Interim Report for Sanitec Corporation January – March 2013

- Net sales for the first quarter amounted to EUR 176.8 million (202.2). Comparable net sales for prior year amounted to EUR 195.9 million, against which first quarter sales are 10.2 % lower than prior year[1)]
- Operating profit amounted to EUR 13.5 million (21.1), 7.6% of net sales (10.4%).
- Operating profit adjusted for items affecting comparability amounted to EUR 15.0 million (22.3), 8.5 % of net sales (11.4 %).
- Lower volumes following difficult macro-economic conditions in key market areas impacted operating profit negatively, partly offset by slightly increased average sales prices.
- Cash flow from operating activities for the period amounted to EUR -13.1 million (-4.5).
- Subsequent to the reporting date Sanitec Corporation has refinanced its existing debt facilities and paid an equity distribution.

Key figures for the Group	**January – March**		**Change %**	**Full year**
EUR million	**2013**	**2012**		**2012**
Net sales	176.8	202.2	*-10.2* [1)]	752.8
Operating profit	13.5	21.1	*-36.0*	73.0
Operating profit, %	7.6	10.4	*-26.9*	9.7
Profit before taxes	12.7	20.4	*-37.7*	67.0
Profit for the period	10.1	24.0	*-57.9*	71.7
Return on capital employed (ROCE)[2)], %	19.0	19.2	*-1.0*	19.0
Capital expenditure	1.7	1.9	*-10.5*	13.6
Gearing ratio, %	68.3	99.9	*-31.6*	70.9
Number of employees, average	6,687	7,070	*-5.4*	7,004
Earnings per share (EUR)	10.10	24.00	*-57.9*	71.70

[1)] Calculated in constant currency and comparable legal structure, i.e. organic change.

[2)] Rolling 12 months.

Sanitec Corporation
P.O. Box 447, FIN-00101, Helsinki, Finland
Org. Nr. 1955115-2

Tel. +358 10 662 500
www.sanitec.com

The first quarter of 2013 continued to be depicted by macro-economic challenges in several parts of the key markets in Western and Eastern Europe where we operate. Our net sales declined by 12.6% compared with same period prior year. Adjusting net sales for the impact of the disposal of our French showers business, Leda S.A.S., and constant currency rates, comparable net sales reduction is 10.2 %.

Continued weak markets in the South, flat or slightly decreasing economic conditions in East and Central Europe, except for Germany, partly caused by harsh weather conditions with delays in construction activities, timing differences in marketing activities in the Nordic countries, and early Easter holiday in 2013, led to declining sales volumes compared with the same period prior year. In Bathroom Ceramics the slightly positive movement in average sales prices could not fully off-set the volume decline in major product categories. In Ceramics Complementary Products, substantial part of the reduction in net sales is due to the disposal of Leda S.A.S. in October 2012. New product launches and expansion of our product offering within Ceramics Complementary Products during 2012 have underpinned a strong momentum in sales during the first quarter despite harsh market conditions and phasing out of certain products replaced by new products with more attractive designs and features.

We have continued to focus on efficiency improvements and operational streamlining in production and purchasing during the first quarter. These measures have, however not fully compensated the reduction in demand which has had a negative impact on the operating profit mainly due to under absorption of the fixed costs. Operating profit amounted to EUR 13.5 million (7.6%) compared with EUR 21.1 million (10.4%) prior year. Operating profit adjusted for items affecting comparability amounted to EUR 15.0 million (22.3), 8.5% of net sales (11.4%).

Financial net expenses amounted to EUR 0.8 million (0.7) whereas income taxes increased from prior year's credit balance at EUR 3.6 million (following recognition of deferred tax assets) to taxes payable EUR 2.6 million for the first quarter 2013. Profit for the first quarter amounted to EUR 10.1 million (24.0).

Together with my colleagues at Sanitec we approach the second quarter with reinvigorated energy and continue to execute our One Sanitec way.

Peter Nilsson
President & CEO, Sanitec Corporation

Net sales

Net sales for the first quarter amounted to EUR 176.8 million (202.2). The decline was mainly attributable to lower sales volumes in the traditional bathroom ceramics products while the complementary products showed better resilience towards the challenging market situation. Net sales were also reduced due to the disposal of Sanitec's former showers business in France in October 2012. Average sales prices improved slightly during the first quarter following an improved product mix and effects of price increases. The impact from net foreign exchange rates was EUR 0.9 million positive compared with prior year.

Net sales by product line

Net sales, EUR million	January - March 2013	2012	2012
Bathroom Ceramics	130.9	146.1	546.5
Ceramics Complementary Products	45.9	56.1	206.3
Total	176.8	202.2	752.8

Net sales for Bathroom Ceramics amounted to EUR 130.9 million (146.1). The decline of 10.4% compared with prior year is mainly caused by softening of market demand during second half of 2012 and subsequently lower sales volumes of major product groups coming to first quarter 2013. On certain market areas the product assortment has been renewed during 2012 with new product introductions and discontinuation of business on lower margin products. Despite the lower volumes for first quarter 2013 the average sales prices improved from same period prior year.

Net sales for Ceramics Complementary Products amounted to EUR 45.9 million (56.1). From the decline of 18.3% compared with prior year majority is explained by the disposal of the French showers business. Sales volumes declined due to weakened market conditions, however being off-set to a higher extent by positive changes in sales mix.

Sales by geographical region

Sales, EUR million	January - March 2013	2012	2012
Central Europe	55.9	56.8	215.2
North Europe	44.9	50.6	186.2
South Europe	32.3	42.8	145.5
East Europe	26.5	31.5	128.7
United Kingdom & Ireland	12.8	15.1	54.4
Rest of the World	4.4	5.4	22.8
Total	176.8	202.2	752.8

Net sales for Central Europe EUR 55.9 million (56.8) declined by 1.5 % compared with prior year as the strong sales in Germany almost off-set the reduction in net sales in the Benelux countries. South Europe with EUR 32.3 million net sales (42.8) contracted most (24.5%) compared with prior year, although a major part of this is explained by the disposal of Leda S.A.S. Excluding this impact the reduction would be 11.5% and is explained by continued weak markets in France and Italy.

Net sales for North and East Europe amounted to EUR 44.9 million (50.6) and EUR 26.5 million (31.5), respectively. The 11.3 % decline in North during the first quarter 2013 was partly due to softening markets and partly different phasing of marketing promotions compared to last year. In East Europe the 16.0 % decline is mainly due to slowdown in Polish and Russian markets started in the second half of 2012. In United Kingdom & Ireland the net sales reduction is result from the combined effect of product range cleaning affected in 2012 and weaker demand due to the tough market situation.

Sanitec Corporation
P.O. Box 447, FIN-00101, Helsinki, Finland
Org. Nr. 1955115-2
Tel. +358 10 662 500
www.sanitec.com

Operating profit

The operating profit totalled EUR 13.5 million compared with EUR 21.1 million in the previous year. The decline is due to reduction in sales volumes and subsequently net sales which could only partly be combated by more efficient sourcing, lower costs due to reduced number of employees and increased manufacturing efficiencies during the first quarter 2013.

Cash flow

Cash flow from operating activities amounted to EUR -13.1 million (-4.5). Compared with previous year, the variance is mainly due to both lower profit before taxes for the period at EUR 7.7 million as well as increase in working capital million by EUR 5.8 million.

The interest and financial expenses paid was reduced compared with prior year mainly due to reduction of net debt. During the first quarter 2013 the income tax payables were offset by year-end tax receivables.

Cash flow from investing activities amounted to EUR -2.7 million (-1.9) comprising primarily of customary maintenance investments of property, plant, equipment and R&D investments.

Cash flow from financing activities included EUR 1.6 million repayment of short-term loans.

Capital investments

Capital investments during the first quarter totalled to EUR 1.7 million (1.9). The increase is explained by phasing of investment activities throughout the year. Production related capital investments the first quarter amounted to EUR 1.7 million.

Financial position and liquidity

Cash and cash equivalents, including current financial investments, amounted to EUR 198.0 million (155.2) at the end of the period. The improved cash position was due to strong cash conversion throughout 2012 following improved operating profit and reduction in working capital. In addition to cash and cash equivalents, Sanitec had also access to an unutilised committed EUR 50.0 million revolving credit facility.

Non-current liabilities have reduced by EUR 94.9 million compared with prior year due to the fact that additional related party loan payment of EUR 53.7 million payable during the second quarter in 2013 has been reclassified as current liabilities.

The Ukrainian non-current interest bearing liability has been reclassified into interest bearing liabilities during the first quarter as the waiver from year end covenant breach was only received in second quarter 2013.

The net interest bearing debt amounted to cash position of EUR 25.4 million, a decrease from the beginning of the year of EUR 17.4 million and, compared with the first quarter of the previous year, an improvement of EUR 64.2 million.

Equity amounted to EUR 252.7 million (193.7).

Sanitec refinanced its existing debt in the beginning of May including a capital distribution, please see events after the reporting date, which reduced equity and increased net debt.

Shares and share capital

There is one series of shares and they all have equal voting rights and similar rights to the dividends. The shares carry no nominal value. The par value of the shares in accounting is EUR 1.0 per share and the total amount of shares is 1,000,000. The fully paid, registered share capital of Sanitec Corporation is EUR 2,813,142.66.

Personnel

The average number of employees was 6,687 at the end of March (7,070). The decrease mainly refers to the personnel reduction due to the disposal of Leda in France and reductions completed in Twyford Bathrooms in the United Kingdom.

Risks 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 change in currency rates, interest rates, liquidity and funding capabilities. Risk management actions in Sanitec are focused on identifying the controllable areas and reduce 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 change in risk facing the Sanitec group.

Events after the reporting date

On 1 May 2013, Standard & Poors assigned its "B+" long-term credit rating to Sanitec Corporation. On the same day Moody's assigned a corporate family rating (CFR) of B1 for the company. The ratings were assigned since Sanitec in April had announced the intention to refinance its existing debt facilities by issuing EUR 250 million senior secured floating rate notes due 2018 and also put in place a EUR 50 million super senior revolving credit facility due in 2017.

Both new credit facilities are in force as from 10 May 2013. The floating rate note bears interest of 4.75 % over three-month Euribor.

As part of the recapitalisation in May, Sanitec paid equity distribution of EUR 238.3 million, part of which was used in prepaying loans to its parent companies and EUR 100 million was distributed to the ultimate owners.

In connection with the bond offering the company form of Sanitec Corporation was changed from private limited company to public limited company.

In Helsinki, 30 May 2013

This interim report was prepared in accordance with IAS 34. The interim report is unaudited.

Time schedule for financial information

Interim Report January–June 2013:
30 August 2013

Interim Report January–September 2013:
29 November 2013

Interim Report January–December 2013:
21 February 2014

Annual Report 2013:
13 May 2014.

For additional information, please contact
Noora Koikkalainen
Head of Corporate Communications
sanitec.corporation@sanitec.com
tel. +358 10 662 5426, mob. +46 70 378 0811

Further information for those interested is available at www.sanitec.com.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in EUR millions)

	January-March 2013	January-March 2012	January-December 2012
NET SALES	176.8	202.2	752.8
Other operating income	1.0	1.2	5.4
Materials and services	-77.1	-93.2	-343.1
Employee benefits	-53.7	-56.4	-209.3
Other operating expenses	-26.1	-25.5	-103.1
Depreciation, amortisation and impairment losses	-7.4	-7.2	-29.7
OPERATING PROFIT	**13.5**	**21.1**	**73.0**
Financial income and expenses	-0.8	-0.7	-6.0
PROFIT BEFORE TAXES	**12.7**	**20.4**	**67.0**
Income taxes	-2.6	3.6	4.7
PROFIT FOR THE PERIOD	**10.1**	**24.0**	**71.7**
Net profit (loss) for the period attributable to:			
Equity holders of the parent company	*10.1*	*24.0*	*71.7*
Non-controlling interest	*0.0*	*0.0*	*0.0*
Total	***10.1***	***24.0***	***71.7***
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to income for the period:			
Re-measurements of pension obligation	0.4	-2.1	-0.9
Income tax relating to items that will not be reclassified	-0.1	0.5	0.1
Other restatements	—	0.2	—
Items that may be reclassified subsequently to income for the period:			
Cash flow hedges	0.3	—	0.3
Exchange rate differences	-1.8	3.2	4.7
Income tax relating to items that may be reclassified	—	—	—
Total	**8.9**	**25.8**	**75.9**
Comprehensive income for the period attributable to:			
Equity holders of the parent company	*8.9*	*25.8*	*75.9*
Non-controlling interest	*0.0*	*0.0*	*0.0*
Total	***8.9***	***25.8***	***75.9***

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in EUR millions)

	31 March 2013	31 March 2012	31 December 2012
NON-CURRENT ASSETS			
Intangible assets	6.7	8.2	7.2
Property, plant and equipment	179.9	192.8	185.0
Deferred tax assets	24.0	24.2	25.2
Interest bearing receivables	0.1	0.5	0.1
Pension assets	2.4	0.4	2.1
Other non-current receivables	—	0.1	—
TOTAL NON-CURRENT ASSETS	**213.1**	**226.2**	**219.6**
CURRENT ASSETS			
Inventories	100.3	105.9	102.1
Other current receivables	151.0	169.3	120.5
Cash and cash equivalents	198.0	155.2	215.7
TOTAL CURRENT ASSETS	**449.3**	**430.4**	**438.3**
TOTAL ASSETS	**662.4**	**656.6**	**657.9**
EQUITY AND LIABILITIES			
Share capital	2.8	2.8	2.8
Share premium	43.7	43.7	43.7
Fair value reserve	0.6	—	0.3
Reserve for invested unrestricted equity	585.2	585.2	585.2
Translation differences	-13.2	-12.2	-9.3
Retained earnings	-366.6	-426.0	-379.1
Total equity attributable to the equity holders of the parent company	252.5	193.5	243.6
Non-controlling interests	0.2	0.2	0.2
TOTAL EQUITY	**252.7**	**193.7**	**243.8**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8.5	7.9	8.1
Pension obligations	30.6	31.7	30.2
Provisions	9.8	23.7	9.8
Interest bearing liabilities	0.1	21.7	—
Other borrowings	94.7	168.0	148.6
TOTAL NON-CURRENT LIABILITIES	**143.7**	**253.0**	**196.7**
CURRENT LIABILITIES			
Interest bearing liabilities	77.8	4.3	24.3
Provisions	4.2	6.2	4.4
Other current liabilities	184.0	199.4	188.7
TOTAL CURRENT LIABILITIES	**266.0**	**209.9**	**217.4**
TOTAL EQUITY AND LIABILITIES	**662.4**	**656.6**	**657.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Fair value reserve	Reserve for invested unrestricted Equity	Translation differences	Retained Earnings	Total	Non-Controlling interests	Total Equity
Equity on 1 January 2012	**2.8**	**43.7**	**—**	**585.2**	**-14.3**	**-449.7**	**167.7**	**0.2**	**167.9**
Translation differences					2.1	1.1	3.2		3.2
Defined benefit obligation, Actuarial gain/(loss) net of tax						-1.6	-1.6		-1.6
Other restatement						0.2	0.2		0.2
Total other comprehensive income					**2.1**	**-0.3**	**1.8**		**1.8**
Profit for the period						24.0	24.0		24.0
Total comprehensive income					**2.1**	**23.7**	**25.8**		**25.8**
Equity at 31 March 2012	**2.8**	**43.7**	**—**	**585.2**	**-12.2**	**-426.0**	**193.5**	**0.2**	**193.7**
Total comprehensive income in 2012	—	—	0.3	—	2.9	46.9	50.1	—	49.8
Equity on 31 December 2012	**2.8**	**43.7**	**0.3**	**585.2**	**-9.3**	**-379.1**	**243.6**	**0.2**	**243.8**
Translation differences					-3.9	2.1	-1.8		-1.8
Cash flow hedges			0.3				0.3		0.3
Defined benefit obligation, Actuarial gain/(loss) net of tax						0.3	0.3		0.3
Total other comprehensive income			**0.3**		**-3.9**	**2.4**	**-1.2**		**-1.2**
Profit for the period						10.1	10.1		10.1
Total comprehensive income			**0.3**		**-3.9**	**12.5**	**8.9**		**8.9**
Equity at 31 March 2013	**2.8**	**43.7**	**0.6**	**585.2**	**-13.2**	**-366.6**	**252.5**	**0.2**	**252.7**

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in EUR millions)

	January-March 2013	January-March 2012	January-December 2012
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before taxes for the period	12.7	20.4	67.0
Adjustments:			
Depreciation, amortisation and impairment losses	7.4	7.2	29.7
Unrealised foreign exchange gains and losses	0.5	-1.6	-2.1
Other non-cash income and expenses	—	-0.1	-1.0
Financial income and expenses	0.3	2.4	8.1
Change in the working capital:			
Change in current non-interest-bearing receivables	-30.7	-29.7	20.1
Change in inventories	1.9	1.4	6.4
Change in current non-interest-bearing liabilities	-5.1	0.2	-18.9
Interests and other financial expenses paid (-) / received (+)	-0.5	-2.8	-10.0
Interests received from operating activities	0.4	0.6	2.4
Income taxes paid (-) / received (+)	0.0	-2.5	-13.8
CASH FLOW FROM OPERATING ACTIVITIES	**-13.1**	**-4.5**	**87.9**
CASH FLOW FROM INVESTING ACTIVITIES:			
Investments of intangible and tangible assets	-3.3	-2.1	-13.0
Proceeds from disposal of intangible and tangible assets	0.6	0.2	1.6
Proceeds from disposal of other investments	—	—	—
CASH FLOW FROM INVESTING ACTIVITIES	**-2.7**	**-1.9**	**-11.4**
CASH FLOW FINANCING ACTIVITIES:			
Proceeds (+) / repayments (-) of short-term loans	-1.6	0.1	-21.6
Proceeds (+) / repayments (-) of long-term loans	—	—	-0.2
CASH FLOW FROM FINANCING ACTIVITIES	**-1.6**	**0.1**	**-21.8**
CHANGE IN CASH AND CASH EQUIVALENTS	**-17.4**	**-6.3**	**54.7**
Cash and cash equivalents on 1 January	215.7	161.3	161.3
Effect of exchange rate differences on cash and bank balances	-0.3	0.2	-0.3
Change in cash and cash equivalents	-17.4	-6.3	54.7
Cash and cash equivalents on 31 December	198.0	155.2	215.7

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

Sanitec Corporation and its subsidiaries form a multinational group (“Sanitec” or the “Group”) engaged in designing, manufacturing and marketing of bathroom ceramics, bath and shower products and bathroom furniture. The Group’s production plants are situated in Europe and Ukraine, and the sales and marketing network extends globally.

Sanitec Corporation is a public limited company and it is domiciled in Helsinki, Finland. The address of Group Head Office is Kaupintie 2, 00440 Helsinki, Finland.

2. Accounting policies

IFRS
Sanitec Corporation applies International Financial Reporting Standards as adopted by the European Union. Material accounting policies and valuation principles are in accordance with those of the Annual accounts for the financial year ended 31 December 2012, save for the new IFRS accounting policies effective since 1 January 2013 described below.

New accounting principles
Sanitec Corporation applies the Revised IAS 1 Presentation of Financial Statements in which items of other comprehensive income that will not be reclassified to net profit for the period and items that may be reclassified to net profit for the period are shown separately. Sanitec Corporation also applies the amended IAS 19 Employee Benefits – standard which includes the discontinuation of the corridor method for recognising defined benefit pension plans and a changed actuarial method for calculating the return on plan assets. The 2012 figures and opening balance for 2013 have been restated to reflect the impact of the new IAS 19 standard. The impact from the restatement was not significant, mainly due to the fact that Sanitec Corporation has not applied the corridor method previously and most of the defined benefit pension plans do not include plan assets.

3. Intangible assets and property, plant and equipment

EUR million	**January-March 2013**	**January-March 2012**	**January-December 2012**
Intangible assets			
Carrying amount on 1 January	**7.2**	**8.5**	**8.5**
Changes in exchange rates	—	0.1	0.3
Additions	—	—	0.5
Amortisation and impairment	-0.5	-0.4	-2.2
Disposals and reclassifications	—	—	0.1
Carrying amount at the end of the period	**6.7**	**8.2**	**7.2**

Intangible rights primarily consist of license rights and computer software.

EUR million	**January-March 2013**	**January-March 2012**	**January-December 2012**
Property, plant and equipment			
Carrying amount on 1 January	**185.0**	**195.0**	**195.0**
Changes in exchange rates	0.1	2.9	5.3
Additions	1.5	1.7	12.6
Depreciation for the period	-6.7	-6.8	-27.5
Disposals and reclassifications	—	—	-0.4
Carrying amount at the end of the period	**179.9**	**192.8**	**185.0**

4. Gross capital expenditure

EUR million	January-March 2013	January-March 2012	January-December 2012
Industrial capital expenditure	1.7	1.9	13.6
Financial capital expenditure	0.0	0.0	0.0
	1.7	**1.9**	**13.6**

5. Loans and interest bearing liabilities

EUR million	January-March 2013	January-March 2012	January-December 2012
Non-current interest bearing liabilities			
Related party loans	94.7	168.0	148.5
Loans to financial institutions	0.1	21.7	0.1
	94.8	**189.7**	**148.6**

Current interest bearing liabilities	January-March 2013	January-March 2012	January-December 2012
Related party loans	53.7	—	—
Loans to financial institutions	24.1	4.3	24.3
	77.8	**4.3**	**24.3**

Non-current liabilities have reduced by EUR 94.9 million compared with prior year due to the fact that additional related party loan payment of EUR 53.7 million payable during the second quarter in 2013 has been reclassified as current liabilities. The Ukrainian non-current interest bearing liability has been reclassified into interest bearing liabilities during the first quarter as the waiver from year end covenant breach was only received in second quarter 2013.

See also note 10. regarding events after the reporting date.

6. Fair and nominal values of derivative instruments

Sanitec Group commenced hedging of major net operating cash flow positions denominated in foreign currencies other than local home currencies since first quarter 2012. At the same time the company started application of hedge accounting on underlying derivative instruments, which comprise of foreign exchange forward contracts.

EUR million	January-March 2013	January-March 2012	January-December 2012
Financial assets			
Currency forward contracts and currency swaps			
Fair value	1.1	0.0	0.4
Nominal value	42.9	1.0	41.8

Financial liabilities	January-March 2013	January-March 2012	January-December 2012
Currency forward contracts and currency swaps			
Fair value	0.3	—	0.1
Nominal value	26.1	—	17.5

The 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.

All foreign currency derivatives are categorised on level 2 when using fair value hierarchy.

In the Group the applied principle is that transfers between levels of fair value hierarchy are recognised on the date on which the event triggering the transfer has occurred.

No transfers between levels occurred during the reporting period.

7. Related party transactions

On 31 March 2013 Sanitec Group have loans and interest payable to the parent company Sofia IV S.à r.l. EUR 148.5 million (168.0). Interest paid in cash during the period amounted to EUR 1.3 million (1.8), excluding withholding taxes.

On 31 March 2013, the Group has a liability of EUR 0.4 million (0.4) to Caesar Holding Limited, former ultimate parent company owned by EQT fund IV, relating to transaction costs payable on acquisition of shares.

Market prices have been used in transactions with associated companies.

8. Commitments and contingent liabilities

The Group had the following commitments and contingent liabilities:

EUR million	**January-March 2013**	**January-March 2012**	**January-December 2012**
Operating lease commitments			
Within one year	7.9	7.0	6.4
Between one and five years	17.6	15.5	15.3
After five years	1.5	1.5	1.5
	27.0	24.0	23.2

First ranking guarantees and security pledge over the assets of Sanitec and certain of the Group subsidiaries have been granted for Senior Facilities. As of March 2013 the majority of Sanitec Group's fixed assets, receivables, inventory and bank accounts are pledged. The nominal value of all collateral granted by these Group subsidiaries exceeds the combined book value of the loans for which they have been given.

In Ukraine assets and shares of PJSC Slavutskiy Plant Budfarfor are pledged against a local credit facility. In addition, Slavuta Holdings LLC has guaranteed the local credit facility and pledged the shares of PJSC Slavutskiy Plant Budfarfor.

Sanitec and certain of the Group subsidiaries have granted guarantees as collateral for certain pension liabilities. Those guarantees totalled EUR 7.4 million (6.8) as of 31 March 2013. In addition Sanitec Group has EUR 6.8 million (5.9) guarantees for other commitments.

9. Litigation

Sanitec is involved in a number of legal actions, claims and other proceedings. The final outcome of these matters cannot be predicted. Taking into account all available information to date the outcome is not expected to have material impact on the financial position of the Group.

10. Events after the reporting date

On 1 May 2013, Standard & Poors assigned its “B+” long-term credit rating to Sanitec Corporation. On the same day Moody’s assigned a corporate family rating (CFR) of B1 for the company. The ratings were assigned since Sanitec in

April had announced the intention to refinance its existing debt facilities by issuing EUR 250 million senior secured floating rate notes due 2018 and also put in place a EUR 50 million super senior revolving credit facility due 2017.

Both new credit facilities are in force as from 10 May 2013. The floating rate note is listed in the Luxemburg Stock Exchange and traded on the Euro MTF Market. It bears interest of 4.75 % over three-month Euribor. As part of the recapitalisation in May 2013, Sanitec Corporation has refinanced its existing debt facilities and paid an equity distribution of EUR 238.3 million to its owners. This was financed by issuing EUR 250 million senior secured floating-rate notes due 2018 and in addition Sanitec Corporation put in place a EUR 50 million super senior revolving credit facility due in late 2017 or early 2018, depending on the date of the first drawing under the facility.

As a consequence of the refinancing and the related equity distribution the net debt of the Group significantly increased and equity decreased significantly.

In connection with the bond offering the company form of Sanitec Corporation was changed from private limited company to public limited company.

11. Calculation of key figures

Key figure	Calculation
Interest bearing liabilities	Interest bearing loans and borrowings – Interest bearing receivables
Gearing ratio %	$\frac{\text{Interest bearing liabilities}}{\text{Total equity}} \times 100$
Return on capital employed (ROCE) %	$\frac{\text{Operating profit + Financial income}}{\text{Total assets (avg) – Non-interest bearing liabilities (avg)}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit for the period}}{\text{Number of outstanding shares at the end of the period}}$