Sanitec Corporation
Interim Report January – September 2013

"Increased operating margin during the third quarter"

Interim Report for Sanitec Corporation January – September 2013

- Net sales for the third quarter amounted to EUR 175.4 million (186.5). Comparable net sales for the third quarter was 1.3% lower than prior year[1)].
- The lower sales was explained by lower volume due to still challenging macro-economic conditions in key markets, offset by better product mix and slightly increased average sales prices.
- Operating profit for the third quarter increased to EUR 20.5 million (16.2), 11.7% (8.7) of net sales.
- Operating profit for the third quarter adjusted for items affecting comparability increased to EUR 21.3 million (16.6), 12.1% (8.9) of net sales.
- Cash flow from operating activities for the third quarter amounted to EUR 32.3 million (37.8).
- External loans in Ukraine were prepaid in the third quarter.
- New long-term financial targets set by the Board of Directors.

Key figures for the Group

	Q3		Change	Q1 – Q3		Change	Full year	Rolling 12 months
EUR million	2013	2012	%	2013	2012	%	2012	
Net sales	175.4	186.5	-1.3[1)]	534.3	585.0	-5.5[1)]	752.8	702.1
Operating profit	20.5	16.2	26.2	53.7	60.3	-11.0	73.0	66.4
Items affecting comparability	-0.8	-0.4		-2.8	-0.8		-4.9	-6.9
Operating profit, adjusted	21.3	16.6	28.3	56.5	61.1	-7.6	77.9	73.3
Operating margin, %, adjusted	12.1	8.9		10.6	10.4		10.4	10.4
EBITDA, adjusted	28.1	24.2	16.3	77.9	83.7	-6.8	107.7	102.0
EBITDA margin, %, adjusted	16.0	13.0		14.6	14.3		14.3	14.5
Profit before taxes	11.9	15.4	-22.3	39.7	56.3	-29.4	67.0	50.5
Profit for the period	7.3	12.0	-39.4	30.4	53.1	-42.8	71.7	49.0
Cash flow from operating activities	32.3	37.8	-14.5	36.4	59.5	-38.8	87.9	64.8
Return on capital employed (ROCE), %, rolling 12 months				19.9	20.1		19.3	19.9
Net debt [2)]				180.3	-17.1		-42.9	180.3
Net debt / EBITDA adjusted				1.8	-0.2		-0.4	1.8
Earnings per share (EUR)	7.31	12.04		30.40	53.14		71.71	48.97

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

[2)] (Non-current interest bearing liabilities + current interest bearing liabilities at nominal value) - cash and cash equivalents

For definitions see page 17.

Sanitec is the leading bathroom ceramics specialist with a strong pan-European portfolio of locally well-established brands. We work closely together with our customers, industrial partners, architects and designers to develop sustainable and complete bathroom concepts including bathroom ceramics, furniture, pre-wall flushing solutions, taps and mixers, as well as baths and showers. Our brands and products stand for a high level of innovation and quality, as well as advanced design that is both functional and attractive.

We operate an integrated global organisation with an unparalleled local presence to provide the best value to our customers when it comes to bathroom products. In 2012 our net sales amounted to EUR 752.8 million and currently we are about 6,500 employees working in our 18 European based production plants, in our global sales and support functions in 19 countries. Our head office is located in Helsinki, Finland.

Comments by the President & CEO

"One Sanitec" delivers…

During the second quarter, the European economy started to recover from an 18-month long recession, through growth driven primarily by Germany. Furthermore, the imbalance in the current account between major economies in EU countries has improved significantly in the past year. This generates conditions for continued recovery, although unemployment is high in several countries.

Although the economy in the euro area has stabilised, market conditions in several of our key markets in Western and Eastern Europe showed no clear signs of recovery. Adjusted for exchange-rate fluctuations and with comparable group structure, net sales declined 1.3% during the third quarter, compared with the year-earlier period. During the first nine months of the year, the decline was 5.5%. However, the most important aspect was that Sanitec continued to defend or strengthen its market positions in all key markets and in its main product categories.

Strong development in Central Europe

The positive trend in Central Europe is mainly driven by Germany, one of our largest markets. The region displayed sales growth of slightly more than 4% during the quarter. Market conditions also improved in the UK, although sales in the region were 2% lower, year-on-year, a substantial improvement from the previous quarter. We also noted increased activity in the French market in the third quarter. In the North European region, the picture is mixed. We strengthened our position in Finland, while the Scandinavian markets remained cautious. In Eastern Europe, countries such as Ukraine and Poland experienced major challenges in the construction industry, resulting in a further decline in sales. In terms of product areas, sales declined 2% in Bathroom Ceramics during the quarter, while the decline in Ceramics Complementary Products (CCP) was 16%. Adjusted for the divested operation Leda in October 2012, the decline was 5%, primarily driven by the shower business.

Innovation and design

The successful introduction of our award-winning Rimfree® toilet in Germany is proof of our innovation ability. The launching will continue in more countries and with increasing visibility in showrooms, etc. The same applies to the "it!" complete bathroom series, the "Comfort" functional bath and the "Universal" installation system.

Continued focus on efficiency

We continued to focus on activities and initiatives that we can influence, despite a period of weak growth in the market. These activities had a clear satisfactory impact on profit during the quarter, with an operating margin of 12.1% (8.9), adjusted for items affecting comparability. The lower sales volumes were offset by an improved product and market mix, as well as continued increased efficiency in the product supply chain. This is also the result of improved efficiency in all functions and processes, and a clear indication that we are capitalising on the strength of "One Sanitec." Furthermore, we are focusing on increasing flexibility in our cost structure, and will continue our focus on cross-selling between our Bathroom Ceramics and Ceramic Complementary Products (CCP) product areas, which has significant earnings potential.

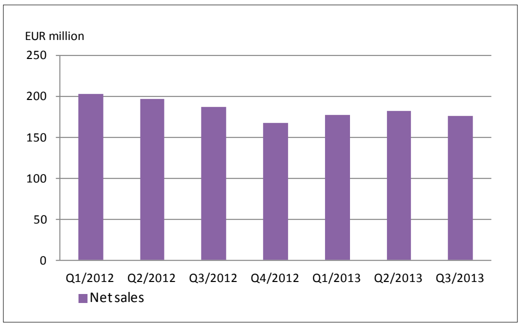
In recent years, we have invested considerably in our production platform and in the innovation and design areas. We have a leading position in Europe, excellent geographic spread as well as modern, efficient and flexible production facilities with spare capacity. Together this means that we have a good position to be able to utilise volume recovery when the macroeconomic conditions change.

We believe that current market conditions will continue during the last quarter of the year, however, with local variations. Our improved efficiency and strong cash flow, despite critical macroeconomic conditions, demonstrate the strength of "One Sanitec" – a strategy to generate a further integrated and efficient Group.

Peter Nilsson

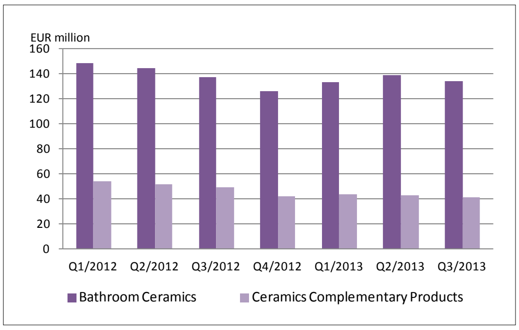
Net sales

Quarterly net sales



Net sales for the third quarter amounted to EUR 175.4 million (186.5). The decline was mainly related to lower volumes due to continued challenging economic environment leading to moderation in terms 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 slightly during the third quarter following an improved product and country mix and effects of price increases. The impact of net foreign exchange rates in the quarter was EUR 3.6 million negative compared with prior year. Net sales for the first nine months of 2013 amounted to EUR 534.3 million (585.0). The impact for the period of net foreign exchange rates was EUR 2.3 million negative compared with prior year.

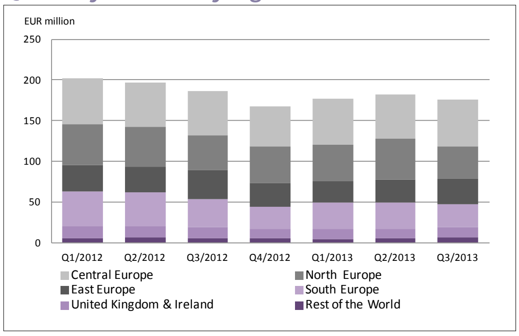
Quarterly net sales by product area



Net sales for Bathroom Ceramics in the third quarter amounted to EUR 133.9 million (137.2). The decline of 2% compared with prior year is mainly caused by softening of market demand which started during the second half of 2012 and subsequently lower sales volumes of major product groups in the third quarter 2013. In certain markets the product assortment has been renewed during 2012 with new product introductions and discontinuation of sales of non-profitable products. Although the volumes for the third quarter of 2013 were lower than in 2012, the average sales prices improved from same period prior year. Net sales for Bathroom Ceramics for the period amounted to EUR 406.3 million (430.5).

Net sales for Ceramics Complementary Products in the third quarter amounted to EUR 41.5 million (49.3). From the decline of 16% compared with prior year the majority is explained by the disposal of the French shower business Leda in 2012. Sales volumes also declined slightly due to weakened market conditions mainly related to showers, but the effect of lower volumes on operating profit was offset more or less by positive changes in sales mix. Net sales for Ceramics Complementary Products for the first nine months of 2013 amounted to EUR 128.0 million (154.5).

Quarterly net sales by region



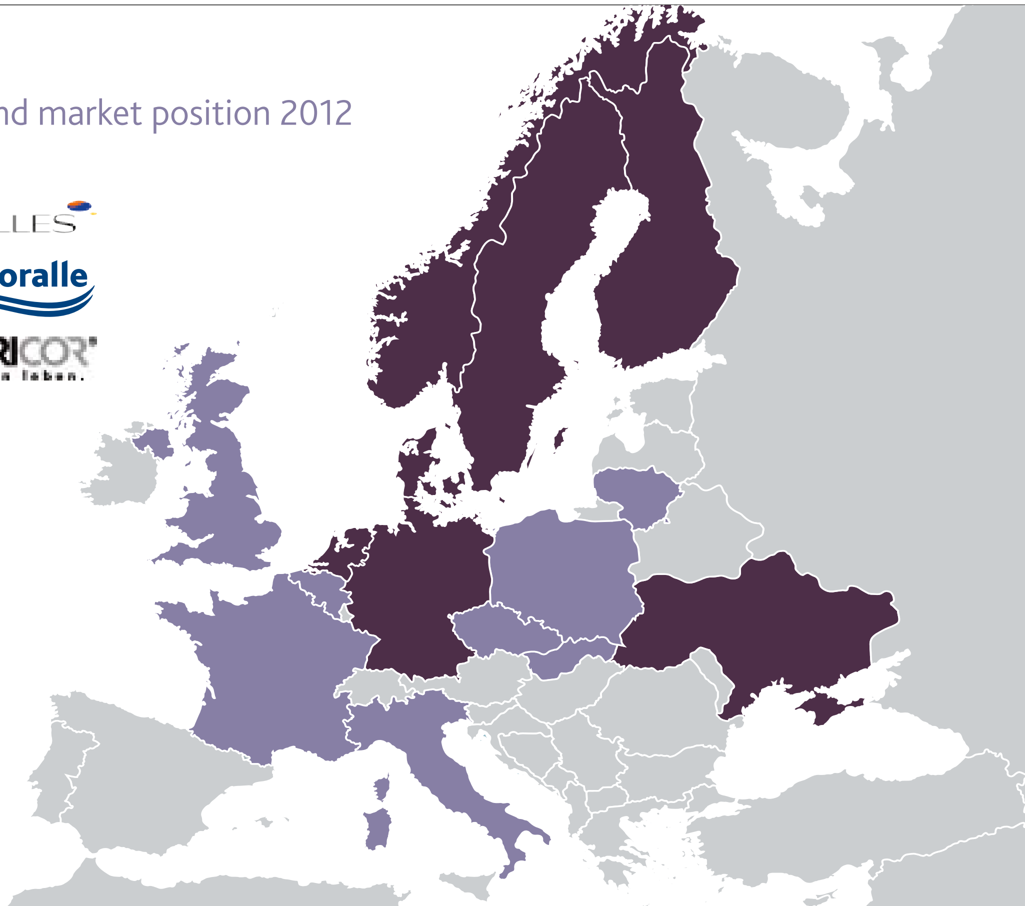
Net sales for Central Europe for the third quarter increased to EUR 57.2 million (54.8). Strong sales in Germany offset the reduction in sales in the Benelux countries. The cumulative net sales for the first nine months of 2013 for Central Europe amounted to EUR 167.3 million (165.8).

Net sales for North and East Europe in the third quarter amounted to EUR 39.8 million (42.2) and EUR 31.3 million (36.0), respectively. The 6% decline in North Europe sales during the third quarter 2013 was mostly due to lower activity in Sweden after a strong second quarter and moderation in the Norwegian and Danish markets while the Finnish market showed positive development. In East Europe the 13% decline was mainly due to slowdown in Polish, Ukrainian and Russian markets which started in the second half of 2012. In addition, sales were negatively impacted by turbulence in the Ukrainian and Russian trading relations. The net sales for North and East Europe for the first nine months of 2013 amounted to EUR 135.0 million (141.1), and EUR 85.9 million (99.3), respectively.

During the third quarter South Europe reported EUR 27.8 million (34.2) net sales with a decrease of 19% compared with prior year. 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 4%. The trend is explained by continued weak markets

Sanitec is the leading bathroom ceramics specialist with a unique pan-European brand portfolio of locally well-established brands.

Sanitec's strategic brands and market position 2012



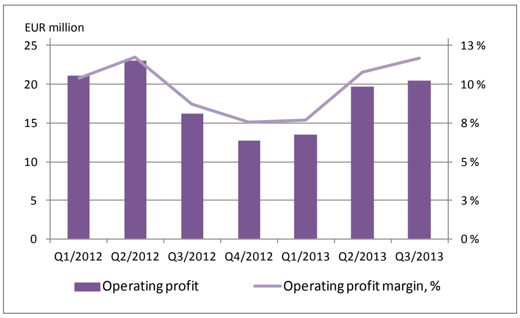
- Clear number 1
- Number 1 or 2
- Number 3 or below

in Italy and France, even if the French market has shown positive signs. Net sales for the period for South Europe amounted to EUR 92.3 million (118.7).

In United Kingdom & Ireland, where the market has shown signs of recovery during the quarter, net sales decreased by 2%. Net sales for United Kingdom & Ireland for the third quarter were EUR 13.2 million (13.5) and for the first nine months of 2013 EUR 37.8 million (42.3).

Operating profit

Operating profit and operating margin by quarter



The third quarter operating profit increased to EUR 20.5 million compared with EUR 16.2 million in the previous year. The impact of net foreign exchange rates was EUR 0.4 million negative compared with prior year. Operating profit in the third quarter was improved by the reduction of the EU fine, initally imposed on Sanitec in 2010. The reduction of the fine, amounting to EUR 7.1 million, is recognised as other operating income.

Operating margin third quarter adjusted for items affecting comparability amounted to 12.1% (8.9%). The lower sales volumes were compensated by better mix and improved average sales prices. Furthermore, more efficient sourcing, lower costs due to previously implemented actions to adopt the organisation to present market conditions and well managed manufacturing efficiency during the period supported the improved performance. The operating profit for the first nine months of 2013 amounted to EUR 53.7 million (60.3). The adjusted operating margin for the period amounted to 10.6% (10.4%). The impact for the period of net foreign exchange rates was EUR 0.1 million negative compared with prior year.

Cash flow

Cash flow from operating activities during the third quarter amounted to EUR 32.3 million (37.8). Compared with previous year, the variance is mainly due to more positive development in working capital, EUR 19.1 million versus EUR 16.1 million in previous year, increased interest expenses and other financial items paid than previous year, EUR -7.8 million versus EUR -1.7 million. Cash flow from operating activities for the nine months of 2013 amounted to EUR 36.4 million (59.5). During a financial year the business normally ties up cash in working capital during the first half of the year and releases cash during its second half.

Cash flow from investing activities in the third quarter amounted to EUR -5.0 million (-3.2) which is primarily customary maintenance investments of property, plant and equipment. Cash flow from investing activities for the nine months of 2013 amounted to EUR -11.6 million (-8.0).

Cash flow from financing activities during the third quarter amounted to EUR -22.4 million (-2.0). The outflow is mainly due to prepayment of Ukrainian loans during the quarter, which was part of the refinancing agreement made in the second quarter. Cash flow from financing activities for the nine months of 2013 amounted to EUR -170.2 million (-15.9). The negative cash flow from financing activities in 2013 is mainly due to the refinancing activities in the second quarter that included also a return of equity amounting to EUR 238.3 million.

Gross capital expenditure
Gross capital expenditure during the third quarter amounted to EUR 5.3 million (3.2). The increase is explained by phasing of investment activities throughout the year. Capital expenditure during the third quarter was mainly production related. The gross capital expenditure for the first nine months of 2013 amounted to EUR 10.9 million (8.0).

Financial position and liquidity
Cash and cash equivalents amounted to EUR 69.8 million (195.9) at the end of the period. In addition the Group 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 due 2018. At the same time, Sanitec also put in place a EUR 50 million super senior revolving credit facility. Both new credit facilities are in force as from 10 May 2013. The floating rate notes bear interest of 4.75% over three-month euribor.

As part of the recapitalisation in May 2013 Sanitec paid EUR 238.3 million capital from the reserve for invested unrestricted equity. Sanitec also prepaid its related party loan of EUR 148.5 million during the second quarter 2013. Part of the payments was used in prepaying loans of Sanitec's parent companies and EUR 100 million was distributed to the ultimate owners.

External loans in Ukraine were prepaid in the third quarter of 2013. Following these prepayments the notes issued in May 2013 are the only material borrowings outstanding.

The net debt, calculated from the nominal value of the loans, amounted to EUR 180.3 million (-17.1), an increase from the beginning of the year of EUR 223.2 million and, compared with the third quarter of the previous year, an increase of EUR 197.4 million. The change in net debt results mainly from the return of capital from the reserve for invested unrestricted equity.

At the end of the third quarter of 2013 total equity amounted to EUR 32.7 million (224.8). The decrease in equity is explained by the return of capital from the reserve for invested unrestricted equity in May 2013 which relates to the refinancing arrangements.

Personnel
The number of employees was 6 426 (7 012) at the end of September. The decrease mainly refers to personnel reduction due to the disposal of Leda in France and continued effects from rationalisations in other operations.

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 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.

Dividend and distribution policy
Sanitec's Board of Directors has adopted a dividend and distribution policy according to which the Board

Sanitec offers a complete range of products; from traditional to contemporary and from economy to luxury segments.

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 assets 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 proposal regarding fund distributions. Furthermore, the proposal shall take into account factors including the company's future profit levels, investment needs and development opportunities.

Shares and share capital
Sanitec Corporation has one series of shares and they all have equal voting rights and similar rights to dividends. The shares carry no nominal value. The number of shares is 1,000,000 shares. The fully paid, registered share capital of Sanitec Corporation is EUR 2,813,142.66.

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

Risks and business uncertaintes
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 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 change in risks facing Sanitec Group.

General Court of EU
On 16 September 2013, the General Court of European Union in Luxembourg reduced the fine imposed on Sanitec originally by European Commission in 2010 by EUR 7.1 million. On 23 June 2010, the European Commission announced 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 fine was preliminary paid by Sanitec in full and the company appealed the decision and level of fines imposed by the Commission to the General Court of European Union in Luxembourg in 2010. The General Court issued its decision on appeal on 16 September 2013, in which the General Court partially annulled the Commission's decision from June 2010 in respect of findings regarding France and Italy and reduced the fine to EUR 50.6 million. The reimbursed amount of EUR 7.1 million was received end of October 2013.

New Board of Director's member
Effective 27 September 2013, Johan Bygge has been elected as a new member of the Board of Directors for Sanitec Corporation. Mr Bygge is Chief Operating Officer of EQT Partners (now EQT Holdings) since 2011, with other current and previous assignments in Novare Human Capital, Getinge, Husqvarna, Investor and Electrolux, among others.

Events after the reporting date
With the purpose of optimising production in Slavuta, Ukraine, the local management has in October initiated a process to investigate the closing one of the existing, old production halls. The investment in modern production, which was inaugurated in May 2011, is an important way to ensure efficient operations in Ukraine as well as to defend and increase of our market share.

Sanitec has received an offer from the HLD Group, to acquire 100% of the shares of the French ceramic kitchen sinks business Alliages Céramiques S.A.S. Sanitec is evaluating the offer and consequently, the local management has initiated the information and consultation procedure with the relevant works councils. Alliages Céramiques' product offering has a leading position on the French market distributed via wholesalers. Its head office and production unit are located in Limoges, France. The company employs approximately 170 persons. The HLD Group is a European industrial group with an existing position in the European kitchen industry.

In Helsinki, 28 October 2013

Board of Directors

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

Sanitec is an integrated, pan-European company with long experience in bathroom ceramics.

Time schedule for financial information
Financial statements 2013:
19 February 2014

Interim Report January- March 2014:
13 May 2014

For additional information, please contact:
Niklas Alm
Head of Investor Relations
ir@sanitec.com
mob. +46 76 855 7836

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

Additional information is available at www.sanitec.com.

Condensed consolidated statement of financial position

EUR million	30 September 2013	30 September 2012	31 December 2012	1 January 2012
ASSETS		(restated)	(restated)	(restated)
NON-CURRENT ASSETS				
Intangible assets	5.6	7.2	7.2	8.4
Property, plant and equipment	169.9	187.6	185.0	195.0
Long-term investments	0.0	0.0	0.0	0.0
Deferred tax assets	22.3	20.2	25.2	19.1
Interest bearing receivables	3.4	4.0	3.8	4.2
Defined benefit assets	1.0	0.3	2.1	0.4
TOTAL NON-CURRENT ASSETS	**202.2**	**219.4**	**223.2**	**227.2**
CURRENT ASSETS				
Inventories	91.5	101.6	102.0	106.3
Other current receivables*)	146.1	145.9	110.4	129.6
Assets for current tax	6.7	6.6	6.4	5.8
Cash and cash equivalents	69.8	195.9	215.7	161.3
TOTAL CURRENT ASSETS	**314.1**	**450.1**	**434.6**	**403.0**
TOTAL ASSETS	**516.3**	**669.4**	**657.8**	**630.2**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	2.8	2.8	2.8	2.8
Share premium	43.7	43.7	43.7	43.7
Fair value reserve	0.0	0.0	0.3	0.0
Reserve for invested unrestricted equity	347.1	585.2	585.2	585.2
Exchange differences	-11.8	-5.8	-9.3	-14.3
Retained earnings	-349.4	-401.4	-379.1	-449.8
Total equity attributable to owners of the parent	32.5	224.6	243.6	167.7
Non-controlling interests	0.1	0.2	0.2	0.2
TOTAL EQUITY	**32.7**	**224.8**	**243.7**	**167.9**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	7.0	7.5	8.1	7.8
Defined benefit obligations	29.1	32.8	30.2	28.6
Provisions	9.4	22.6	9.8	25.4
Interest bearing liabilities	241.6	175.9	148.5	168.1
TOTAL NON-CURRENT LIABILITIES	**287.2**	**238.8**	**196.7**	**229.8**
CURRENT LIABILITIES				
Interest bearing liabilities	0.0	2.9	24.3	26.0
Provisions	3.4	6.1	4.4	6.9
Other current liabilities	186.5	194.3	184.3	195.1
Liabilities for current tax	6.5	2.5	4.4	4.4
TOTAL CURRENT LIABILITIES	**196.4**	**205.8**	**217.4**	**232.4**
TOTAL EQUITY AND LIABILITIES	**516.3**	**669.4**	**657.8**	**630.2**

*) Other current receivables include assets held for sale of EUR 0.0 million 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.

Condensed consolidated statement of profit or loss

	1 July – 30 September		1 January – 30 September		1 January – 31 December
EUR million	2013	2012	2013	2012	2012
NET SALES	**175.4**	**186.5**	**534.3**	**585.0**	**752.8**
Other operating income	9.7	0.8	11.8	2.8	5.4
Materials and services	-81.7	-91.6	-237.2	-269.1	-343.1
Employee benefits	-50.6	-49.6	-155.2	-162.1	-209.3
Other operating expenses	-22.9	-22.3	-76.0	-73.7	-103.0
Depreciation, amortisation and impairment losses	-9.4	-7.6	-24.0	-22.6	-29.7
OPERATING PROFIT	**20.5**	**16.2**	**53.7**	**60.3**	**73.0**
Financial income and expenses	-8.6	-0.9	-14.0	-4.1	-6.0
PROFIT BEFORE TAXES	**11.9**	**15.4**	**39.7**	**56.3**	**67.0**
Income taxes	-4.6	-3.3	-9.3	-3.1	4.7
PROFIT FOR THE PERIOD	**7.3**	**12.0**	**30.4**	**53.1**	**71.7**
Net profit for the period attributable to:					
Owners of the parent	7.3	12.0	30.4	53.1	71.7
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total	**7.3**	**12.0**	**30.4**	**53.1**	**71.7**
Earnings per share, basic and diluted, EUR	**7.31**	**12.04**	**30.40**	**53.14**	**71.71**

Statement of other comprehensive income

	1 July – 30 September		1 January – 30 September		1 January – 31 December
EUR million	2013	2012	2013	2012	2012
PROFIT FOR THE PERIOD	**7.3**	**12.0**	**30.4**	**53.1**	**71.7**
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	-0.6	0.3	-0.8	-2.4	-0.9
Income tax relating to items that will not be reclassified	0.5	-0.6	0.4	0.0	0.1
Other restatements	0.0	0.5	—	0.4	0.0
Total	**-0.1**	**0.2**	**-0.4**	**-2.0**	**-0.8**
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges	0.4	0.0	-0.2	0.0	0.3
Exchange rate differences	3.4	2.8	-2.5	5.7	4.7
Income tax relating to items that may be reclassified	-0.1	0.0	0.0	0.0	0.0
Total	**3.7**	**2.9**	**-2.7**	**5.8**	**5.0**
Total comprehensive income	**10.9**	**15.2**	**27.3**	**57.0**	**75.9**
Comprehensive income for the period attributable to:					
Owners of the parent	10.9	15.2	27.3	57.0	75.9
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total	**10.9**	**15.2**	**27.3**	**57.0**	**75.9**

Consolidated statement of changes in equity

EUR million	Share capital	Share premium	Fair value reserve	Reserve for invested unrestricted equity	Exchange differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2012	**2.8**	**43.7**	**—**	**585.2**	**-14.3**	**-449.8**	**167.6**	**0.2**	**167.8**
Total other comprehensive income			0.0		8.5	-4.8	3.8		3.8
Profit for the period						53.2	53.2	0.0	53.1
Total comprehensive income			**0.0**		**8.5**	**48.4**	**57.0**	**0.0**	**57.0**
Change in non-controlling interest						0.0	0.0	0.0	0.0
Equity at 30 September 2012	**2.8**	**43.7**	**0.0**	**585.2**	**-5.8**	**-401.4**	**224.6**	**0.2**	**224.8**
Total comprehensive income in October-December 2012			0.2		-3.5	22.2	18.9	0.0	18.9
Equity at 31 December 2012	**2.8**	**43.7**	**0.3**	**585.2**	**-9.3**	**-379.2**	**243.5**	**0.2**	**243.7**
Total other comprehensive income			-0.2		-2.5	-0.4	-3.1	0.0	-3.1
Profit for the period						30.4	30.4	0.0	30.4
Total comprehensive income			**-0.2**		**-2.5**	**30.0**	**27.3**	**0.0**	**27.3**
Change in non-controlling interest						0.0	0.0	0.0	0.0
Reclassification				0.3		-0.3	0.0		0.0
Refund of capital from reserve for invested unrestricted equity				-238.3			-238.3		-238.3
Equity at 30 September 2013	**2.8**	**43.7**	**0.0**	**347.1**	**-11.8**	**-349.4**	**32.5**	**0.1**	**32.6**

Condensed consolidated statement of cash flows

	1 July - 30 September		1 January – 30 September		1 January – 31 December
EUR million	2013	2012	2013	2012	2012
CASH FLOW FROM OPERATING ACTIVITIES:					
Profit before income taxes	11.9	15.4	39.7	56.3	67.0
Adjustments:					
Depreciation, amortisation and impairment losses	9.4	7.6	24.0	22.6	29.7
Unrealised foreign exchange gains and losses	1.9	-0.2	2.4	-2.7	-2.1
Other non-cash income and expenses	-7.1	-0.1	-7.1	-0.2	-1.0
Financial income and expenses	6.7	1.1	11.6	6.8	8.1
Cash flow before working capital changes	**22.7**	**23.7**	**70.5**	**82.7**	**101.7**
Change in the working capital:					
Change in non-interest bearing receivables	6.7	13.5	-29.8	-13.7	20.1
Change in inventories	7.2	8.2	9.2	7.3	6.4
Change in non-interest bearing liabilities	5.2	-5.5	0.4	-6.4	-19.0
Cash flow from working capital changes	**19.1**	**16.1**	**-20.2**	**-12.9**	**7.5**
Interests expenses paid and other financial items paid (-) / received (+)	-7.8	-1.7	-10.1	-8.5	-10.0
Interests income received	0.8	0.4	2.0	2.2	2.4
Income taxes paid (-) / received (+)	-2.4	-0.8	-5.7	-4.1	-13.8
CASH FLOW FROM OPERATING ACTIVITIES	**32.3**	**37.8**	**36.4**	**59.5**	**87.9**
CASH FLOW FROM INVESTING ACTIVITIES:					
Investments in intangible and tangible assets	-4.7	-3.4	-12.1	-8.4	-13.0
Investments in other investments	0.0	—	0.0	—	—
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0
Proceeds from disposal of intangible and tangible assets	-0.3	0.1	0.5	0.3	1.1
Proceeds from disposal of subsidiaries	0.0	—	0.0	—	0.5
CASH FLOW FROM INVESTING ACTIVITIES	**-5.0**	**-3.2**	**-11.6**	**-8.0**	**-11.4**
CASH FLOW FINANCING ACTIVITIES:					
Refund of capital from reserve for invested unrestricted equity	—	—	-238.3	—	—
Increase (+) / decrease (-) in interest bearing receivables	-0.2	0.1	-0.2	0.1	—
Draw down (+) / repayment (-) of current interest bearing liabilities	-22.0	0.0	-24.2	0.0	1.1
Draw down (+) of non-current interest bearing liabilities	-0.2	-0.1	241.0	-0.1	—
Repayment (-) of non-current interest bearing liabilities	0.0	-2.0	-148.5	-15.9	-22.8
CASH FLOW FROM FINANCING ACTIVITIES	**-22.4**	**-2.0**	**-170.2**	**-15.9**	**-21.7**
CHANGE IN CASH AND CASH EQUIVALENTS	**4.9**	**32.6**	**-145.4**	**35.6**	**54.7**
Cash and cash equivalents at the beginning of the period	64.7	163.7	215.7	161.3	161.3
Effect of exchange rate differences on cash and cash equivalents	0.2	-0.4	-0.5	-1.0	-0.3
Change in cash and cash equivalents	4.9	32.6	-145.4	35.6	54.7
Cash and cash equivalents at the end of the period	69.8	195.9	69.8	195.9	215.7

Notes to the interim financial statements

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 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.

Accounting policies

IFRS

Sanitec 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 applies the Revised IAS 1 Presentation of Financial Statements in which items of other comprehensive income that will not be reclassified to profit or loss and items that may be subsequently reclassified to profit or loss are shown separately. Sanitec also applies the amended IAS 19 Employee Benefits standard. The standard includes the discontinuation of the corridor method for recognising defined benefit plans and a changed actuarial method for calculating the return on plan assets. The 2012 figures have been restated to reflect the impact of the amended IAS 19 standard, but the impact from the restatement was not significant, mainly due to the fact that Sanitec has not applied the corridor method previously and most of the defined benefit plans do not include plan assets. The amendment of IAS 19 has only affected reclassification between items presented in the statement of financial position.

Intangible assets and property, plant and equipment

	30 September	30 September	31 December
EUR million	2013	2012	2012
Intangible assets			
Carrying amount on 1 January	7.2	8.4	8.4
Changes in exchange rates	0.0	0.1	0.3
Additions	0.6	0.2	0.5
Amortisation and impairment	-2.3	-1.6	-2.2
Disposals and reclassifications	0.2	0.0	0.1
Carrying amount at the end of the period	**5.6**	**7.2**	**7.2**

Intangible rights primarily consist of license rights and computer software.

	30 September	30 September	31 December
EUR million	2013	2012	2012
Property, plant and equipment			
Carrying amount on 1 January	185.0	195.0	195.0
Changes in exchange rates	-3.2	5.9	5.3
Additions	10.4	7.8	12.6
Depreciation and impairment	-21.7	-20.9	-27.5
Disposals and reclassifications	-0.5	-0.1	-0.4
Carrying amount at the end of the period	**169.9**	**187.6**	**185.0**

Gross capital expenditure

	30 September	30 September	31 December
EUR million	2013	2012	2012
Intangible and tangible assets	10.9	8.0	13.1
	10.9	**8.0**	**13.1**

Interest bearing liabilities

	30 September	30 September	31 December
EUR million	2013	2012	2012
Non-current interest bearing liabilities			
Senior secured floating rate notes	241.6	—	—
Related party loans	—	153.9	148.5
Loans from financial institutions	0.0	22.0	0.1
	241.6	**175.9**	**148.5**
Current interest bearing liabilities			
Loans from financial institutions	0.0	2.9	24.3
	0.0	**2.9**	**24.3**
Total interest bearing liabilities	**241.7**	**178.8**	**172.8**

Senior secured floating rate notes, with nominal value of EUR 250 million and maturity date in May 2018, were issued in May 2013. They have 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 rate method. The floating rate notes are listed in the Luxemburg 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., 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 30 September 2013. The facility includes a financial covenant on maximum leverage.

At the end of the third quarter 2013, the loans from financial institutions consist of minor local loans. Previously the loans from financial institutions included also the loans taken by our 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" remains on place, but was undrawn as of 30 September 2013.

Fair and nominal values of derivative instruments

Sanitec Group commenced in the first quarter of 2012 hedging of major net operating cash flow positions denominated in foreign currencies other than local home currencies. The instruments used in hedging are currency forward contracts and swaps. Sanitec applies hedge accounting for these cash flow hedges as the criteria of IAS 39 for hedge accounting are met. 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.

EUR million	30 September 2013	30 September 2012	31 December 2012
Positive			
Currency forward contracts and currency swaps			
Fair value	0.6	0.1	0.4
Nominal value	31.7	17.5	41.8
Negative			
Currency forward contracts and currency swaps			
Fair value	-0.5	-0.1	-0.1
Nominal value	31.7	9.2	17.5

Related party transactions

Sanitec prepaid the related party loans amounting to EUR 148.5 million to the parent company Sofia IV S.à r.l. in the second quarter of 2013. The loans were paid in full. Interest expenses paid in January - September amounted to EUR 1.9 million (4.7), excluding withholding taxes.

On 30 September 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 related parties.

Commitments and contingent liabilities

The Group had the following commitments and contingent liabilities:

EUR million	30 September 2013	30 September 2012	31 December 2012
Operating lease commitments			
Within one year	12.9	13.2	13.5
Between one and five years	24.9	26.9	25.7
After five years	1.2	1.7	1.5
	39.0	41.8	40.7

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 indirect parent company Sofia III. Following the refinancing similar securities have now been given on own behalf of Sanitec Group to secure the issued EUR 250 million senior secured floating rate notes and the new 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 senior secured floating rate notes and the super senior revolving credit facility. As of 30 September 2013 the majority of Sanitec Group's tangible assets, major brands, shares in key subsidiaries, receivables, inventory and bank accounts are pledged. The pledge includes also real estate mortgages of Sanitec Kolo Sp.z o.o (Poland), Sanitec Europe Oy (Finland) and Ifö Sanitär Aktiebolag (Sweden) for their real estate. The nominal value of all collateral granted by the Group exceeds the combined carrying amount of the loans for which they have been given.
During the third quarter 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. However, the perfection of release via deregistration of the collaterals was not completed in all local registers at the end of the third quarter 2013, due to certain technical reasons. 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, Slavuta Holding LLC had guaranteed the local credit facility and pledged the shares of PJSC Slavuta Plant "Budfarfor". A pledge on inventory with value of EUR 0.7 million to secure a EUR 0.5 million Ukrainian undrawn overdraft facility, remains on place.
The nominal value of all collateral granted by the Ukrainian entities exceeded the combined carrying amount of the loans for which they had been given.

As of September 30, 2013, the Group has in addition to the above mentioned items EUR 5.6 million pledges, EUR 0.3 million guarantees on own behalf, EUR 0.1 million guarantees on behalf of others, and EUR 0.0 million mortgages. These relate mainly to pension liabilities and customs guarantees. In addition the group has in Ukraine a contractual commitment for the acquisition of property, plant and equipment of EUR 2.9 million, relating to leased assets.

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.

Parent company

Sanitec Corporation's, the parent company of Sanitec Group, profit before taxes for the first nine months of 2013 was EUR 67.9 million (9.2). The increase in profit was due to reversal of impairment of loan receivables from group companies. Sanitec Corporation's equity on 30 September 2013 was EUR 417.3 million, of which restricted equity amounted to EUR 46.5 million. Sanitec Corporation's separate financial statements are in accordance with Finnish Accounting Principles (FAS).

Supplementary information

Key figures for the Group

	Full year	Full year	Rolling 12 months
EUR million	**2011**	**2012**	**2013**
Net sales	**770.8**	**752.8**	**702.1**
Operating profit	67.1	73.0	66.4
Items affecting comparability	-8.9	-4.9	-6.9
Operating profit, adjusted	75.9	77.9	73.3
Operating margin, %, adjusted	9.9	10.4	10.4
EBITDA, adjusted	105.6	107.7	102.0
EBITDA margin, %, adjusted	13.7	14.3	14.5
Profit before taxes	51.2	67.0	50.5
Profit for the period	47.7	71.7	49.0
Cash flow from operating activities	54.5	87.9	64.8
Return on capital employed (ROCE), %, rolling 12 months	19.3	19.3	19.9
Net debt	32.7	-42.9	
Net debt / EBITDA adjusted	0.3	-0.4	
Cash conversion, %	77.9	87.9	83.6

Net sales

EUR million	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Net sales by product area							
Bathroom Ceramics	133.9	139.0	133.4	125.9	137.2	144.7	148.6
Ceramics Complementary Products	41.5	43.2	43.3	41.9	49.3	51.6	53.6
Total	**175.4**	**182.2**	**176.8**	**167.8**	**186.5**	**196.2**	**202.2**

Product area information has been restated as Sanitec has redefined the classification of certain products.

EUR million	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Net sales by region							
Central Europe	57.2	54.2	55.9	49.4	54.8	54.2	56.8
North Europe	39.8	50.4	44.9	45.1	42.2	48.3	50.6
East Europe	31.3	28.1	26.5	29.5	36.0	31.7	31.5
South Europe	27.8	32.2	32.3	26.7	34.2	41.6	42.8
United Kingdom & Ireland	13.2	11.9	12.8	12.1	13.5	13.7	15.1
Rest of the World	6.1	5.4	4.4	5.1	5.9	6.5	5.4
Total	**175.4**	**182.2**	**176.8**	**167.8**	**186.5**	**196.2**	**202.2**

Main countries included in the Sanitec regions: **Central Europe** - Germany, Belgium, the Netherlands; **North Europe** - Sweden, Denmark, Finland, Norway; **East Europe** - Poland, Russia, Ukraine; **South Europe** - France, Italy

Operating profit

EUR million	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Operating profit	20.5	19.7	13.5	12.7	16.2	23.0	21.1
Operating profit margin, %	11.7	10.8	7.7	7.6	8.7	11.7	10.4
Operating profit, adjusted	21.3	20.1	15.1	16.9	16.6	21.9	22.6
Operating profit margin, adjusted, %	12.1	11.0	8.5	10.0	8.9	11.1	11.2

Exchange rates

Closing	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1
EUR/NOK	8.1140	7.8845	7.5120	7.3483	7.3695	7.5330	7.6040
EUR/PLN	4.2288	4.3376	4.1804	4.0740	4.1038	4.2488	4.1522
EUR/GBP	0.8361	0.8572	0.8456	0.8161	0.7981	0.8068	0.8339
EUR/SEK	8.6575	8.7773	8.3553	8.5820	8.4498	8.7728	8.8455

Average	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EUR/NOK	7.6624	7.5209	7.4290	7.4751	7.5113	7.5729	7.5868
EUR/PLN	4.2016	4.1772	4.1558	4.1847	4.2089	4.2459	4.2329
EUR/GBP	0.8521	0.8508	0.8511	0.8109	0.8120	0.8225	0.8345
EUR/SEK	8.5825	8.5312	8.4965	8.7041	8.7311	8.8824	8.8529

Calculation of key figures

Key figure	Definition
Net debt	(Non-current interest bearing liabilities + current interest bearing liabilities at nominal value) - cash and cash equivalents
Operating profit (EBIT)	Profit before interest and taxes
Operating profit (EBIT), adjusted	Profit before interest and taxes adjusted with items affecting comparability
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 management dismissal, costs related to EU cartel fine, other costs considered to be non-recurring
Net debt/EBITDA, adjusted	Net debt / Adjusted EBITDA, rolling 12 months
Financial expenses	Interests and other financial expenses 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
Earnings per share, EUR	Profit for the period / Weighted average number of shares during the period
Cash conversion	(Adjusted EBITDA less paid investments in intangible and tangible assets) / Adjusted EBITDA

Contact information

Sanitec Corporation
P.O. Box 447
FIN-00101 Helsinki, Finland
Tel. +358 10 662 500
Business ID 1955115-2

www.sanitec.com