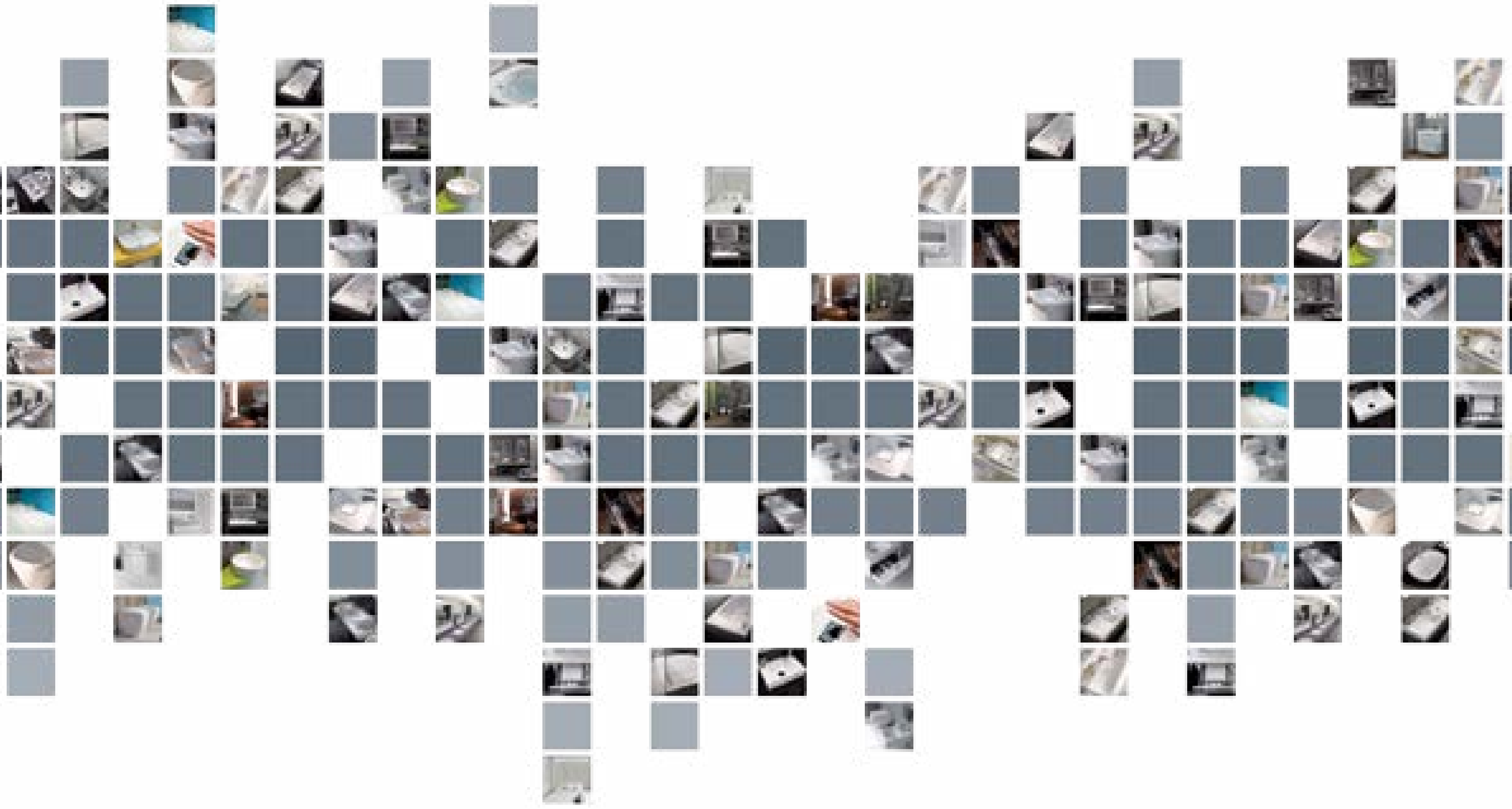
Sanitec Corporation
Annual Report 2014



Sanitec

Home of the Bathroom

Review of the Board of Directors

2014 IN BRIEF

Net sales for 2014 amounted to EUR 689.4 million (701.8). Comparable net sales for the year were 0.7% higher than prior year – calculated in comparable structure and constant currency, i.e. organic change. The organic growth was mainly related to better product mix and increased average sales prices but was, however, offset by lower volumes due to continued challenging economic environment in key markets resulting in moderate development of new construction, renovation and rebuilding. Ceramics Complementary Products reported a healthy development on volume mainly driven by furniture and bathtubs supported by increased average sales prices for bathroom furniture, pre-wall and bathtubs.

Operating profit amounted to EUR 78.9 million (67.9). Operating profit for 2014 adjusted for items affecting comparability amounted to EUR 78.9 million (74.4), 11.4% (10.6) of net sales. More efficient sourcing, lower costs due to previously implemented actions to adjust the organisation to present market conditions and control of manufacturing efficiency during the period supported the improvement in adjusted operating margin.

Earnings per share, basic and diluted, were EUR 0.46 (0.42).

Cash flow from operating activities in 2014 amounted to EUR 73.8 million (74.7). Cash conversion at the end of 2014 was 79% (82), which is another year of meeting the long-term financial target. Cash and cash equivalents amounted to EUR 24.3 million (99.4) at the end of the year. In addition, Sanitec had an unused committed revolving credit facility of EUR 130.7 million (50.0).

Sanitec entered into a EUR 275 million Multicurrency Term Loan and a Revolving Credit Facility (RCF) on13 May 2014, of which the RCF amounts to EUR 150 million. The new facility was provided by Danske Bank, DNB Bank and Nordea. The maturity of the term loan is five years and of the RCF three years with an extension option for one plus one year. The new facility agreement has net leverage and interest cover financial covenants, in other words, no real security is provided for the loans. A process to redeem the previous Senior Secured Floating Rate Notes of EUR 250 million as well as to terminate the Super Senior Revolving Credit Facility of EUR 50 million was finalised mid June 2014.

On 10 December 2013, Sanitec's share was listed on NASDAQ Stockholm. Geberit AG announced on 14 October 2014 a public tender offer to the shareholders of Sanitec to transfer all of their shares in Sanitec for a consideration of SEK 97 in cash per share. The total value of the offer amounted to SEK 9,700 million. The acceptance period for the offer started on 17 November 2014 and was initially scheduled to end on 22 December 2014. Geberit AG extended the offer period until and including 2 February 2015 to provide more time for the relevant competition authorities to give their approval, which was a condition for the completion of the tender offer, and to allow the remaining shareholders in Sanitec to consider and accept the tender offer. After the extended acceptance period Geberit AG announced that all conditions for completion of the offer were fulfilled and declared the bid unconditional. Settlement of shares tendered up to 2 February 2015 took place on 11 February 2015.

The Board of Directors of Sanitec applied for delisting of the Sanitec shares from NASDAQ Stockholm on 11 February 2015. At the same time Geberit initiated proceedings to redeem the remaining shares. NASDAQ Stockholm informed that last day of trading in the Sanitec shares is on 27 February 2015.

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 over 20% in volume, and in terms of volume the market still remains more than 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 2014, the RMI sector of the construction industry remained relatively stable. Poor market conditions in several of our core European markets and political instability in some major eastern European markets led to continued weak new-build sector. In total, the fragile construction activities also resulted in an overall continued decrease in the total European bathroom ceramics market during 2014.

NET SALES

Net sales for 2014 amounted to EUR 689.4 million (701.8). The decline was mainly related to major negative currency effects and lower volumes due to continued challenging economic environment resulting in moderate development of new construction, renovation and rebuilding. This decline was, however, compensated by improved average sales prices following an enhanced product and country mix and effects of price increases. The impact of net foreign exchange rates on net sales for 2014 was EUR -17.7 million or -2.5% compared with prior year.

Net sales for Bathroom Ceramics product area for the full year amounted to EUR 521.3 million (532.1). In certain markets the renewal of the product assortment that started in 2013 has continued with new product introductions. Organic growth, i.e. net sales calculated with constant currency rates, reported 0.7%.

Net sales for Ceramics Complementary Products product area for 2014 amounted to EUR 168.1 million (169.7), with good momentum for furniture, bathtubs and pre-wall while development of shower sales has been more challenging. Organic growth, i.e. net sales calculated with constant currency rates, reported 0.9%.

Net sales by product area EUR million	2014	2013	2012
Bathroom Ceramics	521.3	532.1	556.4
Ceramics Complementary Products	168.1	169.7	196.4
Total	**689.4**	**701.8**	**752.8**

Net sales by region EUR million	2014	2013	2012
Central Europe	215.9	217.9	215.2
North Europe	175.0	178.2	186.2
South Europe	113.4	117.7	145.5
East Europe	107.6	113.9	128.7
United Kingdom & Ireland	55.8	51.6	54.4
Rest of the World	21.7	22.5	22.9
Total	**689.4**	**701.8**	**752.8**

Net sales for year 2014 for Central Europe amounted to EUR 215.9 million (217.9). The region showed strong sales during the first part of the year, but an overall weaker German economy and signs of intensified competition and still weak market conditions in the Benelux countries were the main reasons for the decline in sales. The region reported organic decline of -1.0% for 2014.

The development in North Europe region followed different trends during the year. Norway had a slow start of the year but demand showed signs of stabilisation at the end of the year. Finland showed overall challenging market conditions during 2014, which intensified during the second half of the year. The Danish market started to recover after summer 2013 and showed positive development during the whole 2014. The Swedish market has improved during the year however at a slow and uneven pace. Net sales for North Europe for 2014 amounted to EUR 175.0 million (178.2), an organic growth of 1.2%. The increase versus prior year was mainly related to increased activity in Denmark and Sweden offset by tougher conditions in Finland and low activity in Norway.

Net sales for East Europe amounted to EUR 107.6 million (113.9), an organic increase of 7.7%. In East Europe the growth was mainly related to strong performance in Russia and Ukraine despite challenging economic environment and political turbulence.

Net sales for South Europe amounted to EUR 113.4 million (117.7). The organic decrease of -3.7% is mainly explained by continued weak market in Italy for the fifth consecutive year and weaker market again in France after a period of stabilisation.

In the United Kingdom & Ireland region the markets continued to perform strongly due to high activity in the overall construction sector and growth in private housing starts. Net sales for United Kingdom & Ireland in 2014 were EUR 55.8 million (51.6), with strong development during the first half of the year but, however, softening during the end of the year. This resulted in a 3.0% organic growth versus prior year.

OPERATING PROFIT

Operating profit amounted to EUR 78.9 million (67.9). Operating profit adjusted with items affecting comparability amounted to EUR 78.9 million (74.4). Adjusted operating margin for the period amounted to 11.4% (10.6). The foreign currency impact for 2014 was EUR 1.6 million negative compared with prior year plus additional negative transaction effects of net EUR -1.5 million mainly related to transactions in RUB, UAH and GBP. Sales of improved product mix, more efficient sourcing and lower costs due to previously implemented actions to adjust the organisation to present market conditions and control of manufacturing efficiency during the period supported the improvement in adjusted operating margin.

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

The net financial income and expenses amounted to EUR -25.6 million (-19.8) for the full year of which EUR -7.9 million (-11.6) is interest expenses on borrowings. This decrease in interest expenses is due to the refinancing which took place in June 2014. Other net financial income and expenses amounted to EUR -17.7 million (-8.2) of which EUR -10.6 million is refinancing transition costs and the majority of the remaining costs are net foreign exchange losses of EUR -4.0 million (-3.8).

Profit before taxes was EUR 53.3 million (48.2).

Income taxes for 2014 increased with EUR 2.0 million versus previous year. The effective tax rate 2014 is 14.5% (11.9) corresponding to income taxes for the full year of EUR -7.7 million (-5.7). The increase is primarily due to adjustments in income taxes from previous years, mainly Germany, while lower current income taxes for the reporting period were offset by a smaller change in deferred taxes compared to last year.

Profit for the period was EUR 45.6 million (42.5).

Earnings per share, basic and diluted, were EUR 0.46 (0.42).

	2014	2013	2012
Earnings per share, EUR, basic	0.46	0.42	0.72
Earnings per share, EUR, diluted	0.46	0.42	0.72

CASH FLOW

Cash flow from operating activities for 2014 amounted to EUR 73.8 million versus EUR 74.7 million in the previous year. The decrease in cash flow from operating activities is mainly due to lower cash flow from working capital EUR -5.3 million (-1.0). 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 2014. Cash conversion at year-end 2014 was 79% (82), which is another year of meeting the long-term financial target.

Cash flow from investing activities for 2014 amounted to EUR -21.5 million (-18.9), which is primarily customary maintenance investments of property, plant and equipment in the ceramic production.

Cash flow from financing activities during the year 2014 was EUR -127.7 million (-171.6). The negative cash flow from financing activities in 2014 is mainly related to payment of refund of capital from the reserve for invested unrestricted equity in the second quarter, the refinancing which took place also in the second quarter and purchase of treasury shares in the third quarter.

GROSS CAPITAL EXPENDITURE AND DEPRECIATION, AMORTISATION AND IMPAIRMENT

The gross capital expenditure for 2014 amounted to EUR 22.1 million (19.3). The increase is primarily related to higher ceramic production investments which are customary maintenance investments to maintain and improve the manufacturing footprint, increase in WC production capacity, both standard and Rimfree® assortment and investments in the development of the product portfolio.

All capital expenditure during the year has been financed with cash flow from operations. Capital expenditure corresponded in 2014 to 3.2% (2.8) of net sales. Depreciation, amortisation and impairment losses amounted 2014 to EUR -24.6 million (-28.9) corresponding to 3.6% (4.1) of net sales.

EUR million	2014	2013	2012
Investments in property, plant and equipment and intangible assets	21.2	19.3	13.1
Investments in shares in subsidiaries	1.0	0.0	0.0
Total gross capital expenditure	22.1	19.3	13.1
Gross capital expenditure as percentage of net sales, %	3.2	2.8	1.7

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents amounted to EUR 24.3 million (99.4) at the end of the year. In addition, Sanitec had an unused committed revolving credit facility of EUR 130.7 million (50.0).

Sanitec entered into a EUR 275 million Multicurrency Term Loan and a Revolving Credit Facility (RCF) on 13 May 2014, of which the RCF amounts to EUR 150 million. The new facility is provided by Danske Bank, DNB Bank and Nordea. The maturity of the Multicurrency Term Loan is five years and the RCF three years with an extension option for one plus one year. The new facility agreement benefits from net leverage and interest cover financial covenants, in other words, no real security is provided for these loans.

The new financing structure reduces Sanitec's financial expenses, and creates more flexibility for handling of cash and liquidity. After implementation the new financing structure reduces financial expenses by up to EUR 10 million per year, ceteris paribus, of which major part is cash.

In September 2014 Sanitec concluded agreements to convert its revolving credit facility into ancillary overdraft facilities, which further enhanced the cash management efficiency of Sanitec since mid October 2014.

Net debt, calculated from the nominal value of the loans, amounted to EUR 120.1 million (150.6) at end of the year which is a decrease of EUR 30.5 million (increase of 193.5) compared to the beginning of the year. Leverage calculated as net debt to adjusted EBITDA recorded 1.2 (1.5) at the end of the year, which consolidates comfortable headroom to maximum leverage long-term financial target of 2.5.

Total equity at the end of the year 2014 amounted to EUR 46.3 million (44.4). As from beginning of the year payment to the shareholders as a refund of capital from the reserve for invested unrestricted equity has been made amounting to EUR 22.0 million and other items have affected the equity year to date with EUR -21.5 million. The main amount is related to unrealised exchange rate losses on internal loans to our Ukrainian and Russian subsidiaries which have been reported as net investments in foreign operations and the exchange rate effect thereby reported in other comprehensive income, re-measurements of defined benefit plans, change in non-controlling interests and acquisition of treasury shares.

The equity ratio slightly increased during 2014 to 10.6% (8.4), which is explained by the profit generation for the period set off by changes in other comprehensive income.

KEY RATIOS FOR THE GROUP

EUR million	2014	2013	2012
Net sales	689.4	701.8	752.8
Operating profit	78.9	67.9	73.0
Operating margin, %	11.4	9.7	9.7
Items affecting comparability	—	-6.5	-4.9
Operating profit, adjusted	78.9	74.4	77.9
Operating margin, %, adjusted	11.4	10.6	10.4
EBITDA, adjusted	103.5	102.7	107.7
EBITDA margin, %, adjusted	15.0	14.6	14.3
Profit before taxes	53.3	48.2	67.0
Profit for the period	45.6	42.5	71.7
As percentage of net sales, %	6.6	6.9	9.5
Cash flow from operating activities	73.8	74.7	87.9
Total assets	438.5	531.0	657.8
Total equity	46.3	44.4	243.7
Net debt	120.1	150.6	-42.9
Net debt / EBITDA, adjusted	1.2	1.5	-0.4
Equity ratio, %	10.6	8.4	37.1
Net gearing, %	259.6	339.7	-17.6
Return on capital employed (ROCE), %, rolling 12 months	31.2	19.4	19.3
Return on equity, %, rolling 12 months	110.9	35.7	34.5
Cash conversion	79	82	88

RESEARCH AND DEVELOPMENT

Sanitec's research and development activities focus mainly on four areas: comfort and design, hygiene and easy clean, installation friendly and environmentally friendly.

Direct research and development expenses amounted in 2014 to EUR -5.4 million (-4.5). 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 -10.4 million (-9.6), representing 1.5% of net sales (1.4). Capitalised development expenses amounted to EUR 4.7 million (3.3).

EUR million	2014	2013	2012
Direct R&D expenses	5.4	4.5	4.0
Total R&D expenses	10.4	9.6	8.4
As percentage of net sales, %	1.5	1.4	1.1
Capitalised development expenses	4.7	3.3	2.9

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 wells 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 6,149 (6,211) at the end of the year. The reduction is due to continuous efficiency improvements in the manufacturing footprint, mainly related to East Europe and additional effects from activities in line with the "One Sanitec" concept.

	2014	2013	2012
Number of personnel, end of period	6,149	6,211	6,688
Number of personnel, average	6,176	6,516	7,004
Total wages and salaries during the financial year, EUR million	154.7	157.6	167.2

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.

SHARES, SHARE PRICE AND SHARE CAPITAL

Sanitec Corporation's paid and registered share capital on 31 December 2014 was EUR 2.8 million (2.8) and the number of issued and registered shares totaled 100,000,000 (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. At the end of 2014, Sanitec Corporation had 190,000 treasury shares, and the number of shares excluding treasury shares was 99,810,000.

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.

Sanitec's share was listed on NASDAQ Stockholm on 10 December 2013. The share is traded in Swedish krona (SEK). On 31 December 2014, the market capitalisation of the company's registered shares was EUR 1,028.1 million / SEK 9,656.6 million (EUR 761.9 million / SEK 6,750.0 million). During 2014 approximately 141.3 million (19.7) of the company's shares were traded, i.e. around 141.4% (19.7) of the average number of registered shares. The lowest price paid for a share was EUR 6.68 / SEK 62.75 (EUR 7.00 / SEK 62.00) and the highest price EUR 10.35 / SEK 97.25 (EUR 7.62 / SEK 67.50). The volume-weighted average price of shares traded during the period was EUR 9.36 / SEK 85.14 (EUR 7.41 / SEK 64.10). The closing price on 31 December 2014 was EUR 10.30 / SEK 96.75 (EUR 7.62 / SEK 67.50). The share issue-adjusted equity per share attributable to owners of the parent was EUR 0.46 (0.44) per share. 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.

	2014	2013	2012
Number of shares, end of period, share issue adjusted, treasury shares excluded	99,810,000	100,000,000	100,000,000
Number of shares, average, share issue adjusted, treasury shares excluded	99,931,466	100,000,000	100,000,000
Diluted number of shares, average	99,941,769	100,000,000	100,000,000
Share price, end of period, SEK	96.75	67.50	—
Share price, end of period, EUR [1)]	10.30	7.62	—
Share price, year high, SEK	97.25	67.50	—
Share price, year high, EUR [1)]	10.35	7.62	—
Share price, year low, SEK	62.75	62.00	—
Share price, year low, EUR [1)]	6.68	7.00	—
Share price, volume-weighted average, SEK	85.14	64.10	—
Share price, volume-weighted average, EUR [2)]	9.36	7.41	—
Market capitalisation, SEK million	9,656.6	6,750.0	—
Market capitalisation, EUR million [1)]	1,028.1	761.9	—
Number of shares traded during the period, million shares	141.3	19.7	—
Share turnover, (%)	141.4	19.7	—
Equity attributable to owners of the parent per share, EUR	0.46	0.44	2.44
Dividend / distribution per share, EUR	—	0.22	2.38
Dividend / distribution payout ratio, %	—	51.8	332.3
Dividend / distribution yield, %	—	2.9	—
Price / earnings per share (P/E)	22.6	17.9	—
Price / equity per share	22.2	17.2	—

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

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

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

Notifications as per section 5 of chapter 9 of the Finnish Securities Market Act are disclosed in Note 3 of the Consolidated Financial Statements.

TREASURY SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

In accordance with the authorisation granted in the Annual General Meeting of Sanitec Corporation on 13 May 2014, Sanitec's Board of Directors resolved to acquire own shares. The purpose for the acquisition of own shares was to ensure that the company is able to meet its obligations arising from Sanitec's share-based incentive plan 2014, and to deliver the shares to participants of the incentive plan. In total 190,000 shares in Sanitec were acquired in August 2014, with a total consideration of EUR 1.6 million.

After acquisition of the treasury shares, the Board of Directors has authorisation to acquire additionally 150,000 shares in Sanitec and transfer own shares in connection with the share-based incentive plan. The Board of Directors has no other authorisations.

The Board of Directors of Sanitec resolved on 3 February 2015 to dissolve the share-based incentive plan 2014 and to transfer 50,802 treasury shares held by the company to the participants of the plan in accordance with the terms and conditions of the plan. The transfer took place via a directed share issue without consideration pursuant to the authorisation granted to the Board of Directors. The transfer of the treasury shares was completed on 4 February 2015. After the completion of the transfer, Sanitec holds in total 139,198 treasury shares.

BOARD OF DIRECTORS AND TOP MANAGEMENT TEAM

Board of Directors

During 2014, the members of the Board of the Directors were:

Fredrik Cappelen, chairman
Adrian Barden, member
Caspar Callerström, member
Joakim Rubin, member from 13 May 2014
Johan Bygge, member
Margareta Lehmann, member
Pekka Lettijeff, member
Ulf Mattsson, member

Top Management Team

During 2014, the members of the Top Management Team were:

Peter Nilsson, President & CEO
Gun Nilsson, Executive Vice President and Chief Financial Officer
Anders Spetz, Executive Vice President and Chief Commercial Officer, until 31 December 2014
Harald Treml, Executive Vice President and Chief Operating Officer
Krister Böethius, Corporate Vice President of Global Business Development & Change Management
Liselotte Bergmark, Executive Vice President, Human Resources, from 1 September 2014
Miguel Definti, Executive Vice President, Product Management & Design
Magnus Terrvik, Executive Vice President, Global Business Development & Change Management

CHANGES IN GROUP STRUCTURE

On 3 January 2014, Sanitec SSC Sp. Z o.o. was established in Poland by Sanitec Corporation.

On 14 January 2014, the company form of Keramag Keramische Werke (Germany) was changed from AG to GmbH and a new company registration number (HRB 71780) was assigned to the company.

On 30 June 2014, Sanitec Beteiligungs- und Servicegesellschaft mbH acquired the outstanding 5.2% minority shares in Koralle International GmbH from DP Deutsche Pool GmbH and became 100% owner of Koralle International GmbH.

On 19 August 2014, the company form of Produits Céramiques de Touraine (France) was changed from S.A. to S.A.S.

On 22 December 2014, Sphinx IP B.V. was established in the Netherlands by B.V. DE SPHINX Maastricht.

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.

Russia and Ukraine

Sanitec carries out sales operations in Russia and sales and production operations in Ukraine. The Ukrainian production facilities are located in the Western part of Ukraine, approximately 250 kilometres from the Polish border, and have not been directly affected by on-going hostilities in the Eastern part of Ukraine. Due to the ongoing hostilities and tightened relationship between Russia and the Western countries, country and political risks related to Ukraine and Russia have, however, increased in general and negative effects on the Ukrainian and Russian businesses and operations cannot be entirely excluded going forward.

Operational and market risks

Most of the operational and market risks are related to production and relations with customers and suppliers. 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 to 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 un-harmonised 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 the Sanitec 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 2014, available in the company's website www.sanitec.com.

SIGNIFICANT ON-GOING 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.

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

DECISIONS OF THE ANNUAL GENERAL MEETINGS

The annual general meeting of shareholders of Sanitec Corporation was held on 13 May 2014 in Stockholm, Sweden.

The annual general meeting 2014 adopted following decisions:

Distributions of funds
The annual general meeting adopted the financial statements and consolidated financial statements for the financial period from 1 January to 31 December 2013. The meeting resolved in accordance with the proposal of the Board of Directors to leave the profit for the period in the shareholders' equity and to distribute EUR 0.22 per share from the reserve for invested unrestricted equity to the shareholders. The record date for the distribution was set to be 16 May 2014, and the payments were made on 3 June 2014 to shareholders registered with Euroclear Finland Oy and on 4 June 2014 to shareholders registered with Euroclear Sweden AB. The last day of trading of the Sanitec share on Nasdaq Stockholm including right to the distribution, was 13 May 2014.

Discharge from liability
The meeting discharged the members of the Board and the President & CEO from liability for the financial period from 1 January to 31 December 2013.

Board of Directors
The meeting resolved that the Board of Directors shall comprise of eight members and elected Joakim Rubin as a new member and re-elected Fredrik Cappelen, Adrian Barden, Johan Bygge, Caspar Callerström, Margareta Lehmann, Pekka Lettijeff and Ulf Mattsson as the members and Fredrik Cappelen as the Chairman of the Board of Directors. The meeting resolved on directors' remuneration in accordance with the proposal of the largest shareholder of the company.

Auditor
The meeting resolved to appoint the accounting firm KPMG Oy Ab as the company's auditor for the period until the close of the Annual General Meeting 2015. KPMG Oy Ab had informed that authorised public accountant Virpi Halonen will continue as auditor in charge.

Nomination Committee
The meeting resolved that Sanitec should have a Nomination Committee consisting of the Chairman of the Board of Directors and one representative for each of the four largest shareholders in terms of number of votes as at the last day of August. The names of the four shareholder representatives and the names of the shareholders whom they represent shall be made public as soon as they have been appointed, but no later than six months before the Annual General Meeting 2015.

Guidelines for Remuneration to Senior Executives
The meeting resolved guidelines for remuneration to senior executives in accordance with the proposal from the Board of Directors.

Articles of Association
The meeting resolved to amend the language of the articles of association of the company from Finnish into Swedish. Upon registration of the new articles, the name of the company will be in Swedish Sanitec Abp, in Finnish Sanitec Oyj and in English Sanitec Corporation.

Performance Share Plan 2014
The meeting resolved, in accordance with the proposal from the Board of Directors, to introduce a share-based incentive plan. A maximum of 340,000 shares in Sanitec may be allocated under Performance Share Plan 2014, representing 0.34% of the outstanding shares and votes in Sanitec Corporation. In connection with the share-based incentive plan, and within limits thereof, the meeting authorised the Board of Directors to resolve on directed acquisition and transfer of own shares in one or several occasions. The authorisations shall stay in force until 30 June 2015 and 12 May 2018, respectively.

CORPORATE GOVERNANCE REPORT

Sanitec's Corporate Governance Report 2014 is available as a separate document 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 rights to an additional compensation from the company 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.

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 20.1 million (17.8) and the operating result was a loss of EUR 2.8 million (5.1 loss). Net financial items were EUR 71.4 million (76.2), of which EUR 65.3 million (70.7) consisted of reversals of impairment losses on loan receivables from group companies.

The result for the financial year was a profit of EUR 68.6 million (71.1). The parent company had an average of 3 (3) 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	2014	2013	2012
Net sales	20.1	17.8	16.3
Operating result	-2.8	-5.1	-4.6
Result before taxes and appropriations	68.6	71.1	25.9
Income taxes for the financial year	-	-	-
Result for the financial year	68.6	71.1	25.9
Balance sheet total	620.7	680.3	594.3
Shareholders' equity	465.5	420.5	587.8
Wages and salaries	0.9	1.1	1.4
Average number of employees	3	3	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 418,975,414.13, of which the profit for the financial year is EUR 68,607,312.19. The funds available for dividend distribution are EUR 93,858,929.42, and the funds available for refund of capital are EUR 325,116,484.71.

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed from the result for the year nor from retained earnings and that the profit for the financial year is transferred to retained earnings in shareholders' equity. EUR 418,975,414.13 will be left in distributable funds.

EVENTS AFTER THE REPORTING PERIOD

Geberit AG's public tender offer - change of control in Sanitec Corporation

Geberit AG announced on 14 October 2014 a public tender offer to the shareholders of Sanitec Corporation ("Sanitec") to transfer all of their shares in Sanitec for a consideration of SEK 97 in cash per share. The total value of the offer amounts to SEK 9,700 million. The price of the offer represents a premium of 54.6% for the Sanitec share compared to the closing price the last trading day prior to the announcement (SEK 62.75). The Board of Directors of Sanitec recommended on 14 October 2014 unanimously for Sanitec shareholders to accept the offer of SEK 97 per share in Sanitec. Caspar Callerström, who is a Partner at EQT Partners AB, Joakim Rubin, who is a founding partner of Zeres Capital Partners, and Johan Bygge, who is Chief Operating Officer in EQT Holdings AB, are members of the Board of Directors of Sanitec and did not participate in preparing and deciding upon the statement of the Board of Directors in relation to the Offer.

Geberit AG published an offer document and started the acceptance period on 17 November 2014. The initial acceptance period scheduled to expire on 22 December 2014 was extended by Geberit AG until 2 February 2015 to provide more time for the relevant competition authorities to give their approval for the transaction and to allow the remaining shareholders in Sanitec to consider and accept the offer.

Geberit AG announced its offer to the shareholders of Sanitec unconditional via a press release dated 3 February 2015 and that the sale and purchase of the offered shares would take place on or about 10 February 2015 (the "Settlement"). Geberit AG announced furthermore an extended acceptance period, allowing the remaining shareholders of Sanitec to accept the offer until 17 February 2015.

The Settlement of the offer took place on 11 February 2015 and Geberit AG has, via its Finnish subsidiary Geberit Investment Oy, acquired ownership and control of 99.22% of the shares and votes in Sanitec Corporation (calculated excluding the 139,198 treasury shares held by Sanitec as of 11 February 2015). Sanitec became thus a subsidiary of Geberit Investment Oy on the same date within the meaning of the Finnish Accounting Act (1997/1336), as amended. At settlement day Geberit announced to extend the acceptance period until 2 March 2015 at 17:00 CET.

Squeeze-out proceedings

Geberit AG informed Sanitec that pursuant to Geberit Investment Oy becoming a >90% shareholder in Sanitec Corporation, Geberit Investment Oy became entitled and obliged to redeem the outstanding shares in Sanitec from the minority shareholders of Sanitec in accordance with section 18 of the Finnish Companies' Act (2006/624) and that Geberit Investment Oy will initiate such redemption proceedings. Sanitec has registered the redemption right and obligation of Geberit Investment Oy with the Trade Register of the National Board of Patents and Registration of Finland.

Delisting

Sanitec has been informed by NASDAQ Stockholm that the delisting application has been approved and that the last day of trading in the Sanitec shares is on 27 February 2015.

Prepayment of external loan facilities

Sanitec has on 16 February 2015 voluntarily prepaid and cancelled the EUR 275 million multicurrency term loan and revolving facilities agreement dated 13 May 2014 between Sanitec as the borrower and Danske Bank A/S and other financial institutions as the lenders. The voluntary prepayment was funded with new loan facilities of EUR 175 million made available to Sanitec by Geberit Group.

Extraordinary general meeting of shareholders

The Board of Directors of Sanitec has convened an extraordinary general meeting of shareholders to take place in Stockholm, Sweden on 9 March 2015 in order to adopt decisions, inter alia, regarding new members and chairman of the Board of Directors.

Directed share issue without consideration

In connection with the Geberit AG's tender offer, the Board of Directors of Sanitec resolved on 3 February 2015 to dissolve the share-based incentive plan 2014. Sanitec transferred on 4 February 2015 50,802 treasury shares to the participants of the share-based incentive plan 2014 ("Performance Share Plan 2014") as adopted by the annual general meeting of shareholders 2014. The transfer of shares took place pursuant to the terms and conditions of the Performance Share Plan 2014 and on the basis of authorisation of the Board of Directors adopted by the annual general meeting of shareholders 2014 and was executed by way of directed share issue without consideration. The number of treasury shares held by Sanitec after the issuance is 139,198 shares.

Of the in total 50,802 shares transferred, 25,475 shares were transferred to related parties (Peter Nilsson 9,686 shares, Harald Treml 3,022 shares, Gun Nilsson 1,490 shares, Magnus Terrvik 954 shares, Miguel Definti 2,872 shares, Krister Boêthius 2,980 shares and Anders Spetz 4,471 shares).

OUTLOOK FOR 2015

Signs of recovery in the European economy were seen during the first nine months of 2014, however, with different trends in the different markets. Since the fourth quarter of 2014 there have been an overall slowdown of the markets again and it is difficult to have a view of the trend going forward on longer term.

Sanitec expects the macroeconomics and general market conditions to remain relative stable in the Nordic countries, the United Kingdom and Central Europe through 2015. In South and East Europe market conditions are expected to remain challenging in the short term. Sanitec will continue to focus on efficiency improvements in all functions and processes.

The unstable political situation in Ukraine can as such continue to have adverse effect on local Ukrainian market and neighbouring markets during 2015.

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 assortment launched as from 2013 and onwards.

Consolidated Statement of Profit or Loss

(All amounts in EUR millions)

	Note	1 January–31 December 2014	1 January –31 December 2013
NET SALES	4	**689.4**	**701.8**
Other operating income	5	3.6	11.7
Materials and services	6	-294.4	-312.0
Employee benefits	7	-200.3	-208.1
Production for own use		2.0	1.8
Other operating expenses	8	-96.8	-98.5
Depreciation, amortisation and impairment losses	9	-24.6	-28.9
OPERATING PROFIT		**78.9**	**67.9**
Financial income and expenses	10	-25.6	-19.8
PROFIT BEFORE TAXES		**53.3**	**48.2**
Income taxes	11	-7.7	-5.7
PROFIT FOR THE PERIOD		**45.6**	**42.5**
Net profit for the period attributable to:			
Owners of the parent		45.6	42.4
Non-controlling interest		—	0.0
Total		**45.6**	**42.5**
Earnings per share, basic, EUR		**0.46**	**0.42**
Earnings per share, diluted, EUR		**0.46**	**0.42**

Consolidated Statement of Other Comprehensive Income

(All amounts in EUR millions)

	Note	1 January–31 December 2014	1 January–31 December 2013
Profit for the period		**45.6**	**42.5**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		-7.3	-1.5
Income tax relating to items that will not be reclassified		1.6	0.1
Total		**-5.7**	**-1.3**
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges		-0.3	-0.1
Exchange rate differences		-13.6	-2.0
Income tax relating to items that may be reclassified		0.1	0.0
Total		**-13.8**	**-2.1**
Total comprehensive income	16	**26.2**	**39.0**
Comprehensive income for the period attributable to:			
Owners of the parent		26.1	39.0
Non-controlling interest		0.0	0.0
Total		**26.2**	**39.0**

Consolidated Statement of Financial Position

(All amounts in EUR millions)

	Note	31 December 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	7.2	5.6
Property, plant and equipment	12	156.1	173.3
Long-term investments	20	0.0	0.0
Deferred tax assets	11	28.3	26.2
Interest-bearing receivables	14, 20	0.9	4.2
Other non-current receivables	14	0.0	—
Defined benefit assets	22	0.2	1.1
TOTAL NON-CURRENT ASSETS		**192.8**	**210.6**
CURRENT ASSETS			
Inventories	13	99.5	93.2
Other current receivables	14, 20	111.3	118.3
Assets for current tax	11	10.7	9.5
Cash and cash equivalents	15, 20	24.3	99.4
TOTAL CURRENT ASSETS		**245.7**	**320.4**
TOTAL ASSETS		**438.5**	**531.0**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2.8	2.8
Share premium		43.7	43.7
Fair value reserve	19	-0.1	0.1
Reserve for invested unrestricted equity		325.1	347.1
Treasury shares		-1.6	—
Exchange differences		-24.8	-11.2
Retained earnings		-298.9	-338.4
Total equity attributable to owners of the parent		46.3	44.2
Non-controlling interests		—	0.1
TOTAL EQUITY		**46.3**	**44.4**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	4.7	5.8
Defined benefit obligations	22	35.2	31.0
Provisions	21	6.4	8.1
Interest-bearing liabilities	17, 20	143.7	241.5
TOTAL NON-CURRENT LIABILITIES		**190.0**	**286.5**
CURRENT LIABILITIES			
Interest-bearing liabilities	17, 20	0.0	0.0
Provisions	21	3.0	3.7
Other current liabilities	20, 23	188.5	188.3
Liabilities for current tax	11	10.8	8.1
TOTAL CURRENT LIABILITIES		**202.3**	**200.1**
TOTAL EQUITY AND LIABILITIES		**438.5**	**531.0**

Consolidated Statement of Changes in Equity

(All amounts in EUR millions)

	Note	Share capital	Share premium	Fair value reserve	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2013		**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**	**39.1**	**0.0**	**39.0**
Change in non-controlling interest		—	—	—	—	—	—	0.0	0.0	0.0	0.0
Reclassification		—	—	—	0.3	—	0.1	-0.3	—	—	—
Dividend distribution		—	—	—	—	—	—	—	—	-0.1	-0.1
Refund of capital from reserve for invested unrestricted equity		—	—	—	-238.3	—	—	—	-238.3	—	-238.3
Equity at 31 December 2013		**2.8**	**43.7**	**0.1**	**347.1**	**—**	**-11.2**	**-338.4**	**44.2**	**0.1**	**44.4**
Exchange differences		—	—	0.0	—	—	-13.6	—	-13.6	0.0	-13.5
Cash flow hedges, net of tax		—	—	-0.2	—	—	—	—	-0.2	—	-0.2
Defined benefit plans, remeasurement, net of tax		—	—	—	—	—	—	-5.7	-5.7	—	-5.7
Total other comprehensive income		—	—	-0.2	—	—	-13.6	-5.7	-19.5	0.0	-19.4
Profit for the period		—	—	—	—	—	—	45.6	45.6	—	45.6
Total comprehensive income	16	**—**	**—**	**-0.2**	**—**	**—**	**-13.6**	**39.9**	**26.1**	**0.0**	**26.2**
Change in non-controlling interest		—	—	—	—	—	—	-0.5	-0.5	-0.1	-0.6
Acquisition of treasury shares		—	—	—	—	-1.6	—	—	-1.6	—	-1.6
Dividend distribution		—	—	—	—	—	—	-0.1	-0.1	0.0	-0.2
Refund of capital from reserve for invested unrestricted equity		—	—	—	-22.0	—	—	—	-22.0	—	-22.0
Share-based payments, net of tax		—	—	—	—	—	—	0.2	0.2	—	0.2
Equity at 31 December 2014		**2.8**	**43.7**	**-0.1**	**325.1**	**-1.6**	**-24.8**	**-298.9**	**46.3**	**—**	**46.3**

	31 December 2014
Distributable funds of Sanitec Corporation, the parent of Sanitec Group	
(EUR thousands)	
Reserve for invested unrestricted equity	325,116
Fair value reserve	-9
Retained earnings	25,260
Net profit for the period	68,607
Total	**418,975**
Available for dividend distribution	93,859
Available for distribution from reserve for invested unrestricted equity	325,116
Total	**418,975**

Consolidated Statement of Cash Flows

(All amounts in EUR millions)

	1 January– 31 December 2014	1 January – 31 December 2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before income taxes for the period	**53.3**	**48.2**
Adjustments:		
Depreciation, amortisation and impairment losses	24.6	28.9
Unrealised foreign exchange gains and losses	1.4	3.6
Other non-cash income and expenses	-0.2	1.0
Financial income and expenses	24.2	16.2
Cash flow before working capital changes	**103.3**	**97.7**
Change in working capital:		
Change in interest-free receivables	3.3	-9.7
Change in inventories	-12.0	6.3
Change in interest-free liabilities	3.3	2.4
Cash flow from change in working capital	**-5.3**	**-1.0**
Interest expenses paid and other financial items paid (-) / received (+)	-15.5	-16.2
Interest income received	1.0	2.9
Income taxes paid (-) / received (+)	-9.7	-8.8
CASH FLOW FROM OPERATING ACTIVITIES	**73.8**	**74.7**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible assets and property, plant and equipment	-21.3	-19.0
Investments in subsidiaries	-0.4	0.0
Proceeds from disposal of intangible assets and property, plant and equipment	0.2	0.0
CASH FLOW FROM INVESTING ACTIVITIES	**-21.5**	**-18.9**
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend distribution	-0.1	0.0
Refund of capital from reserve for invested unrestricted equity	-22.0	-238.3
Acquisition of treasury shares	-1.6	—
Increase (-) / decrease (+) in interest-bearing receivables	2.4	-1.1
Draw down (+) / repayment (-) of current interest-bearing liabilities	0.0	-24.2
Draw down (+) of non-current interest-bearing liabilities	223.3	240.4
Repayment (-) of non-current interest-bearing liabilities	-329.7	-148.4
CASH FLOW FROM FINANCING ACTIVITIES	**-127.7**	**-171.6**
CHANGE IN CASH AND CASH EQUIVALENTS	**-75.4**	**-115.8**
Cash and cash equivalents at the beginning of the period	99.4	215.7
Effect of exchange rate differences on cash and cash equivalents	0.3	-0.5
Change in cash and cash equivalents	-75.4	-115.8
Cash and cash equivalents at the end of the period	**24.3**	**99.4**

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 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 27 February 2015 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.

This financial statement release is unaudited with exception for full year figures. Financial statements for 2014 are audited.

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 2014:

- IFRS 10 Consolidated Financial Statements. The standard revised and clarified definition of control. The new standard had no material effect on Sanitec.
- IFRS 12 Disclosure of Interests in Other Entities. The standard increased 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 has no material effect on the disclosure information in consolidated financial statements of Sanitec.
- Amendments to IAS 32 Financial Instruments: Presentation. The amendments clarified some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amended standard had no material effect on Sanitec.
- Amendment to IAS 36 Impairment of Assets. The amendment clarified the disclosure requirements in respect of the recoverable amount based on fair value less costs of disposal. The amended standard had no material effect on Sanitec.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement. The amendment provided 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 had no material effect on Sanitec.
- IFRIC 21 Levies. 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 clarified the recognition of levies in the statement of financial position. The application of the new interpretation did not change the recognition of levies in Sanitec.
- Other new, revised or amended standards or interpretations had either no effect or no material effect on Sanitec's consolidated financial statements.

Sanitec Group will apply the following new, revised or amended standards and interpretations as from 1 January 2015:

- Amendment to IAS 19 Employee Benefits: Employee Contributions. The amended standard has no material effect on 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 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017. The new standard is not expected to have any major effects on Sanitec's revenue recognition, but it will increase the revenue-related disclosure information.
- IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after 1 January 2018. The application of IFRS 9 will have an impact of classification and measurement of financial assets as it establishes two 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. Financial liabilities are measured at amortised cost or at fair value through profit or loss. The new impairment requirements of IFRS 9 are based on expected credit loss method which will replace the earlier used incurred loss model. Entities are required to recognise either 12-months' or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. IFRS 9 will also change the guidance for hedge accounting. Due to the nature of the business of Sanitec and due to the limited use of financial instruments, applying IFRS 9 is not expected to have any major effect on Sanitec's result or financial position.
- Other new, revised or amended standards or interpretations have either no effect or no material effect on Sanitec's consolidated financial statements.

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 transferred consideration, 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 recognised 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.

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.

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.

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. 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 euro 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.

In accordance with IAS 21 Sanitec reclassified in the beginning of 2014 the intercompany loans given to the Ukrainian subsidiary as a net investment in foreign operation, as the settlement of the loans is neither planned nor likely to occur in the foreseeable future. Sanitec also reclassified in the beginning of November 2014 the intercompany loans given to the Russian subsidiary as a net investment in foreign operation, as the settlement of the loans is neither planned nor likely to occur in the foreseeable future. Due to the reclassification, the exchange differences arising from the loans are no longer recognised in the statement of profit or loss but in other comprehensive income and in exchange differences in equity.

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

Government grants are recognised at their fair value when 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 as other operating income on a systematic basis over the useful life of the asset. 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 transferred consideration, 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, among other things, of patents, copyrights 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 of 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 technological 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 of 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 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, taking into account country-specific conditions. 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 no 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 amortisation 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 were 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 2014 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 fulfils 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 which do not fulfil 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. Normal bank account overdrafts are included in current interest-bearing financial liabilities. The overdraft facility which was agreed on in the refinancing in June 2014 is, however, classified as non-current interest-bearing liability.

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 recognised 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 2014 or 2013.

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 term loan, revolving credit facilities and bank overdrafts, 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 applies mainly 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 which are denominated in the currency in which the benefits will be paid, and which 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 launched during the second quarter of 2014 a share-based incentive plan. IFRS 2 is applied in accounting for the plan. The incentive plan to be settled in shares is measured at fair value at grant date. The expenses arising from the incentive plan are recognised in profit or loss during the vesting period and in retained earnings in equity, net of tax. Sanitec has recognised the social costs arising from the share-based incentive plan as a liability in the statement of financial position to the extent it is liable to pay them. The share-based plans and their vesting conditions are described in Note 29 to the 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 report period in the countries where the Group operates and generates taxable income.

The management establishes tax 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.

When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the period is adjusted by the effect of all dilutive potential shares.

TREASURY SHARES

Treasury shares acquired by the company and the related costs are presented as a deduction of equity. Gain or loss on surrender of treasury shares are recorded in reserve for invested unrestricted equity net of tax.

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. Interim report for the third quarter of 2014 has, however, been reviewed by the auditors.

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 2014 was EUR 2.8 million (EUR 2.8 million) and the number of issued and registered shares totaled 100,000,000 (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. At the end of 2014, Sanitec Corporation had 190,000 treasury shares, and the number of shares excluding treasury shares was 99,810,000.

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.

Sanitec'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 Stockholm on 10 December 2013. The share is traded in Swedish krona (SEK). On 31 December 2014, the market capitalisation of the company's registered shares was EUR 1,028.1 million / SEK 9,656.6 million (EUR 761.9 million / SEK 6,750.0 million). During 2014 approximately 141.3 million (19.7) of the company's shares were traded, i.e. around 141.4% (19.7) of the average number of registered shares. The lowest price paid for a share was EUR 6.68 / SEK 62.75 (EUR 7.00 / SEK 62.00) and the highest price EUR 10.35 / SEK 97.25 (EUR 7.62 / SEK 67.50). The volume-weighted average price of shares traded during the period was EUR 9.36 / SEK 85.14 (EUR 7.41 / SEK 64.10). The closing price on 31 December 2014 was EUR 10.30 / SEK 96.75 (EUR 7.62 / SEK 67.50). The share issue-adjusted equity per share attributable to owners of the parent was EUR 0.46 (EUR 0.44) per share. 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

Morgan Stanley informed Sanitec Corporation on 12 February 2015 that its indirect ownership in Sanitec has decreased below the threshold of 5.0% of Sanitec's shares and votes on 10 February 2015.

Sanitec received on 10 February 2015 from Sofia IV S.à r.l. a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the ownership of Sofia IV S.à r.l. in Sanitec decreases to zero on 10 February 2015 pursuant to the completion of the public tender offer.

Sanitec received on 9 February 2015 from Zeres Capital AB a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the ownership of Zeres Capital AB in Sanitec through Zeres Public Market Fund decreases to zero pursuant to the settlement of the trades in the public tender offer on 10 February 2015.

Sanitec received on 9 February 2015 from Geberit a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the execution of the completion trades of the public tender offer was initiated, and the settlement will take place on or around 10 February 2015. According to the notification, the direct ownership of Geberit Investment Oy and the indirect ownership of Geberit AG upon the completion of the settlement and the transferring of title to the tendered shares is 99,080,684 shares, corresponding to approximately 99.08% of all shares and votes in Sanitec (including the 139,198 treasury shares held by Sanitec).

Geberit AG announced on 3 February 2015 that the public tender offer is completed through Geberit Investment Oy, an indirectly wholly owned subsidiary of Geberit AG. According to the notification, when the completion trades of the offer are settled and the title to the tendered shares is transferred to Geberit Investment Oy, the direct ownership of Geberit Investment Oy and the indirect ownership of Geberit AG would be 99,080,684 shares, corresponding to approximately 99.08% of all shares and votes in Sanitec (including the 190,000 treasury shares held by Sanitec).

Morgan Stanley informed Sanitec Corporation that its indirect ownership in Sanitec Corporation had increased over the threshold of 5.0% of the company's shares and votes as a result of acquisition of shares on 26 January 2015. According to the notification, Morgan Stanley now owned indirectly 5,101,418 shares, equal to approximately 5.10% of Sanitec Corporation's share capital and votes.

Sanitec Corporation received on 15 January 2015 from Geberit AG a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, should the tender offer be completed, the ownership of Geberit AG would be on the basis of the acceptances received by 14 January 2015 (including the shares represented by irrevocable undertakings given by Sofia IV S.à r.l and Zeres Public Market Fund) 62,636,325 shares, corresponding to approximately 62.64% of all shares and votes in Sanitec Corporation (including the 190,000 treasury shares held by Sanitec Corporation). The completion of the tender offer is subject to the satisfaction or waiver by Geberit AG of certain conditions to completion.

Sanitec Corporation received on 5 January 2015 from Geberit AG a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, should the tender offer be completed, the ownership of Geberit AG would be on the basis of the acceptances received by 2 January 2015 (including the shares represented by irrevocable undertakings given by Sofia IV S.à r.l and Zeres Public Market Fund) 81,201,963 shares, corresponding to approximately 81.20% of all shares and votes in Sanitec Corporation (including the 190,000 treasury shares held by Sanitec Corporation).

On 23 December 2014, Geberit AG announced that it had extended the acceptance period of its public tender offer until and including 2 February 2015. Also on 23 December 2014, Sanitec Corporation received from Geberit AG a notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, should the tender offer be completed, the ownership of Geberit AG would increase on the basis of the acceptances received by 22 December 2014 (including the shares represented by irrevocable undertakings given by Sofia IV S.à r.l and Zeres Public Market Fund) to 96,377,585 shares, corresponding to 96.38% of all shares and votes in Sanitec Corporation (including the 190,000 treasury shares held by Sanitec Corporation). The completion of the tender offer is subject to the satisfaction or waiver by Geberit AG of certain conditions to completion, such as necessary merger control clearances.

On 14 October 2014, Sanitec Corporation announced that Geberit AG had decided to launch a public tender offer concerning all outstanding shares in Sanitec Corporation. Sanitec Corporation received from Geberit AG a notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the shareholders of Sanitec Corporation Sofia IV S.à r.l and Zeres Public Market Fund had given irrevocable undertakings to accept the tender offer subject to customary conditions. The undertakings would lapse in the event that a third party, prior to the tender offer being declared unconditional, makes an offer for all shares in Sanitec Corporation which exceeds the value of the consideration per share available under the tender offer by at least 8.0%, provided that Geberit AG does not revise its offer to at least the same level as the competing offer.

According to the notification, the undertakings by Zeres Public Market Fund and Sofia IV S.à r.l. concerned in total 25,500,000 shares, corresponding to 25.5% of the shares and votes in Sanitec Corporation. Pursuant to the irrevocable undertakings, should the tender offer by Geberit AG be completed, the ownership of Geberit AG will upon settlement increase to 25,500,000 shares, corresponding to 25.5% of the shares and votes in Sanitec Corporation.

The acceptance period for the tender offer began on 17 November 2014 and expired on 22 December 2014. Commencement of settlement was estimated to take place on 29 December 2014. Geberit AG had reserved the right to extend the acceptance period, as well as to postpone the settlement date. The tender offer may be completed through Geberit AG itself or a directly or indirectly wholly owned subsidiary of Geberit AG. The completion of the tender offer was subject to the satisfaction or waiver by Geberit AG of certain conditions to completion.

On 14 October 2014, Sanitec Corporation received from Sofia IV S.à r.l., which is ultimately controlled by EQT IV Limited, a notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, Sofia IV S.à r.l. had on 13 October 2014 entered into an irrevocable undertaking with Geberit AG according to which Sofia IV S.à r.l. undertakes, subject to certain conditions, to tender to Geberit AG in the tender offer all the shares it holds in Sanitec Corporation. The agreement would have effect until the earlier of (i) the offer being declared unconditional and settled by Geberit AG, (ii) withdrawal of the offer by Geberit AG, and (iii) Sofia IV S.à r.l.'s undertakings lapsing pursuant to the agreement. According to the notification, Sofia IV S.à r.l. held directly 20,000,000 shares, corresponding to 20.0% of the shares and votes in Sanitec Corporation. Pursuant to the irrevocable undertaking, should the tender offer by Geberit AG be completed, the ownership of Sofia IV S.à r.l. in Sanitec Corporation would decrease to zero.

On 14 October 2014, Sanitec Corporation received from Zeres Capital AB a notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, Zeres Capital AB had in relation to the tender offer on 13 October 2014 signed an irrevocable undertaking to, under certain conditions, sell all of its shares in Sanitec Corporation to Geberit AG. According to the notification, Zeres Public Market Fund held 5,500,000 shares, corresponding to 5.5% of the shares and votes in Sanitec Corporation. Zeres Public Market Fund is a Swedish special fund managed by Zeres Capital AB. Pursuant to the irrevocable undertaking, should the tender offer by Geberit AG be completed, the ownership of Zeres Capital AB in Sanitec Corporation through Zeres Public Market Fund would decrease to zero.

BlackRock, Inc. informed that its indirect ownership in Sanitec Corporation had decreased below the threshold of 5.0% of the company's shares and votes as a result of disposal of shares on 14 July 2014. According to the notification, BlackRock Inc. owned indirectly 4,457,335 shares, equal to approximately 4.46% of Sanitec Corporation's share capital and total votes.

Sofia IV S.à r.l., indirectly owned by EQT IV, informed on 23 May 2014 that its direct ownership in Sanitec Corporation had decreased below the thresholds of 30.0% and 25.0% of the company's shares and votes as a result of divestment of shares on 23 May 2014. According to the notification, Sofia IV S.à r.l. owned directly 20,000,000 shares, corresponding to 20.0% of the shares and votes in Sanitec Corporation, following the divestment.

BlackRock Inc. informed that its indirect ownership in Sanitec Corporation had increased over the threshold of 5.0% of the company's shares and votes as a result of acquisition of shares on 14 April 2014. According to the notification, BlackRock Inc. owned indirectly 5,112,190 shares, equal to approximately 5.11% of Sanitec Corporation's share capital and total votes.

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

In accordance with the authorisation granted in the Annual General Meeting of Sanitec Corporation, Sanitec's Board of Directors resolved to acquire own shares. The purpose for the acquisition of own shares was to ensure that the company is able to meet its obligations arising from Sanitec's share-based incentive plan 2014, and to deliver the shares to participants of the incentive plan. In total 190,000 shares in Sanitec were acquired in August 2014, with a total consideration of EUR 1.6 million.

After acquisition of the treasury shares, the Board of Directors has authorisation to acquire additionally 150,000 shares in Sanitec and transfer own shares in connection with the share-based incentive plan. The Board of Directors has no other authorisations.

The Board of Directors of Sanitec resolved on 3 February 2015 to dissolve the share-based incentive plan 2014 and to transfer 50,802 treasury shares held by the company to the participants of the plan in accordance with the terms and conditions of the plan. The transfer took place via a directed share issue without consideration pursuant to the authorisation granted to the Board of Directors. The transfer of the treasury shares was completed on 4 February 2015.

After the completion of the transfer, Sanitec holds in total 139,198 treasury shares.

NUMBER OF SHARES

	2014	2013
Number of shares 1 January	100,000,000	1,000,000
Share issue without consideration	—	99,000,000
Acquisition of treasury shares	-190,000	—
Number of shares 31 December	99,810,000	100,000,000
Average share-issue adjusted number of shares 31 December	99,931,466	100,000,000
Average diluted number of shares 31 December	99,941,769	100,000,000

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT PER SHARE

	2014	2013
Equity attributable to owners of the parent, EUR million	46.3	44.2
Share-issue adjusted number of shares	99,810,000	100,000,000
Equity attributable to owners of the parent per share, euro	0.46	0.44

DIVIDEND AND OTHER EQUITY DISTRIBUTIONS

	2014	2013
Dividend / distribution per share	—	0.22

The Board of Directors proposes that no dividend or refund of capital from reserve for invested unrestricted equity will be distributed from the financial year 2014 .

LARGEST SHAREHOLDERS 31 DECEMBER 2014

	Shareholder	Ownership registration	Registration type	Number of shares	% of shares and votes
1	Sofia IV S.à r.l.	Finland	DIR	20,000,000	20.00%
2	Zeres Public Market Fund	Sweden	NOM	5,000,000	5.00%
3	Goldman Sachs International Ltd, W8IMY	Sweden	NOM	5,249,417	5.25%
4	Morgan Stanley & Co Int.l Plc, W-8BEN	Sweden	NOM	4,226,045	4.23%
5	Goldman Sachs & CO, W9	Sweden	NOM	4,178,292	4.18%
6	UBS AG LDN Branch A/C CLIENT, IPB	Sweden	NOM	3,378,309	3.38%
7	Citigroup Global Markets	Sweden	NOM	3,197,006	3.20%
8	BNY Mellon SA/NV (former BNY), W8IMY	Sweden	NOM	2,918,196	2.92%
9	Morgan Stanley and CO LLC, W9	Sweden	NOM	2,711,946	2.71%
10	Societe General Paris	Sweden	NOM	2,308,649	2.31%
11	JPM Chase NA	Sweden	NOM	2,245,705	2.25%
12	Citibank NA New York	Sweden	NOM	2,068,357	2.07%
13	SEB	Sweden	DIR	1,855,636	1.86%
14	J P Morgan Clearing Corp, W9	Sweden	NOM	1,852,760	1.85%
15	SEB Nordenfond	Sweden	NOM	1,800,610	1.80%
16	Credit Suisse Securities (USA)	Sweden	NOM	1,642,654	1.64%
17	Barclays CAP SEC Cayman Client	Sweden	NOM	1,600,000	1.60%
18	MSIL IPB Client Account	Sweden	NOM	1,579,436	1.58%
19	Caceis France treaty account	Sweden	NOM	1,261,500	1.26%
20	Citigroup Global Markets	Sweden	NOM	1,237,378	1.24%
21	Deutsche Bank AG LDN-Prime Broker, Age Full Tax	Sweden	NOM	1,202,436	1.20%
22	Credit Suisse Sec. Europe LTD	Sweden	NOM	1,195,643	1.20%
23	Credit Industriel et Commercial	Sweden	NOM	1,111,815	1.11%
24	LUX-Non-resident/Domestic Rates	Sweden	NOM	973,180	0.97%
25	HSBC Bank PLC A/C IB Main A/C, W-8BEN	Sweden	NOM	954,090	0.95%
	Total 25 largest shareholders			75,749,060	75.75%
	Other shareholders			24,250,940	24.25%
	Total			**100,000,000**	**100.00%**
	Treasury shares			-190,000	
	Total excluding treasury shares			**99,810,000**	

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 can own their shares either via Euroclear Finland or 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 980 (2,319).

Note 4 Segment information

Sanitec has one segment. Below are presented entity-wide disclosures.

Net sales by destination by geographical region	1 January– 31 December 2014	1 January– 31 December 2013
Central Europe	215.9	217.9
North Europe [1]	175.0	178.2
South Europe	113.4	117.7
East Europe	107.6	113.9
United Kingdom and Ireland	55.8	51.6
Rest of the World	21.7	22.5
Total	**689.4**	**701.8**
[1] of which Finland	38.1	40.0

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

Net sales by product area		
Bathroom Ceramics	521.3	532.1
Ceramics Complementary Products	168.1	169.7
Total	**689.4**	**701.8**

Property, plant and equipment and intangible assets by geographical region		
Central Europe	36.3	35.4
North Europe [1]	42.0	45.4
South Europe	29.6	28.6
East Europe	55.1	69.3
United Kingdom and Ireland	0.3	0.2
Rest of the World	0.0	0.0
Total	**163.3**	**178.9**
[1] of which Finland	17.4	16.5

Net sales of approximately EUR 103 million (EUR 102 million) are derived from a single external customer.

Note 5 Other operating income

Other operating income	1 January– 31 December 2014	1 January– 31 December 2013
Gain on disposal of property, plant and equipment	0.1	0.1
Sale of scrap	0.5	0.3
Rental income	1.0	1.0
Subsidies received	0.3	0.2
Other income	1.8	10.1
Total	**3.6**	**11.7**

Other income in 2013 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 2014	1 January– 31 December 2013
Materials and supplies		
Purchases during the reporting period	-262.7	-261.5
Change in inventories	-3.1	-1.5
Change in inventories of work in process and finished goods	13.7	-5.6
External services	-42.3	-43.4
Total	**-294.4**	**-312.0**

Note 7 Employee benefits

Employee benefits	1 January– 31 December 2014	1 January– 31 December 2013
Salaries and wages	-154.7	-157.6
Defined contribution pension plans	-8.8	-10.6
Defined benefit plans	-0.4	-0.6
Other personnel expenses	-36.4	-39.2
Total	**-200.3**	**-208.1**

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.

Share-based plans are described in more detail in Note 29.

Average number of employees by geographical region	1 January– 31 December 2014	1 January– 31 December 2013
Central Europe	1,110	1,113
North Europe	741	781
South Europe	1,378	1,415
East Europe	2,779	3,032
United Kingdom and Ireland	149	154
Rest of the World	20	21
Total	**6,176**	**6,516**
Number of employees at the end of period	6,149	6,211
Number of employees at the end of period in Finland	241	243

Note 8 Other operating expenses

Other operating expenses	1 January– 31 December 2014	1 January– 31 December 2013
Sales and marketing costs	-20.5	-19.9
Leases	-14.6	-14.2
Travelling costs	-8.4	-8.5
Information technology costs	-6.9	-7.5
Agency commissions	-6.8	-6.8
Other commissions and fees	-6.6	-5.7
Credit losses, net	-0.7	-0.7
Other operating costs	-32.3	-35.2
Total	**-96.8**	**-98.5**

Credit losses are described in Note 14.

Fees paid to principal auditor		
Audit fees	-0.9	-0.8
Tax consultation fees	-0.2	-0.4
Official statements	0.0	0.0
Other consultation fees	0.0	-0.3
Total	**-1.2**	**-1.5**

The Group's principal auditor was KPMG 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 in NASDAQ Stockholm.

Research and development costs, total	-10.4	-9.6
As percentage of net sales, %	1.5	1.4

Direct research and development expenses amounted in 2014 to EUR -5.4 million (-4.5). 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, 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 in NASDAQ Stockholm.

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.

Items affecting comparability	1 January– 31 December 2014	1 January– 31 December 2013
Other non-recurring costs	—	-2.9
Divested businesses	—	-0.6
Restructuring costs	—	-8.8
EC fine and related legal fees	—	5.8
Total	**—**	**-6.5**

Items affecting comparability by line items		
Other operating income	—	7.3
Materials and services	—	-2.8
Employee benefits	—	-8.2
Other operating expenses	—	-2.2
Depreciation, amortisation and impairment losses	—	-0.5
Total	**—**	**-6.5**

Note 9 Depreciation, amortisation and impairment losses

Depreciation and amortisation	1 January– 31 December 2014	1 January– 31 December 2013
Intangible rights	-0.3	-1.6
Other capitalised expenditure	-1.8	-0.6
Buildings and constructions	-3.9	-4.3
Machinery and equipment	-20.3	-21.6
Other tangible assets	-0.2	-0.2
Total	**-26.4**	**-28.3**

Impairment losses and reversals of impairment losses, net		
Intangible rights	—	-0.1
Other capitalised expenditure	—	-0.4
Intangible assets under construction	—	-0.2
Land	—	0.8
Buildings and constructions	-0.1	-0.3
Machinery and equipment	1.9	-0.4
Total	**1.8**	**-0.5**
Total depreciation, amortisation and impairment losses	**-24.6**	**-28.9**

Note 10 Financial income and expenses

Financial income	1 January–31 December 2014	1 January–31 December 2013
Interest income from		
Loans and receivables	0.4	0.3
Derivatives used for hedging	1.0	1.3
Non-financial items	2.3	2.1
Total interest income	3.7	3.7
Other financial income	0.0	0.0
Total other financial income	0.0	0.0
Total	**3.7**	**3.7**

Financial expenses		
Interest expenses from		
Financial liabilities measured at amortised cost	-7.9	-11.6
Other liabilities	0.0	-0.1
Derivatives used for hedging	-0.8	-0.9
Non-financial items	-3.6	-5.0
Total interest expenses	-12.3	-17.5
Other financial expenses from		
Impairment losses on loan receivables	-0.2	—
Financial liabilities measured at amortised cost	-12.2	-1.1
Bank fees and other financial expenses	-0.6	-1.0
Total other financial expenses	-13.0	-2.1
Total	**-25.3**	**-19.6**

Foreign exchange differences, net		
Financial liabilities measured at amortised cost	-3.9	-2.5
Loans and receivables	0.0	-1.6
Derivatives	-0.1	0.2
Other foreign exchange differences	0.0	0.0
Total	**-4.0**	**-3.8**

Total financial income and expenses	**-25.6**	**-19.8**

Other financial expenses from financial liabilities measured at amortised cost include EUR 10.6 million of one-off financial expenses related to refinancing which took place in June 2014. Of the EUR 10.6 million EUR 7.8 million were amortised capitalised fees.

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

Exchange differences recognised in operating profit	1 January–31 December 2014	1 January–31 December 2013
Net sales	1.6	-0.4
Materials and services	-1.9	-0.5
Other operating expenses	-0.3	0.0
Total	**-0.6**	**-0.9**

Derivatives recognised in profit or loss		
Net sales	-0.4	0.2
Materials and services	-0.6	0.5
Other operating expenses	0.0	0.0
Total	**-1.0**	**0.7**

Derivatives recognised in other comprehensive income		
Fair value of currency derivatives in other comprehensive income	-0.3	-0.1

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 2014	1 January–31 December 2013
Current income taxes for the reporting period	-6.9	-9.6
Adjustments in respect of current income tax of previous years	-1.7	0.7
Other direct income taxes	-0.5	-0.2
Change in deferred taxes	1.5	3.4
Total	**-7.7**	**-5.7**

Income tax charge in other comprehensive income		
Deferred taxes		
Remeasurements of defined benefit plans	1.6	0.1
Cash flow hedges	0.1	0.0
Total	**1.7**	**0.1**

Income tax charge in equity		
Deferred taxes		
Share-based incentive plans	-0.1	—

The Group's tax loss carry forwards were EUR 347.5 million as of 31 December 2014 (EUR 450.6 million). Of the total amount, EUR 181.4 million (EUR 209.5 million) were attributable to the Finnish companies Sanitec Europe Corporation and Sanitec Corporation. Tax losses of EUR 78.7 million expire in 2015, EUR 36.7 million in 2016, EUR 18.3 million in 2017, EUR 1.4 million in 2018 and EUR 91.4 million after 2018 while EUR 121.0 million has no expiry date.

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 2014, 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	**31 December 2014**	**31 December 2013**
Deferred tax assets	28.3	26.2
Assets for current tax	10.7	9.5
Deferred tax liabilities	4.7	5.8
Income tax provisions	4.0	4.5
Liabilities for current tax	10.8	8.1

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

	2014	**2013**
Profit before taxes	53.3	48.2
Tax at the tax rate applicable to the parent [1]	**-10.7**	**-11.8**
Difference due to different tax rates of foreign subsidiaries	-0.8	1.1
Adjustments in respect of current income tax of previous years	-1.7	0.7
Other direct taxes	-0.5	-0.2
Previously unrecognised deferred tax assets	7.4	12.4
Reversals of previously recognised deferred taxes	0.2	-0.1
Effect of changes in tax rates and tax laws on deferred taxes	0.1	0.5
Use of tax losses, where no deferred tax asset was recognised	4.8	2.2
Loss for the period for which no deferred tax asset has been recognised	-8.5	-6.2
Tax exempt income	5.7	16.7
Non-deductible expenses	-3.7	-21.0
	2.9	6.1
Total income taxes recognised in profit or loss	**-7.7**	**-5.7**
Effective tax rate, %	14.5	11.9

[1] Corporate income tax rate in Finland was in 2014 20.0% and in 2013 24.5%

Deferred tax assets	**Tax losses carried forward**	**Property, plant and equipment**	**Defined benefit plans**	**Provisions**	**Other temporary differences**	**Total**
1 January 2013	**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	0.3	-0.3	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**
Recognised in profit or loss	-8.1	4.3	0.0	0.0	4.5	0.8
Exchange difference	0.1	0.1	0.0	0.0	-0.1	0.0
Reclassification	—	0.3	0.0	-0.3	—	—
Recognised in other comprehensive income	—	—	1.3	—	0.0	1.4
Recognised in equity	—	—	—	—	-0.1	-0.1
31 December 2014	**11.1**	**7.5**	**3.0**	**0.1**	**6.7**	**28.3**

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). The total gross potential deferred tax asset was calculated on the total tax losses carried forward amounting to EUR 139.7 million as at 31 December 2014 (the total tax losses carried forward, for which no deferred tax asset has been recognised, amounted to EUR 207.9 million as at 31 December 2014).

Deferred tax liabilities	Property, plant and equipment	Other temporary differences	Total
1 January 2013	**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**
Recognised in profit or loss	-0.9	0.2	-0.7
Exchange difference	-0.2	0.0	-0.2
Recognised in other comprehensive income	—	-0.3	-0.3
31 December 2014	**4.2**	**0.4**	**4.7**

Note 12 Intangible assets and property, plant and equipment

Intangible assets	Intangible rights	Other capitalised expenditure	Assets under construction	Total
Acquisition cost 1 January 2014	**5.6**	**3.8**	**0.6**	**10.0**
Exchange differences	-0.2	-0.2	0.0	-0.4
Additions	0.0	0.3	2.0	2.4
Disposals	-0.1	-3.6	-0.2	-3.8
Reclassification between items	-9.2	11.4	-0.8	1.4
Acquisition cost 31 December 2014	**-3.8**	**11.9**	**1.6**	**9.7**
Accumulated amortisation and impairment losses 1 January 2014	**-1.1**	**-3.1**	**-0.2**	**-4.4**
Exchange differences	0.2	0.1	0.0	0.3
Amortisation for the period	-0.3	-1.8	—	-2.1
Disposals	0.1	3.6	0.2	3.8
Reclassification between items	6.1	-6.2	0.0	-0.1
Accumulated amortisation and impairment losses 31 December 2014	**4.9**	**-7.4**	**0.0**	**-2.5**
Carrying amount 31 December 2014	**1.1**	**4.5**	**1.6**	**7.2**
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**

Property, plant and equipment	Land	Buildings and constructions	Machinery and equip-ment	Other tangible assets	Advance payments	Assets under construction	Total
Acquisition cost 1 January 2014	**17.4**	**107.3**	**171.6**	**7.5**	**0.0**	**6.1**	**310.0**
Exchange differences	0.0	-5.5	-14.6	-0.4	0.0	-0.5	-21.0
Additions	0.0	1.0	4.2	0.1	0.0	13.4	18.8
Disposals	0.0	-3.2	-83.4	-1.1	—	0.0	-87.7
Reclassification between items	-0.1	0.8	10.4	0.3	0.0	-12.9	-1.5
Acquisition cost 31 December 2014	**17.3**	**100.4**	**88.3**	**6.4**	**0.0**	**6.1**	**218.5**
Accumulated depreciation and impairment losses 1 January 2014	**0.8**	**-41.3**	**-90.0**	**-6.2**	**—**	**0.0**	**-136.7**
Exchange differences	0.0	1.2	7.3	0.1	—	0.0	8.7
Depreciation for the period	—	-3.9	-20.3	-0.2	—	—	-24.4
Impairment losses	—	-0.1	—	—	—	—	-0.1
Reversals of impairment losses	—	0.0	1.9	—	—	—	1.9
Disposals	—	3.2	83.2	1.1	—	—	87.6
Reclassification between items and other changes	0.0	0.4	0.4	-0.2	—	—	0.6
Accumulated depreciation and impairment losses 31 December 2014	**0.8**	**-40.4**	**-17.5**	**-5.3**	**—**	**0.0**	**-62.4**
Carrying amount 31 December 2014	**18.1**	**60.0**	**70.7**	**1.1**	**0.0**	**6.1**	**156.1**

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	—	—	-26.1
Impairment losses	-0.1	-0.3	-1.5	—	—	0.0	-1.8
Reversals of impairment losses	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**	**-136.7**
Carrying amount 31 December 2013	**18.2**	**66.1**	**81.6**	**1.3**	**0.0**	**6.1**	**173.3**

	2014	2013
The carrying amount of machinery and equipment used in production	59.2	69.7

Note 13 Inventories

Inventories	31 December 2014	31 December 2013
Materials and supplies	21.4	21.7
Work in process	9.7	9.5
Finished goods	68.3	62.0
Other inventories	0.2	0.0
Total	**99.5**	**93.2**
Impairment losses of inventory during the period	-3.3	-1.6
Reversals of impairment losses of inventory during the period	2.1	0.8

Note 14 Receivables

	31 December 2014	31 December 2013
Non-current receivables		
Interest-bearing receivables	0.9	4.2
Interest-free receivables	0.0	—
Other current receivables		
Trade receivables	84.6	88.0
Other receivables [1]	16.1	18.6
Current interest-bearing receivables	0.2	0.4
Supplier bonuses and supplier related accruals	2.5	2.3
Personnel accruals	1.3	1.8
Rental accruals	1.0	0.9
Other tax accruals	0.5	0.8
Insurance accruals	0.5	0.5
Other financial accruals	0.7	0.0
Interest accruals	0.0	0.1
Other prepaid expenses and accrued income	2.9	4.1
Derivative assets	0.9	0.7
Total	**111.3**	**118.3**

[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 for allowance account for credit losses

	31 December 2014	31 December 2013
Not overdue	86.8	82.5
Overdue 1–30 days	-3.1	3.5
Overdue 31–60 days	-0.9	0.5
Overdue 61–90 days	0.4	0.6
Overdue > 90 days	1.3	0.8
Total	84.6	88.0

As trade receivables include also credit notes, the negative net trade receivables include credit notes, which are not yet utilised by customers.

Credit losses during the period, net	-0.7	-0.7

Currency analysis of loan receivables and trade and other receivables

	31 December 2014	31 December 2013
EUR	53.9	58.5
GBP	12.2	12.8
SEK	11.7	11.1
NOK	6.9	7.1
PLN	4.9	6.9
UAH	3.0	4.2
Other	9.3	10.8
Total	**101.9**	**111.3**

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 2014	31 December 2013
Cash and bank	24.3	99.4
Total	**24.3**	**99.4**

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 2014					
Exchange differences	0.0	-13.5	—	0.0	-13.6
Cash flow hedges, recognised in other comprehensive income	-0.9	—	—	—	-0.9
Cash flow hedges, recognised in other comprehensive income, income tax	0.2	—	—	—	0.2
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	—	—	-7.3	—	-7.3
Defined benefit plans, remeasurement, income tax	—	—	1.6	—	1.6
Total other comprehensive income	**-0.2**	**-13.5**	**-5.7**	**0.0**	**-19.4**
Profit for the period	—	—	45.6	—	45.6
Total comprehensive income 2014	**-0.2**	**-13.5**	**39.9**	**0.0**	**26.2**
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**

Note 17 Interest-bearing liabilities

	31 December 2014	31 December 2013
Non-current interest-bearing liabilities		
Senior secured floating rate notes	—	241.5
Term loan	124.4	—
Revolving credit facility and overdraft facilities	19.3	—
Other interest-bearing liabilities	0.0	0.0
Totalt	**143.7**	**241.5**
Current interest-bearing liabilities		
Other interest-bearing liabilities	0.0	0.0
Total	**0.0**	**0.0**
Total interest-bearing liabilities	**143.7**	**241.6**

Term loan, with nominal value of EUR 125.0 million was drawn in June 2014. Its carrying amount in the statement of financial position has been adjusted with the transaction costs related to the loan agreement. The costs are amortised over the loan period with effective interest method. The maturity date of the term loan is in June 2019.

In connection with the refinancing in June 2014, a committed revolving credit facility agreement of EUR 150.0 million was concluded by Sanitec. In September 2014 Sanitec concluded agreements to convert its revolving credit facility into ancillary overdraft facilities, which conversion was fully effective mid October. EUR 19.3 million under these facilities were drawn as of 31 December 2014. The initial maturity date of the revolving credit facility is in June 2017, but there are two possible extension options, with each of which the revolving credit facility maturity can be prolonged with one year.

In connection with the refinancing in June 2014, the senior secured floating rate notes with nominal value of EUR 250 million were prepaid and the committed super senior revolving credit facility agreement of EUR 50 million was terminated.

At the end of December 2014 and at the end of December 2013, the other interest-bearing loans consist of minor local loans.

	31 December 2014	31 December 2013
Maturity of interest-bearing liabilities		
Due in less than one year	0.0	0.0
Due between 1–3 years	19.3	0.0
Due between 3–5 years	124.4	241.5
Due after 5 years	—	—
Total	**143.7**	**241.6**
Interest-bearing liabilities by currency [1)]		
EUR	144.3	250.0
UAH	0.0	0.0
Total	**144.3**	**250.0**

[1)] At nominal value

Average interest rate for interest-bearing loans was 1.69% (4.97) at 31 December 2014.

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 undrawn credit facilities. As of the end of 2014, cash and cash equivalents amounted to EUR 24.3 million (EUR 99.4 million) and the unutilised credit facilities were EUR 130.7 million (EUR 50.0 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 prepay the amounts outstanding (and in certain circumstances, cancel the commitments) under the term-loan and the revolving credit facility in full or in part. This may take place e.g. if certain change of control events occurs (e.g. if some party becomes the beneficial owner of more than 50% of the total voting power of Sanitec's voting stock or if the shares of Sanitec would cease to be listed). These mandatory prepayment conditions are defined in more detail in the terms of the multicurrency term loan and revolving credit agreement.

CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

			Maturing in			
31 December 2014	**Carrying amount**	**Contractual cash flows**	**Within one year**	**Between 1–3 years**	**Between 3–5 years**	**After 5 years**
Term loan[1]	124.4	135.0	2.2	4.5	128.3	—
Revolving credit facility and overdraft facilities[1]	19.3	21.2	0.8	20.4	—	—
Other interest-bearing liabilities	—	0.0	0.0	0.0	—	—
Derivatives settled as gross amounts, inflows[2]	—	-60.4	-60.4	—	—	—
Derivatives settled as gross amounts, outflows[2]	—	60.5	60.5	—	—	—
Other commitments[3]	—	4.4	1.2	2.4	0.7	—
Trade payables	60.9	60.9	60.9	—	—	—
Other liabilities	9.0	9.0	9.0	—	—	—
Total	**213.6**	**230.6**	**74.3**	**27.3**	**129.0**	**—**

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" include e.g a contractual commitment in Ukraine. Detailed information is presented in Note 24 Contingent liabilities.

			Maturing in			
31 December 2013	**Carrying amount**	**Contractual cash flows**	**Within one year**	**Between 1–3 years**	**Between 3–5 years**	**After 5 years**
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.

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 NOK.

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 from foreign exchange forwards designated as cash flow hedges and from loans to group companies classified as a net investment in a foreign operation. 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 2014	against	Effect on profit or loss (strengthening / weakening)	Effect on equity from cash flow hedges and from loans to group companies classified as a net investment in a foreign operation (strengthening / weakening)
10% strengthening / weakening of			
EUR	UAH	-0.3 / 0.3	-3.3 / 3.3
EUR	GBP	1.2 / -1.2	0.9 / -0.9
SEK	EUR	-2.6 / 2.6	-0.1 / 0.1
EUR	PLN	-0.2 / 0.2	-0.8 / 0.8
NOK	EUR	1.1 / -1.1	-0.6 / 0.6
DKK	SEK	0.5 / -0.5	-1.1 / 1.1

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
EUR	PLN	-1.8 / 1.8	-0.3 / 0.3
SEK	EUR	-0.7 / 0.7	-1.0 / 1.0
DKK	SEK	0.6 / -0.6	0.2 / -0.2
EUR	CHF	0.4 / -0.4	-1.1 / 1.1

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 as well as the effect of exchange differences arising from treating certain loans as net investments in foreign operation caused exchange differences of EUR -13.6 million from year 2013 to 2014 (EUR -2.0 million from year 2012 to 2013). 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 2014	31 December 2013
Non-current interest-bearing liabilities, nominal value	-144.3	-250.0
Current interest-bearing liabilities	0.0	0.0
Cash and cash equivalents	24.3	99.4
Interest-bearing receivables	1.1	4.6
Total	**-118.9**	**-146.0**

At the end of the reporting periods 2014 and 2013 the Group had no fixed rate instruments.

The basis for the Group level interest rate risk sensitivity analysis is an aggregate Group level interest rate exposure, which is derived from 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 2014	31 December 2013
Effect on result before income taxes (increase in interests / decrease in interests)	- 1.2 / + 0.2	-1.1/+ 1.1

COMMODITY RISK

Sanitec is exposed to fluctuations of 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 2014, 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 favourable.

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 2014, the ratio was 1.2 (1.5).

Sanitec's main financing agreement, i.e. the multicurrency term and revolving facilities agreement, contains negative covenants restricting, among other things, Sanitec's ability to create certain liens, merge or consolidate with other entities, and dispose assets over certain monetary amounts.

In addition, the multicurrency term and revolving facilities agreement requires Sanitec to comply with certain affirmative covenants, including a financial covenant, which requires Sanitec to ensure that the Total Net Debt to Adjusted EBITDA ratio (as defined in the multicurrency term and revolving facilities agreement) does not exceed a certain pre-agreed level and that Adjusted EBITDA to Net Finance Charges ratio (as defined in the multicurrency term and revolving facilities agreement) is above a certain pre-agreed level.

Note 19 Derivative instruments

Foreign currency forward contracts

31 December 2014	Nominal value	Fair value [1]		
		Positive	Negative	Net
Cash flow hedges	43.9	0.5	-0.6	-0.1
Fair value hedges	16.6	0.2	-0.3	-0.1
Total	**60.5**	**0.7**	**-0.9**	**-0.2**

31 December 2013	Nominal value	Fair value [1]		
		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**

[1] The fair values do not include the interest component of the instruments.

As at 31 December 2014 EUR -0.1 million (EUR 0.2 million) was recognised as cash flow hedges in fair value reserve in equity. During 2014, EUR -0.4 million (EUR 0.7) million arising from currency hedges was recognised in profit or loss in operating profit. In 2014 and 2013 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 2014 and 2013.

Note 20 Financial assets and liabilities

31 December 2014	Note	Available-for-sale assets	Loans and receivables	Financial liabilities at amortised cost	Derivatives used for hedging	Carrying amount	Fair value
Long-term investments [1]		0.0	—	—	—	—	0.0
Other non-current receivables	14	—	0.0	—	—	0.0	0.0
Non-current loan receivables	14	—	1.0	—	—	1.0	1.0
Trade receivables	14	—	84.6	—	—	84.6	84.6
Loan receivables	14	—	0.2	—	—	0.2	0.2
Other receivables	14	—	16.1	—	—	16.1	16.1
Interest receivables and receivables related to financial items	14	—	0.7	—	—	0.7	0.7
Derivative assets	14	—	—	—	0.9	0.9	0.9
Cash and cash equivalents	15	—	24.3	—	—	24.3	24.3
Term loan	17	—	—	-124.4	—	-124.4	-125.0
Revolving credit facility and overdraft facilities	17	—	—	-19.3	—	-19.3	-19.3
Other non-current interest-bearing liabilities	17	—	—	0.0	—	0.0	0.0
Trade payables	23	—	—	-60.9	—	-60.9	-60.9
Derivative liabilities	23	—	—	—	-1.0	-1.0	-1.0
Current interest-bearing liabilities	17	—	—	0.0	—	0.0	0.0
Interest and other payables related to financial items	23	—	—	-1.4	—	-1.4	-1.4
Advances received	23	—	—	-0.3	—	-0.3	-0.3
Other liabilities	23	—	—	-9.0	—	-9.0	-9.0
Total		**0.0**	**126.9**	**-215.3**	**-0.1**	**-88.6**	**-89.2**

[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.

31 December 2013	Note	Available-for-sale assets	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	—	—	0.0	—	0.0	0.0
Trade payables	23	—	—	-64.7	—	-64.7	-64.7
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 were listed in the Luxembourg Stock Exchange and traded on the Euro MTF Market, the fair value of the notes was based on quotation on the MTF Market. Fair value of the senior secured floating rate notes was calculated from the nominal value of the notes (EUR 250.0 million).

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 2014 or 2013.

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 2014

Non-current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**2.3**	**4.0**	**1.8**	**8.1**
Exchange differences	0.0	—	—	0.0
Additions during the period	0.0	0.1	0.1	0.3
Usage during the period	-1.7	0.0	—	-1.7
Reclassifications	0.0	—	-0.1	-0.1
Carrying amount 31 December	**0.6**	**4.0**	**1.9**	**6.5**

Current provisions	Restructuring provisions	Income tax provisions	Other provisions	Total
Opening balance	**2.2**	**0.5**	**1.0**	**3.7**
Exchange differences	—	—	0.0	0.0
Additions during the period	1.6	—	0.4	2.0
Usage during the period	-1.9	-0.5	-0.5	-2.9
Reclassifications	0.0	—	0.1	0.1
Carrying amount 31 December	**2.0**	**—**	**1.0**	**3.0**

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**

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 2014**	**31 December 2013**
Charged to profit or loss		
Current service costs	-0.6	-0.6
Curtailments and settlements	0.2	—
Net interest costs	-1.0	-1.1
Remeasurements recognised in other comprehensive income loss (-) / gain (+)	-7.3	-1.5
Total in total comprehensive income	**-8.6**	**-3.2**

	31 December 2014	**31 December 2013**
Defined benefit liabilities in statement of financial position	35.2	31.0
Defined benefit assets in statement of financial position	0.2	1.1
Present value of defined benefit obligations	77.9	67.5
Fair value of plan assets	-42.9	-37.6
Deficit in the plans, net	**35.0**	**29.9**

Defined benefit liabilities in statement of financial position	**31 December 2014**	**31 December 2013**
Present value of funded obligations	28.3	13.8
Fair value of plan assets	-9.7	-9.5
Deficit in the plans	18.7	4.3
Present value of unfunded obligations	16.5	26.7
Defined benefit liabilities in statement of financial position	**35.2**	**31.0**

Reconciliation of defined benefit liabilities	**31 December 2014**	**31 December 2013**
Defined benefit liabilities at the beginning of the year	31.0	30.2
Charged to profit or loss	1.4	1.8
Remeasurements	6.0	0.2
Employer contributions	-0.4	-0.3
Benefits paid	-2.0	-1.6
Exchange differences	-0.8	0.7
Defined benefit liabilities at the end of the year	**35.2**	**31.0**

Defined benefit assets in statement of financial position	**31 December 2014**	**31 December 2013**
Present value of funded obligations	-33.0	-27.0
Fair value of plan assets	33.2	28.1
Surplus in the plans	0.2	1.1
Defined benefit assets in statement of financial position	**0.2**	**1.1**

Reconciliation of defined benefit assets	**31 December 2014**	**31 December 2013**
Defined benefit assets at the beginning of the year	1.1	2.1
Charged to profit or loss	0.0	0.0
Remeasurements	-1.3	-1.3
Employer contributions	0.3	0.3
Benefits paid	0.0	0.0
Exchange differences	0.0	-0.1
Defined benefit assets at the end of the year	**0.2**	**1.1**

Reconciliation of the present value of defined benefit obligation	31 December 2014	31 December 2013
Defined benefit obligation at the beginning of the year	67.5	55.9
Adjustments to opening balance[1]	—	9.4
Current service costs	0.6	0.6
Interest expenses	2.5	2.4
Gain (-) / loss (+) on curtailment and settlements	-0.2	—
Remeasurements:[2]		
Gain (-) / loss (+) from change in demographic assumptions	0.1	-0.5
Gain (-) / loss (+) from change in financial assumptions	7.0	1.2
Experience gains (-) / losses (+)	2.4	-0.4
Benefits paid	-3.2	-0.9
Exchange differences	1.2	-0.2
Defined benefit obligation at the end of the year	**77.9**	**67.5**

[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] 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 for 2013 do not equal with the remeasurements presented in other comprehensive income.

Reconciliation of the fair value of the defined benefit assets	31 December 2014	31 December 2013
Defined benefit assets at the beginning of the year	37.6	27.8
Adjustments to opening balance[3]	—	7.0
Interest income	1.5	1.3
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	2.2	1.1
Gain (-) / loss (+) from change in financial assumptions	0.0	—
Experience gains (-) / losses (+)	0.0	—
Employee contributions	1.0	1.3
Employer contributions	0.2	0.6
Benefits paid	-1.6	-0.7
Exchange differences	2.0	-0.8
Defined benefit assets at the end of the year	**42.9**	**37.6**

[3] 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.

The most significant actuarial assumptions used

	UK	GER	SWE	Other
31 December 2014				
Discount rate, %	3.6	2.4	2.8	1.0 - 2.6
Salary growth rate, %	0.0	2.0	0.0	0.0 - 3.3
Pension growth rate, %	3.1	1.8	0.0	0.0 - 3.0
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

	2014	2013
Average life expectancy (years) for persons retiring at the end of the reporting period[4]:		
Male	19.6	19.3
Female	23.2	23.2
Average life expectancy (years) for persons retiring 20 years after the end of the reporting period[4]:		
Male	20.0	19.9
Female	23.5	23.1

[4] 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.

	Discount rate		Salary growth rate		Pension growth rate	
Change in assumption	**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**1% increase**	**1% decrease**
Impact on defined benefit obligation, EUR million	-6.5	7.3	0.3	-0.3	4.1	-4.1

	Average life expectancy	
Change in assumption	**Increase by 1 year**	**Decrease by 1 year**
Impact on defined benefit obligation, EUR million	1.6	-1.6

	31 December 2014				31 December 2013			
The major categories of plan assets	**Quoted**	**Unquoted**	**Total**	**%**	**Quoted**	**Unquoted**	**Total**	**%**
Equity instruments	**12.5**	**–**	**12.5**	**29**	**12.3**	**–**	**12.3**	**33**
Equity funds	12.5	–	12.5		12.3	–	12.3	
Debt instruments	**17.9**	**–**	**17.9**	**42**	**14.1**	**–**	**14.1**	**37**
Fixed income funds	17.9	–	17.9		14.1	–	14.1	
Money market instruments	**–**	**0.1**	**0.1**	**0**	**–**	**0.3**	**0.3**	**1**
Insurance contracts[5)]	**0.0**	**12.4**	**12.4**	**29**	**0.0**	**10.9**	**10.9**	**29**
Total plan assets	**30.4**	**12.5**	**42.9**	**100**	**26.4**	**11.2**	**37.6**	**100**

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

	Within 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Expected payments to plan participants in the future years from the defined benefit obligation, EUR million.	1.8	2.1	6.8	27.3	37.9

The expected employer contributions in the plans in year 2015 are EUR 0.7 million.
The weighted avegare remaining duration of the defined benefit plans is 15.3 years.

Note 23 Current interest-free liabilities

Current liabilities	**31 December 2014**	**31 December 2013**
Trade payables	60.9	64.7
Customer bonus accruals	62.6	56.6
Personnel costs accruals	28.7	31.9
Warranty costs acruals	5.0	5.5
Other tax payable	1.4	1.4
Financial accruals	1.4	1.9
Advances received	0.3	0.1
Other accruals	18.1	16.5
Other liabilities	9.0	9.3
Derivative liabilities	1.0	0.4
Total	**188.5**	**188.3**

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 2014	31 December 2013
Mortgages and pledged assets		
Mortgages		
On behalf of own commitments	0.0	0.0
Carrying amount of pledged assets		
On behalf of own commitments	6.3	5.5
Total	**6.3**	**5.6**
Guarantees and other commitments		
Other commitments		
On behalf of own commitments	4.4	2.6
Guarantees		
On behalf of own commitments	0.3	0.3
On behalf of others	0.1	0.1
Total	**4.8**	**3.0**
Total guarantees, mortgages, and pledged assets [1]	**11.1**	**8.6**

[1] This table does not include the value of guarantees, mortgages, liens on chattel and pledged assets that secured loans on 31 December 2013. The nominal value of all collateral granted by the Group exceeded 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 June 2014, the pledges, mortgages and guarantees of the Group related to the prepaid EUR 250.0 million senior secured floating rate notes and the terminated EUR 50.0 million undrawn super senior revolving credit facility were released. The new loans taken (EUR 125 million term-loan and EUR 150 million revolving credit facility) are unsecured.

Prior to the refinancing in June 2014 substantially all of the assets of the Group were pledged on behalf of the senior secured floating rate notes and the super senior revolving credit facility. First ranking guarantees and security pledge over the assets of Sanitec Corporation and certain of the Group subsidiaries were granted as collateral for the loans. 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 included also real estate mortgages of Sanitec Kolo Sp.z o.o (Poland), Sanitec Europe Oy (Finland), Ifö Sanitär AB (Sweden) and PJSC Slavuta Plant "Budfarfor" (Ukraine) for their real estates.

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 and similar securities were given during the fourth quarter of 2013 on behalf of Sanitec Group to secure the senior secured floating rate notes and the super senior revolving credit facility.

As of 31 December 2014, the Group had in addition some other commitments totalling to EUR 4.3 million. This includes e.g. a contractual commitment in Ukraine 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 2014	31 December 2013
Maturing		
Within one year	11.7	12.4
Later than one year and not later than five years	20.1	22.1
Later than five years	18.7	16.6
Total	**50.5**	**51.1**

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 2014	31 December 2013
Maturing		
Within one year	0.4	0.4
Later than one year and not later than five years	0.2	0.4
Later than five years	0.2	0.2
Total	**0.8**	**1.1**

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 Stockholm, still owned 20% of the shares and votes in Sanitec and was thus considered to be a related party to Sanitec at the end of 2014.

Remuneration of the Board of Directors (EUR)

	2014	2013
	Board fee [1]	Board fee
Fredrik Cappelen (chairman)	37,988	50,000
Adrian Barden	21,029	25,000
Johan Bygge	23,064	—
Margareta Lehmann	16,959	4,167
Caspar Callerström	18,994	—
Pekka Lettijeff	21,029	25,000
Ulf Mattsson	18,994	25,000
Joakim Rubin	21,029	—
Total	**179,086**	**129,167**

[1] Includes fees for committee work.

Joakim Rubin has been a member of the Board of Directors since 13 May 2014, 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 13 May 2014, it was resolved that the annual compensation of the Chairman would amount to EUR 50,000 and the other members of our Board of Directors would be paid an annual remuneration of EUR 25,000. For work in the Board committees it was decided that annual remuneration to the Chairman of the Remuneration Committee would be 6,000 EUR and 3,000 EUR for other members of the Remuneration Committee and 9,000 EUR to the Chairman of the Audit Committee and 6,000 EUR for other members of the Audit Committee.

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)	**2014**	**2013**
Basic salary	578,571	582,473
Variable compensation	45,622	446,918
Accrual for share-based incentive plan	43,403	—
Other benefits (fringe benefits)	8,580	—
Total	676,176	1,029,391
Pension	292,024	383,840
Total	**968,200**	**1,413,231**

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	**2014**	**2013**
Basic salary	1,584,709	1,545,695
Variable compensation	77,219	220,683
Redundancy compensations	—	631,631
Accrual for share-based incentive plan	70,747	—
Other benefits (fringe benefits)	49,481	51,310
Total	1,782,155	2,449,318
Pension	526,065	500,043
Total	**2,308,220**	**2,949,361**

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 additional 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.

The CEO and other Top Management Team members are participating Sanitec's share-based incentive plans. Details of the plans are presented in Note 29 Share-based payments.

Board of Directors, share ownership in Sanitec, number of shares	31 December 2014	31 December 2013
Fredrik Cappelen (chairman) [1)]	50,820	50,820
Adrian Barden	18,033	18,033
Caspar Callerström	–	–
Pekka Lettijeff	18,115	13,115
Ulf Mattsson [2)]	32,787	32,787
Johan Bygge	8,197	8,197
Margareta Lehmann	–	–
Joakim Rubin	–	–
Total	**127,952**	**122,952**

[1)] Shares held via endowment insurance.

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

Top Management Team, share ownership in Sanitec, number of shares	31 December 2014	31 December 2013
Peter Nilsson [3)]	170,434	163,934
Krister Boëthius	12,000	10,000
Miguel Definti	1,927	–
Gun Nilsson	50,180	49,180
Anders Spetz [4)]	3,000	1,000
Magnus Terrvik [3)]	99,000	98,360
Harald Treml	2,028	–
Liselotte Bergmark	–	–
Total	**338,569**	**322,474**

[3)] Includes shares owned personally and shares held via a related party and / or endowment insurance.

[4)] Member of the Top Management Team until 31 December 2014.

In addition, as at 31 December 2014, 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 20% 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 0.22% of indirect ownership in Sanitec Corporation as at 31 December 2014.

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 Stockholm. The loans were paid in full. Interests paid in cash in January - December 2013 amounted to EUR 1.9 million, excluding withholding taxes.

Receivables from and liabilities to other related parties

	31 December 2014	31 December 2013
Receivables from Sofia III S.à r.l.	0.0	0.1

Note 27 Subsidiary shares

The list of the Sanitec Group's subsidiaries is disclosed below. There are no material non-controlling interests in subsidiaries. The minor remaining non-controlling interest in PJSC Slavuta Plant "Budfarfor" is recognised as a liability in the statement of financial position.
During 2014 the Group acquired the non-controlling interest in Koralle International GmbH.

Name	Registered office	Parent holding	Ownership (%) 31 December 2014	Ownership (%) 31 December 2013
Lincoln Land Fünfte B.V.	Amsterdam, The Netherlands	X	100	100
Sanitec Europe Oy	Helsinki, Finland	—	100	100
Sanitec Russia Oy	Helsinki, Finland	—	100	100
Sanitec LLC	Moscow, Russia	—	100	100
Leda Holdings S.A.S.	Samoreau, France	—	100	100
IDO Kylpyhuone Oy	Tammisaari, Finland	—	100	100
Sanitec Holdings Norway A/S	Porsgrunn, Norway	X	100	100
Porsgrund Bad AS	Porsgrunn, Norway	—	100	100
Ifö Sanitär AB	Bromölla, Sweden	—	100	100
Contura Steel AB	Bromölla, Sweden	—	100	100
Allia International S.A.[1]	Samoreau, France	—	100	100
Allia Holding GmbH	Ratingen, Germany	X	100	100
Sanitec Beteiligungs- und Servicegesellschaft mbH	Vlotho, Germany	—	100	100
Varicor S.A.S.	Wisches, France	—	100	100
Varicor GmbH	Gaggenau, Germany	—	100	100
Allia S.A.S.	Samoreau, France	—	100	100
Produits Céramiques de Touraine S.A.S.[2]	Selles sur Cher, France	—	100	100
Alliages Céramiques S.A.S.	Limoges, France	—	100	100
B.V. de Sphinx Maastricht	Maastricht, The Netherlands	—	100	100
Sphinx IP B.V.	Maastricht, The Netherlands	—	100	—
Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft mbH	Enzersdorf an der Wischa, Austria	—	100	100
Bekon Koralle AG	Dagmersellen, Switzerland	—	100	100
Koralle International GmbH	Vlotho, Germany	—	100	94.8
Koralle Sanitärprodukte GmbH	Vlotho, Germany	—	100	100
Servico Gesellschaft fur Sanitärtechnik GmbH	Weißenburg in Bayern, Germany	—	100	100
Ceravid GmbH	Essen, Germany	—	100	100
Keramag Keramische Werke GmbH	Ratingen, Germany	—	100	100
Sanitec S.R.O.	Tabor, Czech Republic	—	100	100
Eurocer Industria de Sanitarios S.A.	Carregado, Portugal	—	100	100
Sanitec Kolo Sp. z o.o.	Koło, Poland	X	100	100
Scan Aqua Sp. z o.o.	Ozorków, Poland	—	100	100
Sanitec SSC Sp. z o.o.	Łódź, Poland	X	100	—
Sanitec Ukraine LLC	Kiev, Ukraine	—	100	100
Slavuta Holdings LLC	Kiev, Ukraine	—	100	100
PJSC Slavuta Plant "Budfarfor"[3]	Slavuta, Ukraine	—	99.6	99.5
Sanitec Trading LLC	Kiev, Ukraine	—	100	100
Sanitec Holding Italy S.p.A.	Milan, Italy	X	100	100
Pozzi Ginori S.p.A.	Milan, Italy	—	100	100
Royal Sanitec AB	Bromölla, Sweden	—	100	100
Sanitec UK Ltd	Alsager, United Kingdom	X	100	100
Twyford Pension Trustees Ltd	Alsager, United Kingdom	—	100	100
Twyford Holdings Ltd	Alsager, United Kingdom	—	100	100
Twyford Bathrooms	Alsager, United Kingdom	—	100	100
Twyford Ltd	Alsager, United Kingdom	—	100	100
Twyfords Ltd	Alsager, United Kingdom	—	100	100
Sanitec Trading (Zhongshan) Co. Ltd	Zhongshan, China	X	100	100
Sanitec Holdings Sweden AB	Bromölla, Sweden	—	100	100
Sanitec Trading LLC	Moscow, Russia	X	100	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] <0.4% 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 and is waiting the appeal proceedings to commence. 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 three members of the local company's present management have been 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 was closed and the public prosecutor served a notice of claim to the company and its present managers in January 2015. The company has not been claimed to be liable for acts and omissions of the subcontractor but certain other claims have been raised against the company and its present managers, as emanating from behavior of the subcontractor and one of the company's previous employees. The company is currently reviewing the notice and will take next legal procedural steps in accordance with the local law in due course. 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.

In Germany, a tax audit covering years 2007-2011 began in 2012 in Germany. The audit process is expected to be closed during 2015. Sanitec has recognised provisions for the anticipated result of the tax audit 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 Share-based payments

The annual general meeting of Sanitec resolved on 13 May 2014 on a share-based plan in order to align the participants' interests and rewards with those of the shareholders and it is, therefore, for the benefit of the company.

Sanitec's share-based plan 2014 comprises of approximately 25 employees, consisting of the top management team and other key employees. To participate in in the plan, a personal shareholding in Sanitec is required. Following the vesting periods, the participants will be allocated shares in Sanitec free of charge provided that certain conditions are fulfilled. In order for so-called matching share rights to give the participant entitlement to receive shares in Sanitec, continued employment with Sanitec is required, the personal shareholding in Sanitec must have been continuously retained and the total shareholder return ("TSR") of the shareholders in Sanitec must be greater than 0%. Allocation of shares on the basis of so-called performance share rights requires continued employment, the personal shareholding must have been continually retained and, furthermore, depends on the fulfilment of certain financial performance conditions. The share-based plan is split into three different series according to the term of the vesting periods (Series 2014, Series 2014-2015 and Series 2014-2016). As a maximum, 340,000 shares in Sanitec may be allocated under the plan, representing 0.34% of the outstanding shares and votes in Sanitec.

The expenses arising from the share-based plan, social costs included, were EUR 0.3 million in 2014. Liabilities in the statement of financial position related to the share-based plan were EUR 0.0 million.

In the event of change in control in Sanitec, a reduced allocation of shares will be calculated. According to the terms of the plan, the Remuneration Committee of the Board of Directors can decide to make exception to the reduced allocation of shares.

The general terms and conditions of the share-based incentive plan

		Share-based incentive plan 2014
Grant date		13 June 2014
Vesting conditions		
Market		Total shareholder return ("TSR") > 0%
Non-market		Sanitec's average organic net sales growth; average EBIT margin; average return on capital employed (ROCE); average growth in earnings per share (EPS).
Other		Personal ownership of shares in Sanitec and continuing employment in Sanitec

Note 30 Events after the reporting period

Sanitec Corporation received on 5 January 2015 from Geberit AG a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, should the tender offer be completed, the ownership of Geberit AG would be on the basis of the acceptances received by 2 January 2015 (including the shares represented by irrevocable undertakings given by Sofia IV S.à r.l and Zeres Public Market Fund) 81,201,963 shares, corresponding to approximately 81.20% of all shares and votes in Sanitec Corporation (including the 190,000 treasury shares held by Sanitec Corporation).

Sanitec Corporation received on 15 January 2015 from Geberit AG a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, should the tender offer be completed, the ownership of Geberit AG would be on the basis of the acceptances received by 14 January 2015 (including the shares represented by irrevocable undertakings given by Sofia IV S.à r.l and Zeres Public Market Fund) 62,636,325 shares, corresponding to approximately 62.64% of all shares and votes in Sanitec Corporation (including the 190,000 treasury shares held by Sanitec Corporation). The completion of the tender offer is subject to the satisfaction or waiver by Geberit AG of certain conditions to completion.

Morgan Stanley informed Sanitec Corporation that its indirect ownership in Sanitec Corporation had increased over the threshold of 5.0% of the company's shares and votes as a result of acquisition of shares on 26 January 2015. According to the notification, Morgan Stanley now owned indirectly 5,101,418 shares, equal to approximately 5.10% of Sanitec Corporation's share capital and votes.

Geberit AG informed on 30 January 2015 that it had received necessary competition clearance for completion of the public tender offer from the relevant competition authorities. As a result, completion of the offer was no longer conditional upon receipt of necessary clearance from authorities.

Geberit AG announced on 3 February 2015 that the public tender offer is completed through Geberit Investment Oy, an indirectly wholly owned subsidiary of Geberit AG. According to the notification, when the completion trades of the offer are settled and the title to the tendered shares is transferred to Geberit Investment Oy, the direct ownership of Geberit Investment Oy and the indirect ownership of Geberit AG would be 99,080,684 shares, corresponding to approximately 99.08% of all shares and votes in Sanitec (including the 190,000 treasury shares held by Sanitec).

Geberit AG announced on 3 February 2015 that all the conditions for the completion of the public tender offer have been fulfilled and that the offer has been declared unconditional. Geberit expected the settlement for shares tendered up until 2 February 2015 to take place on or about 10 February 2015. Geberit AG announced furthermore an extended acceptance period, allowing the remaining shareholders of

Sanitec to accept the offer until 17 February 2015 at 5:00 p.m. (CET).

The Board of Directors of Sanitec resolved on 3 February 2015 to dissolve the share-based incentive plan 2014 and to transfer 50,802 treasury shares held by the company to the participants of the plan in accordance with the terms and conditions of the plan. The transfer took place via a directed share issue without consideration pursuant to the authorisation granted to the Board of Directors. The transfer of the treasury shares was completed on 4 February 2015. After the completion of the transfer, Sanitec holds in total 139,198 treasury shares.

Sanitec received on 10 February 2015 from Sofia IV S.à r.l. a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the ownership of Sofia IV S.à r.l. in Sanitec decreases to zero on 10 February 2015 pursuant to the completion of the public tender offer.

Sanitec received on 9 February 2015 from Zeres Capital AB a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the ownership of Zeres Capital AB in Sanitec through Zeres Public Market Fund decreases to zero pursuant to the settlement of the trades in the public tender offer on 10 February 2015.

Sanitec received on 9 February 2015 from Geberit a new notification pursuant to chapter 9, section 5 of the Finnish Securities Markets Act. According to the notification, the execution of the completion trades of the public tender offer was initiated, and the settlement will take place on or around 10 February 2015. According to the notification, the direct ownership of Geberit Investment Oy and the indirect ownership of Geberit AG upon the completion of the settlement and the transferring of title to the tendered shares is 99,080,684 shares, corresponding to approximately 99.08% of all shares and votes in Sanitec (including the 139,198 treasury shares held by Sanitec).

Geberit AG announced on 11 February 2015 that it had completed the settlement of the acquisition of 99,080,684 Sanitec shares tendered in the Offer. The said shares correspond to 99.22% of all shares and votes in Sanitec (excluding 139,198 treasury shares held by Sanitec as of 11 February 2015). Geberit announced furthermore an extended acceptance period, allowing the remaining shareholders of Sanitec to accept the Offer until 2 March 2015 at 5:00 p.m. (CET).

The Board of Directors of Sanitec Corporation decided on 11 February 2015 to apply for delisting of the Sanitec shares from NASDAQ Stockholm.

Sanitec Corporation was informed on 12 February 2015 that the Company's application for delisting has been approved by NASDAQ Stockholm and that the last day of trading in the Sanitec shares on NASDAQ Stockholm will be on 27 February 2015.

Morgan Stanley informed Sanitec Corporation on 12 February 2015 that its indirect ownership in Sanitec has decreased below the threshold of 5.0% of Sanitec's shares and votes on 10 February 2015.

Geberit Investment Oy notified Sanitec Corporation on 12 February 2015 that it holds more than nine tenths (9/10) of all the shares and votes in Sanitec. Consequently, Geberit notified the right, based on Chapter 18, Section 1 of the Finnish Companies Act, to redeem the shares held by other Sanitec shareholders at fair value. Geberit has decided to exercise its redemption right and to redeem all the shares held by the remaining shareholders in Sanitec. The price to be offered by Geberit in the redemption proceedings is EUR 10.36 per share, which corresponds in euro to the offer consideration of SEK 97.00 paid by Geberit in the public tender offer announced on 14 October 2014. Geberit has notified that any possible transfer tax collected in Finland deriving from the redemption as well as the payments and charges arising from the book-entry registrations carried out as a consequence of the redemption will be borne by Geberit. To implement the redemption, Geberit will initiate arbitration proceedings as provided in the Finnish Companies Act.

The Board of Directors of Sanitec Corporation convened on 13 February 2015 an extraordinary general meeting of shareholders to take place in Stockholm, Sweden on 9 March 2015 in order to adopt decisions inter alia regarding new members and chairman of Board of Directors.

Sanitec prepaid and cancelled on 16 February 2015 voluntarily the EUR 275 million multicurrency term loan and revolving credit facilities. The voluntary prepayment was funded with new loan facilities of EUR 175 million made available to Sanitec by subsidiaries of Geberit AG.

Key ratios

(All amounts in EUR millions)

	2014	2013	2012
Net sales	689.4	701.8	752.8
Operating profit	78.9	67.9	73.0
Operating margin, %	11.4	9.7	9.7
Items affecting comparability	—	-6.5	-4.9
Operating profit, adjusted	78.9	74.4	77.9
Operating margin, %, adjusted	11.4	10.6	10.4
EBITDA, adjusted	103.5	102.7	107.7
EBITDA margin, %, adjusted	15.0	14.6	14.3
Profit before taxes	53.3	48.2	67.0
Profit for the period	45.6	42.5	71.7
As percentage of net sales, %	6.6	6.1	9.5
Cash flow from operating activities	73.8	74.7	87.9
Total assets	438.5	531.0	657.8
Total equity	46.3	44.4	243.7
Net debt	120.1	150.6	-42.9
Net debt / EBITDA, adjusted	1.2	1.5	-0.4
Equity ratio, %	10.6	8.4	37.1
Net gearing, %	259.6	339.7	-17.6
Return on capital employed (ROCE), %, rolling 12 months	31.2	19.4	19.3
Return on equity, %, rolling 12 months	110.9	35.7	34.5
Cash conversion	79	82	88
Average number of employees	6,176	6,516	7,004
Number of employees at the end of period	6,149	6,211	6,688
Investments in property, plant and equipment and intangible assets	21.2	19.3	13.1
Investments in shares in subsidiaries	1.0	0.0	0.0
Total gross capital expenditure	22.1	19.3	13.1
Gross capital expenditure as percentage of net sales, %	3.2	2.8	1.7
Research and development expenses, total	-10.4	-9.6	-8.3
As percentage of net sales, %	1.5	1.4	1.1

Share related figures

	2014	2013	2012
Number of shares, end of period, share issue adjusted	100,000,000	100,000,000	100,000,000
Number of shares, end of period, share issue adjusted, excluding treasury shares	99,810,000	100,000,000	100,000,000
Number of shares, average, share issue adjusted, excluding treasury shares	99,931,466	100,000,000	100,000,000
Number of shares, average, diluted , excluding treasury shares	99,941,769	100,000,000	100,000,000
Share price, end of period, SEK	96.75	67.50	—
Share price, end of period, EUR [1)]	10.30	7.62	—
Share price, year high, SEK	97.25	67.50	—
Share price, year high, EUR [1)]	10.35	7.62	—
Share price, year low, SEK	62.75	62.00	—
Share price, year low, EUR [1)]	6.68	7.00	—
Share price, volume-weighted average, SEK	85.14	64.10	—
Share price, volume-weighted average, EUR [2)]	9.36	7.41	—
Market capitalisation, SEK million	9,656.6	6,750.0	—
Market capitalisation, EUR million [1)]	1,028.1	761.9	—
Number of shares traded during the period, million shares	141.3	19.7	—
Share turnover, %	141.4	19.7	—
Earnings per share (EPS), basic, EUR	0.46	0.42	0.72
Earnings per share (EPS), diluted, EUR	0.46	0.42	0.72
Earnings per share (EPS), basic, SEK[1)]	4.29	3.76	6.15
Earnings per share (EPS), diluted, SEK[1)]	4.28	3.76	6.15
Equity attributable to owners of the parent per share, EUR	0.46	0.44	2.44
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)	22.6	17.9	—
Price / equity per share	22.2	17.2	—

Sanitec's share was listed in NASDAQ 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 and 2012 distributions were refunds of capital from reserve for invested unrestricted equity.

Exchange rates

	2014	2013	2012
Closing			
EUR/NOK	9.0420	8.3630	7.3483
EUR/PLN	4.2732	4.1543	4.0740
EUR/GBP	0.7789	0.8337	0.8161
EUR/SEK	9.3930	8.8591	8.5820
EUR/UAH	19.2009	11.3413	10.6376
Average			
EUR/NOK	8.3544	7.8067	7.4751
EUR/PLN	4.1843	4.1975	4.1847
EUR/GBP	0.8061	0.8493	0.8109
EUR/SEK	9.0985	8.6515	8.7041
EUR/UAH	15.9622	10.84249	10.40006

Definitions of key ratios

Key figure	Definition
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 excluding treasury shares 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 2014	1 January – 31 December 2013
NET SALES	2	**20,118.5**	**17,828.7**
Personnel expenses	3	-1,287.3	-1,480.9
Amortisation	4	-1,546.4	-1,481.3
Other operating expenses	5	-20,083.0	-19,981.7
OPERATING PROFIT/LOSS		**-2,798.1**	**-5,115.2**
Financial income and expenses			
Dividend income	6	29,015.4	8,582.4
Interest income and financial income	6	4,494.4	6,867.1
Impairment losses and reversals of impairment losses of non-current assets	7	57,964.4	70,683.2
Interest expenses and other financial expenses	6	-20,068.8	-9,964.1
		71,405.4	76,168.5
PROFIT BEFORE EXTRAORDINARY ITEMS, APPROPRIATIONS AND TAXES		**68,607.3**	**71,053.4**
PROFIT FOR THE FINANCIAL YEAR		**68,607.3**	**71,053.4**

Sanitec Corporation Balance Sheet

(All amounts in EUR thousands)

	Note	31 December 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS	8		
Intangible assets			
Intangible rights		11,093.3	11,859.0
Advance payments and construction in progress		2,011.3	140.3
Investments			
Shares in group companies		543,372.9	550,019.6
TOTAL NON-CURRENT ASSETS		**556,477.5**	**562,018.9**
CURRENT ASSETS			
Non-current receivables			
Receivables from group companies	9	9,812.1	87,419.7
Other receivables	9	626.5	11,240.5
Current receivables			
Receivables from group companies	9	52,199.2	19,098.4
Other receivables	10	0.3	193.0
Prepaid expenses and accrued income	10	1,506.9	299.3
Cash and cash equivalents		41.3	72.1
TOTAL CURRENT ASSETS		**64,186.2**	**118,323.0**
TOTAL ASSETS		**620,663.7**	**680,341.8**
EQUITY AND LIABILITIES			
EQUITY	11		
Share capital		2,813.1	2,813.1
Share premium reserve		43,708.0	43,708.0
Fair value reserve		-8.7	-1.0
Reserve for invested unrestricted equity		325,116.5	347,116.5
Retained earnings		25,260.3	-44,144.8
Net profit for the period		68,607.3	71,053.4
TOTAL EQUITY		**465,496.6**	**420,545.1**
NON-CURRENT LIABILITIES			
Term loan		125,000.0	—
Senior secured floating rate notes		—	250,000.0
Overdraft facilities		19,331.2	—
TOTAL NON-CURRENT LIABILITIES		144,331.2	250,000.0
CURRENT LIABILITIES			
Trade payables		462.3	372.1
Current liabilities to group companies	12	8,406.4	5,867.0
Other current liabilities	13	92.6	221.4
Accrued expenses and deferred income	14	1,874.6	3,336.2
TOTAL CURRENT LIABILITIES		**10,835.9**	**9,796.7**
TOTAL LIABILITIES		**155,167.1**	**259,796.7**
TOTAL EQUITY AND LIABILITIES		**620,663.7**	**680,341.8**

Sanitec Corporation Cash Flow Statement

(All amounts in EUR thousands)

	1 January– 31 December 2014	1 January – 31 December 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	-2,798.1	-5,115.2
Adjustments to operating profit		
Amortisation	1,546.4	1,481.3
Cash flow before change in working capital	**-1,251.7**	**-3,633.9**
Change in working capital		
Increase (-) / decrease (+) in current interest-free receivables	-3,999.0	-1,808.9
Increase (+) / decrease (-) in current interest-free liabilities	2,636.7	1,482.8
Cash flow from change in working capital	**-1,362.3**	**-326.1**
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES		
Interests paid	-9,353.7	-6,598.2
Dividends received	29,015.4	8,582.4
Interests received	4,417.9	6,862.2
Other financial items received and paid	-4,399.3	-79.6
CASH FLOW FROM OPERATING ACTIVITIES	**17,066.2**	**4,806.8**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in shares in subsidiaries	-662.8	-70,588.6
Investments in intangible assets	-2,651.6	-141.1
CASH FLOW FROM INVESTING ACTIVITIES	**-3,314.4**	**-70,729.7**
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-1,648.3	—
Distribution from the reserve for invested unrestricted equity	-22,000.0	-238,333.3
Drawdown (+) of non-current interest-bearing liabilities	223,318.3	240,435.0
Repayment (-) of non-current interest-bearing liabilities	-329,669.0	—
Change in loan receivables, increase (-) / decrease (+)	116,216.4	63,523.7
CASH FLOW FROM FINANCING ACTIVITIES	**-13,782.6**	**65,625.3**
CHANGE IN CASH AND CASH EQUIVALENTS, INCREASE (+) / DECREASE (-)	**-30.8**	**-297.6**
Cash and cash equivalents at the beginning of period	72.1	369.7
Cash and cash equivalents at the end of period	41.3	72.1
Change in cash and cash equivalents	**-30.8**	**-297.6**

Note 1 Accounting principles

Sanitec Corporation is a public limited liability company organised under the laws of Republic of Finland. Sanitec's share is publicly traded in the NASDAQ 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 Corporations'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	2014	2013
Central Europe	5,526.1	5,229.9
East Europe	3,829.3	3,327.1
North Europe	5,157.9	4,330.9
South Europe	4,375.7	3,713.1
United Kingdom and Ireland	1,229.5	1,227.8
Total	**20,118.5**	**17,828.7**

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

Note 3 Personnel costs

	2014	2013
Wages and salaries	-918.0	-1,106.5
Pension costs	-198.6	-188.2
Other personnel costs	-170.8	-186.1
Total	**-1,287.3**	**-1,480.9**
Average number of personnel	3	3

Management remuneration

Management remuneration is presented in Note 26 of the consolidated financial statements.

Note 4 Amortisations

	2014	2013
Intangible rights	-1,546.4	-1,481.3

Note 5 Other operating expenses

	2014	2013
Administration costs	-20,083.0	-19,981.7
Includes fees for auditor:		
Audit fee	-78.0	-78.0
Other audit related fees	-10.7	-329.1
Total	**-88.7**	**-407.1**

Note 6 Financial income and expenses

	2014	2013
Dividend income		
From group companies	29,015.4	8,582.4
Interest and other financial income		
From group companies	4,389.9	6,807.1
From external parties	31.2	55.1
Realised currency exchange differences, net	73.3	4.9
Total	**4,494.4**	**6,867.1**
Interest and other financial expenses		
To group companies	-252.9	-82.7
To external parties	-19,815.8	-9,504.3
Unrealised currency exchange differences, net	-0.1	-377.1
Total	**-20,068.8**	**-9,964.1**
Total financial income and expenses	**13,441.01**	**5,485.38**

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

	2014	2013
Reversal of impairment losses of receivables from group companies	65,273.9	70,683.2
Impairment losses of shares in subsidiaries	-7,309.5	—
Total	**57,964.4**	**70,683.2**

Note 8 Non-current assets

	2014	2013
Intangible assets		
Intangible rights		
Acquisition cost at the beginning of the period	14,821.3	14,810.0
Reclassifications	780.6	11.3
Acquisition cost at the end the period	15,601.9	14,821.3
Accumulated amortisation at the beginning of the period	-2,962.3	-1,481.0
Amortisation for the financial period	-1,546.4	-1,481.3
Accumulated amortiation at the end of the period	-4,508.7	-2,962.3
Carrying amount at the end of the period	**11,093.3**	**11,859.0**

	2014	2013
Advance payments and construction in progress		
Acquisition cost at the beginning of the period	140.3	10.6
Additions	2,651.6	141.1
Reclassifications	-780.6	-11.3
Carrying amount at the end of the period	**2,011.3**	**140.3**
Investments		
Shares in group companies		
Carrying amount at the beginning of the period	550,019.6	479,361.0
Impairment losses	-7,309.5	–
Additions	662.8	70,588.6
Carrying amount at the end of the period	**543,372.9**	**550,019.6**

Subsidiaries	**Number of shares**	**Currency of the subsidiary**	**Nominal value of the share capital (in thousand)**	**Ownership, %**	**Carrying amount 2014**	**Carrying amount 2013**
Sanitec Holding Italy S.p.a.	12,000	EUR	120	100	0.0	5,595.0
Sanitec Holdings Norway A/S	2,000	NOK	200	100	2,936.7	2,936.7
Sanitec SSC sp.zo.o	800	PLN	800	100	383.1	—
Sanitec Kolo Sp. zo.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	0.0	1,169.5
Slavuta Holdings LLC	n/a	UAH	56,629	1	0.0	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	69,666.8
Total shares in subsidiaries					**543,372.9**	**550,019.6**

Shares in subsidiaries are also presented in Note 27 of the consolidated financial statements.

Note 9 Receivables

	2014	2013
Receivables from group companies		
Non-current receivables		
Loan receivables from group companies	9,812.1	87,419.7
Total	**9,812.1**	**87,419.7**
Current receivables		
Trade receivables	21,423.1	18,046.0
Group's in-house bank account receivable	29,724.7	305.2
Other receivables	401.0	401.0
Prepaid expenses and accrued income	650.4	346.1
Total	**52,199.2**	**19,098.4**
Total receivables from group companies	**62,011.3**	**106,518.1**
Other non-current receivables		
Capitalised fee of interest-bearing loans	626.5	8,486.0
Other non-current receivables	—	2,754.4
Total	**626.5**	**11,240.5**
Other current receivables		
VAT receivable	—	192.8
Other current receivables	0.3	0.3
Total	**0.3**	**193.0**

Note 10 Major items included in accrued receivables

	2014	2013
Other financial items	701.2	6.7
Other accruals	805.7	292.6
Total	**1,506.9**	**299.3**

Note 11 Shareholders' equity

	2014	2013
Share capital in 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 in 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 in the beginning of the period	-1.0	3.2
Change during the period	-7.6	-4.2
Fair value reserve at the end of the period	**-8.7**	**-1.0**
Total restricted equity	**46,512.5**	**46,520.1**
Reserve for invested unrestricted equity in the beginning of period	347,116.5	585,449.8
Distribution from reserve for invested unrestricted equity	-22,000.0	-238,333.3
Reserve for invested unrestricted equity at the end the period	**325,116.5**	**347,116.5**
Retained earnings in the beginning of the period	26,908.6	-44,144.8
Acquisition of treasury shares	-1,648.3	—
Net profit / loss for the period	68,607.3	71,053.4
Retained earnings at the end of the period	**93,867.6**	**26,908.6**
Total equity	**465,496.6**	**420,545.1**

Note 12 Current liabilities to group companies

	2014	2013
Current liabilities to group companies		
Trade payables	7,749.3	4,692.2
Accrued expenses and deferred income	641.6	1,174.8
Other current payables	15.5	—
Total	**8,406.4**	**5,867.0**

Note 13 Other current liabilities

	2014	2013
Employee witholding taxes	88.3	221.4
VAT payable	4.3	—
Total	**92.6**	**221.4**

Note 14 Major items included in accrued expenses and deferred income

	2014	2013
Personnel expenses	232.1	274.4
Interest expenses	111.4	1,587.0
Other financial items	102.9	239.8
Other operating expenses	1,428.2	1,235.0
Total	**1,874.6**	**3,336.2**

Note 15 Contingent liabilities

	2014	2013
Pledged assets		
Carrying amount of pledged assets		
On behalf of group companies	—	2,690.4
Total	**—**	**2,690.4**
Guarantees and other commitments		
Guarantees		
On behalf of group companies	5,940.6	6,151.9
Total	**5,940.6**	**6,151.9**
Total contingent liabilities [1)]	**5,940.6**	**8,842.3**

[1)] In addition to the above, with reference to 31 December 2013, Sanitec Corporation had 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.

Rental liabilities		
Future rental payments falling due within 1 year	15.0	—
Future rental payments falling due within 1-2 years	15.0	—
Future rental payments falling due within 2-3 years	6.2	—
Total	**36.2**	**—**

Leasing period related to cars is normally 3 years and there is no redemption obligation.

Note 16 Derivative instruments

	2014	2013
Foreign currency forward contracts, with group companies		
Positive		
Fair value	—	0.5
Nominal value	—	55.8
Negative		
Fair value	-8.4	-1.1
Nominal value	421.3	102.6

Board of Directors' Proposal on the Distribution of Funds

The distributable funds of Sanitec Corporation, the parent of Sanitec Group, total to EUR 418,975,414.13, of which the profit for the financial year is EUR 68,607,312.19. The funds available for dividend distribution are EUR 93,858,929.42, and the funds available for refund of capital are EUR 325,116,484.71.

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed from the result for the year nor from retained earnings and that the profit for the financial year is transferred to retained earnings in shareholders' equity. EUR 418,975,414.13 will be left in distributable funds.

Helsinki, 27 February 2015

Fredrik Cappelen
Chairman of the Board

Adrian Barden

Caspar Callerström

Pekka Lettijeff

Ulf Mattsson

Johan Bygge

Margareta Lehmann

Joakim Rubin

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, 2014. 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, 27 February 2015
KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant