross amounts, inflows[2]	–	-59.5	-59.5	–	–	–
Derivatives settled as gross amounts, outflows[2]	–	59.1	59.1	–	–	–
Other commitments[3]	–	3.0	–	–	–	3.0
Trade payables	64.8	64.8	64.8	–	–	–
Other liabilities	8.2	8.2	8.2	–	–	–
Total	**246.2**	**268.0**	**102.8**	**10.9**	**151.2**	**3.0**

[1] Includes both capital and interest
[2] Both legs of each forward contract are shown separately as gross inflow and gross outflow. Please see Note 19 Derivative instruments for details.
[3] "Other commitments" is a contractual commitment in Ukraine. Detailed information is presented in Note 24 Contingent liabilities.

CREDIT RISK

Credit risk is principally associated with the probability of a financial loss to Sanitec arising from the inability of counterparties to meet contractual obligations arising from financial transactions or instruments.

The Group Treasury evaluates and monitors counterparty risk related to banks and other financial institutions. The Group aims to minimise this risk by limiting the counterparties to a limited number of major banks and financial institutions, by monitoring their performance and by working within agreed counterparty limits.

The Group has general derivative agreements with its derivative trading counterparties, according to which agreements the outstanding fair values would be settled with net values, in case of a default. Further analysis on derivatives is presented under Note 19 Derivative instruments.

The Group companies reduce counterparty risk related to customers by applying Sanitec's credit policy. In addition, the Group companies constantly monitor ageing of trade receivables and maintain a credit insurance, which covers the majority of Sanitec's trade receivables. Further analysis on ageing of trade receivables is presented under Note 14 Receivables. The carrying amounts of trade receivables equal their maximum credit risk exposure.

CURRENCY RISK

Foreign exchange risk is regarded as uncertainty of cash flows and earnings that arises from fluctuations in currency rates. The Group monitors the foreign exchange risks from three angles: transaction risk related to cash flows in other than functional currencies of each Group company, translation risk related to foreign exchange risk arising from converting the statements of profit or loss and the statements of financial position of non-euro subsidiaries into the Group's functional currency (euro), and the economic risk related to changes in competitive environment as a result of changes in foreign exchange rates.

Transaction exposure comprises of those foreign exchange exposures that are identified and that would be affected by future exchange rate changes and would have an effect on profit or loss. Transaction exposure is defined as all anticipated other than functional currency cash flows during the next 12 months. The Group hedges itself against these risks by matching the foreign currency cash flows to the extent possible and by hedging the remaining part of currency cash flows with currency derivatives in accordance with the Treasury Policy. The Group aims to protect operative cash flows with hedging.

Transaction exposure is spread in about 10 currencies, and at the end of the reporting period the largest open exposures were in UAH, GBP, PLN, SEK, DKK, and CHF.

The foreign exchange risk sensitivity analysis in accordance with IFRS 7 has been calculated for the Group's foreign currency denominated financial assets and liabilities, including foreign exchange forward contracts outstanding at the end of the reporting period. The largest currency pair exposures are presented in the table below. The foreign exchange risk sensitivity analysis represents the impact of a change in the foreign exchange rates of 10% on profit or loss and on equity at the end of the reporting period. Changes in the equity, in the calculations below, arise only from foreign exchange forwards designated as cash flow hedges. The effects on profit or loss and equity arising from a 10% strengthening / weakening in the most significant currency pairs are presented in the tables below. The sensitivity analysis is based on the assumption that two months of the 12 months forecasted foreign exchange exposure have been recognised in the statement of financial position.

31 December 2013	against	Effect on profit or loss (strengthening / weakening)	Effect on equity from cash flow hedges (strengthening / weakening)
10% strengthening / weakening of			
EUR	UAH	-3.9 / 3.9	–
EUR	GBP	2.7 / -2.7	0.9 / -0.9
SEK	EUR	-1.8 / 1.8	-0.3 / 0.3
EUR	PLN	-0.7 / 0.7	-1.0 / 1.0
EUR	CHF	0.6 / -0.6	0.2 / -0.2
DKK	SEK	0.4 / -0.4	-1.1 / 1.1

31 December 2012	against	Effect on profit or loss (strengthening / weakening)	Effect on equity from cash flow hedges (strengthening / weakening)
10% strengthening / weakening of			
EUR	UAH	-3.3 / 3.3	–
EUR	GBP	1.8 / -1.8	1.2 / -1.2
SEK	PLN	-1.4 / 1.4	-0.9 / 0.9
EUR	EUR	-1.0 / 1.0	0.0 / 0.0
EUR	SEK	0.3 / -0.3	-1.1 / 1.1
DKK	CHF	0.5 / -0.5	0.1 / -0.1

Foreign exchange translation exposure arises when the functional currency of a subsidiary is denominated in currency other than the functional currency of the Group (euro). Sanitec is not applying hedge accounting to net investments in foreign operations nor other exposures arising from translation risk. The translation of subsidiaries' statements of financial position into euro caused exchange differences of EUR -2.0 million from year 2012 to 2013 and EUR 4.7 million from year 2011 to 2012. These exchange differences have been recognised in other comprehensive income.

Economic exposure related to foreign exchange rates means the risk of deteriorating competitive situation due to exchange rate changes, or in other words, the economic effect of the currency changes in expenses and revenues affecting both Sanitec and its competitors. The Group is currently not hedging itself against these risks with currency derivatives.

INTEREST RATE RISK

Interest rate risks arise from fluctuations of interest rates, which may increase the interest expenses of the Group. Sanitec may enter into derivative contracts to reduce these risks. At the end of the reporting period, the Group held no interest rate derivative contracts.

At the end of the reporting period, the interest rate profile of the Group's interest-bearing receivables, cash and cash equivalents and interest-bearing liabilities is presented in the following table:

Floating rate	**31 December 2013**	**31 December 2012**
Non-current interest-bearing liabilities, nominal value	-250.0	-148.6
Current interest-bearing liabilities	0.0	–24.3
Cash and cash equivalents	99.4	215.7
Interest-bearing receivables	4.6	4.1
Total	**-146.0**	**46.9**

Fixed rate	**31 December 2013**	**31 December 2012**
Non-current interest-bearing liabilities	–	–
Current interest-bearing liabilities	–	–
Cash and cash equivalents	–	–
Interest-bearing receivables	–	–
Total	**–**	**–**

The basis for the Group level interest rate risk sensitivity analysis is an aggregate Group level interest rate exposure, which is derived from the amount of interest-bearing receivables, cash and cash equivalents and interest-bearing liabilities. Sensitivity analysis for interest rate risk is calculated for all interest-bearing liabilities, cash and cash equivalents and interest-bearing receivables, taking into account their next interest fixing time. In the sensitivity analysis it is determined how much a change of one percentage point upwards or downwards in interest rates of these liabilities and receivables during the next 12 months, with all other variables being constant, would have effect on result before income taxes. The result of this analysis is presented in the table below:

	31 December 2013	**31 December 2012**
Effect on result before income taxes (increase in interests / decrease in interests)	-1.1/+1.1	+0.5 / -0.5

COMMODITY RISK

Sanitec is exposed to fluctuations in the prices of major raw material commodities used in manufacturing. Risks related to price fluctuations are primarily managed contractually e.g., by using different contract periods with fixed prices. Sanitec may also use derivatives to hedge the exposure to commodity price fluctuations and may sometimes enter into slightly longer raw material commodity contracts to manage such risks. As of 31 December 2013, Sanitec had not entered into commodity derivative contracts.

MANAGEMENT OF CAPITAL

Sanitec's capital structure should enable flexibility and allow Sanitec to capture strategic opportunities while maintaining a sound financial position even when the market conditions are less favorable.

The Group has defined that one of its long-term financial target is to have a ratio of net debt in relation to adjusted EBITDA below 2.5. As of 31 December 2013, the ratio was 1.5 (-0.4).

Sanitec's main financing agreements, i.e. the senior secured floating rate notes and the revolving credit facility agreement, contain negative covenants restricting, among other things, Sanitec's ability to incur additional indebtedness and issue certain preferred shares, pay dividends above certain amounts, or repurchase shares, make certain investments, make certain other restricted payments, create certain liens, merge or consolidate with other entities, and sell, lease or transfer certain assets.

In addition, the revolving credit facility requires Sanitec to comply with certain affirmative covenants, including a financial covenant, which requires Sanitec to ensure that the Consolidated Net Leverage Ratio (as defined in the revolving credit facility agreement) does not exceed 5:1. If the senior secured floating rate notes attain an investment grade rating from both of the pre-agreed rating agencies and no default or event of default under the senior secured floating rate notes has occurred and is continuing, some of the covenants and the related default provisions of the senior secured floating rate notes cease to apply as long as the investment grade ratings are applicable to Sanitec.

Note 19 Derivative instruments

Foreign currency forward contracts

31 December 2013	Nominal value		Fair value	
		Positive	Negative	Net
Cash flow hedges	48.7	0.5	-0.3	0.2
Fair value hedges	9.8	0.1	-0.1	0.1
Other currency forward contracts	2.4	0.0	0.0	0.0
Total	**60.9**	**0.6**	**-0.3**	**0.3**

31 December 2012	Nominal value		Fair value	
		Positive	Negative	Net
Cash flow hedges	50.7	0.4	-0.1	0.3
Fair value hedges	8.6	0.0	0.0	0.0
Total	**59.3**	**0.4**	**-0.1**	**0.3**

As at 31 December 2013 EUR 0.2 million was recognised as cash flow hedges in fair value reserve in equity. During 2013, EUR 0.7 million arising from currency hedges was recognised in profit or loss in operating profit. In 2013 and 2012 Sanitec had forward currency forward contracts that were used to hedge foreign exchange transaction exposure. The Group has applied hedge accounting in reporting periods of 2013 and 2012.

As at 31 December 2012 EUR 0.3 million was recognised as cash flow hedges in fair value reserve in equity. During 2012, EUR -0.1 million arising from currency hedges was recognised in profit or loss in operating profit.

Note 20 Financial assets and liabilities

31 December 2013	Note	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amount	Fair value
Long-term investments [1]		0.0	–	–	–	–	0.0
Non-current loan receivables	14	–	4.2	–	–	4.2	4.2
Trade receivables	14	–	88.0	–	–	88.0	88.0
Loan receivables	14	–	0.3	–	–	0.3	0.3
Other receivables	14	–	18.7	–	–	18.7	18.7
Interest receivables and receivables related to financial items	14	–	0.2	–	–	0.2	0.2
Derivative assets	14	–	0.0	–	0.8	0.8	0.8
Cash and cash equivalents	15	–	99.4	–	–	99.4	99.4
Senior secured floating rate notes	17	–	–	-241.5	–	-241.5	-255.0
Other non-current interest-bearing liabilities	17	–	–	-64.7	–	-64.7	-64.7
Trade payables	23	–	–	0.0	–	0.0	0.0
Derivative liabilities	23	–	–	–	-0.5	-0.5	-0.5
Current interest-bearing liabilities	17	–	–	0.0	–	0.0	0.0
Interest and other payables related to financial items	23	–	–	-1.9	–	-1.9	-1.9
Advances received	23	–	–	-0.1	–	-0.1	-0.1
Other liabilities	23	–	–	-9.3	–	-9.3	-9.3
Total		**0.0**	**210.9**	**-317.4**	**0.3**	**-106.3**	**-119.7**

As Sanitec's senior secured floating rate notes are listed in the Luxembourg Stock Exchange and traded on the Euro MTF Market, the fair value of the notes is based on quotation on the MTF Market. Fair value of the senior secured floating rate notes is calculated from the nominal value of the notes (EUR 250.0 million).

31 December 2012	Note	Financial assets and liabilities at fair value through profit or loss	Loans and receiva-bles	Financial liabilities at amortised cost	Deriva-tives used for hedging	Carrying amount	Fair value
Long-term investments [1]		0.0	–	–	–	–	0.0
Non-current loan receivables	14	–	3.8	–	–	3.8	3.8
Trade receivables	14	–	88.7	–	–	88.7	88.7
Loan receivables	14	–	0.3	–	–	0.3	0.3
Other receivables	14	–	13.3	–	–	13.3	13.3
Interest receivables and receivables related to financial items	14	–	0.2	–	–	0.2	0.2
Derivative assets	14	–	–	–	0.4	0.4	0.4
Cash and cash equivalents	15	–	215.7	–	–	215.7	215.7
Related party loans	17	–	–	-148.4	–	-148.4	-148.4
Other non-current interest-bearing liabilities	17	–	–	-0.1	–	-0.1	-0.1
Trade payables	23	–	–	-64.8	–	-64.8	-64.8
Derivative liabilities	23	–	–	–	-0.1	-0.1	-0.1
Current interest-bearing liabilities	17	–	–	-24.3	–	-24.3	-24.3
Interest and other payables related to financial items	23	–	–	-0.3	–	-0.3	-0.3
Advances received	23	–	–	-0.1	–	-0.1	-0.1
Other liabilities	23	–	–	-8.2	–	-8.2	-8.2
Total		**0.0**	**321.9**	**-246.3**	**0.3**	**76.0**	**76.0**

[1] Sanitec has some long-term investments which are classified as available-for-sale financial assets. They consists of minor unlisted equities, for which fair values cannot be measured reliably, and they are reported at cost or at cost less impairment.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The valuation of derivatives is according to Level 2.

The valuation of long-term investments (available-for-sale assets) is according to Level 3. There were no changes in 2013 or 2012.

The valuation of all other financial assets and liabilities, not specifically mentioned above to be valued in accordance with Level 1 or Level 3, are valued in accordance with Level 2.

No transfers between levels were recognised during the reporting period.

Note 21 Provisions

31 December 2013

Non-current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**2.2**	**4.6**	**3.0**	**9.8**
Exchange differences	0.0	–	–	0.0
Additions during the period	0.0	0.0	0.4	0.4
Reversals during the period	-0.3	-0.5	-0.6	-1.5
Usage during the period	-0.5	-0.1	0.0	-0.6
Reclassifications	0.9	-0.1	-0.9	-0.1
Carrying amount 31 December	**2.3**	**4.0**	**1.8**	**8.1**

Current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**4.2**	**0.0**	**0.2**	**4.4**
Exchange differences	0.0	–	0.0	0.0
Additions during the period	0.7	0.2	1.0	2.0
Reversals during the period	0.0	0.0	0.0	0.0
Usage during the period	-1.8	0.0	-0.3	-2.2
Reclassifications	-0.9	0.3	0.2	-0.4
Carrying amount 31 December	**2.2**	**0.5**	**1.0**	**3.7**

31 December 2012

Non-current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**4.7**	**17.1**	**3.6**	**25.4**
Exchange differences	0.0	–	0.0	0.0
Additions during the period	0.0	0.0	0.6	0.6
Reversals during the period	0.0	-1.2	-1.2	-2.4
Usage during the period	-2.5	-11.3	0.0	-13.7
Reclassifications	0.0	0.0	-0.1	-0.1
Carrying amount 31 December	**2.2**	**4.6**	**3.0**	**9.8**

Current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**6.0**	**–**	**0.9**	**6.9**
Exchange differences	0.0	–	–	0.0
Additions during the period	2.0	0.0	0.1	2.1
Reversals during the period	-0.2	–	0.0	-0.2
Usage during the period	-3.6	–	-0.9	-4.5
Reclassifications	0.0	–	0.0	0.0
Carrying amount 31 December	**4.2**	**0.0**	**0.2**	**4.4**

RESTRUCTURING PROVISIONS

Sanitec provides for the estimated future costs related to restructuring programs. Restructuring provisions include only expenses that are necessarily entailed by the restructuring, and which are not associated with the on-going activities. The restructuring provision includes, but is not limited to, estimated provisions for employee benefits related to personnel whose employment has been terminated. For some of the provisions it is not possible to estimate timing of the outflow of economic benefits, for example due to the timing of such outflows are dependent on the actions of an external party.

INCOME TAX PROVISIONS

Tax provisions are recognised based on estimates and assumptions when, despite of management's belief that tax return positions are supportable, it is more likely than not that certain positions will be challenged and may not be fully sustained upon review by tax authorities. Furthermore, the Group has ongoing tax audits in certain jurisdictions.

Note 22 Defined benefit plans

Sanitec has several defined benefit plans in accordance with local conditions and practices in the countries where it operates. The most significant defined benefit plans are in Germany, the United Kingdom, Sweden, France and Italy. Most of the Group's defined benefit plans are pension plans.

The defined benefit assets and liabilities presented in the statement of financial position consist of the present value of the defined benefit obligations less the fair value of plan assets at the end of the reporting period. If the net of the plan obligation and assets results in a surplus, the plan is presented as a defined benefit asset in the statement of financial position. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related post-employment benefit.

Sanitec's most significant funded defined benefit plan is in the United Kingdom. Individual benefits are generally dependent on eligible compensation levels and years of service. Defined benefit plans are funded by Sanitec to satisfy local statutory funding requirements. The assets are managed by external fund managers. The funds are allocated between equity instruments and fixed income instruments in order to provide return at target level and with a limited risk profile.

Sanitec's main unfunded defined benefit plans are in Germany, Italy and in Sweden. The TFR plan (Trattamento di Fine Rapporto, termination indemnity plan) in Italy is closed for new entrants. In Sweden, the pension cover is organised through both defined contribution plans as well as unfunded defined benefit plans (ITP system, Industrins och Handels tilläggspension).

Defined benefit obligations expose Sanitec to various risks. As corporate bond yields are used as a reference in determining the discount rates used for defined benefit obligations, a decrease in corporate bond yields will hence increase the present value of the defined benefit obligation. A plan deficit can occur if the performance of the plan assets is below the above mentioned yield. These potential deficits may require further contributions to the plan by the Group. In some of the Group's defined benefit plans the defined benefit obligation is linked to general inflation and salary level development. Higher level of inflation and salary level will result in a higher present value of the defined benefit liability. Also some of the defined benefit plans obligate Sanitec to provide benefits to plan members for a lifetime. Therefore any increase in life expectancy will increase defined benefit obligation of these plans.

Defined benefit plans	**31 December 2013**	**31 December 2012**
Charged to profit or loss		
Current service costs	-0.6	-0.7
Net interest costs	-1.1	-1.0
Curtailments and settlements	–	2.0
Remeasurements recognised in other comprehensive income loss (-) / gain (+)	-1.5	-0.9
Total in total comprehensive income	**-3.2**	**-0.6**

	31 December 2013	**31 December 2012**
Defined benefit liabilities in statement of financial position	31.0	30.2
Defined benefit assets in statement of financial position	1.1	2.1
Present value of defined benefit obligations	67.5	55.9
Fair value of plan assets	-37.6	-27.8
Deficit in the plans, net	**29.9**	**28.1**

Defined benefit liabilities in statement of financial position	**31 December 2013**	**31 December 2012**
Present value of funded obligations	13.8	3.6
Fair value of plan assets	-9.5	-1.2
Deficit in the plans	4.3	2.4
Present value of unfunded obligations	26.7	27.8
Defined benefit liabilities in statement of financial position	**31.0**	**30.2**

Reconciliation of defined benefit liability:	**31 December 2013**	**31 December 2012**
Defined benefit liability at the beginning of the year	30.2	28.6
Charged to profit or loss	1.8	1.5
Remeasurements	0.2	1.0
Employer contributions	-0.3	-0.6
Benefits paid	-1.6	-1.2
Exchange differences	0.7	0.9
Defined benefit liability at the end of the year	**31.0**	**30.2**

Defined benefit assets in statement of financial position	**31 December 2013**	**31 December 2012**
Present value of funded obligations	-27.0	-24.5
Fair value of plan assets	28.1	26.6
Defined benefit assets in statement of financial position	**1.1**	**2.1**

Reconciliation of defined benefit assets:	**31 December 2013**	**31 December 2012**
Defined benefit assets at the beginning of the year	2.1	0.4
Charged to profit or loss	0.0	2.0
Remeasurements	-1.3	0.1
Employer contributions	0.3	0.0
Benefits paid	0.0	0.0
Exchange differences	-0.1	-0.3
Defined benefit assets at the end of the year	**1.1**	**2.1**

Reconciliation of the present value of defined benefit obligations:	31 December 2013	31 December 2012
Defined benefit obligation at the beginning of the year	55.9	184.3
Adjustments to opening balance [1]	9.4	–
Other adjustments to obligation [2]	0.0	-130.8
Current service costs	0.6	0.7
Interest expenses	2.4	2.4
Gain (-) / loss (+) on curtailment and settlements	–	-2.0
Effect of business combinations/ disposals	–	-0.6
Remeasurements: [3]		
Gain (-) / loss (+) from change in demographic assumptions	-0.5	-0.1
Gain (-) / loss (+) from change in financial assumptions	1.2	2.9
Experience gains (-) / losses (+)	-0.4	0.1
Benefits paid	-0.9	-1.7
Exchange differences	-0.2	0.7
Defined benefit obligation at the end of the year	**67.5**	**55.9**

[1] As at 31 December 2013 adjustments of obligations relate to the reclassification of a defined contribution plan to a defined benefit plan of the Swiss subsidiary Bekon Koralle AG.

[2] As at 31 December 2012 the other adjustment of obligation relates to the transfer of the defined benefit obligation of the Dutch subsidiary B.V. de Sphinx Maastricht. All the assets and liabilities of the pension plan were transferred to an independent external insurance company.

[3] At the end of the reporting period 2013, the net defined benefit liability of the Swiss subsidiary Bekon Koralle AG was recognised through other comprehensive income. The net defined benefit liability amounted to EUR 2.1 million. In addition, another minor correction of EUR 0.2 million was recognised through other comprehensive income. Due to these corrections the remeasurements shown in this reconciliation do not equal with the remeasurements presented in other comprehensive income.

Reconciliation of the fair value of the defined benefit assets:	31 December 2013	31 December 2012
Defined benefit assets at the beginning of the year	27.8	156.1
Adjustments to opening balance [4]	7.0	–
Other adjustments of the assets [5]	0.0	-132.0
Interest income	1.3	1.4
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	1.1	2.0
Employee contributions	1.3	0.1
Employer contributions	0.6	1.5
Benefits paid	-0.7	-1.7
Exchange differences	-0.8	0.4
Defined benefit assets at the end of the year	**37.6**	**27.8**

[4] As at 31 December 2013 adjustments of assets relate to the reclassification of a defined contribution plan to a defined benefit plan of the Swiss subsidiary Bekon Koralle AG.

[5] As at 31 December 2012 the other adjustment of assets relates to the transfer of the defined benefit obligation of the Dutch subsidiary B.V. de Sphinx Maastricht. All the assets and liabilities of the pension plan were transferred to an independent external insurance company.

The most significant actuarial assumptions used

	UK	GER	SWE	Other
31 December 2013				
Discount rate, %	4.4	3.5	4.0	2.2 – 4.1
Salary growth rate, %	0.0	0.0	0.0	2.0 – 3.8
Pension growth rate, %	3.4	2.0	2.0	0.0 – 2.0
31 December 2012				
Discount rate, %	4.5	3.8	3.5	2.3 – 3.8
Salary growth rate, %	0.0	0.0	0.0	2.0 – 3.5
Pension growth rate, %	3.0	1.8	2.0	0.0 – 2.0

	2013	2012
Average life expectancy (years) for persons retiring at the end of the reporting period [6]:		
Male	19.3	19.1
Female	23.2	23.0
Average life expectancy (years) for persons retiring 20 years after the end of the reporting period [6]:		
Male	19.9	19.5
Female	23.1	22.7

[6] Based on the assumption that employees retire at the age of 65.

As the Group has defined benefit plans in different countries with variations in the key assumptions, a quantitative sensitivity analysis for significant assumptions is presented as the consolidated effect on the defined benefit obligations.

Change in assumption	Discount rate 0.5% increase	Discount rate 0.5% decrease	Salary growth rate 0.5% increase	Salary growth rate 0.5% decrease	Pension growth rate 1% increase	Pension growth rate 1% decrease
Impact on defined benefit obligation, EUR million	-5.8	4.7	0.1	-0.1	1.1	-0.7

Change in assumption	Average life expectancy: Increase by 1 year	Average life expectancy: Decrease by 1 year
Impact on defined benefit obligation, EUR million	1,7	-1,7

The major categories of plan assets	31 December 2013 Quoted	Unquoted	Total	%	31 December 2012 Quoted	Unquoted	Total	%
Equity instruments	**12.3**	**–**	**12.3**	**33**	**16.2**	**–**	**16.2**	**58**
Equity funds	12.3	–	12.3		16.2	–	16.2	
Debt instruments	**14.1**	**–**	**14.1**	**37**	**8.5**	**–**	**8.5**	**30**
Fixed income funds	14.1	–	14.1		8.5	–	8.5	
Money market instruments	**–**	**0.3**	**0.3**	**1**	**–**	**0.2**	**0.2**	**1**
Insurance contracts [7)]	**0.0**	**10.9**	**10.9**	**29**	**0.0**	**2.9**	**2.9**	**10**
Total plan assets	**26.4**	**11.2**	**37.6**	**100**	**24.7**	**3.2**	**27.8**	**100**

[7)] As the insurance contracts are managed by insurance companies, the allocation of the assets by category is not available.

	Within one year	Between 1–2 years	Between 2–5 years	Later than 5 years	Total
Expected payments to plan participants in the future years from the defined benefit obligation, EUR million	1.4	3.1	3.5	23.5	31.6

The expected employer contributions in the plans in year 2014 are EUR 0.7 million.
The weighted avegare remaining duration of the defined benefit plans is 14.2 years.

Note 23 Current interest-free liabilities

Current liabilities	**31 December 2013**	**31 December 2012**
Trade payables	64.7	64.8
Customer bonus accruals	56.6	55.3
Personnel costs accruals	31.9	30.0
Warranty costs acruals	5.5	6.5
Other tax payable	1.4	1.1
Financial accruals	1.9	0.3
Advances received	0.1	0.1
Other accruals	16.5	17.8
Other liabilities	9.3	8.2
Derivative liabilities	0.4	0.1
Total	**188.3**	**184.3**

The Group's warranty policy provides for coverage of certain products at the date the sale is recognised. The estimated warranty accrual is recognised as an accrual and changes in the accrued warranty costs are recognised in profit or loss.

Note 24 Contingent liabilities

	31 December 2013	31 December 2012
Mortgages and pledged assets		
Mortgages		
On behalf of own commitments	0.0	0.0
Carrying amount of pledged assets		
On behalf of own commitments	5.5	6.0
Total	**5.6**	**6.1**
Guarantees and other commitments		
Other commitments		
On behalf of own commitments	2.6	3.0
Guarantees		
On behalf of own commitments	0.3	2.6
On behalf of others	0.1	0.1
Total	**3.0**	**5.7**
Total guarantees, mortgages, pledged assets and other commitments [1)]	**8.6**	**11.8**

[1)] This table does not include the value of guarantees, mortgages, liens on chattel and pledged assets that secure loans. The nominal value of all collateral granted by the Group exceeds the combined carrying amount of the loans for which they have been given as a security.

In connection with the refinancing which took place in May 2013, the main pledges, mortgages and guarantees of the Group were replaced and renewed. Prior to the refinancing substantially all of the assets of the Group were pledged on behalf of the loans taken by Sanitec's former indirect parent Sofia III S.à r.l.. Following the refinancing similar securities have now been given on own behalf to secure the issued EUR 250 million senior secured floating rate notes and the new EUR 50 million undrawn super senior revolving credit facility.

First ranking guarantees and security pledge over the assets of Sanitec Corporation and certain of the Group subsidiaries have been granted as collateral for the senior secured floating rate notes and the super senior revolving credit facility. As of 31 December 2013 the majority of Sanitec Group's property, plant and equipment, major brands, shares in key subsidiaries, receivables, inventory and bank accounts were pledged. The pledge includes also real estate mortgages of Sanitec Kolo Sp.z o.o (Poland), Sanitec Europe Oy (Finland), Ifö Sanitär Aktiebolag (Sweden) and PJSC Slavuta Plant "Budfarfor" (Ukraine) for their real estates. The nominal value of all collateral granted by the Group exceeds the combined carrying amount of the loans for which they have been given as a security.

During the third quarter of 2013, the loans from financial institutions taken by PJSC Slavuta Plant "Budfarfor", a Ukrainian subsidiary of Sanitec, were prepaid. In connection with the prepayments the related collaterals were released. The collateral securing the loans prepaid by PJSC Slavuta Plant "Budfarfor" consisted of certain assets of PJSC Slavuta Plant "Budfarfor", including real estate mortgages. In addition, PJSC Slavuta Plant "Budfarfor's" parent Slavuta Holding LLC had guaranteed the local credit facility and pledged the shares of PJSC Slavuta Plant "Budfarfor". Following the refinancing similar securities were given during the fourth quarter of 2013 on behalf of Sanitec Group to secure the issued EUR 250 million senior secured floating rate notes and the super senior revolving credit facility. An EUR 0.5 million Ukrainian overdraft facility was terminated by Sanitec during the fourth quarter of 2013. The related inventory pledge with value of EUR 0.7 million was released in connection with the termination of the facility. Total secured loans of PJSC Slavuta Plant "Budfarfor" amounted to EUR 24.1 million at the end of 2012.

As of 31 December 2013, the Group had additionally some other commitments including a contractual commitment in Ukraine totalling to EUR 2.6 million for acquisition of property, plant and equipment relating to leased assets.

Note 25 Operating leases

Operating leases as a lessee

Sanitec has various non-cancellable operating leases. The minimum future payments of these leasing contracts are presented in the table below.

Minimum future payments of operating lease commitments	31 December 2013	31 December 2012
Maturing		
Within one year	12.4	13.6
Later than one year and not later than five years	22.1	26.2
Later than five years	16.6	1.5
Total	**51.1**	**41.4**

Operating leases as a lessor

Sanitec has some operating lease agreements in which the Group acts as a lessor. The minimum future payments to be received from non-cancellable operating lease agreements are presented in the table below.

Minimum future payments of operating leases	31 December 2013	31 December 2012
Maturing		
Within one year	0.4	0.5
Later than one year and not later than five years	0.4	0.8
Later than five years	0.2	0.3
Total	**1.1**	**1.5**

Note 26 Related party disclosures

Related parties of Sanitec Group include the parent, Sanitec Corporation, and all Sanitec group companies, the members of the Board of Directors of Sanitec Corporation, their close members of family as well as their controlled entities, members of the Top Management Team and their close members of family as well as their controlled entities and shareholders having significant influence over Sanitec through ownership. Sofia IV S.à r.l., which was the parent of the Group before Sanitec's listing in NASDAQ OMX Stockholm, still owns 40% of the shares and votes in Sanitec and is thus considered to be a related party to Sanitec.

Remuneration of the Board of Directors (EUR)

	2013	2012
Fredrik Cappelen (chairman)	50,000	50,000
Adrian Barden	25,000	25,000
Caspar Callerström	–	–
Pekka Lettijeff	25,000	25,000
Ulf Mattsson	25,000	25,000
Johan Bygge	–	–
Margareta Lehmann	4,167	–
Total	**129,167**	**125,000**

Johan Bygge has been a member of the Board of Directors since 27 September 2013, and Margareta Lehmann since 29 October 2013.

Pursuant to the Finnish Companies Act, the amount of compensation for the members Board of Directors is approved by the general meeting of shareholders. At the annual general meeting on 4 April 2013, it was resolved that the annual compensation of the Chairman would amount to EUR 50,000 and the other members of the Board of Directors would be paid an annual remuneration of EUR 25,000, except that members of Board of Directors employed by EQT Partners AB and the other EQT Partners advisory entities are not entitled to any remuneration from the duties on Board of Directors.

The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors.

Remuneration of Top Management Team (EUR)

Peter Nilsson (CEO)	2013	2012
Basic salary	582,473	572,181
Variable compensation	446,918	334,338
Other benefits (fringe benefits)	–	–
Total	1,029,391	906,519
Pension	383,840	327,470
Total	**1,413,231**	**1,233,989**

CEO's remuneration is paid in SEK and converted to EUR using the average exchange rate of the period. The amounts shown in EUR are subject to currency fluctuations.

Other Top Management Team members (EUR)	2013	2012
Basic salary	1,545,695	1,362,575
Variable compensation	220,683	117,478
Redundancy compensations	631,631	–
Other benefits (fringe benefits)	51,310	160,958
Total	2,449,318	1,641,011
Pension	500,043	552,998
Total	**2,949,361**	**2,194,009**

Some Top Management Team members receive their remuneration in other currencies than EUR. These are converted to EUR using the average exchange rate of the period. The amounts shown in EUR are subject to currency fluctuations.

The remuneration for the President & CEO shall be determined by the Board of Directors. The remuneration for other members of the top management or other direct reports to the President & CEO shall be proposed by the President & CEO or the Remuneration Committee and approved by the Board of Directors. All share or share price related remunerations and incentives shall be decided exclusively by the general shareholders meeting.

In addition to a monthly salary, the President & CEO and other members of the top management are generally entitled to an annual bonus of a maximum of 50 to 75% of their annual salary in accordance with the Sanitec bonus scheme, annual pension premiums equal to 15 to 27.5% of their annual salary, sickness benefits equal to 75 to 100% of their monthly salary for the first 3 to 6 months of any period of illness, and a company car.

The CEO's period of notice is six months. In the event the company would give notice to the CEO, he will receive an additional remuneration equaling 12 months' salary. The CEO will receive no special compensation if his employment is terminated due to a public tender offer.

In the event their employment agreements are terminated by Sanitec, a majority of the Top Management Team members are entitled to 12 months' severance pay (the notice period is six months). Three of the Top Management Team members are bound by non-competition and non-solicitation (with respect to customers and other employees) provisions during 12 months after the termination of their employment. The non-compete provisions do not contain any provision for compensation during the non-compete period. Other than as set out above, the members of the Top Management Team members are not entitled to any benefits upon termination of their employment.

The CEO of Sanitec Corporation is entitled to retire at the age of 65. The retirement age of other members of the Top Management Team is 65 years.

Board of Directors, share ownership in Sanitec, number of shares	31 December 2013	31 December 2012
Fredrik Cappelen (chairman) [1)]	50,820	–
Adrian Barden	18,033	–
Caspar Callerström	–	–
Pekka Lettijeff	13,115	–
Ulf Mattsson [2)]	32,787	–
Johan Bygge	8,197	–
Margareta Lehmann	–	–
Total	**122,952**	**–**

[1)] Shares held via endowment insurance

Top Management Team, share ownership in Sanitec, number of shares	31 December 2013	31 December 2012
Peter Nilsson [2]	163,934	–
Krister Boëthius	10,000	–
Miguel Definti	–	–
Gun Nilsson	49,180	–
Anders Spetz	1,000	–
Magnus Terrvik [2]	98,360	–
Harald Treml	–	–
Total	**322,474**	**–**

[2] Shares held via a related party and / or endowment insurance

In addition, as at 31 December 2013, the following members of the Board of Directors and the Top Management Team (the "Sofia LP Investors") were indirect shareholders of Sanitec via their participation in Sofia LP, an English limited partnership that in turn is an indirect shareholder of Sofia IV S.à r.l. which holds 40% of shares in Sanitec Corporation: Fredrik Cappelen, Adrian Barden, Johan Bygge, Pekka Lettijeff, Ulf Mattsson, Caspar Callerström, Peter Nilsson, Gun Nilsson, Magnus Terrvik, Harald Treml and Krister Boëthius.

The total participation of Sofia LP Investors in Sofia LP equals to 0.44% of indirect ownership in Sanitec Corporation as at 31 December 2013.

TRANSACTIONS WITH OTHER RELATED PARTIES

Sanitec prepaid the related party loans amounting to EUR 148.4 million to the parent, Sofia IV S.à r.l., in the second quarter of 2013. Sofia IV S.à r.l. was the parent of Sanitec Group before listing in NASDAQ OMX Stockholm. The loans were paid in full. Interest paid in cash in January - December amounted to EUR 1.9 million (6.2), excluding withholding taxes.

Receivables from and liabilities to other related parties

	31 December 2013	31 December 2012
Receivables from Sofia IV S.à r.l. and Sofia III S.à r.l.	0.1	0.0
Liabilities to Sofia IV S.à r.l.	–	148.4
Liabilities to Caesar Holding Ltd., former ultimate parent owned by EQT fund IV.	–	0.4

Note 27 Subsidiary shares

Name	Country of incorporation	Ownership (%)
Lincoln Land Fünfte B.V.	The Netherlands	100
Sanitec Europe Oy	Finland	100
Sanitec Russia Oy	Finland	100
Sanitec LLC	Russia	100
Leda Holdings S.A.S.	France	100
IDO Kylpyhuone Oy	Finland	100
Sanitec Holdings Norway A/S	Norway	100
Porsgrund Bad AS	Norway	100
Ifö Sanitär AB	Sweden	100
Contura Steel AB	Sweden	100
Allia International S.A.	France	100[1]
Allia Holding GmbH	Germany	100
Sanitec Beteiligungs- und Servicegesellschaft mbH	Germany	100
Varicor S.A.S.	France	100
Varicor GmbH	Germany	100
Allia S.A.S.	France	100
Produits Céramiques de Touraine S.A.	France	100[2]
Alliages Céramiques S.A.S.	France	100
B.V. de Sphinx Maastricht	The Netherlands	100
Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft mbH	Austria	100
Bekon Koralle AG	Switzerland	100
Koralle International GmbH	Germany	94.8[3]
Koralle Sanitärprodukte GmbH	Germany	100
SERVICO-Gesellschaft für Sanitärtechnik mbH	Germany	100
Ceravid GmbH	Germany	100
Keramag Keramische Werke AG [4]	Germany	100
Sanitec S.R.O.	Czech Republic	100
Eurocer Industria de Sanitarios S.A.	Portugal	100
Sanitec Kolo Sp. z o.o.	Poland	100
Scan Aqua Sp. z o.o.	Poland	100
Sanitec Ukraine LLC	Ukraine	100
Slavuta Holdings LLC	Ukraine	100
PJSC Slavuta Plant "Budfarfor"	Ukraine	99.5[5]
Sanitec Trading LLC	Ukraine	100
Sanitec Holding Italy S.p.A.	Italy	100
Pozzi Ginori S.p.A.	Italy	100
Royal Sanitec AB	Sweden	100
Sanitec UK Ltd	United Kingdom	100
Twyford Pension Trustees Ltd	United Kingdom	100
Twyford Holdings Ltd	United Kingdom	100
Twyford Bathrooms	United Kingdom	100
Twyford Ltd	United Kingdom	100
Twyfords Ltd	United Kingdom	100
Sanitec Trading (Zhongshan) Co. Ltd.	China	100
Sanitec Holdings Sweden AB	Sweden	100
Sanitec Trading LLC	Russia	100

[1] <0.01% of the shares are held by three local Sanitec management employees.

[2] <0.01% of the shares are held by local Sanitec management employees and 0.01% of the shares are held by third-party individuals not affiliated with Sanitec.

[3] 5.20% of the shares are held by DP Deutsche Pool Beteiligungs GmbH (a non-Sanitec entity).

[4] Keramag AG's legal form was changed in January 2014 to GmbH.

[5] <0.5% of the shares are held by minority shareholders. Redemption proceedings are currently pending.

Note 28 Legal and regulatory proceedings

Sanitec is involved in and exposed to various legal actions or claims and other legal and administrative, including tax and environmental, investigations and proceedings that arise out of or are incidental to the ordinary course of business. It is Sanitec's policy to provide for amounts related to the proceedings if liability is probable and the amount thereof can be estimated with a reasonable certainty.

EU COMPETITION PROCEEDINGS – THE COURT OF JUSTICE OF THE EUROPEAN UNION

The European Commission announced in June 2010 its decision to impose a fine of EUR 57.7 million on Sanitec for the alleged participation, between the years 1994 and 2004, in a price fixing cartel and anticompetitive practices by 17 European bathroom fittings and fixtures manufacturers. The company appealed the decision to the General Court of European Union in Luxembourg in 2010 which issued its decision on the appeal in September 2013, in which the court partially annulled the Commission's decision in respect of findings regarding France and Italy and reduced the fine by EUR 7.1 million. The reimbursed amount was paid to Sanitec at the end of October 2013. In the beginning of December 2013, Sanitec was notified that the Commission has appealed against the judgement of the General Court. In case the Commission is successful with its appeal, Sanitec may be obligated to repay the EUR 7.1 million amount received in October 2013. Sanitec filed its defence with the Court of Justice of the European Union in the beginning of February 2014 together with a cross appeal.

CLAIMS BROUGHT BY FORMER PCT EMPLOYEES

84 cases initiated in 2011 by former employees of Produit Céramiques de Touraine S.A. ("PCT") disputing their termination compensation were ruled against Sanitec by the French labor court of first instance in December 2013.

According to the decisions, additional compensation of approximately EUR 6.5 million in total is then to be paid to the former employees. No immediate payment was ordered and PCT filed appeals against all 84 individual decisions at the year end 2013. No provision is recorded in the consolidated accounts as the evidence available to the company does not support any material change in its original view. The risk of further negative outcome cannot however be excluded.

TAX PROCEEDINGS

Eurocer Industria de Sanitaros S.A., a production facility located in Portugal and two members of the local company's management, are currently the subject of an investigation by the Portuguese tax and customs authorities as a result of actions taken by a former subcontractor that provided part of local workforce from 2007 to 2011. The investigation is so far secret and no further details are available to the company. No provision is recognised in the consolidated financial statements.

Sanitec is subject to local tax audits, re-assessment and related proceedings from time to time. A tax audit covering years 2007-2011 began in 2012 in Germany. In October 2013, an agreement was made with the tax auditors in which most of the issues were settled. Sanitec has recognised provisions for the remaining tax issues in the consolidated financial statements.

In Italy, the Group is in the process of appealing against various material reassessments issued by the local tax authorities for the financial years 2004–2008. It may take several years to resolve the Italian tax litigations.

In Ukraine, decisions and assessments of local tax authorities are contested and appealed by the Group continuously as a part of the ordinary course of business.

Note 29 Restatement of previous periods

Sanitec adopted the revised IAS 19 Employee Benefits standard on 1 January 2013. Sanitec has applied the revised IAS 19 Employee Benefits retrospectively and consolidated financial information as of and for the years ended 31 December 2012 and 2011 have been restated. The amendment of IAS 19 has mainly affected reclassification between items presented in the statement of financial position (reclassification from defined benefit obligation to defined benefit asset).

Sanitec has retrospectively reclassified certain interest-bearing receivables from current receivables to non-current receivables in 2011 and 2012 in order to correct classification made earlier.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2012	restatement	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	7.2	–	7.2
Property, plant and equipment	185.0	–	185.0
Long-term investments	0.0	–	0.0
Deferred tax assets	25.2	–	25.2
Interest-bearing receivables	0.1	3.7	3.8
Defined benefit assets	1.8	0.3	2.1
Total non-current assets	**219.3**	**4.0**	**223.2**
Current assets			
Inventories	102.0	–	102.0
Other current receivables	114.1	-3.7	110.5
Assets for current tax	6.4	–	6.4
Cash and cash equivalents	215.7	–	215.7
Total current assets	**438.2**	**-3.7**	**434.6**
TOTAL ASSETS	**657.6**	**0.4**	**657.8**
EQUITY AND LIABILITIES			
Equity			
Share capital	2.8	–	2.8
Share premium	43.7	–	43.7
Fair value reserve	0.3	–	0.3
Reserve for invested unrestricted equity	585.2	–	585.2
Exchange differences	-9.3	–	-9.3
Retained earnings	-379.1	–	-379.1
Total equity attributable to owners of the parent	243.6	–	243.6
Non-controlling interests	0.2	–	0.2
Total equity	**243.7**	**–**	**243.7**
Non-current liabilities			
Deferred tax liabilities	8.1	–	8.1
Defined benefit obligations	29.9	0.4	30.2
Provisions	9.8	–	9.8
Interest-bearing liabilities	148.6	–	148.5
Total non-current liabilities	**196.4**	**0.4**	**196.7**
Current liabilities			
Interest-bearing liabilities	24.3	–	24.3
Provisions	4.4	–	4.4
Other current liabilities	184.3	–	184.3
Liabilities for current tax	4.4	–	4.4
Total current liabilities	**217.4**	**–**	**217.4**
TOTAL EQUITY AND LIABILITIES	**657.6**	**0.4**	**657.8**

	31 December 2011	restatement	1 January 2012
ASSETS			
Non-current assets			
Intangible assets	8.4	–	8.4
Property, plant and equipment	195.0	–	195.0
Long-term investments	0.0	–	0.0
Deferred tax assets	19.1	–	19.1
Interest-bearing receivables	0.7	3.5	4.2
Defined benefit assets	0.0	0.4	0.4
Total non-current assets	**223.3**	**3.9**	**227.2**
Current assets			
Inventories	106.3	–	106.3
Other current receivables	133.1	-3.5	129.6
Assets for current tax	5.8	–	5.8
Cash and cash equivalents	161.3	–	161.3
Total current assets	**406.5**	**-3.5**	**403.0**
TOTAL ASSETS	**629.8**	**0.4**	**630.2**
EQUITY AND LIABILITIES			
Equity			
Share capital	2.8	–	2.8
Share premium	43.7	–	43.7
Fair value reserve	0.0	–	0.0
Reserve for invested unrestricted equity	585.2	–	585.2
Exchange differences	-14.3	–	-14.3
Retained earnings	-449.8	–	-449.8
Total equity attributable to owners of the parent	167.7	–	167.7
Non-controlling interests	0.2	–	0.2
Total equity	**167.9**	**–**	**167.9**
Non-current liabilities			
Deferred tax liabilities	7.8	–	7.8
Defined benefit obligations	28.2	0.4	28.6
Provisions	25.4	–	25.4
Interest-bearing liabilities	168.1	–	168.1
Total non-current liabilities	**229.5**	**0.4**	**229.8**
Current liabilities			
Interest-bearing liabilities	26.0	–	26.0
Provisions	6.9	–	6.9
Other current liabilities	195.1	–	195.1
Liabilities for current tax	4.4	–	4.4
Total current liabilities	**232.4**	**–**	**232.4**
TOTAL EQUITY AND LIABILITIES	**629.8**	**0.4**	**630.2**

Key ratios

(All amounts in EUR millions)

	2013	2012	2011
Net sales	701.8	752.8	770.8
Operating profit	67.9	73.0	67.1
Operating margin, %	9.7	9.7	8.7
Items affecting comparability	-6.5	-4.9	-8.9
Operating profit, adjusted	74.4	77.9	75.9
Operating margin, %, adjusted	10.6	10.4	9.9
EBITDA, adjusted	102.7	107.7	105.6
EBITDA margin, %, adjusted	14.6	14.3	13.7
Profit before taxes	48.2	67.0	51.2
Profit for the period	42.5	71.7	47.7
As percentage of net sales, %	6.1	9.5	6.2
Cash flow from operating activities	74.7	87.9	54.5
Total assets	531.0	657.8	630.2
Total equity	44.4	243.7	167.9
Net debt	150.6	-42.9	32.7
Net debt / EBITDA, adjusted	1.5	-0.4	0.3
Equity ratio, %	8.4	37.1	26.6
Net gearing, %	339.7	-17.6	19.5
Return on capital employed (ROCE), %, rolling 12 months	19.4	19.3	19.3
Return on equity, %, rolling 12 months	35.7	34.5	29.3
Cash conversion	82	88	78
Average number of employees	6,516	7,004	7,391
Number of employees at the end of period	6,211	6,688	7,096
Investments in property, plant and equipment and intangible assets	19.3	13.1	23.0
Investments in shares in subsidiaries	0.0	0.0	13.1
Total gross capital expenditure	19.3	13.1	36.1
Gross capital expenditure as percentage of net sales, %	2.8	1.7	4.7
Research and development expenses, total	-9.6	-8.3	-8.7
As percentage of net sales, %	1.4	1.1	1.1

Share related figures

	2013	2012	2011
Number of shares, end of period, share issue adjusted	100,000,000	100,000,000	100,000,000
Number of shares, average, share issue adjusted	100,000,000	100,000,000	100,000,000
Share price, end of period, SEK	67.50	–	–
Share price, end of period, EUR 1)	7.62	–	–
Share price, year high, SEK	67.50	–	–
Share price, year high, EUR 1)	7.62	–	–
Share price, year low, SEK	62.00	–	–
Share price, year low, EUR 1)	7.00	–	–
Share price, volume-weighted average, SEK	64.10	–	–
Share price, volume-weighted average, EUR 2)	7.41	–	–
Market capitalisation, SEK million	6,750.0	–	–
Market capitalisation, EUR million 1)	761.9	–	–
Number of shares traded during the period, million shares	19.7	–	–
Share turnover, %	19.7	–	–
Earnings per share (EPS), basic and diluted, EUR	0.42	0.72	0.48
Earnings per share (EPS), basic and diluted, SEK 1)	3.76	6.15	4.25
Equity attributable to owners of the parent per share, EUR	0.44	2.44	1.68
Dividend / distribution per share, EUR 3)	0.22	2.38	–
Dividend / distribution payout ratio, %	51.8	332.3	–
Dividend / distribution yield, %	2.9	–	–
Price / earnings per share (P/E)	17.9	–	–
Price / equity per share	17.2	–	–

Sanitec's share was listed in NASDAQ OMX Stockholm on 10 December 2013. Shares are quoted in SEK.

1) Converted to EUR or SEK with closing rate of the period

2) Converted to EUR with average rate of the period

3) 2013 distribution is a refund of capital and the proposal of the Board of Directors. 2012 distribution was a refund of capital from reserve for invested unrestricted equity paid in May 2013.

Exchange rates

	2013	2012	2011
Closing			
EUR/NOK	8.3630	7.3483	7.7540
EUR/PLN	4.1543	4.0740	4.4580
EUR/GBP	0.8337	0.8161	0.8353
EUR/SEK	8.8591	8.5820	8.9120
Average			
EUR/NOK	7.8067	7.4751	7.7934
EUR/PLN	4.1975	4.1847	4.1206
EUR/GBP	0.8493	0.8109	0.8679
EUR/SEK	8.6515	8.7041	9.0298

Definitions of key ratios

Key figure	Calculation
Operating profit (EBIT)	Profit before interest and taxes
Operating profit (EBIT), adjusted	Profit before interest and taxes adjusted with items affecting comparability
EBITDA	Operating profit adjusted with depreciation, amortisation and impairment losses
EBITDA, adjusted	Operating profit adjusted with depreciation, amortisation and impairment losses and items affecting comparability
Items affecting comparability	Losses and gains on divestments of businesses, restructuring costs, costs for executive management dismissal, costs related to EU cartel fine, other costs considered to be non-recurring
Net debt	(Non-current interest-bearing liabilities + current interest-bearing liabilities at nominal value) - cash and cash equivalents
Net debt / EBITDA, adjusted	Net debt / EBITDA, adjusted, rolling 12 months
Equity ratio, %	Total equity / (total assets - advance payments received) x 100
Net gearing, %	Net debt (at nominal value) / total equity x 100
Financial expenses	Interest and other financial expenses from financial liabilities, including foreign currency differences from financial liabilities
Return on capital employed (ROCE), %, rolling 12 months	(Profit before income taxes + financial expenses, rolling 12 months) / (Total equity + interest-bearing liabilities, quarterly average) x 100
Return on equity, %, rolling 12 months	(Profit for the period, rolling 12 months) / (Total equity, quarterly average) x 100
Cash conversion	(EBITDA, adjusted, less paid investments in tangible and intangible assets) / EBITDA, adjusted
Earnings per share, EUR	Profit for the period / Weighted share issue adjusted average number of shares during the period
Market capitalisation	Number of shares at the end of period x share price at the end of period
Share turnover, %	Number of shares traded during the period / weighted average number of shares x 100
Equity attributable to owners of the parent per share	Equity attributable to owners of the parent at the end of period / adjusted number of shares at the end of period
Dividend / distribution per share	Dividends or other equity distribution paid / adjusted number of issued shares at the end of period
Dividend / distribution payout ratio ,%	(Dividend / distribution per share) / (earnings per share) x 100
Dividend / distribution yield, %	(Dividend / distribution per share) / (share price at the end of period) x 100
Price / earnings per share (P/E)	Share price at the end of period / earnings per share
Price / equity per share	Share price at the end of period / equity attributable to owners of the parent per share

Sanitec Corporation Income Statement

(All amounts in EUR thousands)

	Note	1 January– 31 December 2013	1 January – 31 December 2012
NET SALES	2	**17,828.7**	**16,295.0**
Personnel expenses	3	-1,480.9	-1,763.5
Amortisation and impairment	4	-1,481.3	-1,481.0
Other operating expenses	5	-19,981.7	-17,643.3
OPERATING PROFIT/LOSS		**-5,115.2**	**-4,592.8**
Financial income and expenses			
Dividend income	6	8,582.4	3,733.5
Interest income and financial income	6	6,867.1	11,462.3
Impairment losses of non-current assets	7	70,683.2	15,770.1
Interest expenses and other financial expenses	6	-9,964.1	-512.8
		76,168.5	30,453.1
PROFIT BEFORE EXTRAORDINARY ITEMS, APPROPRIATIONS AND TAXES		**71,053.4**	**25,860.3**
PROFIT FOR THE FINANCIAL YEAR		**71,053.4**	**25,860.3**

Sanitec Corporation Balance Sheet

(All amounts in EUR thousands)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Intangible assets	8		
Intangible rights		11,859.0	13,329.0
Advance payments and construction in progress		140.3	10.6
Investments			
Shares in group companies	8	550,019.6	479,431.0
Total non-current assets		**562,018.9**	**492,770.5**
Current assets			
Non-current receivables			
Receivables from group companies	9	87,419.7	80,619.9
Other receivables	9	11,240.5	3,077.1
Current receivables			
Receivables from group companies		19,098.4	17,157.8
Other receivables	9	193.0	170.7
Prepaid expenses and accrued income	10	299.3	146.4
Cash and bank		72.1	369.7
Total current assets		**118,323.0**	**101,541.5**
TOTAL ASSETS		**680,341.8**	**594,312.1**
EQUITY AND LIABILITIES			
Equity			
Share capital		2,813.1	2,813.1
Share premium		43,708.0	43,708.0
Fair value reserve		-1.0	3.2
Reserve for invested unrestricted equity		347,116.5	585,449.8
Retained earnings		-44,144.8	-70,005.1
Net profit for the period		71,053.4	25,860.3
Total equity	11	**420,545.1**	**587,829.3**
Liabilities			
Non-current liabilities			
Senior secured floating rate notes		250,000.0	–
Current liabilities			
Trade payables		372.1	140.2
Current liabilities to group companies	12	5,867.0	4,837.1
Other current liabilities	13	221.4	293.3
Accrued expenses and deferred income	14	3,336.2	1,212.1
Total current liabilities		**9,796.7**	**6,482.7**
Total liabilities		**259,796.7**	**6,482.7**
TOTAL EQUITY AND LIABILITIES		**680,341.8**	**594,312.1**

Sanitec Corporation Cash Flow Statement

(All amounts in EUR thousands)

	1 January– 31 December 2013	1 January – 31 December 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	-5,115.2	-4,592.8
Adjustments to operating profit		
Amortisation and impairment losses	1,481.3	1,481.0
Cash flow before change in working capital	**-3,633.9**	**-3,111.8**
Change in working capital		
Increase (-) / decrease (+) in current interest-free receivables	-1,808.9	245.9
Increase (+) / decrease (-) in current interest-free liabilities	1,482.8	-148.4
Cash flow from change in working capital	**-326.1**	**97.5**
Interest expenses paid	-6,598.2	-298.9
Dividends received	8,582.4	3,733.5
Interest income received	6,862.2	11,298.4
Other financial items received and paid	-79.6	-218.3
CASH FLOW FROM OPERATING ACTIVITIES	**4,806.8**	**11,500.4**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in shares in subsidiaries	-70,588.6	-70.0
Investments intangible assets	-141.1	–
Proceeds from sale of intangible assets	–	22.5
CASH FLOW FROM INVESTING ACTIVITIES	**-70,729.7**	**-47.5**
CASH FLOW FROM FINANCING ACTIVITIES		
Distribution from the reserve for invested unrestricted equity	-238,333.3	–
Drawdown of non-current interest-bearing liabilities	240,435.0	–
Change in current interest-bearing liabilities, increase (+) / decrease (-)	–	-15,831.3
Change in loan receivables, increase (-) / decrease (+)	63,523.7	4,646.3
CASH FLOW FROM FINANCING ACTIVITIES	**65,625.3**	**-11,184.9**
CHANGE IN CASH AND CASH EQUIVALENTS, INCREASE (+) / DECREASE (-)	**-297.6**	**268.1**
Cash and cash equivalents at the beginning of period	369.7	101.6
Cash and cash equivalents at the end of period	72.1	369.7
Change in cash and cash equivalents	**-297.6**	**268.1**

Note 1 Accounting principles

Sanitec Corporation is a public limited liability company organised under the laws of the Republic of Finland. Sanitec's share is publicly traded in the NASDAQ OMX Stockholm since 10 December 2013. Sanitec Corporation is domiciled in Helsinki, Finland and its registered address is Kaupintie 2, 00440 Helsinki, Finland. Sanitec Corporation is the parent of Sanitec Group.

The financial statements of Sanitec Corporation are prepared in accordance with Finnish Accounting Standards (FAS). The consolidated financial statements of Sanitec Group are prepared in accordance with International Financial Reporting Standards (IFRS), and Sanitec Corporation applies in its separate financial statements the same accounting principles as Sanitec Group to the extent it is possible within the framework of the Finnish accounting practice. The accounting principles of Sanitec Group are presented in the Notes to the Consolidated Financial Statements (Note 1).

The main differences in the accounting principles between Sanitec Corporation's separate financial statements and Sanitec Group's consolidated financial statement are presented below.

FINANCIAL ASSETS AND LIABILITIES AND DERIVATIVE INSTRUMENTS

Financial assets and liabilities with the exception of derivative instruments are recorded at cost or at cost less impairment losses. Valuation methods of derivatives are presented in the accounting policies of Sanitec Group.

FINANCE LEASING

Lease payments are recognised as lease expenses. Leasing obligations, if any, are presented as contingent liabilities

EXTRAORDINARY INCOME AND EXPENSES

The parent's extraordinary income and expenses consist of group contributions received from and given to subsidiaries

Note 2 Net sales

Net sales by geographical region	2013	2012
Central Europe	5,229.9	4,028.5
East Europe	3,327.1	2,692.3
North Europe	4,330.9	4,176.8
South Europe	3,713.1	3,721.8
United Kingdom & Ireland	1,227.8	1,354.8
Rest of the World	–	320.7
	17,828.7	**16,295.0**

Net sales consist of the sale of the service activities of headquarter operations to Sanitec Group companies.

Note 3 Personnel costs

	2013	2012
Wages and salaries	-1,143.2	-1,391.1
Pension costs	-181.4	-180.4
Other personnel costs	-156.2	-192.0
Total	**-1,480.9**	**-1,763.5**
Average number of personnel	3	4

Management remuneration

Management remuneration is presented in Note 26 of the Consolidated Financial Statements.

Note 4 Amortisations

	2013	2012
Intangible rights	-1,481.3	-1,481.0

Note 5 Other operating expenses

	2013	2012
Administration costs	-19,981.7	-17,643.3
Includes fees for auditor:		
Audit fee	-78.0	-75.0
Other audit related fees	-329.1	-4.0
Total	**-407.1**	**-79.0**

Note 6 Financial income and expenses

	2013	2012
Dividend income		
From group companies	8,582.4	3,733.5
Interest and other financial income		
From group companies	6,807.1	11,216.7
From external parties	55.1	81.5
Realised currency exchange differences, net	4.9	0.2
Unrealised currency exchange differences, net	–	163.8
Total	**6,867.1**	**11,462.3**
Interest and other financial expenses		
From group companies	-82.1	-298.7
To external parties	-9,504.3	-214.1
Unrealised currency exchange differences, net	-377.1	–
Total	**-9,964.1**	**-512.8**
Total financial income and expenses	**5,485.4**	**14,683.0**

Note 7 Impairment losses and reversal of impairment losses of financial items

	2013	2012
Reversal of impairment losses of receivables from group companies	70,683.2	15,770.1

Note 8 Non-current assets

	2013	2012
Intangible assets		
Immaterial rights		
Acquisition cost at the beginning of the period	14,810.0	14,810.0
Additions	–	–
Reclassifications	11.3	–
Acquisition cost at the end the period	14,821.3	14,810.0
Accumulated amortisation at the beginning of the period	-1,481.0	–
Amortisation for the financial period	-1,481.3	-1,481.0
Accumulated amortisation at the end of the period	-2,962.3	-1,481.0
Carrying amount at the end of the period	**11,859.0**	**13,329.0**

	2013	2012
Intangible assets		
Advance payments and construction in progress		
Acquisition cost at beginning of the period	10.6	33.1
Additions	141.1	10.6
Disposals	–	-33.1
Reclassifications	-11.3	–
Carrying amount at the end of the period	**140.3**	**10.6**
Investments		
Shares in group companies		
Carrying amount at the beginning of the period	479,431.0	479,361.0
Impairment losses	–	–
Additions	70,588.6	70.0
Carrying amount at the end of the period	**550,019.6**	**479,431.0**

Subsidiaries	Number of shares	Currency of the subsidiary	Nominal value of the share capital (in thousand)	Ownership, %	Carrying amount 2013	Carrying amount 2012
Sanitec Holding Italy S.p.a.	12,000	EUR	120	100	5,595.0	5,595.0
Sanitec Holdings Norway A/S	2,000	NOK	200	100	2,936.7	2,936.7
Sanitec Kolo Sp. z o.o.	200,000	PLN	10,000	100	31,324.1	31,324.1
Royal Sanitec AB	101,001	EUR	14,140	15	2,175.4	2,175.4
Lincoln Land Fünfte B.V.	1,200	EUR	24	100	435,960.0	435,960.0
Sanitec Trading Co Ltd	n/a	EUR	300	100	326.7	326.7
Sanitec Trading LLC	n/a	RUB	9,910	99	1,169.5	247.8
Slavuta Holdings LLC	n/a	UAH	56,629	1	265.3	265.3
Allia Holding GmbH	3	EUR	65	100	600.0	600.0
Sanitec UK Ltd	86,087,108	GBP	86,087	100	69,666.8	–
Total shares in subsidiaries					**550,019.6**	**479,431.0**

Shares in subsidiaries are also presented in Note 27 of the Consolidated Financial Statements.

Note 9 Receivables

	2013	2012
Receivables from group companies		
Non-current receivables		
Loan receivables from group companies	87,419.7	80,619.9
Total	**87,419.7**	**80,619.9**
Current receivables		
Trade receivables	18,046.0	16,685.8
Group's in-house bank account receivable	305.2	0.0
Other receivables	401.0	20.0
Prepaid expenses and accrued income	346.1	452.0
Total	**19,098.4**	**17,157.8**
Total receivables from group companies	**106,518.1**	**97,777.7**
Other non-current receivables		
Capitalised fee of senior secured floating rate notes	8,486.0	–
Other non-current receivables	2,754.4	3,077.1
Total	**11,240.5**	**3,077.1**
Other current receivables		
VAT receivable	192.8	–
Receivables from employees	–	145.2
Other current receivables	0.3	25.5
Total	**193.0**	**170.7**

Note 10 Major items included in accrued receivables

	2013	2012
Other financial items	6.7	0.0
Other accruals	292.6	146.4
Total	**299.3**	**146.4**

Note 11 Shareholders' equity

	2013	2012
Share capital at the beginning of the period	2,813.1	2,813.1
Share capital at the end of the period	**2,813.1**	**2,813.1**
Share premium at the beginning of the period	43,708.0	43,708.0
Share premium at the end of the period	**43,708.0**	**43,708.0**
Fair value reserve at the beginning of the period	3.2	0.0
Change during the period	-4.2	3.2
Fair value reserve at the end of the period	**-1.0**	**3.2**
Total restricted equity	**46,520.1**	**46,524.3**
Reserve for invested unrestricted equity at the beginning of period	585,449.8	585,449.8
Distribution from reserve for invested unrestricted equity	-238,333.3	–
Reserve for invested unrestricted equity at the end the period	**347,116.5**	**585,449.8**
Retained earnings at the beginning of the period	-44,144.8	-70,005.1
Net profit / loss for the period	71,053.4	25,860.3
Retained earnings at the end of the period	**26,908.6**	**-44,144.8**
Total equity	**420,545.1**	**587,829.3**

Note 12 Current liabilities to group companies

	2013	2012
Current liabilities to group companies		
Trade payables	4,692.2	2,114.9
Accrued expenses and deferred income	1,174.8	2,722.3
Total	**5,867.0**	**4,837.1**

Note 13 Other current liabilities

	2013	2012
Employee witholding taxes	221.4	222.0
VAT payable	0.0	71.3
Total	**221.4**	**293.3**

Note 14 Major items included in accrued expenses and deferred income

	2013	2012
Personnel expenses	274.4	447.2
Interest expenses	1,587.0	0.0
Other financial items	239.8	0.0
Other operating expenses	1,235.0	764.9
Total	**3,336.2**	**1,212.1**

Note 15 Contingent liabilities

	2013	2012
Pledged assets		
Carrying amount of pledged assets		
On behalf of group companies	2,690.4	3,061.9
Total	**2,690.4**	**3,061.9**
Guarantees and other commitments		
Guarantees		
On behalf of group companies	6,151.9	6,350.5
Total	**6,151.9**	**6,350.5**
Total contingent liabilities [1)]	**8,842.3**	**9,412.4**

[1)] In addition to the above, Sanitec Corporation has given liens on chattel as well as pledged subsidiary shares and other assets, and given a guarantee for the security of its loans. The total nominal value of these secured loans was EUR 300.0 million, out of which EUR 250.0 million was outstanding as of 31 December 2013.

As of 31 December 2012 Sanitec Corporation had pledged subsidiary shares and other assets, and given a guarantee as security for related party loans. The total nominal value of these secured loans was EUR 292.0 million, out of which EUR 242.0 million was outstanding as of 31 December 2012.

Note 16 Derivative instruments

	2013	2012
Foreign currency forward contracts, with group companies		
December 31		
Positive		
Fair value	0.5	5.4
Nominal value	55.8	552.2
Negative		
Fair value	-1.1	-0.9
Nominal value	102.6	93.9

Board of Directors' proposal on the distribution of funds

The distributable funds of Sanitec Corporation, the parent of Sanitec Group, total to EUR 374,024,004.24, of which the profit for the review period is EUR 71,053,369.95. The funds available for dividend distribution are EUR 26,907,519.53, and the funds available for refund of capital are EUR 347,116,484.71.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed from the result for the year nor from retained earnings, and that EUR 22,000,000, i.e. EUR 0.22 per share, is paid as refund of capital from the reserve for invested unrestricted equity. EUR 352,024,004.24 will be left in distributable funds.

Helsinki, 18 February 2014

Fredrik Cappelen
Chairman of the Board

Adrian Barden

Caspar Callerström

Pekka Lettijeff

Ulf Mattsson

Johan Bygge

Margareta Lehmann

Peter Nilsson
President and CEO

Auditor's report

This document is an English translation of the Swedish auditor's report. Only the Swedish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF SANITEC CORPORATION
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Sanitec Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO
The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, 18 February 2014
KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

Annual General Meeting

Sanitec Corporation's Annual General Meeting 2014 will be held in Stockholm on 13 May 2014. Any shareholders wishing to submit proposals for the members of the Board of Directors to be elected by the Annual General Meeting can contact Caspar Callerström by e-mail (caspar.callerstrom@eqt.se). Further details will be made available in due course before the Annual General Meeting.

Analysts

Following analysts are covering Sanitec:

Carnegie
Kenneth Toll Johansson (kentol@carnegie.se)

Handelsbanken
Rasmus Engberg (raen01@handelsbanken.se)

Nordea
Stellan Hellström (stellan.hellstrom@nordea.com)

SEB
Stefan Cedergren (stefan.cederberg@seb.se)

UBS
David Halldén (david.hallden@ubs.com)

Contact information

Head Office
Sanitec Corporation
P.O. Box 447
00101 Helsinki
Kaupintie 2
00440 Helsinki
Finland
tel. +358 10 662 500
fax +358 10 662 5100

Sanitec Holdings Sweden AB
Kungsbroplan 3A
112 27 Stockholm
Sweden
tel. +46 8 411 4090

sanitec.corporation@sanitec.com
ir@sanitec.com
www.sanitec.com

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